



# Sustainable Growth

2007 Sustainability Report

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## Report Outline

### Purpose

This is the second sustainability report issued by LG Chem. Our first edition was released in July 2007.

In preparing this report, we expended greater efforts to include information that are relevant to our stakeholders. We incorporated feedback on our previous report from sustainability experts in Korea and LG Chem stakeholders. We also paid close attention to their views in setting the direction of 2007 Sustainability Report.

As part of the preparation process, we set up a taskforce team and held a workshop as we selected issues for coverage in this report.

### Scope

This report covers the period from January 1 to December 31, 2007. Data from 2005 and 2006 are also included when necessary to assist in understanding trends on quantitative indicators. The report covers Seoul Head office, our eight business sites in Korea (Yeosu, Cheongju, Ochang, Ulsan, Onsan, Naju, Iksan, Daesan) and LG Chem Research Park (Daejeon) For major activities, information on overseas production plants was also included. Due to the merger of LG Petrochemical as of November 2007, this report also covers activities and performance data on the petrochemical business.

### Third Party Assurance

Prior to publishing this report, we received assurance by Korea Management Association Registration and Assessment (KMAR) to ensure credibility of information and data contained herein and the report preparation process. For Assurance Report, please refer to pages 105~106.

### Guideline

This report was prepared based on the Global Reporting Initiative (GRI) G3 Guidelines.

### Additional Information

We have published Korean and English versions of this report. The report can also be viewed from our website at <http://www.lgchem.com>.

### Contact Point

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# Company profile

## Global Solution Partner, Growing Together with Customers

Founded in 1947, LG Chem has demonstrated stable growth over the years on the back of continuous technology development, new product launches and quality innovation. As Korea's leading chemical company, we have contributed to advancing the local economy and enhancing quality of life.

With production, sales, and R&D networks spanning the globe, LG Chem provides petrochemicals, IT and electronic materials, and industrial materials to customers worldwide. We will continue to proceed with the five initiatives under Speed Management: Enhancing Business Competitiveness, Securing Engines for Growth, Results-Driven R&D, Customer Value Innovation, and Enhancing Organization Capability. Our goal is to grow as a global enterprise that provides uniquely differentiated materials and solutions.

## Overview

Company name	LG Chem, Ltd.
Address	LG Twin Towers, 20 Yeouido-dong, Yeongdeungpo-gu, Seoul 150-721, Korea
Date established	Jan. 1947
Number of employees	15,834 (10,780 in Korea, 5,054 overseas)
Financial snapshot	

## Financial Snapshot

[Unit: KRW billion]

•	<b>Total assets</b>	•	•	<b>Total liabilities</b>	•	•	<b>Total shareholders' equity</b>	•
	7,050.0			3,171.8			3,878.2	
•	<b>Sales</b>	•	•	<b>Operating profit</b>	•	•	<b>Net profit</b>	•
	10,795.3			763.6			686.2	

• As of Dec. 2007

## Main Products by Group

<b>Petrochemicals</b>	NCC/PO	NCC products (ethylene, propylene), petrochemical products (PE, PP, etc.)
	Rubbers/ Speciality Resins	Synthetic rubber products, MBS as an impact modifier, SBS as an asphalt modifier, Latex for paper coating or gloves, and BPA for epoxy resin
	PVC	Synthetic resins widely used in living and building materials, chassis, pipe, flooring materials
	ABS/EP	ABS resins and engineering plastics used in electric/electronic devices and automobiles
	Acrylates/Plasticizers	High absorbent polymers, acrylates, and plasticizers used as raw material for paints and adhesives
<b>IT and Electronic Materials</b>	Mobile Energy	Lithium-ion batteries, lithium-ion polymer batteries
	Optical Materials	Polarizers, PDP filters
	Electronic Materials	Phosphors, photo sensitive materials, over coating materials for LCD, toners, OLED materials, electrolyte, printed circuit materials, cathode materials
<b>Industrial Materials</b>	Housing Solutions	Construction materials, such as window products and glasses, and interior decorating materials for flooring, wall papering, tiling, etc.
	Living Solutions	High-gloss sheets, interior films, artificial marble products HI-MACS®, advertising materials
	Automotive Solutions	High quality fabric for automotives, interior/exterior trims
	Interior Solutions	Home and office system furniture and interior wood as well as one-stop space layouts under 'DSQUARE' brand

## Sales Performance

[Unit: KRW billion]

	2005	2006	2007
<b>Petrochemicals</b>	4,065.7	5,611.5	6,509.7
<b>IT and Electronic Materials</b>	1,268.0	1,605.8	2,133.3
<b>Industrial Materials</b>	2,078.9	2,068.6	2,136.0
<b>Others</b>	12.5	16.4	16.3
<b>Total</b>	7,425.1	9,302.3	10,795.3

## Affiliation with External Organizations

### Korea Business Council for Sustainable Development (KBCSD)

- Identify global industry trends in corporate sustainability management
- Identify and take actions to address sustainability issues

### The Institute for Industrial Policy Studies (IPS) BEST Forum

- Gather information and case studies on business ethics
- Participate in forums and workshops

### Korea Association of Environmentally Friendly Companies

- Association of companies designated as being environmentally friendly
- Promote environmental management through seminars, workshops, etc.
- Yeosu, Cheongju, Ochang, Ulsan, Onsan, Naju, and Iksan plants

### Industry Associations

- Korea Petrochemical Industry Association, Korea Responsible Care Council, Korea Chemicals Management Association, Korea Automobile Manufacturers Association, Korea Mech. Const. Contractors Association
- Discuss ways to address industry-specific issues

## Message from the CEO



On behalf of LG Chem, I am delighted to offer you information on our economic, environmental, and social performances in this 2007 Sustainability Report. Committed to being a good, responsible corporate citizen, we at LG Chem have exerted our utmost efforts to help improve the betterment of society and the national economy while protecting the environment as a leading company in the Korean chemical industry during the past six decades.

We believe that sustainability management will not only ensure the sound environmental management of entrepreneurs but also safeguard people and nature. It is this belief that has led us to put all of our hearts in the core of our activities coupled with farsighted vision and objectives.

In fiscal year 2007, we are pleased to report that our business results turned out to be the highest ever recorded since our establishment. Setting sights on targeted areas and checking and rechecking the progresses at all stages of our performance in concert with Speed Management initiatives have brought us robust turnovers despite the general recession worldwide due mainly to skyrocketing oil prices. We continue to accelerate Speed Management initiatives by Enhancing Business Competitiveness, Securing Engines for Growth, Results-Driven R&D, Customer Value Innovation, and Enhancing Organization

Capability in all lines of businesses in order to keep our growth momentum moving forward as well as to overcome adverse business factors, including the unprecedented levels of high prices of oil and primary feedstocks.

At LG Chem, we consider that handing down clean nature to future generations is one of the greatest responsibilities of a chemical company. Therefore, we lay great emphasis particularly on environmental management as we aspire to help shape a sustainable future where people share fruits of economic growth in harmony with wholesome nature. Our environmental management is directed toward seeking the betterment for society through conducting eco-friendly practices and innovating manufacturing processes and eco-friendly product features while minimizing the use of energy and natural resources in line with strict pollutant controls.

Meanwhile, we have prepared a wide range of environmental measures and put them into action to proactively cope with directives of the United Nations Framework Convention on Climate Change and EU's REACH on chemical substances as well as upcoming international regulations and issues related to the environment and energy.

It is apparent that fair, ethical, and responsible practices are managerial fundamentals, imperative to win the trust and respect of our customers, shareholders, business

partners, communities, and employees. Therefore, we strictly follow such fundamentals on the basis of the right path of management.

Industry leadership also comes many special responsibilities to society, so that we do our best to make what a people-oriented company can do to make contributions for the well-being of society, thus hoping to win the hearts and respect of customers, shareholders, and people around the world. There will be numerous constraints and obstacles that lie ahead in our path. However, as our vision goes far beyond the growth of our presence, we take decisive steps in pursuit of a sustainable future for all. In closing, we extend our heartfelt thanks again to all of you and look forward to your unwavering support.



**Bahn-Suk Kim** | Vice Chairman & CEO

# 2007 Highlights



## Record High Performance

LG Chem recorded revenue of KRW 10,795.3 billion and operating profit of KRW 763.6 billion for fiscal year 2007. We had year-on-year sales growth rates of 16.0% and 128.7%. Recurring profit shot up 108.0% to KRW 822.4 billion and net profit rose by 115.2% to KRW 686.2 billion. The main engines behind the strong performance were growth of the optical materials business and enhanced profitability in Petrochemicals and IT and Electronic Materials. On consolidated basis (including subsidiaries), we posted revenue of KRW 13,553.5 billion, operating profit of KRW 1,181.5 billion, recurring profit of KRW 1,069.3 billion and net profit of KRW 686.2 billion. Revenue and operating profit reached record high levels both on non-consolidated and consolidated basis. Over the year, each business company strived to deliver unique solutions to promote customer

success while the entire workforce fully embraced Speed Management to achieve our business targets.

Meanwhile, LG Chem is building up its presence as a global enterprise with the export ratio surpassing 50%. We received the \$5 Billion Export Tower Award from the Korean government at a ceremony marking the 44th Trade Day on November 30, 2007.



## Merger of LG Petrochemical

As of November 1, 2007, LG Petrochemical was merged into LG Chem. We expect the merger to increase corporate value by reinforcing our market presence and improving our financial structure. Following the union, our ethylene production capacity increased to 1.66 million tons per annum (LG Chem's 760,000 tons, LG Petrochemical's 900,000 tons). That made LG Chem the second largest ethylene maker in Korea and the fifth largest in Asia. In addition to greater bargaining power over raw material suppliers and lower capital costs, the merger paved the way for enhanced competitiveness through the integration of production, sales, and R&D systems.



## Winning the Largest BIPV Project in Korea

LG Chem has entered the business of Building Integrated Photovoltaics (BIPV) which combines solar power systems with building materials. Given the growing attention on greenhouse gas emission associated with buildings, BIPV is expected to play an important role in addressing climate change. On May 3, 2007, we signed an agreement on BIPV with Sun Energy of Germany at our headquarters in Seoul. The deal gives us access to technology and photovoltaic modules of Sun Energy. In early September, we started work on setting up a BIPV system in the shopping mall of the southeast logistics complex under construction in the Munjeong-dong area in Seoul. Led by the Seoul metropolitan government, this is the largest BIPV project in Korea.





## Greenhouse Gas Management System

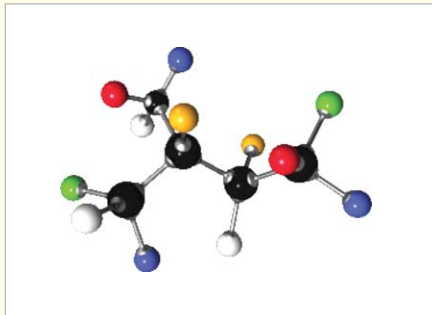
LG Chem created a Web-based Greenhouse Gas (GHG) management system in 2007. The system comprises three modules: energy module, inventory module, and reduction project module.

The energy module maintains information on planned and actual consumption of energy, in addition to a database of statistical and analytical data.

The inventory module is based on internationally recognized standards such as the IPCC Guideline and the WRI greenhouse gas protocol. We set up our initial GHG inventory in 2005 and we are now building GHG inventories for LG Daesan Petrochemicals and LG Petrochemical which we respectively absorbed in 2006 and 2007.

The reduction project module is used to generate ideas for GHG reduction initiatives, monitor their implementation, and record actual reduction results. Some reduction projects are registered with the National Registry and the reduction levels are certified by a third party.

In 2008, we plan to complete test operation of the GHG management system and input historical data to enhance GHG management.



## Responding to REACH

REACH (Registration, Evaluation, Authorization, and Restriction of Chemicals) is the new European chemicals regulation that went into effect in June 2007. It stipulates that all chemicals imported to or produced in the EU exceeding one ton per year must be registered with the European Chemicals Agency. Pertinent chemicals have to be pre-registered within the designated period for continued distribution in the EU market. LG Chem set up a REACH taskforce team in 2006 and has been preparing for pre-registration of all products exported to the EU.

Under REACH, omission of even a single raw material will make it impossible to distribute the product in the EU market. That means cooperation with our suppliers is crucial. We have given

presentations on REACH to suppliers and opened a hotline to receive their requests for related consultation.



## Top Prize in Korea Management Awards' HR Management Category

In 2007, LG Chem received the top prize in the Korea Management Awards' HR management category given by the KMAC for the second year in a row. Under the belief that a company's greatest asset is its people, we have introduced various programs to retain and foster high caliber employees.

We are striving to ensure fair evaluation and compensation while upgrading our corporate culture to create a rewarding and motivating work environment.

**SUSTAINABILITY  
MANAGEMENT SYSTEM**



- 11 \_ Sustainability Management Vision
- 12 \_ Corporate Governance
- 14 \_ 'Jeong-Do' Management
- 17 \_ Corporate Culture
- 20 \_ Risk Management
- 23 \_ Stakeholder Communication



# SUSTAINABILITY IN ALL WE DO

Under the principles of 'Jeong-do' Management LG Chem gives balanced consideration to economic profits, environmental soundness, and social responsibility. We have a firm commitment to promoting sustainable development.

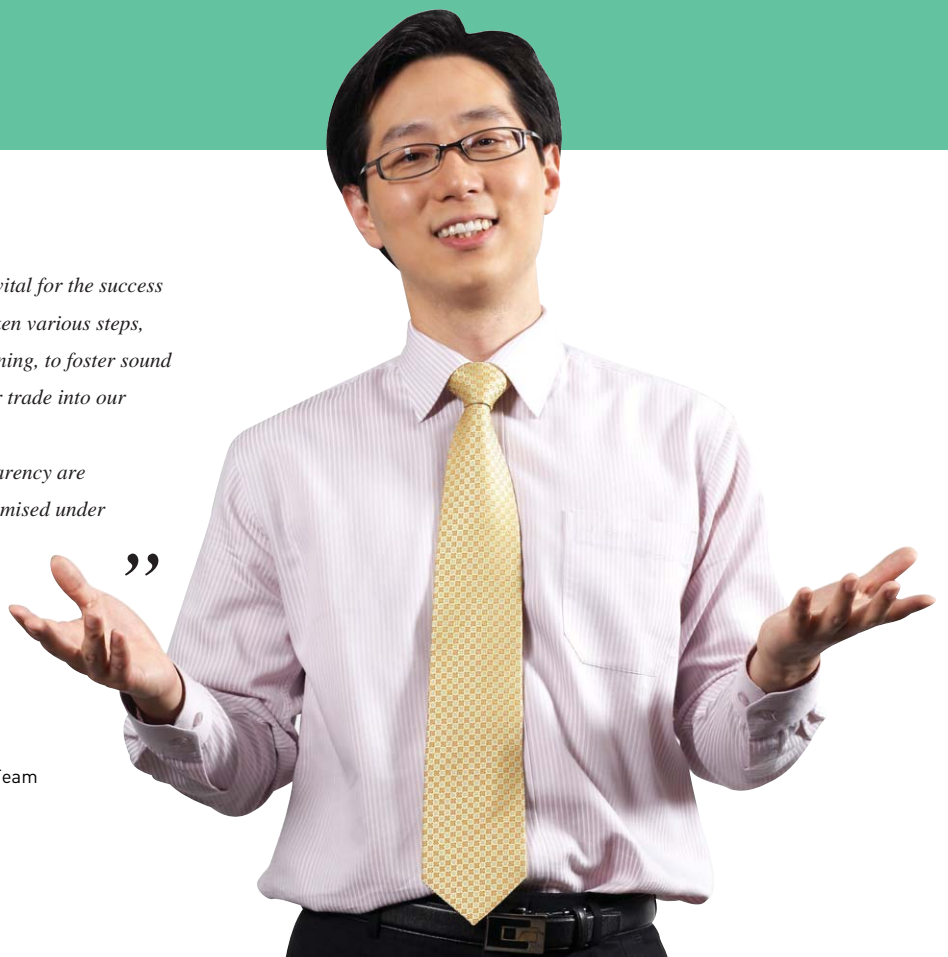
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*Fair trade and transparency are vital for the success of any business. LG Chem has taken various steps, including internal audits and training, to foster sound business practices and embed fair trade into our corporate fabric.*

*At LG Chem, fairness and transparency are two values that cannot be compromised under any circumstances.*

”

**| O-Jin Kwon |**  
Assistant Manager, Public Affairs Team



# Sustainability Management Vision

LG Chem is helping to create a sustainable world through balanced pursuit of environmental, social, and economic progress.

## Vision

The vision of LG Chem is a global leader that grows with its customers by providing innovative materials and solutions. As expressed in our vision, our priority is on 'growing with customers.' We firmly believe that mutual growth with customers is the driving force for becoming a world-class company. LG Chem will evolve continuously to materialize our vision of a company that is trusted and acknowledged by customers, favored by investors, preferred by employees, and respected and admired by society.

## Core Values

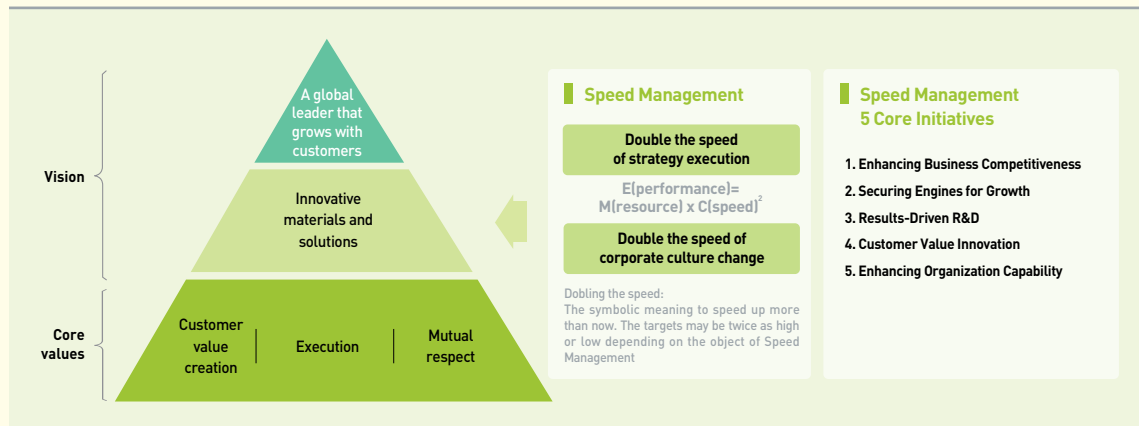
The core values, ie, customer value creation, execution, and mutual respect, represent the standards of judgment and conduct shared by everyone at LG Chem to realize our vision. Customer value creation implies that we will continuously create value by understanding market and customer needs. By execution, we will achieve our goals by understanding reality, setting clear goals and plans, and executing them thoroughly. Lastly, mutual trust refers to recognizing one's value based on trust among employees and teamwork.

## Speed Management and Sustainable Growth

The purpose of Speed Management is to accelerate execution and organizational transformation to secure a distinct competitive advantage and produce outstanding performance. Speed Management entails a shift in our employees' mindset to a market- and customer-centric approach. Based on thorough understanding of the market and customers, we are pursuing 'Early' detection of market changes, 'Fast' decisions and actions, and 'Real Time' monitoring. We aim to produce results at a faster pace to attain our management objectives and vision.

The ultimate goal of Speed Management is to shape LG Chem into a global company that grows with our customers. We will keep our eyes and ears open to market and customer views and proactively respond to the changing business environment. Through strong execution and performance, we will grow into a global chemical company respected and admired by customers, employees, and all other stakeholders.

## Vision



## Corporate Governance

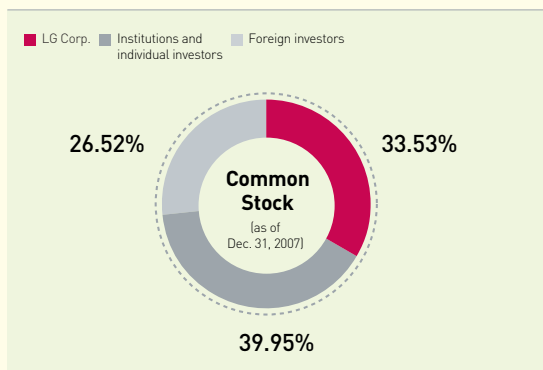
LG Chem is building on advanced governance structure to maximize corporate value based on the principle of management accountability, autonomy of board of directors, and transparent information disclosure.

### Strengthened Corporate Governance

LG Chem is building on advanced governance structure to maximize corporate value based on the principle of management accountability, autonomy of board of directors, and transparent information disclosure.

The adoption of the holding company structure by LG in 2003 led to significant improvement in corporate governance. The new system resolved cross-shareholdings and distortions stemming from discrepancies in ownership stakes and voting stocks. It also strengthened the system of checks and balances, both internally and externally, and increased the benefits for minority shareholders. The holding company framework removed the risks of one company's insolvency spreading to the entire group. Since Bahn-Suk Kim assumed the position of CEO in 2006, additional outside directors with expertise and experience have been appointed and greater autonomy has been granted to the Board and Audit Committee. Our enhanced corporate governance will contribute to driving greater corporate and shareholder value.

### Share Ownership



### Board of Directors

Eight people serve on the board of directors at LG Chem. Five of them are outside directors, which ensures transparent and independent board operation. The ratio of outside directors is 63%, which is higher than the ratio required by law and higher than the industry average.

The Nomination Committee for Independent Directors consists of one executive director and one outside director. It recommends outside director candidates based on their expertise and autonomy. Outside directors are appointed after approval by the general shareholders' meeting.

Our outside directors are experts with knowledge and experience in the areas of law, chemicals, and finance. They monitor and keep a check on major issues concerning company operations. Outside directors play a vital role in ensuring effective decision-making by presenting objective views and opinions.

The board of directors meets on a quarterly basis. In addition, extraordinary meetings are convened if the need arises. A total of nine board meetings were held in 2007 and the average attendance rate was 90%, indicating board members' commitment to effective board operation and transparent decision-making.

To help the board fulfill its role as the de facto highest decision-making body, related departments and the BOD Secretariat directly report major management issues to outside directors prior to board meetings. That allows the directors to conduct a thorough review of agenda

items, which in turn enables them to present clear and objective opinions at board meetings. Under the company charter and board regulations, directors cannot exercise voting rights if there is a potential conflict of interest.

The company makes every effort to support the activities of outside directors. We organize visits to company facilities in Yeosu, Ulsan, Ochang and China so that outside directors can get a first-hand look at our operations. Upon appointment, outside directors are given opportunities to attend professional seminars to familiarize themselves with their responsibilities and authorities.

### Audit Committee

To ensure transparent and independent operation of the Audit Committee, all three of the committee seats are filled by outside directors. The committee plans, implements, and evaluates internal control procedures.

Comprising experts on chemicals, finance, and law, the Audit Committee meets on a quarterly basis and is chaired by Kon-Sik Kim, an authority on corporate

governance. The committee carries out various activities to fulfill its supervisory function and keep an eye on the management. It is briefed on settlement of accounts by the outside auditor every year. It also hears advice on internal control mechanisms from external bodies and is briefed on management audits. Its role includes selecting the outside auditor based on objective and accurate assessment of expertise, autonomy and reputation.

Once a year, LG Chem reviews the operation and future direction of the board of directors and the Audit Committee based on the internal control system.

### Nomination Committee for Independent Directors

Outside directors of LG Chem are assured of autonomy in carrying out their duties. They are appointed based on recommendations made by the Nomination Committee for Independent Directors, which is composed of one executive director and one outside director. All decisions have to receive unanimous votes, which assures that an incumbent outside director has a say in nominations.

## Board Members

Category	Name	Important career	Status in LG Chem
Inside Director	Yu-Sig Kang	Vice Chairman & CEO of LG Corp. Director of LG Electronics Inc. Director of LG International Corp.	Head of board of directors Head of nomination committee for independent directors
	Bahn-Suk Kim	Vice Chairman & CEO	CEO
	Suk-Jeh Cho	Vice President & CFO	CFO
Outside Director	Ho-Soo Oh	Former Chairman of Stock association Outside director of Redcaptour Corp.	Auditor
	Il-Jin Park	Former Chairman of Dow Chemical Korea Chairman of IJ International Corp.	
	Sang-Hyung Ahn	Professor of Business, Seoul National Univ.	
	Kon-Sik Kim	Professor of Law, Seoul National Univ. Outside director of KT Inc.	Head of audit committee, auditor
	Young-Moo Lee	Professor of Chemical Engineering, Hanyang Univ. Dean, office of General Affairs	Member of nomination committee for independent directors

## 'Jeong-Do' Management

'Jeong-Do' Management is LG's unique code of conduct that governs our management activities. The English translation of 'Jeong-Do' is 'the right way.' 'Jeong-Do' Management is the way we display our uncompromising integrity in pursuing LG's Management principles.

### Concept of 'Jeong-Do' Management

'Jeong-Do' Management represents our core value of doing business in a clean and transparent manner based on the spirit of fair competition. It is our principle for delighting customers and being accountable to employees, business partners, shareholders, and society. It is a disciplined business practice based on fairness and integrity to drive trust and reliability in management. Going beyond adherence to laws and ethical conduct, LG Chem is committed to building a trustworthy and respected company and laying the foundation for sustainable development.

### Implementation of 'Jeong-Do' Management

LG Chem opened the 'Unfair Business Practice Reporting Center' in 1993. That was followed by the adoption of the 'LG Code of Ethics' and 'LG Code of Ethics Implementation Guidelines' in 1994, an unprecedented move for a private enterprise in Korea. We stepped up our pledge to business ethics in 1995 by unveiling 'Jeong-Do' Management. The 'LG Code of Ethics Implementation Guidelines' were revised in 2004. Two years later, we renewed our commitment once again as we created the 'Jeong-Do' Management Implementation Guidelines for Fair Competition.

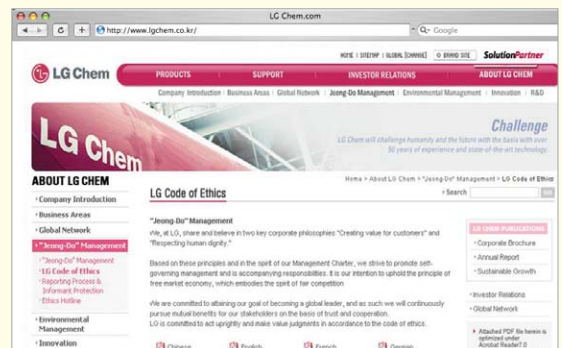
### Commitment from the CEO

The CEO of LG Chem holds firmly to the belief that tough times call for greater efforts to compete fairly, even though adversity may increase the appeal of taking shortcuts to attain goals. That belief is shared by all of us at LG Chem. We will uphold high ethical standards and Speed Management to realize sustainable growth and sharpen our competitive edge at the global level.

### LG Way and 'Jeong-Do' Management

The LG Way represents the unique corporate culture that drives LG towards the vision of becoming the No. 1 LG. It is the path that guides us to stay focused on our commitment to 'creating value for customers' and 'respecting human dignity' on the foundation of 'Jeong-Do' Management.

'Jeong-Do' Management directs the thoughts and actions of our people in their journey towards realizing the core values of LG. However, it is not synonymous with ethical management per se. The genuine spirit of 'Jeong-Do' Management is rooted in disciplined management practices embedded with a strong will to build unrivaled competency and create tangible performance.



• LG Code of Ethics

### 'Jeong-Do' Management Program

#### 'Jeong-Do' Management Implementation: Ethics Office

Reporting directly to the CEO, the LG Chem Ethics Office's role is to ensure adherence to business ethics and prevent wrongful conduct. The office operates violation reporting systems (ethics hotline, gift receipt reporting system) and organizes trainings on

'Jeong-Do' Management. It also provides counselings and carries out activities to promote 'Jeong-Do' Management and ethical conduct. Additionally, the ethics offices set up at each plant and business company carry out promotional and educational activities, identify unfair business acts, and take the necessary steps tailored to their respective worksites to uphold 'Jeong-do' Management.

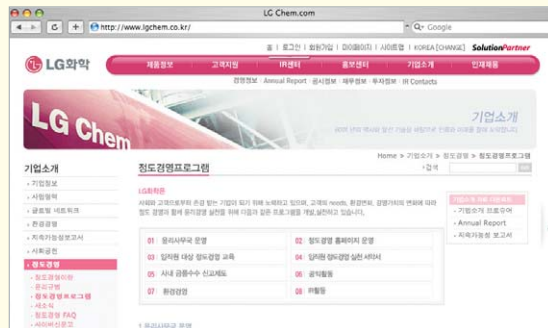
**Education and Training**

LG Chem provides training on 'Jeong-Do' Management to all members of staff in domestic and overseas subsidiaries and offices. Courses are available through the online and offline medium and focus on theory and case studies. The training aims to weave 'Jeong-Do' Management into the corporate fabric and reinforce employees' commitment to its implementation. Furthermore, LG Chem holds periodic trainings for employees at partner firms to spread the spirit of 'Jeong-Do' Management and promote fair business transactions.

**Education of 'Jeong-Do' Management (Off-line)**

	2005	2006	2007
<b>Employees</b>	1,277	842	1,426
<b>Partner firms</b>	N/A	146	262

\* Not Available



\* 'Jeong-Do' Management Program

**Gift Receipt Reporting System**

All members of LG Chem may not accept money or favors from any stakeholders for any reasons and they should politely refuse or return all gifts. If an

employee finds it unavoidable to receive money or a gift, the incident must be reported within three working days to the ethics office in line with the reporting procedures. The received gift has to be submitted to the company. Such items are converted to cash through an internal auction process and the proceeds are donated to support a worthy cause. In 2007, two company auctions were held and the funds raised were donated to four social welfare groups.

**Internal Auction of Reported Goods**

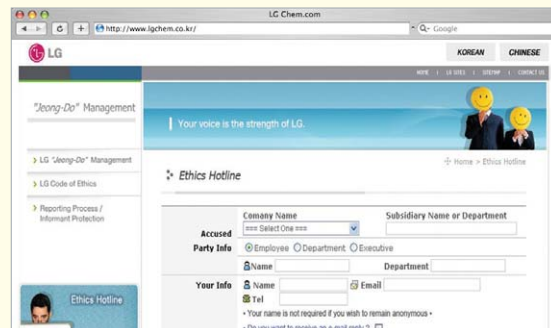
	2005	2006	2007
<b>No. of auctions</b>	2	2	2
<b>Donation to welfare facilities (KRW thousand)</b>	3,150	3,020	2,000
<b>Support welfare facility number</b>	4	8	4

**Ethics Hotline**

The ethics hotline is a system for reporting violations of 'Jeong-Do' Management. Reports can be made on various improprieties such as wrongful business conduct or the receipt of bribes by taking advantage of the position, and violation of the LG Code of Ethics. Strict confidentiality is assured regarding the informant. If an informant suffers any disadvantages, we

**Reporting of Improprieties**

	2005	2006	2007
<b>No. of reports filed</b>	23	23	21



\* Cyber Ethics Hotline



take steps to restore his/her position or provide equitable compensation. There were 21 reports filed with the ethics hotline in 2007.

## Human Rights

### Right of Association and Collective Bargaining

LG Chem recognizes the labor union as a partner in dialogue and engages in discussions with the union on wages and collective agreement. The Company respects the union's right to collective bargaining, with the collective agreement stating 'the Company will engage in collective bargaining with the labor union on an equal footing.' To protect the rights of the union, the management is prohibited from interfering in union activities and may not subject union members to undue punishment for taking part in union activities.

### Prohibition of Child and Forced Labor

LG Chem abides by provisions on child labor and forced labor set forth in the Labor Standards Act of Korea. The law bans the employment of children under the age of 15 and subjecting individuals to labor against their free will.

## Fair Trades

LG Chem precludes the use of unfair practices and violation of laws for the sake of short-term gains. We engage in fair trades to foster sustainable competitiveness over the long run.

### Compliance Program

Our fair trade Compliance Program (CP) is an internal system designed to ensure compliance with laws on fair trades. The program is based on a preventative approach. Employees receive periodic training on fair trade laws and regulations which provides them with guidelines of conduct. The compliance program helps prevent actions that violate the fair trade law. Regular audits are conducted for the early detection of violations so that necessary corrective measures can be taken.

## Performance

Annual plans and performance related to the Compliance Program (CP) are reported to the board of directors. On average, more than five fair trade internal audits have been conducted per year since 2002. Annual training sessions and preliminary reviews relating to fair trade numbered four and 60 respectively.

### Fair Trade Compliance Program

#### ● Compliance officer

The board of directors appoints a compliance officer among the senior executives to ensure objective operation of the compliance program. The compliance officer oversees the bodies that operate the compliance program. The compliance program includes internal audits, training, and preliminary reviews pertaining to fair trade.

#### ● Internal audit

Internal audits are intended to eliminate risk factors such as damage to corporate image and economic loss arising from violation of fair trade regulations. The audits are conducted on major business company and plants to prevent fair trade violations. When violations do occur, corrective action is taken to remedy the situation.

#### ● Training

Manuals and training materials are created in-house and distributed to raise employee awareness of fair trade and to promote fair business practices. Training sessions are also conducted by lecturers from inside and outside the company. Special care is taken to prevent fair trade violations in the course of carrying out sales activities; all sales personnel are required to receive training on fair trade regulations.

#### ● Preliminary review

To prevent breach of the fair trade law in all areas of operations, from sales and marketing to purchasing, business activities have to be reviewed by a company expert on fair trade before they are executed.

### Compliance Program Activities

	2005	2006	2007
No. of internal audits	4	6	7
No. of training sessions	3	4	7
No. of preliminary review	77	61	50

## Corporate Culture

Culture transformation of LG Chem is focused on internalizing 'Speed Management', which is based on LG Way. We are building a culture that emphasizes creativity and execution to enhance employees' work value and performance.

### Corporate Culture Transformation

Based on LG Group's corporate philosophy of LG Way and core values, LG Chem is stepping up efforts to redefine its corporate culture by internalizing 'Speed Management' (early, fast, real time). The goal is to build an corporate culture with creativity and strong executive ability that enhances employees' work value and performance.

The 2007 LG Chem Culture Survey showed improvements compared to the previous year (8.9 point increase on average). Noteworthy were positive changes witnessed in key areas through continuous and consistent communication. Indicators moved up significantly for innovation activities, attitude on leaving the office at the end of workday, employees' career development, and customer value creation. On the other hand, a downward trend was noted in the indicator representing employees' wish to leave the company. We will continue to transform our corporate culture to enhance the abilities of our employees and produce strong business results going forward as well.

### LG Way-Based Speed Management Internalization

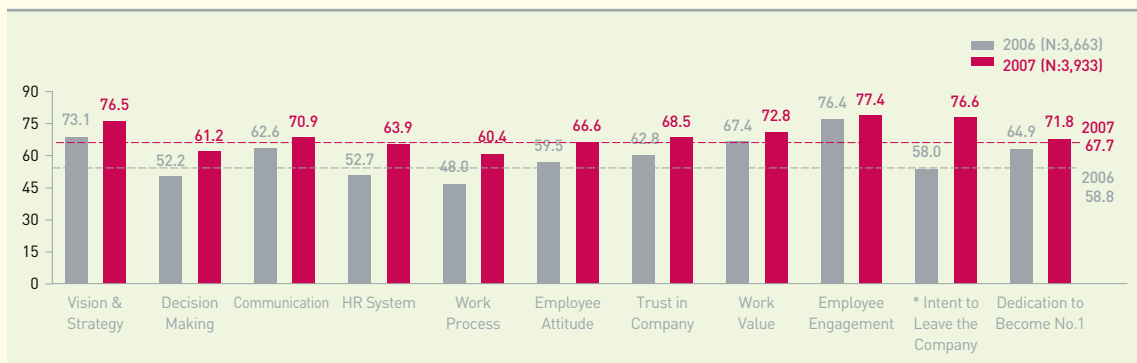
Speed Management (early, fast, real time), designed to enhance business competitiveness, starts with the market and customers. Market-and customer-centric execution involves early detection of market trends, continuous discovery of value for customers and delivery of unique solutions at the right time as well as consistent and periodical reviews and inspections.

Workshops for executives and team leaders (four times a year for executives, twice for team leaders) are organized to check progress on Speed Management. They are utilized as a forum for identifying and sharing the best practices of Speed Management to facilitate execution.

### Building Trust-Based Leadership

Leaders including the CEO inspire transformation of corporate culture. At LG Chem, fortified by our CEO's clear vision for organizational transformation, we are taking various measures to motivate our staff and

### LG Chem Culture Survey



\* 'Intent to Leave the Company' is reverse scored; thus, the higher the index, the better

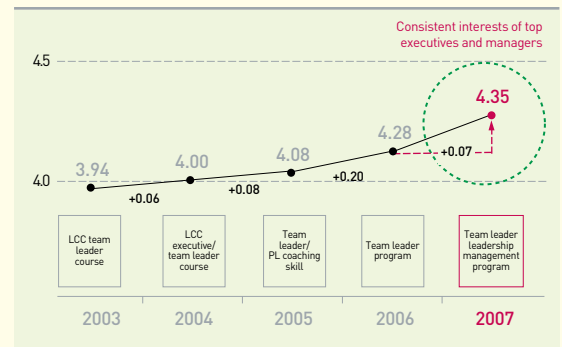
spark a free flow of communication. To hone leadership qualities, we offer regular leadership coaching and surveys as well as leadership workshops for executives and team leaders where they address management policy, strategy and other important issues of LG Chem.

On the whole, the leadership survey of team leaders points to continuous improvements every year. Even so, leaders are nonetheless encouraged to work on their areas of weak skill sets. At the 2007 leadership training for team leaders, a strong emphasis was given to the fairness of evaluation and compensation according to the results of the 2007 LG Chem Culture Survey.

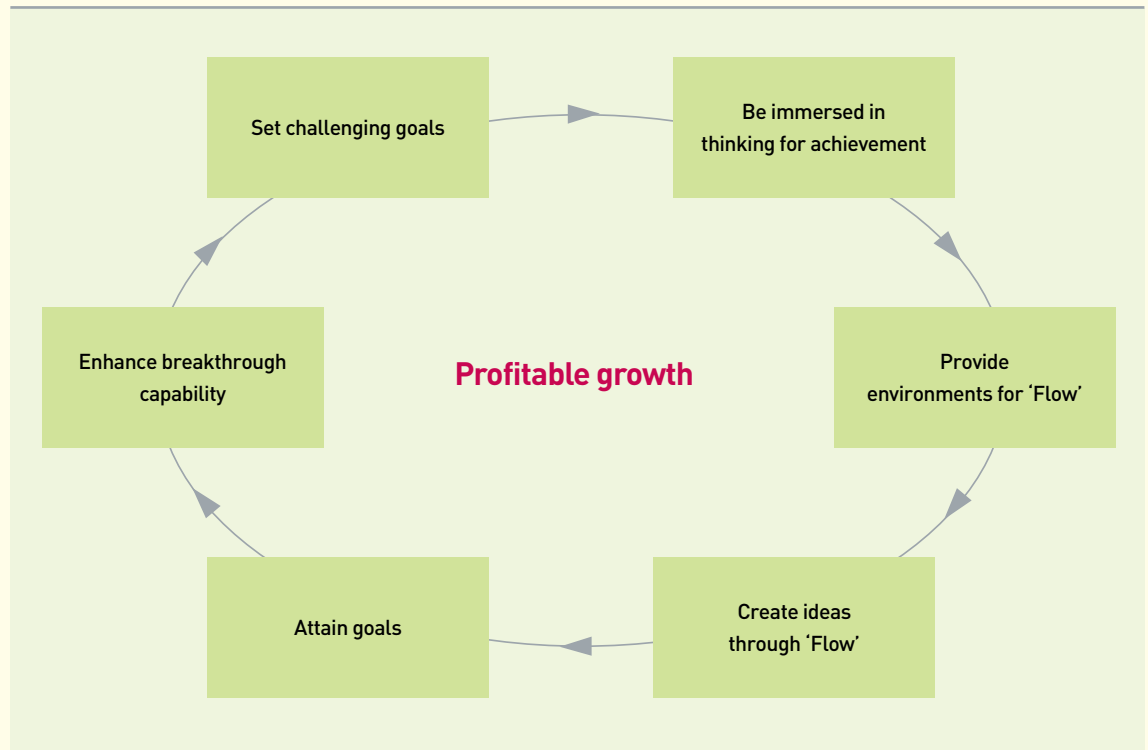
Trust is the key basis in redefining corporate culture at LG

Chem. Acknowledging differences and being considerate and respectful of each other are essential in building a performance-centric culture and enhancing cohesiveness.

### Leadership Survey of Team Leaders



### Virtuous Cycle of Creativity Revelation



\* 'Flow' is the mental state of operation in which the person is fully immersed in what he or she is doing, characterized by a feeling of energized focus, full involvement, and success in the process of the activity.

**Enhancing Employees Work Value**

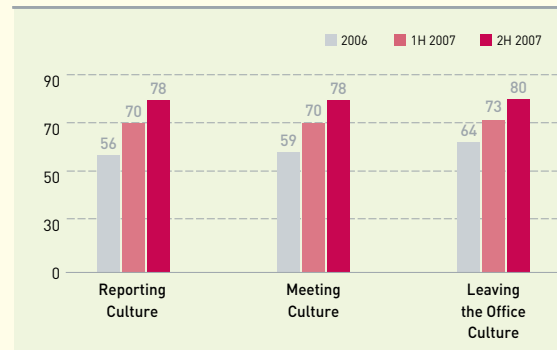
LG Chem is continuing its efforts to reach the ultimate goal of becoming No. 1 LG through the practice of 'Jeong-Do' Management, our commitment to 'Creating Value for Customers' and 'Respecting Human Dignity.' We are also making dedicated efforts to spur creativity which is a key element to achieve profitable growth. At LG Chem, we define creativity as 'the generation of new and useful ideas to secure differentiated competitiveness and produce excellent results.' We will continue to innovate our corporate culture to set in motion a virtuous cycle of creative idea generation and goal attainment through the process of setting challenging goals and keeping focused on them.

Work value enhancement is the result of a focus on core duties (by reporting/meeting/leaving the office culture transformation) based on the concept of 'fast' under Speed Management, personal developments through work, and the accumulation of work experience. Greater

work value boosts job satisfaction and spurs individual developments.

LG Chem periodically assesses the employees' views on work value through the LG Chem Culture Survey. We also lend support to promote diversity at our workplace using feedback from each business company.

**Reporting/Meeting/Leaving the Office Culture Survey**



# Risk Management

Recognizing the need for a company-wide approach, we have adopted Enterprise Risk Management (ERM) to lower our exposure to risk.

## Enterprise Risk Management (ERM)

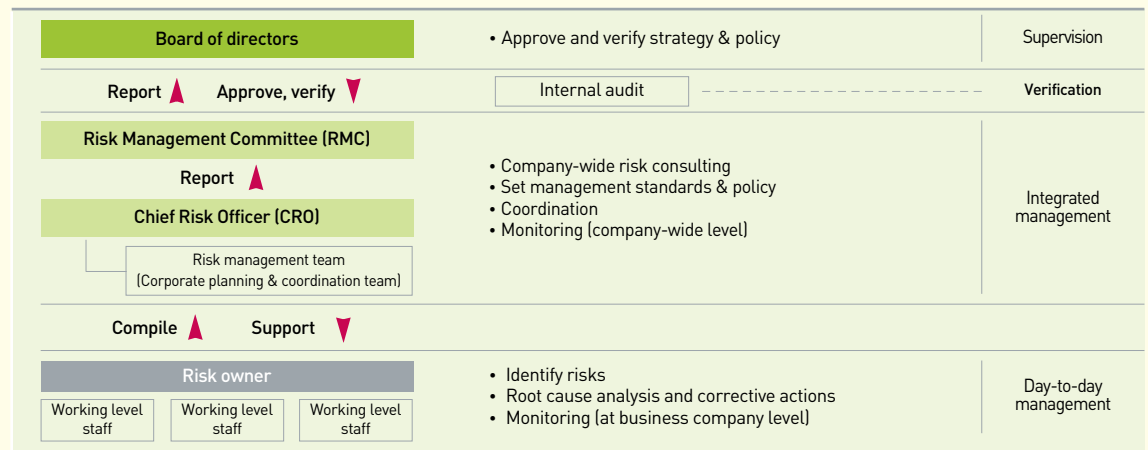
Incidents that could undermine corporate value and increasing uncertainties in the business landscape all highlighted the need for a company-wide system of managing risks. That prompted the adoption of ERM at LG Chem. The system helps us identify internal and external risk factors, predict their impact, and

control the risks. The purpose of ERM is to minimize uncertainties in business performance and maximize shareholder value.

## Risk Management System

LG Chem has a three-tier risk management system which includes routine management by the risk

## ERM System



• RMC : Risk Management Committee

## Risk Management Roles

Classification	Details
<b>Board of directors</b>	• Approve risk management strategy and policy, supervise risk management activities
<b>RMC (COC) (Corporate operating committee)</b>	<ul style="list-style-type: none"> <li>• Set risk management standards and policy, coordinate major risk-related issues</li> <li>• Check trends related to business risk and deliberate on countermeasures</li> <li>• Determine and oversee major risks for the entire company and each business company</li> </ul>
<b>CRO (CFO)</b>	• Entrench risk management system with final responsibility for risk management
<b>Risk management team (Corporate planning &amp; coordinate team)</b>	<ul style="list-style-type: none"> <li>• Identify, assess and manage company-wide risks, promote execution of countermeasures to risk</li> <li>• Monitor and report risk countermeasures, overseas subsidiaries and EWS</li> <li>• Support working level risk management, maintain and complement risk management system</li> </ul>
<b>Risk officer</b>	• Support risk management and execution of countermeasures in pertinent sector
<b>Risk owner</b>	• Carry out day-to-day risk management activities (eg, identify and assess risk, execute countermeasures)

owner (1st level), integrated management by the risk-managing body (2nd level), and the supervisory function of the board of directors (3rd level).

### Risk Management Status

#### Risk definition

**Business company risk** \_ Risks mainly related to sales and production. In the view of sales, we define risk as the change of market environment, tougher competition, drop in sales price etc. In the view of production, we define the risks as decrease in the yield rate, capacity utilization rate, increase in cost of production, etc.

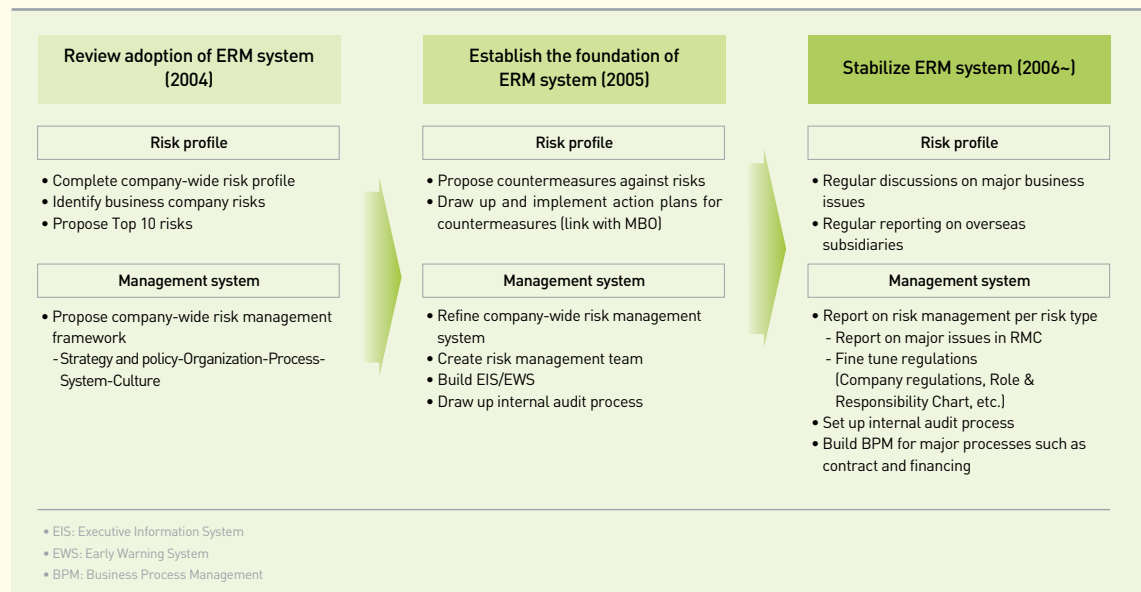
**Investment risk** \_ There are business risks such as competitors in the peer industry, entry of new competitors, threat of substitutes, suppliers, and customers, etc. We define the operation risks as deterioration of cash flow from investment and delay of stabilization in new facilities and equipments.

**Corporate staff risk** \_ Management risks mean changes in the external business environment (such as fluctuation in both of foreign exchange rate and interest rate, environmental regulations and government policies, etc.) and internal risks arising from the inefficient control process.

#### Risk monitoring

**Business company risk** \_ We conduct pre-monitoring activities mainly when we establish the mid to long-term strategy and business plans. Also we routinely conduct pre-monitoring activities when we estimate 3 months rolling forecasting monthly. After closing monthly accounts of domestic and overseas subsidiaries, we monitor the risks rigorously while we analyze and report the performance. We focus on issues more in detail through quarterly assessments of performance and working capital, etc. Also, we analyze poor performance/ issues in business on an on-going basis and hold Speed Management meetings when necessary.

### Implementation Process



**Investment risk** \_ We report progress from investment activities to Corporate Operating Committee (COC) twice a year. And, the main investments, approved by Corporate Capex (Capital Expenditure) Committee more than six months ago, will be classified into 'Green/Yellow/Red' based on Capex and Key Risk Indicator (KRI), etc. Those fixed investments will be brought into interim decision making process for period adjustment of the investments

**Corporate staff risk** \_ In Corporate Staff Monthly Meeting, Issues on foreign exchange rate, interest rate, changes in accounting standards, and legal disputes are discussed. Also the corporate staff risks are discussed and monitored by CFO-chaired staff manager monthly meeting.

**Risk Follow-Up Activities**

**Internal audit** \_ When a risk occurs affecting the entire company, we plan to conduct internal audits at a company-wide level if deemed necessary and take rigorous follow-up measures to prevent similar incidents from arising in the future.

**Infra check** \_ We realigned discretionary authority of domestic companies and overseas subsidiaries to clarify responsibilities and authorities of jobs and to drive operational efficiency. And to reinforce working capital management, we built the system that helps us manage receivables. Also we built the Global Market Intelligent (GMI) system to support decisions of executives by means of providing timely information on market/customers.

**Investment follow-up** \_ We check whether completed projects (finished within the past 3 years) are on track by Sales, Income, Capex, etc., and detect factors that could take a project off course to make the future investment more effective. And now we are in the process of rolling this out to business companies.

**KRI monitoring** \_ We are taking care of the issues of business company by monitoring through EWS (Early Warning System) involving inspection of each business company's risk and Key Risk Indicators (KRI).

**Risk Management Flow**



## Stakeholder Communication

Across all aspects of our operation, we make every effort to facilitate communication with customers, shareholders, employees, and business partners.

LG Chem has set up various channels of communication to identify and address the needs and demands of stakeholders. Information gained through stakeholder communication is incorporated into our business activities. Active communication with stakeholders plays a vital role in producing strong performance and evolving as a global corporate citizen.

We collected views of major stakeholders and expert groups in the course of preparing our sustainability report. During March and April of 2008, we listened to the opinions of sector-specific experts regarding our previous report released in 2007. That was an important step in the preparation process which strengthened stakeholder engagement. We will continue to seek stakeholders' perspectives in preparing future issues of our sustainability report.

We received feedback on our previous sustainability report issued in 2007 from experts from the industry, financial institutions, NGOs, government, and research centers. They also gave us their thoughts on major issues pertaining to sustainable growth of LG Chem.

Through the stakeholder communication process, we collected their views and suggestions on the overall composition and content of the sustainability report. We also gained insight into which information was useful and which areas needed improvement in our previous report.

We analyzed the comments obtained from the

stakeholders in the course of publishing this report as well as the 2007 report to derive the major issues to be covered in this edition. That also gave us an opportunity to review the issues relevant for sustainable growth of the company.

There were slight differences in demands by stakeholder group. We also received varying assessments on LG Chem. Nonetheless, many stakeholders shared the view that the following issues are important to drive sustainable growth and development of LG Chem: exploring new businesses, addressing energy and resource issues in response to climate change, product environmental regulations, and enhancing product competitiveness.

The following shows stakeholders' positions on major sustainability issues that we obtained this year and last year.

### Stakeholder Communication

Group	Activity
<b>Stockholders/ Investors</b>	IR presentation, disclosure, credit ratings
<b>Employees</b>	Labor-management cooperation council, Job satisfaction survey
<b>Customers</b>	VoC process, customer satisfaction survey, LGIC 'mystery shopping', Product Liability (PL) monitoring
<b>Local communities</b>	Community cooperation
<b>General public</b>	Website, company newsletter
<b>Partner companies</b>	Seminars for partner companies



## Issues by Stakeholder Group



ECONOMY



- 27 \_ Management Vision & Strategy
- 29 \_ Innovation Activities
- 31 \_ Economic Performance



# GROWING BETTER TOGETHER

LG Chem aspires to become a global chemical leader that delivers sustainable growth, recognizing continued creation of economic profitability and ensuring its distribution to stakeholders as its key social responsibility.

“

*The trend of conglomeration and consolidation in the chemical industry seems to be driving more intense competition in the global marketplace. To grow sustainably, LG Chem is reinforcing structural competitiveness in each of its business lines in petrochemicals, information & electronic materials and industrial materials, while developing future growth drivers that incorporate environment and energy concerns of the 21st century.*

”

**I Jae-Kwon Kim |**  
Manager, Strategic Business Planning Team



## Management Vision & Strategy

LG Chem aims to emerge as a global shaper that delivers profitable growth through management innovation driven by global talent and differentiated technology.

International oil prices have been reaching new highs in 2007, even surpassing the territory of 90 dollars per barrel during the year. Given the industry's inherently heavy reliance on energy and natural resources, the rise in petroleum prices are posing a threat to the bottom line of chemical businesses as oil price hikes are directly translated into upward pressures on raw materials cost.

Moreover, competition amongst chemical players is expected to intensify even further as the scope of competition across geographies and products broadens with acceleration of globalization and technology convergence of adjacent businesses.

Against this backdrop, environmental regulations such as the Convention on Climate Change, now becoming more concrete than ever before, will mean added cost burden on chemical companies by means of carbon tax and carbon credits. As such, chemical companies are increasingly looking to integrate a green approach in their management, with a focus on eco-friendly product development, energy saving and use of alternative energy.

LG Chem will strive for stronger structural competitiveness in each of our business areas in Petrochemical, IT and Electronic Materials and Industrial Materials to minimize volatilities stemming from such a rapidly changing landscape. In addition, we will seek to maximize business performance from operational excellence and build growth engines for the future, thus realizing profitable growth that delivers both sustainable revenue and profit performance.



### Building Structural Competitiveness

LG Chem plans to secure structural competitiveness from a long-term perspective to keep environmental variability to a minimum. To address cyclicity of the profit structure, the Petrochemical Company will work towards gaining a leading competitive edge in manufacturing by launching new businesses based on competitive feedstock from the Middle East and North Africa. The IT and Electronic Materials Company will focus on building technological prowess to gain a market lead in technology-driven products such as polarizers and photo sensitive materials, and sharpening business strength through internalization of core materials. On the other hand, the Industrial Materials Company will deepen its profit base through restructuring of less profitable businesses and drive global expansion of key businesses such as window systems and doors, thus ensuring a greater market control.

### Continuous Operational Excellence

Building on structural competitiveness in each business line, LG Chem will maximize growth potential of businesses through continued operational excellence in production and management. The

petrochemical business will drive maximum synergy from merger of LG Petrochemical through leveraging productivity gains from NCC, and deepen profitability by turning PO•ABS businesses into highly value-added product groups. The IT and Electronic Materials business will boost productivity through on-going process innovation and generate stronger profit streams from highly value-added electronic products. Furthermore, the Industrial Materials business will continue to bring innovations to cost as well as design, marketing and distribution to build required basic capabilities to succeed.



### Future Growth Drivers

LG Chem seeks to explore new opportunities in promising frontiers such as display, energy and environment biotechnology which have a strong fit for our business competence, and nurture them into our growth drivers of the future. To that end, technology intelligence and relevant management functions will be strengthened to develop core future technologies in the early stage, and plans for early commercialization will be actively implemented via M&A and joint ventures.

For building a platform for sustainable growth in existing business segments, moreover, we will continue with customer-oriented R&D activities to roll out high-margin strategic products such as high functional polymers and eco-friendly products.

### Developing Global Talent & Differentiated Technology

LG Chem will make relentless effort to attract and foster key talent equipped with global business competence so as to ensure sustainability management driven by business excellence and future growth engines. Also, we will endeavor to bring systematic transformations embedded with the LG Way across organization, HR and corporate culture in order to build global organizational capacity required to enable excellence. In addition, LG Chem will drive internal R&D capacity building and pursue open innovation e.g., technology outsourcing, with a proactive focus on obtaining differentiated technologies. To achieve this goal, we will expand R&D investments, enhance its efficiency based on the principles of selection and concentration, and reinforce R&D network to extract more tangible results from R&D activities.

With aspirations to become a global shaper in the chemical industry that delivers sustained profitable growth, LG Chem seeks to utilize excellent human capital and unique technologies to deepen structural competitiveness in business, drive operational excellence in production and management and to secure growth engines for the future.

### Management Goal & Strategy



## Innovation Activities

Research & development at LG Chem aims to drive innovation based on Speed Management to enhance competitive edge and secure new growth engines of the future.

### Speed Management to Enhance Basic Competitiveness

Speed Management aims to change our way of conduct based on a market- and customer-centric approach to accelerate strategy implementation and changes in corporate culture. The ultimate goal is creating results at a faster pace to realize our management objectives and vision. Speed Management encompasses 5 core initiatives: Enhancing Business Competitiveness, Securing Engines for Growth, Results-Driven R&D, Customer Value Innovation, Enhancing Organization Capability.

### Innovation Activities to Create a Leading Company

LG Chem has been implementing onsite innovation activities such as Quality Control (QC) and Total Productive Maintenance (TPM) since 1993. The purpose of these activities is to realize world-class product quality by building a systematic framework for facility management that enables maximum productivity and minimal defects. In 1999, we introduced company-wide Six Sigma to secure product leadership. It helped us to respond flexibly and proactively to ever changing and diversifying customer needs. Six Sigma activities refer to inventive ways for problem-solving led by outstanding personnel in various departments. We continue to produce viable results through Six Sigma by setting stretch targets and following through with strong execution.

### Research and Development Winning through Technology

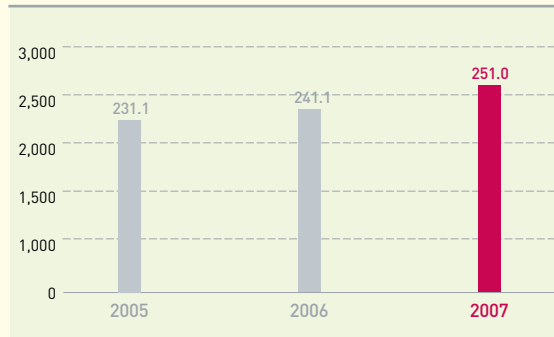
Research and development at LG Chem is guided by the vision to bolster existing businesses in Petrochemicals, IT and Electronic Materials, and Industrial Materials and to generate new businesses for the future. LG Chem has diversified its existing business

structure centered on Petrochemicals and Industrial Materials to IT and Electronic Materials such as polarizers and rechargeable batteries, which all began with R&D activities from the late 1990s. Current focus of research is placed on environment/bio and clean energy to address oil scarcity and environmental challenges of the future. As of 2007 yearend, R&D employs total 1,781 persons and KRW 251 billion in R&D investment was executed during the given year.

Commercialization of Industrial Materials and technology-intensive IT and Electronic Materials such as

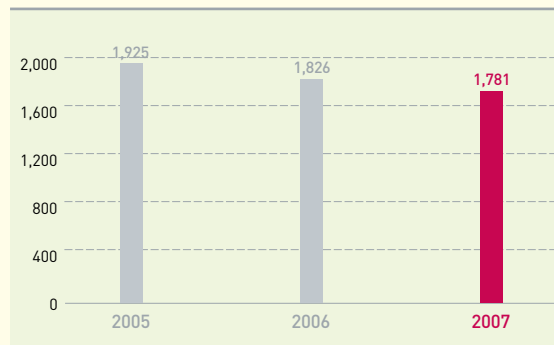
#### R&D Investment

(Unit: KRW billion)



#### No. of Total R&D Staff

(Unit: persons)



batteries and photo sensitive materials is stabilizing in the early stage, as researchers that had led the relevant R&D activities are now directly working on the frontline production after commercialization of their research ideas came to materialize.

### Securing Engines for Growth

To ensure sustainable growth at LG Chem, we conducted R&D activities with 22% of annual 2007 R&D investments spent solely on new future businesses, and generated visible results from existing R&D domains in clean energy, and the next generation display including the batteries for HEV and OLED materials. New project domains have also been identified and added in the environment/bio area, including water treatment membrane and bioplastics, etc. We are encouraging open innovation in new business segments through strategic alliance, JV, and outsourcing. We set up a 'New Business Planning Department' in 2007 to adopt a more structured approach towards new business development that capitalizes on our core strengths. By 2012, the size of R&D investment is expected to grow up to 30% to deliver growth in the future.

**Water treatment membrane** \_ Building on our competence, LG Chem develops mid & large sized membrane modules for application in industrial water, public water treatment & drainage treatment and graywater. The water business is perceived to be the 'Blue Gold' market of the future, with strong potentials for growth in the context of tightening environment regulations and rising needs for Quality of Life (QOL). Based on this recognition, LG Chem focuses on developing highly efficient and stable membranes/modules via strategic technology alliance with leading players.

**Bioplastics** \_ Taking into account various environmental regulations and oil scarcity, we have adopted polymer materials and biodegradable polymers that use biomass instead of conventional oil base in our research for a wider range of product applications, e.g., housing materials of electrical/electronic products, food packaging with safety requirements, automotive materials and interior materials. Capitalizing on its knowhow in polymer

products, LG Chem will penetrate into new market territories through expanding applications in this area.



• Water Treatment Membrane

## Corporate Culture Transformation

### Background Information

Efforts to transform our corporate culture began in earnest from January 2006. LG Chem aspires to a culture scheme of 'mutual trust, growth through constructive activity, and enthusiasm to produce strong results.' Our ultimate purpose is to strengthen execution and produce results on the basis of a strong corporate culture.

### Innovating the Way We Work

Corporate culture transformation at LG Chem begins with 'innovating the way we work.' An organization's culture can be defined as the way in which its members carry out their work. LG Chem is striving to overhaul the way its employees go about their duties to produce the best possible results.

One of the major transformation activities is innovation of our Culture of Reporting, Meetings, and Leaving the Office. Much of a company's duties have to do with reporting, decision making, and basic work procedures. Inefficiencies in those areas could pose a sizable problem. Backed by a firm commitment from the CEO, LG Chem is striving to eliminate redundancies and streamline work processes, so that more time and resources can thus be devoted to tasks that produce greater value.

## Economic Performance

Driving to improve its fundamentals for profitability and sustainability in the face of high oil prices and cut-throat global competition, LG Chem merged with LG Petrochemical in November 2007 to solidify its competitive advantage and growth platform as a total chemicals provider.

### 2007 Operating Performance

Significantly improved revenue of KRW 10 trillion and 795.3 billion, and operating profit of KRW 763.6 billion were achieved in 2007, thanks to increased earnings across Petrochemical business led by favorable pricing in Oxo-alcohol and PVC, along with healthy performance in IT and Electronic materials.

On the revenue front, the Petrochemical Company saw growth driven by boosted revenues in synthetic resins such as PVC and ABS and higher pricing of Oxo-alcohols, despite declines in utilization from expansions and repairs at LG Daesan plant. Also, the IT and Electronic Materials Company enjoyed higher sales buoyed up by increased capacity utilization of batteries and volume growth in polarizers, whereas the Industrial Materials Company posted a slight rise in revenues on the back of improved sales from the window frames and doors.

Operating profit showed impressive performance year-on-year for the petrochemical business thanks to a multitude of factors, i.e., improved demand and supply of basic products such as ethylene, strength in Oxo-alcohol performance, cost reductions in PVC and rises in

international price as well as margins improvement in synthetic resin such as ABS and EP supported by solid demand from upstream industry (automotive, electrical & electronics). The IT and Electronic business as well recorded substantially higher operating profits from the previous year owing to strong profitability from price mark-ups and utilization in the batteries business along with healthy revenues and cost savings drive in polarizers. However, the Industrial Materials business remained rather sluggish, attributed to slowdown in construction business in Korea.

### Performance by Company

#### Petrochemical Company

There were negative factors on profitability stemming from facility expansion for Daesan NCC, periodic repairs and a price increase in naphtha, but polyolefin products managed to keep their pricing quite strong thanks to demand for periodic repairs from domestic and foreign companies and diversification in demand & supply. Dramatic earnings was visible for Oxo-alcohols as demand continued to exceed supply against a prolonged absence of capacity expansion. PVC has been delivering sustained earnings performance

### Summary of financial performance

(Unit: KRW billion)

Category	2005	2006	2007
Sales	7,425.1	9,280.2	10,795.3
Operating profit	421.7	336.3	763.6
Maintain business profit	403.6	318.1	701.2
Net income	403.6	316.0	686.2

\* Figures for 2005 and 2006 were adjusted to a change in accounting policy

### Stability

Category	2005	2006	2007
Current ratio	73.8%	104.1%	141.0%
Debt-to-equity ratio	128.8%	121.3%	81.8%
Total borrowings to total assets	32.9%	27.3%	19.3%
Interest coverage ratio	4.5X	3.8X	10.0X



backed by strong prices and strict cost controls. Synthetic resins such as ABS and EP also fared well based on solid demand from upstream industry.

Our PVC business achieved steady results in spite of intensifying competition from new facility expansions in China, as strong demand from China, India and Russia helped push up prices and internal cost savings initiatives bore fruit. We have reinforced competitiveness of the polyolefin business from vertical consolidation that followed the merger of LG Daesan Petrochemicals and

LG Petrochemical. In acrylate business, we are driving up our manufacturing competitiveness based on new technologies and new catalysts, and have adopted strategic marketing including export diversification to sustain profitability.

### IT and Electronic Materials Company

Our battery business had finally reached the breakeven point to generate profit, led by top-line growth from higher utilization and price mark-ups in notebook batteries.

In optical materials, our polarizer business suffered some setbacks due to sluggish market demand for LCD till Q1, but was able to turn around in terms of revenue and operating profit thanks to internal cost controls and increased LCD demand starting Q2.

The prospect for the battery business in Q2 is optimistic with a bullish upstream market (notebook and mobile phones), and steady earnings growth are expected from volume growths in supply to our key clients (HP and Dell), productivity improvement, and cost reduction initiatives.

### Industrial Materials Company

This business area showed rather lackluster results owing to persistent market instabilities triggered by the government's

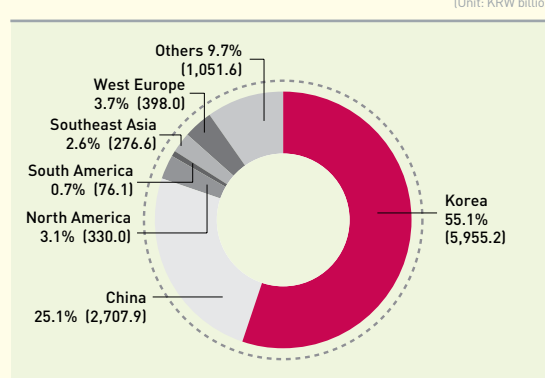
### Profitability

Category	2005	2006	2007
Operating profit margin	5.7%	3.6%	7.1%
Net income margin	5.4%	3.4%	6.4%
ROA	7.2%	5.5%	10.7%
ROE	17.4%	12.5%	21.1%

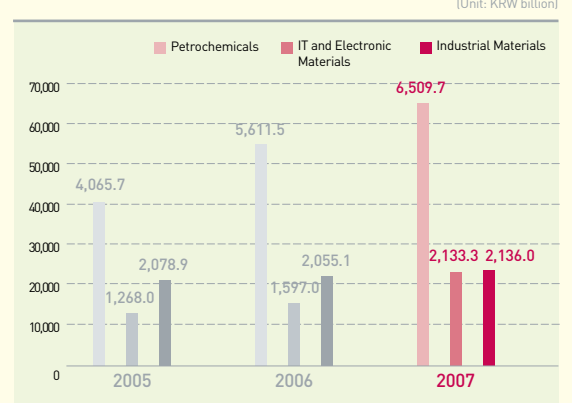
### Growth and Turnover

Category	2005	2006	2007
Sales growth	4.2%	25.0%	16.3%
Operating profit growth	-19.4%	-20.2%	127.0%
Total assets growth	-24.1%	-21.7%	117.2%
Assets turnover	1.3X	1.6X	1.7X

### Sales by Country (2007)



### Sales by Company



\* Sales of other businesses excluded

anti-speculation policy and its ensuing drag on recovery of domestic demand. The AMS business continues to experience business slowdown in upstream automotive industry as well as downward pressures on price.

Nevertheless, we plan to continue with cost innovation as well as new product roll-outs to meet increased demands from rental apartment & remodeling market going forward. We will bring management innovation across industrial materials business for innovative earnings improvement and step up our efforts for introducing more competitive products.

### Distribution of Economic Value

#### Dividends

Decisions on dividend payout are made after considering the extent of profits, investment plans for future growth, and financial position. For fiscal 2007, we declared a dividend of KRW 2,000 per common stock, taking into consideration over a two-fold year-on-year growth in the 2007 earnings, CAPEX requirements in petrochemicals, polarizers, and batteries as well as R&D investments and our debt-to-equity ratio targets. The dividend payout represented a two-fold increase from the

previous year at 40% of par value.

To deliver stronger shareholder value going forward as well, LG Chem will maintain efforts to generate profits through enhancing competitiveness and will distribute some portions of such profits be returned to the shareholders.

#### Dividends

Category	2005	2006	2007
Net income (KRW billion)	403.6	316.0	686.2
Earnings per share (KRW)	5,563	4,354	9,264
Dividend Ratio (Based on par value, %)	25	20	40
Total dividend (KRW billion)	91.0	72.9	167.0
Dividend payout ratio (%)	22.6	23.1	24.3
Dividend yield (%)	2.2	2.3	2.2

#### Interest Expenses

Interest expenses amounted to KRW 76.6 billion in 2007, down by KRW 11.5 billion from KRW 88.1 billion in 2006. Interest income was total KRW 14.7 billion. Consequently, net interest expenses came to KRW 61.9

### Sales

[Unit: KRW billion]

Business company	Purchasing type	Item	Use	Cost price	Rate	Note (purchasing company)
Petrochemicals	Raw material	Naphtha, Ethylene, Propylene, EDC, SM, Benzene	The ingredients of PVC/PE, Plasticizer, Acrylic, ABS, PS	3,964.2	73.8%	LG Chem OXY/DOW Chem
IT and Electronic Materials	Raw material	Polarization material, Cathode material	The ingredients of battery	1,159.6	21.6%	Japan Chem
Industrial Materials	Raw material	PVC S/T Resin, Plasticizer, Kinds of EP & Resin	The ingredients or floor, automobile parts & fabric	223.1	4.2%	LG Chem
Common division	Secondary material, etc.	Antioxidants	Product physical properties improvement	24.1	0.4%	Petoca Others
<b>Total</b>				5,371.0	100.0%	

billion, dropping by KRW 17.3 billion year-on-year. Such results had been enabled by improved financial soundness from the merger of LG Petrochemical which had maintained good track records in earnings and cash flow.

### Interest Expenses

(Unit: KRW billion)

Category	2005	2006	2007
Interest income	12.2	8.9	14.7
Interest expenses	94.7	88.1	76.6
Net Interest expenses	82.5	79.2	61.9

### Labor Costs

(Unit: KRW million)

Description	2005		2006		2007	
	Total annual payroll	Average payroll per capita	Total annual payroll	Average payroll per capita	Total annual payroll	Average payroll per capita
Male	438,908	49	487,466	52	577,855	60
Female	34,013	29	34,883	31	38,810	36
Total	472,921	47	522,349	50	616,665	57

### Contribution

(Unit: KRW million)

Category	2005	2006	2007
Charitable giving	2,163	2,000	2,235
HR development	2,124	950	1,585
Community contributions	1,663	5,251	2,693
Total	5,950	8,201	6,513

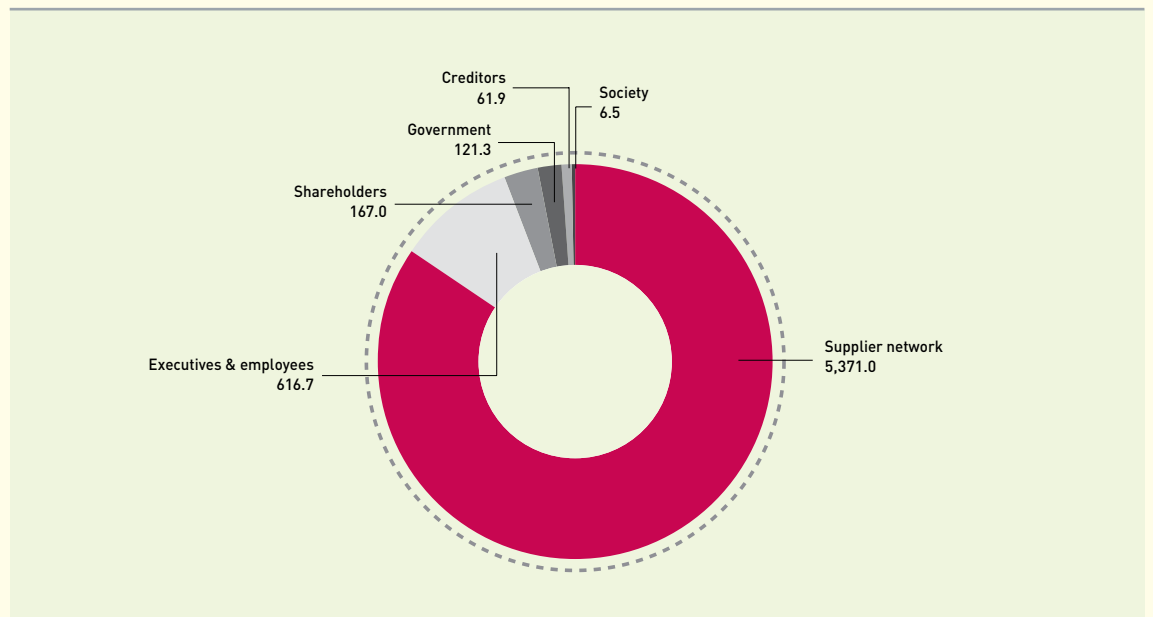
### Income Taxes

(Unit: KRW million)

Category	2005	2006	2007
Income tax expenses from continuing operations	67,420	79,725	121,250

### Distribution of Economic Benefits (2007)

(Unit: KRW billion)



CUSTOMER



- 37 \_ Customer Value
- 39 \_ Customer Safety
- 41 \_ Customer Privacy Protection
- 43 \_ Customer Cooperation



# PRODUCING VALUE WITH VALUES

LG Chem seeks to grow with customers on the basis of shared philosophy 'Creating Value for Customers'. Competitiveness of our customers, we will strive to translate into global competitiveness of LG Chem.

“

*I think the raison d'être of companies is ensuring customer delight. LG Chem listens to what customers say through the VoC process. Carefully listening and responding to the voice of customers, I believe, creates a source of competitiveness for LG Chem as it moves towards becoming a global leader.*

”

**I Sun-Hee Kim |**

Deputy Manager, Customer Care Center



## Customer Value

Customer value creation is a core value at LG Chem. We promise to provide customers with differentiated solutions to spur mutual growth.

### Customer First Policy & Program

LG Chem has adopted various programs to provide customers with safe products and convenient services. These include the customer satisfaction system, initiatives to enhance product safety, and measures to protect customer information.

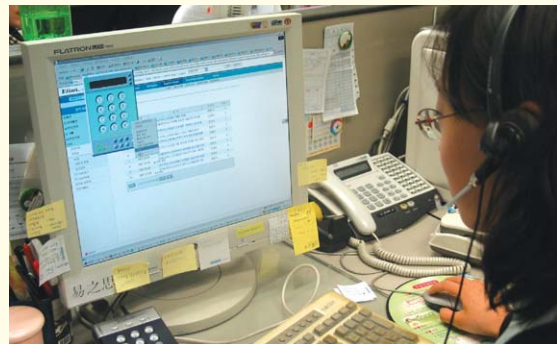
### Work Process

#### Voice of Customers (VoC)

Customers are the ultimate purpose of our business activities. We consider the end user as our customer. With that in mind, responding to consumers' needs and addressing their complaints are a regular part of our business activities. Our Voice of Customers (VoC) system serves as an outlet through which we can collect, store and analyze the opinions of diverse customers and incorporate them in how we conduct our business.

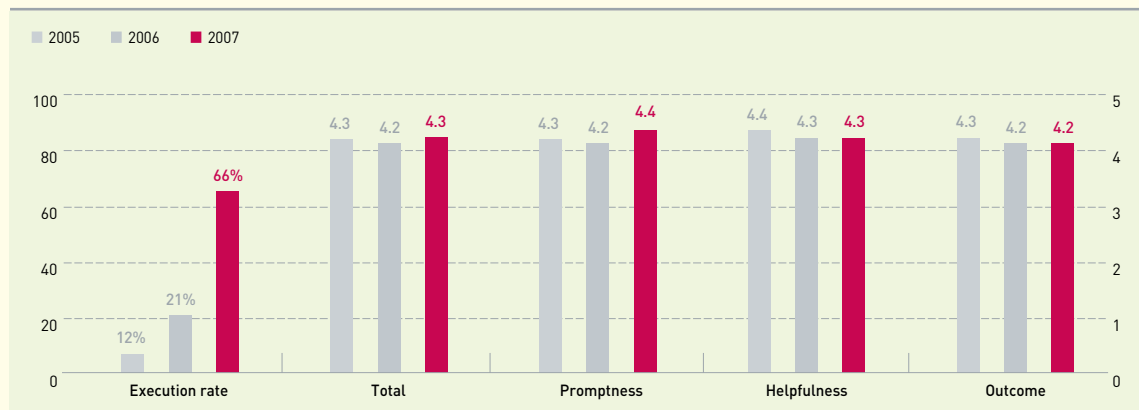
### After-Sales Service

The Industrial Materials Company launched its service center in 1998. Service requests filed via the VoC system are immediately passed on to the service center and the personnel in charge for swift handling of the situation. Customer surveys are held to check satisfaction levels with after-sales service through the Happy Call scheme, and the survey feedback is used to continuously upgrade our service.



### Satisfaction of Happy Call Survey

[Unit: point]



\* The highest possible score is 5 points in the categories of promptness, helpfulness and outcome.

## Customer Program

LG Chem implements customer satisfaction campaigns and programs to ensure a strong customer focus across organization. Our principle is 'Act first, Bill later' to drive increased responsiveness to customer complaints. This is intended to reduce customer inconvenience stemming from the delays in complaints handling in the distribution channel. Under the system, LG Chem first takes the necessary steps to address a customer's request and then bills the pertinent distribution outlet for the related expenses.

In 2007, LG Chem successfully obtained recertification to Excellent Service Quality and the validity of the certification is till July 2010. Under the system, assessment is conducted by Korean Agency for Technology and Standards under the Ministry of Knowledge Economy with a certificate issued under the name of the Knowledge Economy Minister. Certification serves as recognition by the State that LG Chem excels in terms of quality of after-sales service provided for all our product line-up. This latest accomplishment has been enabled by our continuous focus on progress and performance instead of making just one-off effort for certification.

## Examples & Performance

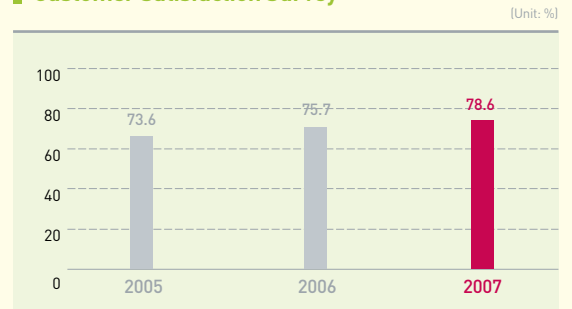
In terms of window products, how they are installed is as important as the product itself. To enhance the installation quality of our partner firms, we introduced the Haut Club quality certification system in 2005. Based on the results of the quality evaluation, we provide incentives to outstanding partner firms while imposing penalties on those that do not meet required standards. It became mandatory with the revision of the Building Act in 2006, to use non-inflammable materials for emergency staircase in the multi-purpose facilities, but LG Chem's tiling products were not sufficiently fit for compliance with relevant criteria due to their use of PVC as a base

feedstock. From the end of 2005, many asked us whether we had products that could be installed in the emergency staircase. We thus moved on to make continued investments in R&D and in 2007, developed and launched high-strength artificial stone called X-tone made of inorganic materials, with luxurious features and durability like natural stones.

LG Chem introduced sound-proof Asobang mats in 2007, as transfer of noise between floors in the apartments became a social issue and as our customers that had previously used existing mats for childcare centers expressed their concerns over this issue through the VoC channel.

Outside agencies are commissioned to conduct customer satisfaction surveys for each business company once a year. The surveys began in 2002 for the Industrial Materials Company and in 2005 for the Petrochemicals Company and the IT and Electronic Materials Company. In addition, the Industrial Materials Company carries out customer satisfaction surveys on general consumers, retail clients, and construction firms. From 2008, we plan to increase the frequency of surveys on our main product lines to track customer satisfaction trends in order to realign our customer service strategy with the insights.

## Customer Satisfaction Survey



\* Survey by: (Petrochemicals, IT and Electronic Materials) -Hankook Research  
 (Industrial Materials) -KMAC

## Customer Safety

It is the most fundamental responsibility of companies to deliver safe products to customers. As a responsible business, LG Chem runs a wide range of programs to embed safety in our product development, production and sales.

### Training Support for Product Safety and Product Liability

In tandem with increased customer empowerment from implementation of 'Class Dispute Resolution Procedures' of Korea Consumer Agency, LG Chem has been conducting Product Safety (PS) and Product Liability (PL) trainings for the headquarters, plants and research centers. The Customer Care Center supports phased professional trainings for all existing business companies with entry-level, practitioner and advanced course programs, and also develops and provides basic PS and PL curricula custom-tailored for new business areas. For the professional training support, we develop not only in-house trainers but also bring external subject matter instructors for Petrochemical, IT and Electronic Materials and Industrial Materials.



### Product Safety · Product Liability Monitoring

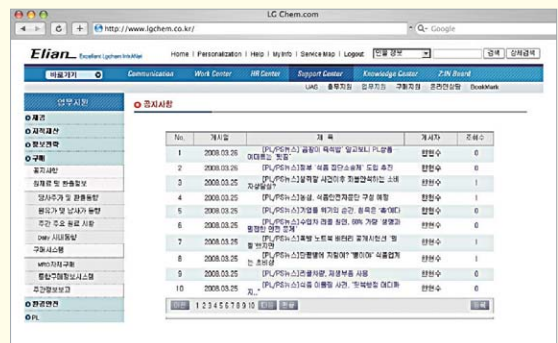
With the Product Liability Act coming into force, LG Chem has been carrying out annual PS and PL monitoring on all business groups to ensure product safety and check the current status of PS and PL. During

the monitoring process, flagship products and the relevant production sites are selected for each business group to track implementation of Product Safety Management System (PSMS), and more rigorous monitoring is done for new business areas, products and plants. In the case of PL, we check warning labels with more rigor as inadequate warning labels are often the root cause in PL-related accidents.

Monitoring results are feedbacked to relevant companies and are used as a guidance to identify opportunities for improvement in product development and production, with a goal to deliver safer products to the market.

### PL Website

The PL website was set up in January 2002 and has been in operation since for sharing latest information on PS and PL across the organization. The PL website is largely categorized into bulletin, relevant Acts, cases & precedents, and references. Up-to-date information on consumers and product liability is offered on the bulletin, including policy developments of government and consumer advocacy groups, latest domestic and global news and our company initiatives. A total 372 entries of references were provided in 2007.





## PL Report

Raising awareness about PS and PL is the aim of the PL Report, a quarterly in-house publication that has been distributed to the headquarters and other LG Chem workplaces since 2004.

The PL Report gives detailed accounts on our PS and PL-related initiatives, interpretation on government policies, and latest domestic and global news along with a variety of training materials for PS and PL. We have made our consumer database more robust to better inform our consumers in the area of dispute mediation cases in particular, considering the class dispute resolution procedures that came into full implementation in 2007. The PL Report is utilized for many purposes, from gearing the organization awareness towards better product safety to plant-level trainings and PS and PL trainings for annual ISO audits.



## Review of Safety Features

Our commitment to manufacturing safe products has led to various safety initiatives. They include studying consumers' product use environment, analyzing competitors' activities and drawing on this information to design and produce products, make appropriate warnings and create product manuals. Programs aimed at executing specific improvement measures are devised through preliminary surveys as well as analysis and evaluation of potential risks. They are then reflected in

product development and production processes.

Moreover, product safety reviews for Petrochemicals, IT and Electronic Materials, and Industrial Materials have become more tightened than before, as consumers are now more empowered from the revised Framework Act on Consumer and as the media including consumer advocacy groups brings business practices under close scrutiny.

We make sure to conduct more stringent reviews on the safety aspects of products used directly by our end consumers. Promotional catalogues, sample books, processing/construction manuals, and various pictograms and warning labels in packages, as well as user manuals all undergo our review, supervision, and update control. In addition, we promote close communication with process owners of new products during safety reviews, with much more rigor than to our existing products, as they will be manufactured from new business companies.

## Customer Privacy Protection

We are seeing an increase in the volume of customers' personal information gathered through the online and offline medium. Accordingly, we are implementing technological and administrative measures to safeguard customer privacy.

### Information Security Provision

LG Chem's information security policy underwent a major makeover in October 2006, three years after our sweeping security guidelines went into effect in December 2003 with an aim to safeguard the Company's confidential information on management and technology as well as customers. Growing use of the internet has also led to greater corporate accountability on protecting customer information.

LG Chem is taking both administrative and technical actions to protect online privacy of our customers by fully complying with all applicable privacy laws and regulations such as the 'Act on Promotion of Utilization of Information and Communication Network and Data Protection.'

### Information Security Training

LG Chem educates everyone in the organization on information security via online and group trainings to raise awareness of information protection amongst our executives and employees. These training sessions are designed to enlighten people on the need for protecting confidential information including customer information, and to inform them on how to safeguard information.

### Information Security System

We have introduced a multitude of security programs designed to prevent leakage of private customer information in cyberspace. As part of preventive measures against security breach, we partner with IT specialists at LG CNS to control cyber security with latest technology.

### Information Security Training

Description	Type	Subject	Note
On-line	All departments	Why do we need information security? LG Chem's policy for information security	Annual
Group training	Site-specific group training	Why do we need information security?	Annual/each site
	New employee training	LG Chem's policy for information security	As needed basis

### Information Protection System

Description	Subject	Application
Web firewall	Early detection of abnormal/ malicious access to web system to minimize damage	Completed
Certificate	Encryption to block data leakage when personal user views their information after system log-on	Completed
Web program diagnostics tool	Web program diagnostics designed to address vulnerabilities in website security	Second half, 2008

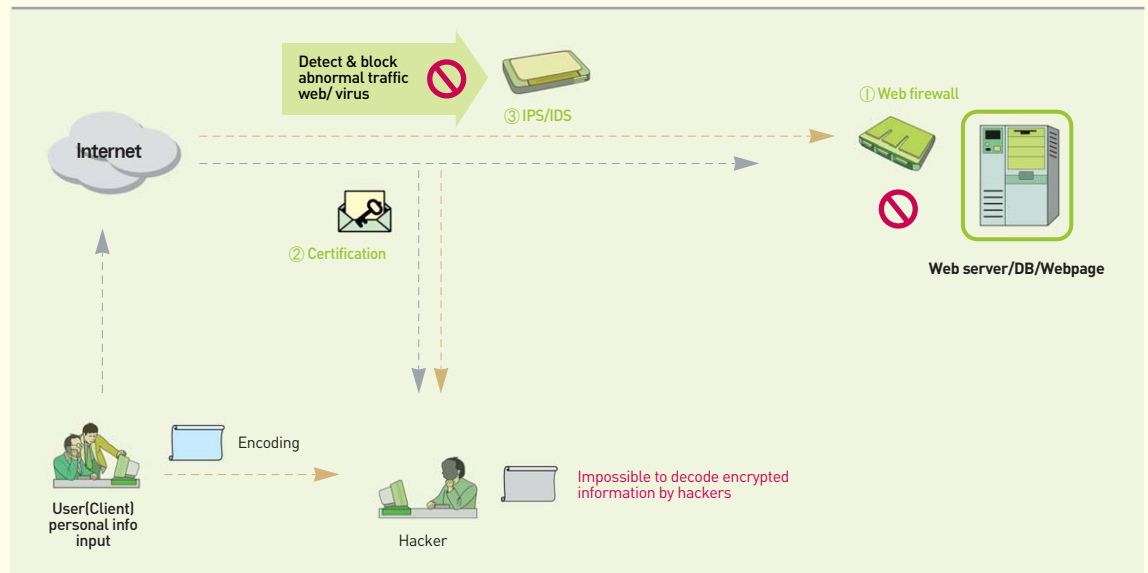
### Security Activities

Leakage of private information in cyberspace through website defacement, hacking, and spyware is on the rise along with the growing use

of the internet to perform day-to-day work. To minimize this outflow, LG Chem is taking serious actions below.

### Security Activities

Classification	Subject	Application
Analyze current status of information protection	Web system (Service for customer)	Analyze environment asset
Analyze threats/weaknesses	Web system dangers/weaknesses	Administrative/physical/technical detection
Analyze/evaluate risks	Web system risks (Use risk assessment mechanism)	Value classification & risks analysis evaluation
Implement information protection measures	Web system risk assessment results	Information protection & master plan implementation
Build information protection management system	Security measures & master plan initiatives	Effective solution introduction, operation, management



## Customer Cooperation

LG Chem is creating synergy through joint R&D with customers and partner firms. By providing technological support and information, we are working for mutual growth with our business partners.

### Environmental Management Support for Business Partners

Helping our business partners prevent potential environmental problems and minimize environmental impact is what LG Chem does to drive green management at the partner sites. As a means of encouraging our partner firms to practice environmental stewardship, we have drawn up regulations on supplier management and guidelines on environmental management of business partners. Through periodic assessment of their environmental management activities, we identify their environmental footprint and suggest ways to deal with the issue. Before registering new suppliers, we take an environmental assessments using the scorecards as defined in the 'supplier management regulations.' Each supplier is given a grade based on the evaluation. Companies that fail to meet the qualification criteria cannot be registered as a supplier. Meanwhile, registered suppliers are subject to environmental assessments twice a year. When shortcomings are detected, we request prompt corrective actions to be taken. Supplier registration will be revoked in the case of failure to comply with the request. As for to Supplier inspections, we provide technical assistance and environmental training when making onsite visits to partner firms.

### Incorporating Sustainability in Supplier Selection

In selecting suppliers, the purchasing department first registers potential suppliers before they can formally become approved as our vendors. As a preliminary evaluation, candidates are reviewed for their ethical practices and financial stability before they are qualified as potential vendors. Once formal transactions begin with the potential suppliers, they then can become

shortlisted as our vendors only when they satisfy our quality and price standards, fully comply with tough environmental regulations such as RoHS and REACH and practice 'Jeong-Do' management in their operations. We conduct post-evaluations to support, develop or exit the suppliers to ensure quality.

Relevant suppliers can check their evaluation results via the Open Purchasing Electronic Network (OPEN) System so that they themselves can identify areas for improvement and thus build needed capability. To sharpen competitive edge of suppliers, we gave two rounds of training in 2007 to 160 suppliers or 80% of the suppliers required to be REACH compliant. Also, a purchasing task force team is in place to troubleshoot any bottlenecks or complaints that may arise from the suppliers in their process of meeting REACH. Going forward in 2008, we plan to define, promulgate, and operate a business process that requires supplier-level compliance to REACH or RoHS when we begin sourcing from new vendors.

Furthermore, a strong focus is placed on fostering competitive purchasers. Ethics training, systematic development of Certified Purchasing Managers (CPM) capable of grasping major global trends in purchasing, along with benchmarking opportunities against leading companies are offered to our purchasing staff. At present, 30% of all our purchasing personnel work as CPMs. CPMs concentrate on cascading their insight on global purchasing trends to working-level purchasers to spread expertise internally.

Competitive advantage in purchasing is hard to come by with conventional practices of price controls. To guarantee survival, therefore, mutual collaboration

- 37 \_ Customer Value
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between suppliers and buyers is increasingly emphasized from the perspective of Total Cost of Ownership (TCO). Such a shift in the landscape requires a more proactive role on the part of purchasing in end-to-end procurement process, from initial ordering to manufacturing and inventory management, instead of simply keeping cost under control. We have therefore redefined our purchasing strategy to promote win-win partnership between the suppliers and purchasers.



• REACH Seminar for Business Partners



• The Open Purchasing Electronic Network (OPEN) System

### Opportunities for Competitiveness Enhancement of Business Partners

We have guided and assisted our business partners in building their strength by disseminating and deploying methodologies of 6 sigma initiatives, widely hailed as innovative business management techniques, thus adding to performance creation. On-site Green Belt (GB) certification program was implemented for our suppliers. Seven people

became certified GB till 2007 and total 58 in 2007 were trained through two education programs.

Quality Innovation (QI) meetings among suppliers are organized to promote the sharing of information on market trends, new technologies, success stories, and failures.

To raise the quality, we set annual quality targets with our partners and carry out periodical assessment. We have organized a cooperation council involving partner representatives and hold regular assemblies to share performance and goals.

Cooperation with our suppliers has been further strengthened with an IT system we provided to them (LUCIS- Integrated production information system of Ulsan plant, supplied to 5 companies), to enable real-time checking of production information at the supplier sites.

### Environmental Technology Transfer

LG Chem offers technical support tailored to the needs of specific environmental areas to promote environmental management of small and small and medium enterprises. This form of support also contributes to enhancing our natural surroundings by preventing environmental accidents. In particular, the Total Solution Partner (TSP) team helps customers and client firms resolve problems related to products. When a client firm requests help, they makes a visit with the environment and safety team to provide onsite assistance.



• General Assembly of Business Partners

**ENVIRONMENT**



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- 55 \_ Energy
- 57 \_ Response to the Convention on Climate Change
- 60 \_ Response to REACH
- 63 \_ Environmental Performance
- 67 \_ Eco-Products Development



# THINKING GREEN IS OUR NATURE

In all of our activities, we strive to achieve a balance between business and nature by listening to the words of nature and adapting to the demands of nature. We are committed to doing what we can to leave behind a clean planet for future generations.

“

*As the source of livelihood, the environment has value beyond words. LG Chem is taking action to curb greenhouse gas emission, which poses a serious threat, and developing eco-friendly products to ensure the health and safety of customers. We promise to fulfill our role and responsibility to realize a sustainable future.*

”

**I In Park I**

General Manager, Environment & Safety Team



# Environmental Management

Preserving our planet is one of the key objectives at LG Chem. We are seeking harmony between our business activities and the environment to benefit men and nature.

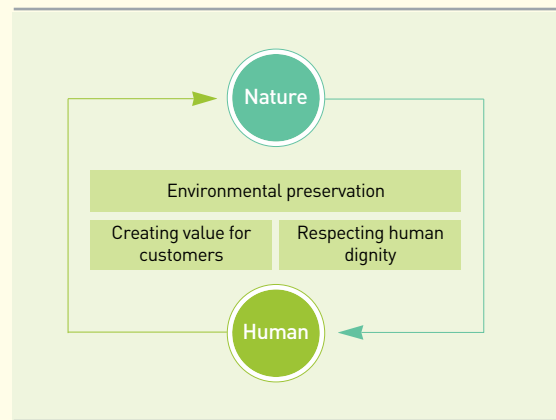
## Environmental Vision

### Environmental Management Philosophy

Environmental preservation is one of the top priorities at LG Chem, based on our management values of 'creating values for customers' and 'respecting human dignity.' We embrace and promote eco-friendly practices that drive harmony between business and the environment.

- The Company faithfully fulfills the role of corporate citizen and pursues mutual prosperity through social contribution, fair business practices, and the preservation of the global environment. (Section 4, Article 1, LG Management Charter)
- LG works to prevent environmental pollution and employs all measures necessary to conserve precious natural resources. (Section 4, Chapter 6, LG Code of Ethics)

## Environmental Management Philosophy



chemical substances, and promotion of green practices. Our customers, communities as well as employees are demanding higher standards of environmental and safety management. LG Chem is responding to those demands and contributing to the sustainable development of humankind through its mid to long-term strategy on environmental, safety, and energy issues.

## Environmental Strategy

We are witnessing stronger calls for greenhouse gas reduction, more stringent controls on

To drive compliance with rigorous product environmental

## Environmental Strategy

Strategy	<ul style="list-style-type: none"> <li>• Strengthen competitiveness in environmental and safety management</li> </ul>	<ul style="list-style-type: none"> <li>• Take stronger action regarding environment, safety and health</li> </ul>	<ul style="list-style-type: none"> <li>• Energy conservation and responding to climate change convention</li> </ul>
Action plan	<ul style="list-style-type: none"> <li>• Respond to environmental regulations on products (RoHS, REACH, GHS, Eco-Label)</li> <li>• Strengthen capabilities of environment and safety personnel (network of experts in various fields, meetings)</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct environmental and safety audits on domestic and overseas plants</li> <li>• Boost performance via the use of environmental performance indicators</li> <li>• Set up support system for environmental and safety management of overseas plants</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce energy costs (energy saving theme, energy audit, technical training)</li> <li>• Build IT system for greenhouse gas control</li> <li>• Verify greenhouse gas inventory</li> <li>• Register at the National Registry and implement national policy projects</li> </ul>



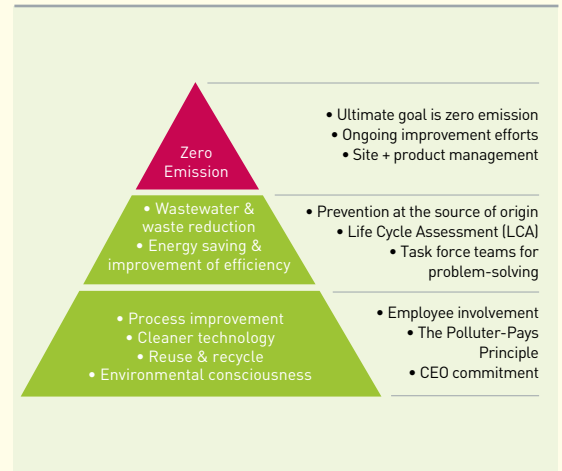
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regulations such as REACH and other environmental standards of developed markets such as the EU, where demand for green products is strong, LG Chem set up the Eco-product Task Force Team to address pertinent issues by each product group in Petrochemicals, IT and Electronic Materials, and Industrial Materials. The Climate Change Convention Task Force Team was set up to deal with global warning caused by greenhouse gases. This team is addressing climate change based on its selected strategy and action plans.

### Environmental Goal

LG Chem, having declared its environmental commitment for 'Pollutants Emission Zero' in 1995, formulated and consistently implemented the first phase (1995-2001) and the second phase (2002-2006) mid to long-term master plans to reduce wastewater and wastes generation. To proactively respond to changes in global environmental trends as a global enterprise, we established 3-phased master plans to ensure organization-wide response to the Convention on Climate Change and the REACH regulation, and are further taking steps to embed a green approach in all product line-up through Eco-Design process. Moreover, action plans have been developed and carried out in phases at overseas operations to entrench an environment and safety risk management system at the respective plants.

### Pollutant Emission Zero



### Environmental Management System

LG Chem's environmental management is incorporated into Responsible Care (RC), a collection of voluntary initiatives designed to ensure accountability for the safety and health of people and the environmental preservation. Rigorous environmental management practices across the Company's plants resulted in certification to ISO 14001 for environmental management system, OHSAS 18001 and KOSHA 18001 for health and safety management system. Seven plants of LG Chem were designated as Environmentally Friendly Company

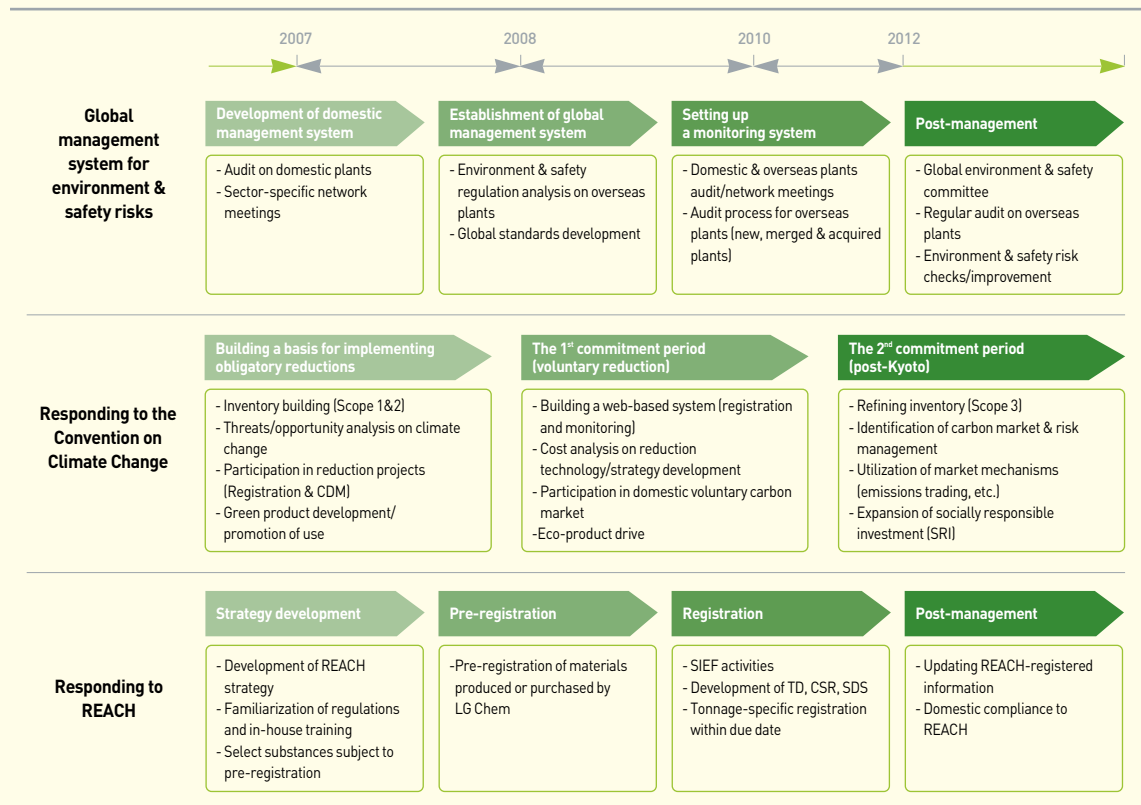
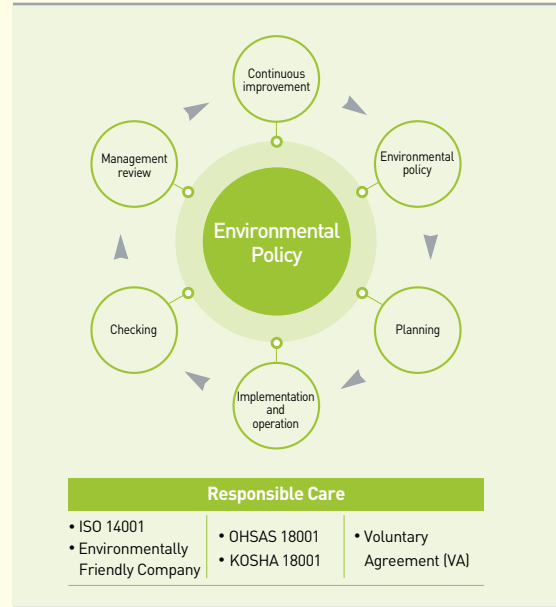
### Environmental Management Roadmap

Phase 1	1995 ~ 2001	<ul style="list-style-type: none"> <li>• Set phase 1 goals</li> <li>• Establish environmental Indicators</li> </ul>
Phase 2	2002 ~ 2006	<ul style="list-style-type: none"> <li>• Set/pursue phase 2 goals</li> <li>• Add mid to long-term targets for energy saving</li> </ul>
Phase 3	2007~2012	<ul style="list-style-type: none"> <li>• Global environment and safety risk management system</li> <li>- Develop global environment and safety management standards</li> <li>- Domestic &amp; overseas plants audit and networking</li> </ul>

by the Ministry of Environment of Korea. LG Chem redefines the standards of environment, health, and safety management and pursues the integration of environment and safety management systems.

Detailed targets and action plans have been set to meet our environmental objectives based on the environmental policy, and trainings are also being provided to support the initiative. The results of EHS are reviewed periodically by internal and external audits, and are reported to top management of each worksite to facilitate sustainability.

The Flow Chart for Environmental Management System



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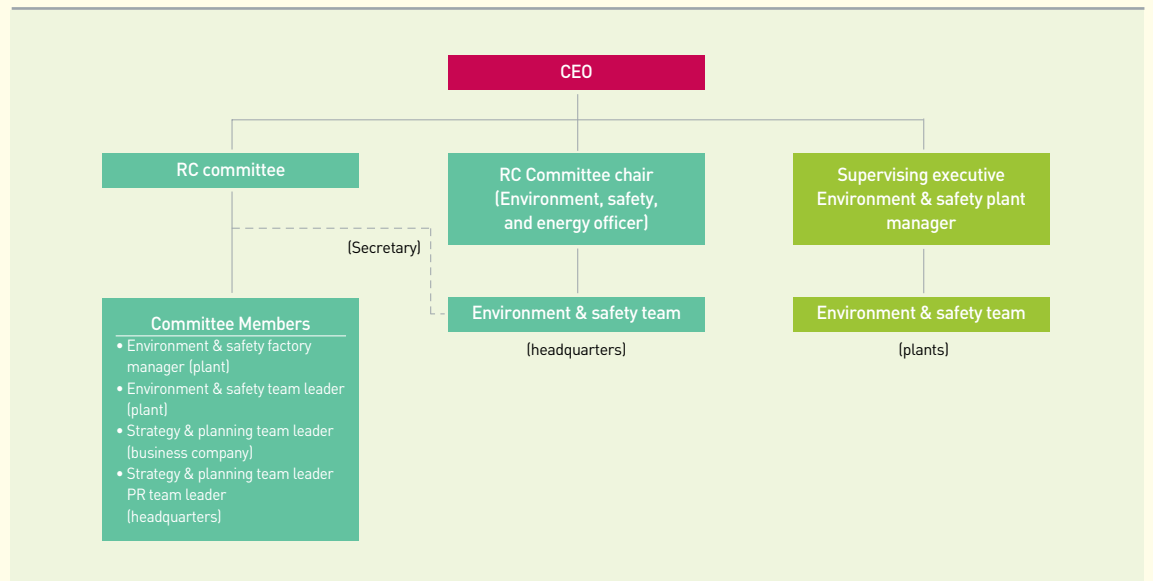
### Organization: Responsible Care (RC) Committee

In 1991, LG Chem established 'Environment and Safety Committee' with the objective of promoting eco-friendly management in a more systematic manner. Since then, activities of the Environment, Health, and Safety (EHS) Management Committees, one at each establishment, are integrated under the LG Chem Responsible Care (RC) Committee. The RC Committee, held twice a year, serves as a central body for company-wide coverage of responsibility in EHS Management. The RC Committee provides an integrated assessment of EHS and energy management for each EHS committee and presents an array of issues and solutions, and a framework of related policies. The EHS committee, in turn, shares information on critical issues, EHS best practice and other concerns of common interest.

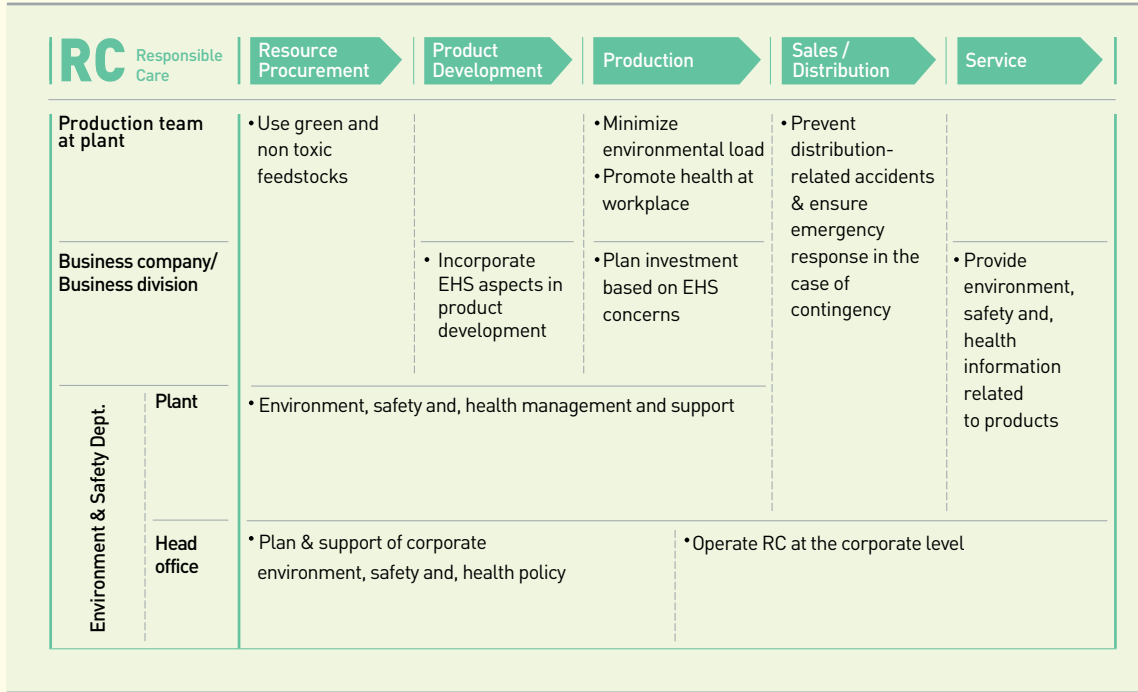
### Environment and Safety Certification/Designation

Plant	Type of certification	Date of acquisition
Yeosu	ISO 14001	1996. 12
	OHSAS 18001	2000. 12
	Environmentally-Friendly Company	1995. 12
Cheongju	ISO 14001	1999. 11
	OHSAS 18001	1999. 12
	Environmentally-Friendly Company	1995. 12
Ochang	ISO 14001	2004. 11
	OHSAS 18001	2004. 11
	Environmentally-Friendly Company	2006. 12
Ulsan	ISO 14001	1996. 12
	KOSHA 18001	2000. 11
	Environmentally-Friendly Company	1995. 12
Onsan	KOSHA 18001	2004. 09
	Environmentally-Friendly Company	2000. 02
	ISO 14001	1997. 08
Naju	KOSHA 18001	2000. 09
	Environmentally-Friendly Company	1998. 04
	ISO 14001	2004. 12
Iksan	KOSHA 18001	2001. 11
	Environmentally-Friendly Company	1996. 05
	ISO 14001	2006. 05
Daesan	ISO 14001	2005. 09
	ISO 14001	2005. 09
	Research Park	K-OHSMS 18001

### Responsible Care Committee



Actions by Organization



Activities: RC Self-Assessment

Responsible Care (RC) initiatives are largely focused on four fronts: Employee Safety & Health; Process Safety; Pollution Prevention; and Emergency Response. Since 2002, RC activities have been assessed by each site matrix and reflected to drive continuous improvement. The assessment scores for 2007 were in the range of 3.6 to 3.8 points, meaning that action guidelines are now embedded in daily operations (practice-in-place or PP).

RC Self-Assessment Standards

Classification	Score	Definition
No Action (NA)	Below 0.5	No activity is being carried out
Evaluating (EV)	0.5 - 1.5	Action plan is being reviewed
Developing (DP)	1.5 - 2.5	Plans under development to implement action plans
Implementing (IA)	2.5 - 3.5	Action plan is being implemented
Practice-in-Place (PP)	3.5 - 4.5	Action plan becomes entrenched in day-to-day company operations
Reassessing (RI)	Over 4.5	Implementation of action plan is being reassessed

RC Self-Assessment Result



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of Environment since 2002, LG Chem has started environmental cost accounting by applying environmental cost classification defined in the EA guidelines. To drive accuracy and efficiency in compiling environmental cost, LG Chem is developing a fully computerized EA system linked to the Enterprise Resource Planning (ERP) system.

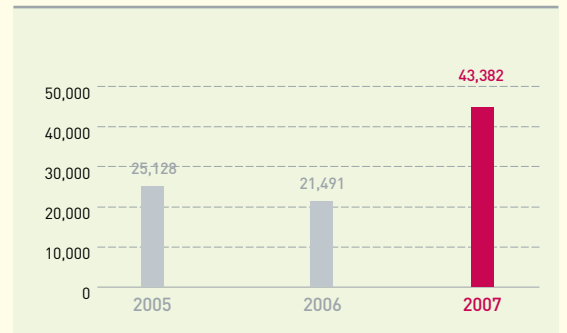
## Environmental Management Methods

### Environmental Accounting

Environmental Accounting (EA) enables investment efficiency, performance enhancement and optimal budget allocation for the environmental practices in management. The accounting statement is reflected in management decision making, and is made available to stakeholders. With the experience accumulated through our participation in EA pilot projects, led by the Ministry

### Environmental Investment

[Unit: KRW million]

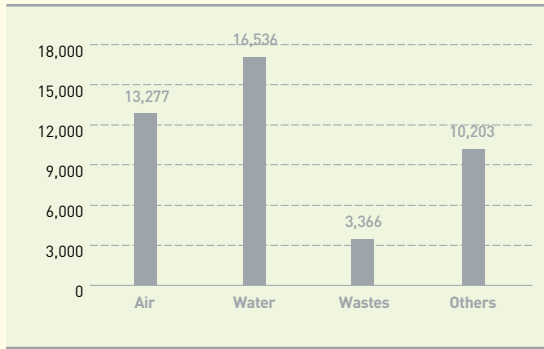


### Classification of Environment Cost

Environment cost			
Post treatment expenses	Expenses for preventive activity	Expenses for stakeholder-related activities	Legal reserves and expenses for environmental restoration activities
<b>Operation expense for post treatment facilities</b>	<b>Expenses for operating Environmental Management System (EMS)</b>	<b>Expenses for external cooperation</b>	<b>Legal reserves</b>
<ul style="list-style-type: none"> <li>• Expenses for operating in-house facilities</li> <li>• Treatment outsourcing expense</li> <li>• Others</li> </ul>	<ul style="list-style-type: none"> <li>• Expenses for EMS certification</li> <li>• Expenses for training</li> <li>• Expenses for environmental impact assessments and inspections</li> <li>• Others</li> </ul>	<ul style="list-style-type: none"> <li>• Expenses for supporting environmental NGOs</li> <li>• Expenses for community cooperation</li> </ul>	<ul style="list-style-type: none"> <li>• Expenses for contributions and dues</li> <li>• Fines</li> </ul>
	<b>Expenses for material/resource saving and recycling activities</b>	<b>Expenses for other activities</b>	<b>Expenses for environmental restoration activities</b>
	<ul style="list-style-type: none"> <li>• Expenses for operating in-house facilities</li> <li>• Treatment outsourcing expense</li> <li>• Energy saving and climate change reserves</li> <li>• Expenses for improving logistics</li> <li>• Others</li> </ul>	<ul style="list-style-type: none"> <li>• Expenses for community environmental preservation and forestation</li> <li>• Expenses for publishing environmental advertisements and reports</li> </ul>	<ul style="list-style-type: none"> <li>• Expenses for indemnities and litigation</li> <li>• Insurance premiums</li> <li>• Others</li> </ul>
	<b>Expenses for R&amp;D</b>		
	<ul style="list-style-type: none"> <li>• Expenses for process improvement</li> <li>• Expenses for product quality improvement</li> </ul>		
	<b>Expenses for other activities</b>		
	<ul style="list-style-type: none"> <li>• Expenses for workplace greening</li> </ul>		

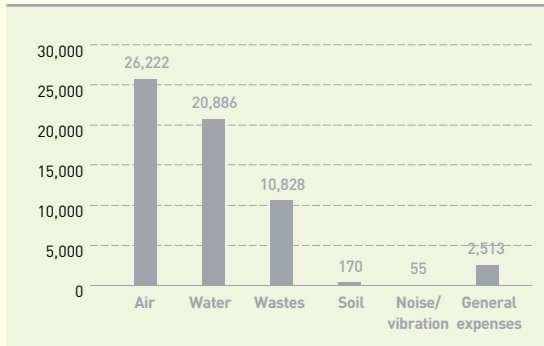
**Breakdown of Environmental Investments in 2007**

(Unit: KRW million)



**Breakdown of Environmental Costs in 2007**

(Unit: KRW million)



**Emergency Response**

**Tele-Monitoring System (TMS)**

The TMS is installed in major pollutant outlets. It monitors and records the operational status of air-pollution prevention facilities and wastewater treatment facilities in real time. When pollutant emission exceeds the threshold level, an alarm is automatically activated to trigger immediate control. Data is transmitted online to relevant government organizations via the TMS.

**Prevention of Accidents**

For prompt action in the case of contingency, emergency handling scenarios are prepared according to different contingency types and facilities. Each production site exercises a regular

emergency drill. Looking closely at the results of each emergency drill helps us identify shortcomings and develop countermeasures, and improve future emergency drills. Any accidents that may take place at the worksites can be promptly managed with highly trained emergency response teams and disaster prevention facilities.

However, considering traffic conditions in Korea, response to environmental accidents or leakage that may take place during the transportation of chemicals requires additional measures. Accordingly, LG Chem strives to eliminate any risks or potentials for disasters throughout the distribution channels from product shipment to delivery. Emergency response drills and training programs are provided to fleet drivers so that they can build capabilities needed to handle problems in the event of a disaster. The Company also provides emergency response manuals and vehicle inspections, and operates emergency teams and networks.



• Emergency Control Center at Yeosu Plant

## Drivers' Safety and Emergency Response Manual

**Safety rules during product shipment**

- Be sure to follow the safety rules when shipping products

1. Always follow the guidance and instructions of plant operators on site



2. When loading/unloading products, turn off the ignition and place a prop for grounding

Wheel check!  
Grounding!



**Safe driving during product transportation**

1. Thoroughly check fleet conditions beforehand



2. Be sure to keep emergency tools on board



## Flow of Emergency Response during Distribution

### Shipment preparation

#### LG Chem

- Check the readiness of drivers and fleet
- Vehicle safety education and provision of contingency information

#### Driver

- Compliance with shipment safety rules
- Vehicle inspection and familiarization of contingency information



### Transportation of chemicals

#### LG Chem

- Check safe transportation

#### Driver

- Compliance with traffic laws and regulations
- Following designated routes (Training on off-limits routes)



### Emergency response in the case of accident

#### LG Chem

- Operation of emergency response commission
- Mobilization of emergency response unit
- Support request (Public offices, suppliers, etc.)

#### Driver

- Initial response (Containment, blockade)
- Emergency contact calls (LG Chem)



### Completion of transportation

#### LG Chem

- Check the safe arrival at a destination

#### Driver

- Compliance with safety rules at a destination
- Notification of completion of transportation (LG Chem)

# Energy

Under our environmental vision of setting up green production processes, we aim to maximize energy efficiency in order to trim costs and minimize the environmental load.

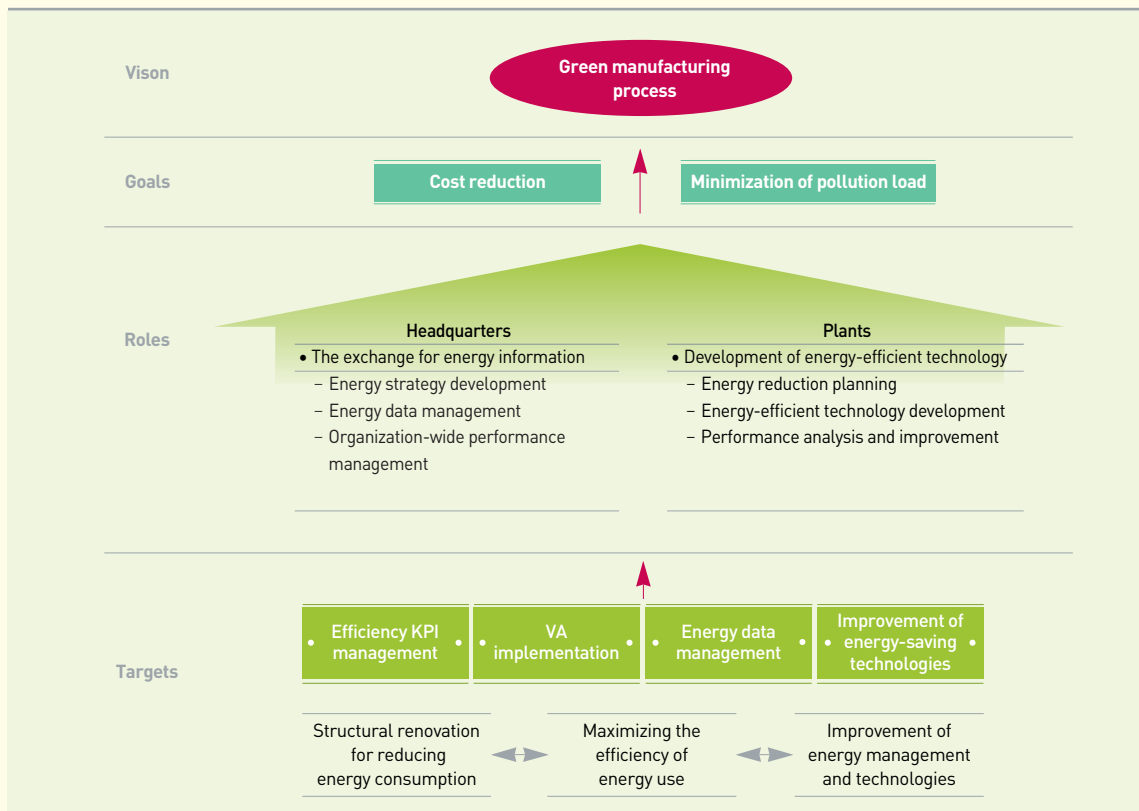
## Energy Vision

LG Chem is working to foster eco-friendly manufacturing processes through innovative energy saving initiatives. We are pursuing structural changes to reduce energy consumption, maximizing efficiency of energy use, and enhancing energy management technologies. By defining clear roles between the headquarters and the sites, we promote information exchange and development of technologies that cut down on energy use.

As for energy saving strategies, the Company set the second-phase mid-term plan (2006~2010) after the completion of the first-phase plan (2000~2005). In addition, the Company carries out the SPEED PRO campaign across the organization in order to save energy through process innovation at all production sites, organizational restructuring for lower energy consumption and effective support activities.

To motivate people towards in energy conservation, we organize corporate energy innovation networking at the

## Energy Management Vision and Goals





- 47 \_ Environmental Management
- 55 \_ Energy
- 57 \_ Response to the Convention on Climate Change
- 60 \_ Response to REACH
- 63 \_ Environmental Performance
- 67 \_ Eco-Products Development

end of each year. This gathering serves as a venue for assessing energy conservation initiatives and disseminating best practices in energy and cost innovation across the organization.

### Energy Saving

Guided by our energy vision, we select and implement energy saving projects every year and monitor related activities. Such efforts have resulted in a reduction in annual energy costs of about KRW 30 billion (2007). Energy related technologies and achievements are shared among all LG Chem plants through energy innovation networking sessions.

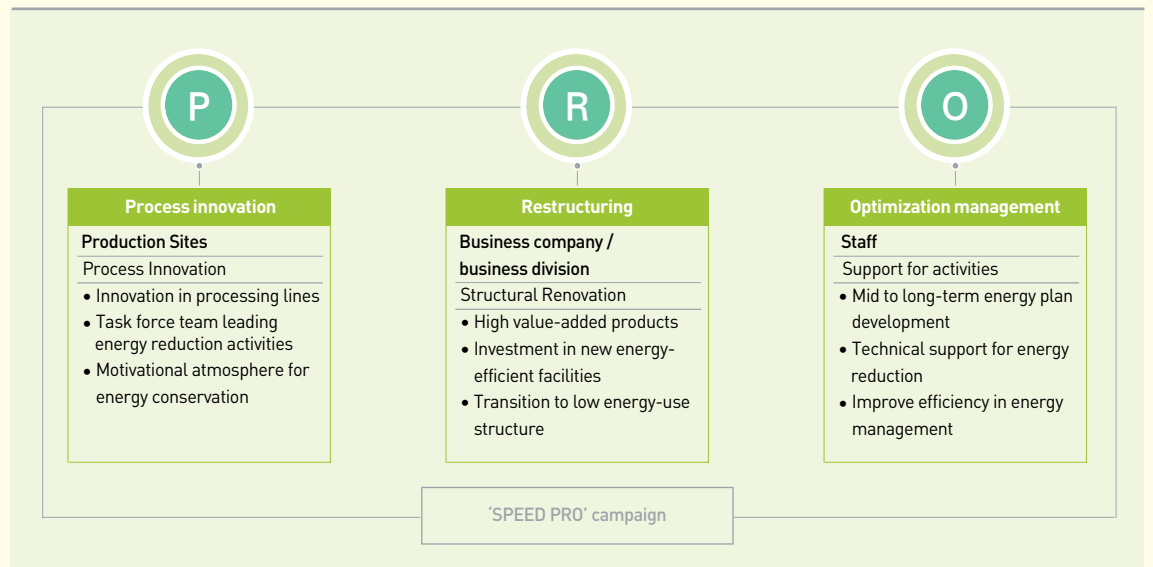


• Energy Innovation Networking Session

### 2007 Energy Innovation Initiatives

Plant	Energy saving innovation activities
Daesan (Technology Team)	HDA Heat exchange optimization
Yeosu (Energy Team)	Systematic boiler tube management
Yeosu (ABS/EP)	Cost reduction through fuel substitution
Daesan (PVC)	Stripping optimization
Cheongju (Energy Team)	Energy reduction through production process approach
Yeosu (PVC)	New technology application to latex drying process
Ochang (Optical Material)	Energy reduction by HAVC facility optimization
Yeosu (SM)	Cost reduction through securing low-cost energy sources

### SPEED PRO Campaign Overview



## Response to the Convention on Climate Change

With a view to easing global warming and promoting sustainable business activities, LG Chem is making preparations for the convention on climate change and reducing greenhouse gas emission.

### The Climate Change Convention Task Force Team

The Climate Change Convention Task Force Team was launched in December 2004. The TFT sits under the Environment & Safety Team of Public Relations/Public Affairs Department at the Headquarters, comprising 4 personnel from the HQ and respective process owners from 10 plants. The personnel in charge collect, store and report data on the source of greenhouse gas emissions and emission activities at their respective plants. They also pursue greenhouse gas reduction projects. The headquarters is responsible for studying international trends on climate change, pursuing cooperation with the government, information gathering, training, and setting the related mid to long-term strategies.

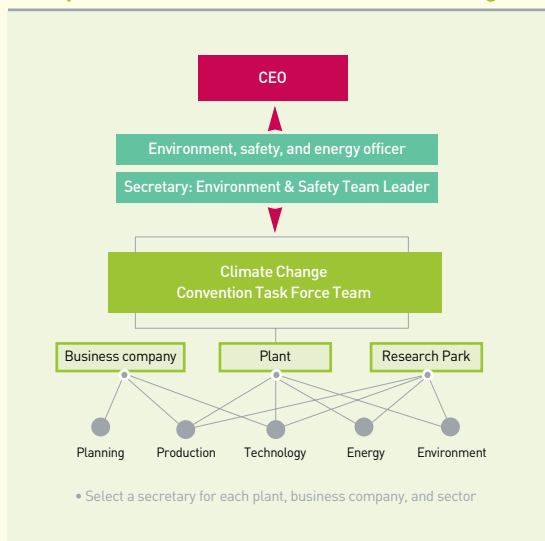
### Greenhouse Gas Management

To lay the groundwork for responding to the Climate Change Convention, LG Chem has been

taking a step-by-step approach to building and verifying greenhouse gas (GHG) inventory and establishing relevant management system.

We completed the preliminary listing up of the GHG inventory in 2005 and have been developing the inventory for the former LG Daesan Petrochemical and the former LG Petrochemical which were newly merged in 2006 and 2007 respectively. Greenhouse gas Inventory includes direct emissions (eg, stationary combustion sources, transportation, process emission, fugitive emission) and indirect emissions (eg, electric power and steam). To enhance the credibility of emissions data, LG Chem applies international guidelines for preparing greenhouse gas inventory including the Intergovernmental Panel on Climate Change (IPCC) Guideline and the World Resource Institute (WRI) GHG Protocol.

### Organizational Structure for Response to the Convention on Climate Change



The Climate Change Convention Task Force Team is responsible for overseeing the greenhouse gas inventory. We are receiving third-party verification for our inventory in phases from the Korea CDM Certification Office (of the Korea Energy Management Corporation), which has been designated as a CDM certification agency by the UN. LG

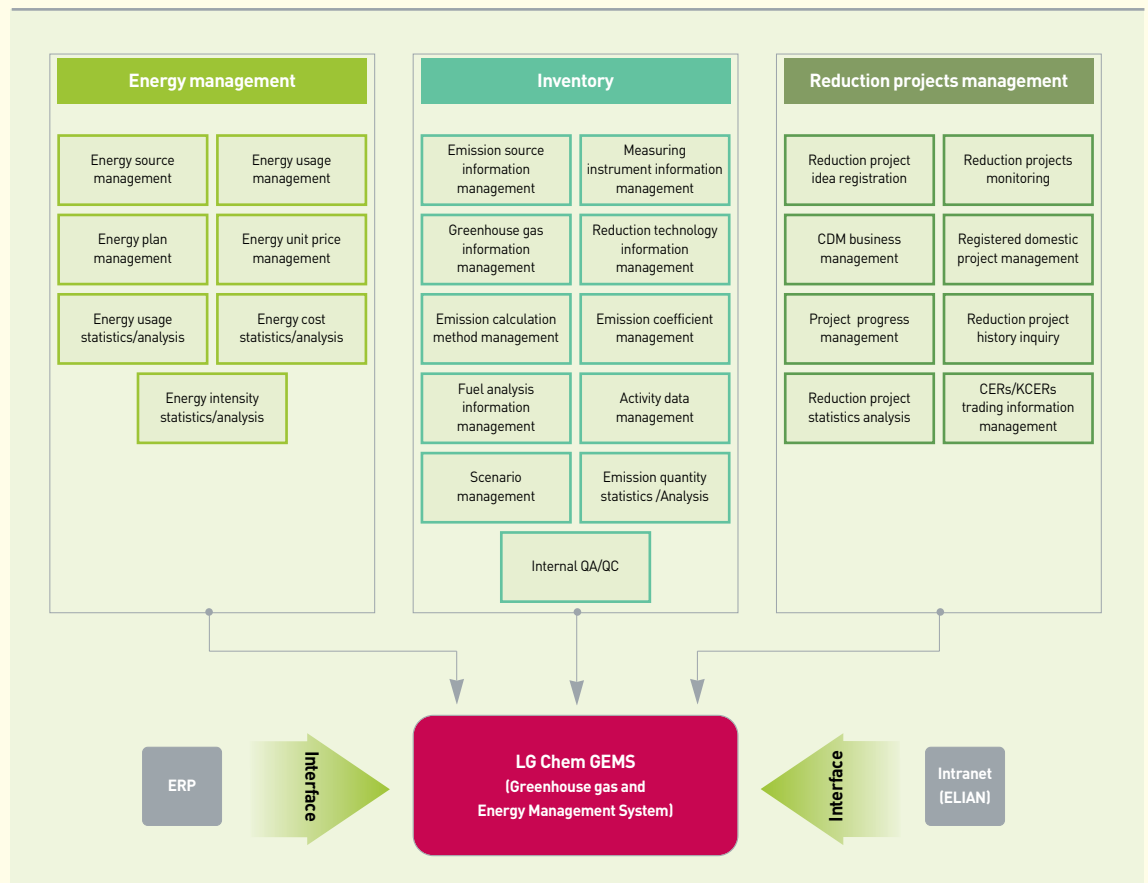


Chem received verification for the Cheongju and Ulsan plants in 2006 and Yeosu (VCM) plant and Ochang Techno Park in 2007.

Based on our experiences in inventory building and verification, we set up a web-based GHG management

system in 2007 and have been running trial tests on the system comprising three modules for energy management, inventory, and reduction project management. Going forward in 2008 as well, we will complete system test runs and entry of historic process data inputs so as to ensure a more systematic greenhouse gas management.

### Greenhouse Gas Management System



### Greenhouse Gas Reduction

LG Chem implements GHG emission reduction projects and registers the actual reductions gained from the projects with the National Registry. Registration programs are currently managed based on Certified Emission Reductions (CERs) after an annual monitoring and third-party verification process. The

Climate Convention Change TFT at the HQ undertakes the secretariat role for training and providing administrative support for Project Design Document (PDD) development, and each project owners at their respective sites take on PDD development, validation, monitoring, and verification.

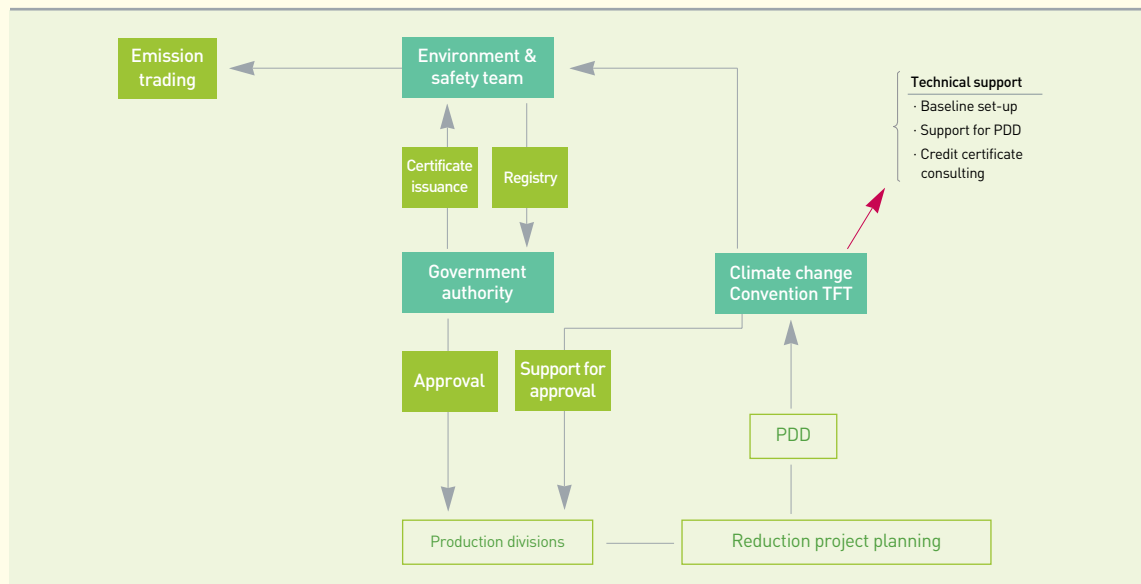
Total 31 projects were submitted for registration at the National Registry-one in 2005, 18 in 2006 and 12 projects in 2007. Of them, 18 projects have been registered including a project 'CO<sub>2</sub> emissions reduction through

improved NPG refining method.' With ten of the registered projects verified by third party in 2007, a total of 91,752tCO<sub>2</sub>, in GHG emissions reduction were certified by the government as a result.

**Project Registered in the Greenhouse Gas Registry System**

Plant	Project	Emission reductions (tCO <sub>2</sub> )
Yeosu (NPG)	Improvement of NPG refining method	20,638
Naju	Fuel switch for steam boiler (B-C → LNG)	18,587
	Application of MVR to isomer separation process	10,673
	Efficiency drive for W.O.U filtered water treatment	1,151
Yeosu (VCM)	High-temperature type heat recovery for VCM quenching process	19,189
	Network configuration for refining process at VCM/CA production process	6,054
	Stack heat recovery through pyrolysis	4,667
Daesan	Heat recovery from quench water and condensed water from NCC	32,045
	Fuel switch for EDC pyrolysis furnace (pentane → methane)	6,972
	Recovery of re-evaporated steam using TVR	3,612
	Heat recovery system for BRU De C9 tower process	5,715
Ulsan	Heat recovery for #2 GHT reactors at BRU plant	7,030
	Switch to cleaner fuel (C9+ → LNG)	2,348
Yeosu (SM)	Installation of steam superheater economizer at SM reaction process	1,587
	Reduction of fuel-based manufacturing steam use	50,952
Cheongju	Installation of heat recovery boiler at thermal oxidizer (TO)	963
Yeosu	Rationalization of instrument air (IAIR) supply	673
Ochang	Installation of heat recovery boiler at flameless thermal oxidizer (FTO)	1,132
<b>Total</b>		<b>193,988</b>

**Registry System for Greenhouse Gas Reduction**



## Response to REACH

As part of effort to get the organization ready for the implementation of REACH, LG Chem has set up an in-house team to respond to REACH and put in place a mechanism to collaboratively respond together with its suppliers.

### Enforcement of REACH Regulations

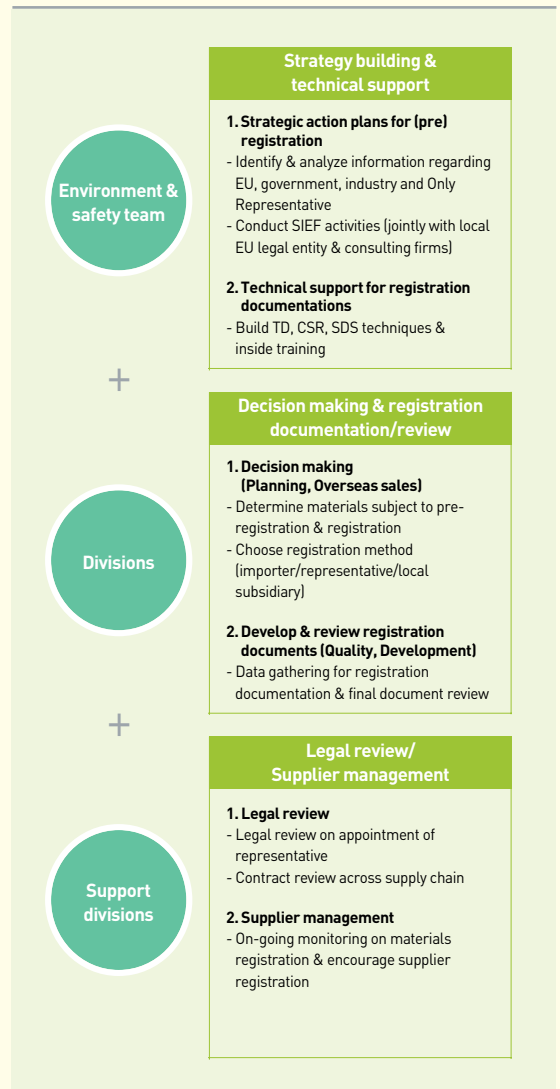
The REACH regulations, known to be the most rigorous environmental legislation on product environment to date, deal with the registration, evaluation, authorization, and restriction of existing chemical substances imported into the EU region over one ton per year. The REACH Regulations, which took effect as of June 1, 2007, will be fully implemented beginning with the 6 months long pre-registration process starting June 1, 2008. In ensuring alignment with REACH, LG Chem has formed a relevant organization encompassing Environment and Safety Team, relevant business units and support functions, and has completed preparatory groundwork for pre- registration of all substances exported to the EU based on seamless cross-divisional collaboration. In addition, we are closely cooperating with our suppliers to jointly respond to legal requirements regarding polymers, preparations and articles.

### Driving REACH Compliance for Material Exports to the EU

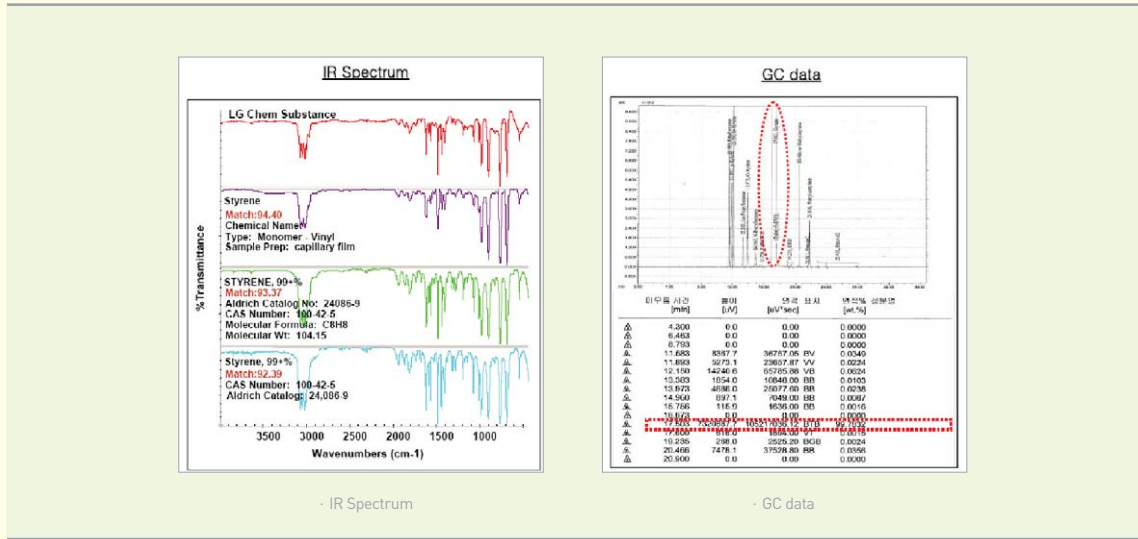
LG Chem exports to the EU market both directly and indirectly substances including acrylate, plasticizers and aromatic/aliphatic hydrocarbons, etc. As for the European Inventory of Existing Commercial Substances (EINECS) required for pre-registration and registration under the REACH Regulations, their export to the EU zone will no longer be possible unless pre-registration is done at the European Chemicals Agency (ECHA) during June 1 and December 1, 2008. As such, LG Chem has conducted substance identification through quantitative analytics (GC/MS), qualitative analytics (IR, FT-IR) and identification data for the substances in

question, and plans to use this verified set of data to fully complete pre-registration by December 1, 2008.

### Actions by Organization



Homogeneous Case

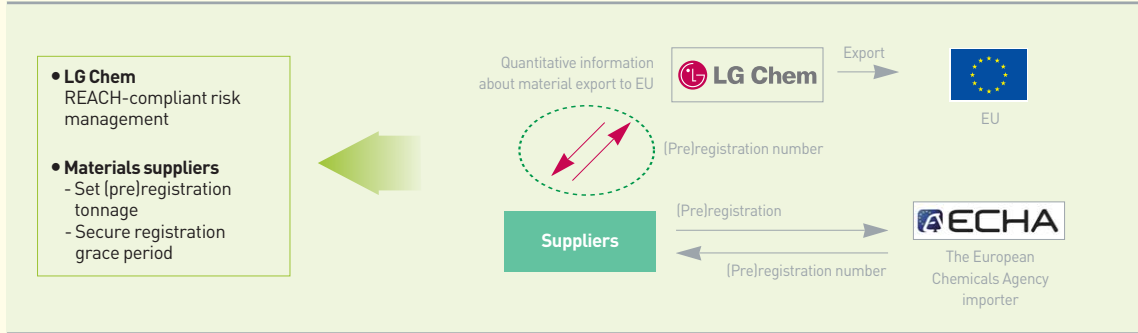


Collaboratively Responding with Materials Suppliers

To ensure REACH compliance in polymers, preparations and articles produced by LG Chem, effective communication and joint response between manufacturer and materials suppliers (for raw and sub materials) are very critical. Based on this understanding, LG Chem has conducted surveys on the status of material suppliers' REACH initiatives and

carried out investigations on composition breakdown of the materials. Moreover, to help materials suppliers efficiently respond to the REACH Regulations, we organized REACH seminars two times in 2007. We also share up-to-date information with the suppliers on their indirect import volume to the EU through LG Chem as well as relevant legal interpretation/trends.

Needs of Communication with Partner Firms



- 47 \_ Environmental Management
- 55 \_ Energy
- 57 \_ Response to the Convention on Climate Change
- 60 \_ Response to REACH
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- 67 \_ Eco-Products Development



• REACH Conference

## Communication with customers

The REACH regulations require seamless communication across supply chain, given its significant impact on upstream industries such as chemical manufacturers•exporters as well as downstream industries such as automotive/machinery and electrics/electronics. LG Chem regularly shares information on the progress of its REACH implementation through 'REACH Statement'. In particular, we plan to promptly share with our customers the results of pre-registration and registration via our sales division so that we can faithfully deliver our role as a true solution partner.

## REACH Statement

**Registration Deadlines**

Substance Category	Pre-registration Deadline
1-100 tonnes	1 June 2008
100-1,000 tonnes	1 Dec 2008
CSMs (2-1 tonne) R6062 (2-100 tonnes)	30 Nov 2010
Other substances	31 May 2018

**EHS Team Contact Persons**

Team	Contact person	Telephone	E-mail
EHS Team (Soc-Product Part)	Hyungwon Ahn	82-2-3773-7166	ahnhw@lgchem.com
EHS Team (Soc-Product Part)	Jongmu Kim	82-2-3773-7231	kimjmw@lgchem.com

**Petrochemical Div. Contact Persons**

Division	Contact person	Telephone	E-mail
ABS/EP Div.	Jinsook Kim	82-2-3773-2382	kimjs@lgchem.com
PVC Div.	Minsun Kim	82-2-3773-3658	kimms@lgchem.com
NCC/Pvc/Orfin Div.	Jungghan Kim	82-2-3773-3872	kimjg@lgchem.com
Acrylates & Plastomers Div.	Hyejung Ahn	82-2-3773-7376	ahnjh@lgchem.com
Rubber & Specialty Polymer Div.	Georgiam Hong	82-2-3773-3968	honggc@lgchem.com

## Environmental Performance

With a proactive focus on environmental management, LG Chem is working to encourage resource recycling, keep effective control on wastes and hazardous substances and improve air, water, and soil quality to deliver better environmental performance.

### Resource/Recycling

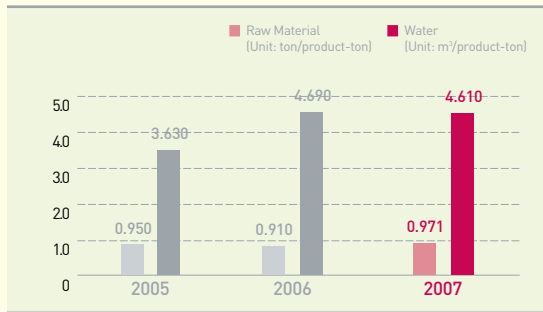
LG Chem is working to prevent the generation of pollutants at the source of origin by bringing changes to products and the end-to-end manufacturing process. For wastes that are generated,

we make efforts to reuse or recycle them, thus reducing the usage of raw materials.

### Wastes

LG Chem thoroughly screens the status of wastes treatment in real time via the 'Wastes Manifest System', a website operated by Korea Environment and Resources Corporation. The Company also carries out annual inspections and maintenance services for wastes treatment and recycling contractors. Reductions in unit waste discharged were achieved in 2007 thanks to our waste reduction initiatives such as installing waste sludge dryers. Such reductions led to a decline in waste recycling rate as there were fewer wastes to be recycled against production output.

### Basic Unit of Raw Material and Water



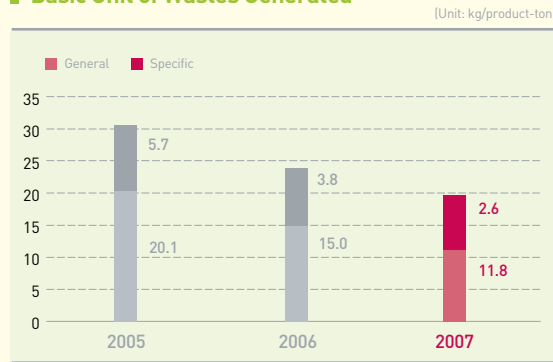
### Improvement Activities on Wastes

Plant	Improvement activities	Investments (KRW mil.)	Effect
Cheongu	Replace wastes input hoist for Incinerator	58	Increase efficiency in waste incineration
Ochang	Expand central wastes storage	271	Increase waste recycling
Yeosu	Install dehydration facility at SBL process	100	Reduce generation waste
Yeosu (VCM)	Install wastes sludge dryers	300	Reduce generation waste
Ulsan	Install solvent recovery equipment	40	Reduce generation waste

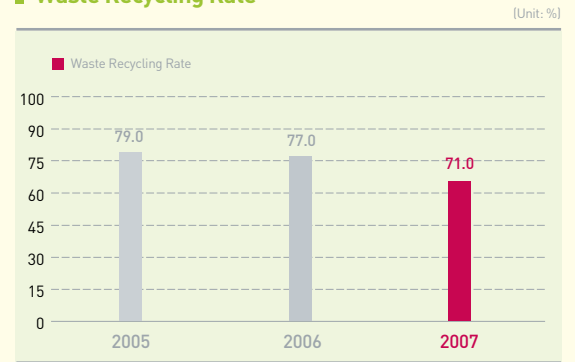




### Basic Unit of Wastes Generated



### Waste Recycling Rate



### Water Quality

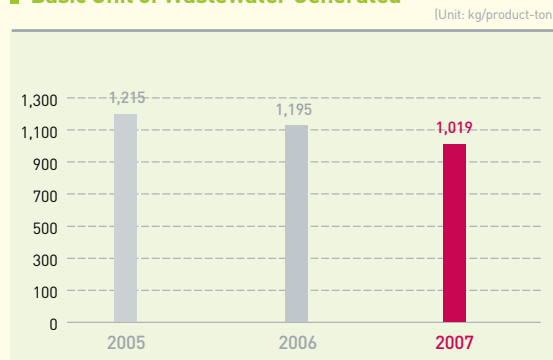
Wastewater is treated at the wastewater treatment facility operated at each plant and discharged directly to a nearby river or retreated in the wastewater

treatment areas. Sewage is sent through separate pipelines to the wastewater treatment areas. Basic unit or wastewater generated showed improvement in 2007 thanks to various activities.

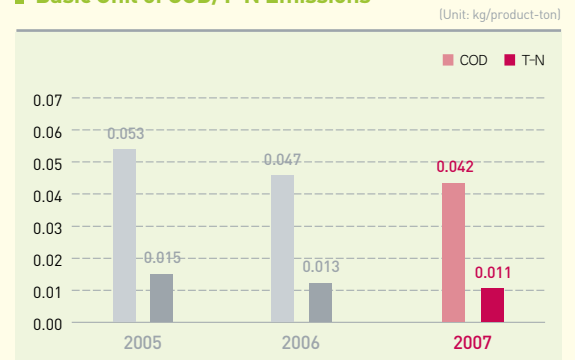
### Improvement Activities on Water Quality

Plant	Improvement activities	Investments (KRW mil.)	Effect
Ochang	Installation of concentrate water recycling system (reverse osmosis system)	98	Reduce wastewater discharged, reduce water usage
Cheongju	Replace wastewater sludge dehydrator	56	Increase efficiency of sludge treatment
Yeosu	Increase reuse of wastewater through capacity expansion	1,448	Reduce generation of wastewater
Yeosu (3AA)	Increase capacity of RTO using wastewater refining tower	600	Increase wastewater treatment capacity of RTO (3.6→5 ton/hr)
Yeosu (VCM)	Install advanced wastewater treatment facility	150	Increase wastewater recycling
Naju	Paving of AA process area and off-site	100	Prevent pollution of water quality

### Basic Unit of Wastewater Generated



### Basic Unit of COD/T-N Emissions



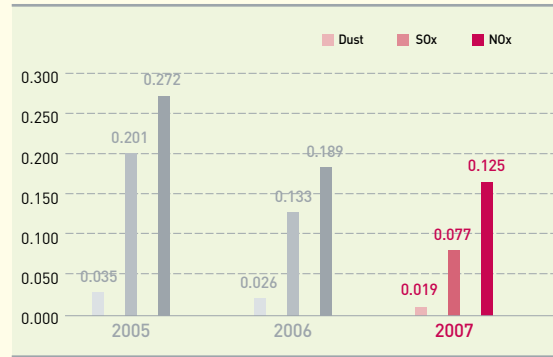
**Air Quality**

LG Chem reduces air pollutants from the source of origin through improving basic production processes and utilizing eco-friendly materials. Pollutants generated from production activities are treated in pollution preventive facilities. To ensure optimal treatment, a regular inspection is carried out facility by facility using to a checklist. We plan to continue to inspect and replace old pollution prevention facilities with highly efficient and optimized facilities going forward.

A Tele-Monitoring System installed in major pollutant outlets screens the level of air pollutants. It transmits real-time data to the TMS Control Center operated by the Environmental Management Corporation. Non-point pollution sources are detected with a portable detector. If a problem is found in a related facility and device, immediate repair work or replacement follows. Installing a regenerative thermal oxidizer and NOx reduction system helped us cut unit emission of pollutants in 2007.

**Basic Unit of Dust/SOx/NOx Emissions**

(Unit: kg/product-ton)



**Toxic Chemicals**

LG Chem carries out rigorous management of toxic chemicals from warehousing to disposal. To prevent any leakages, monthly inspections are conducted at all sensors and interceptors installed in warehouses while emergency drills are conducted regularly. The average usage of toxic chemicals each year has been going down due to scientific management of emissions through the use

**Improvement Activities on Air Quality**

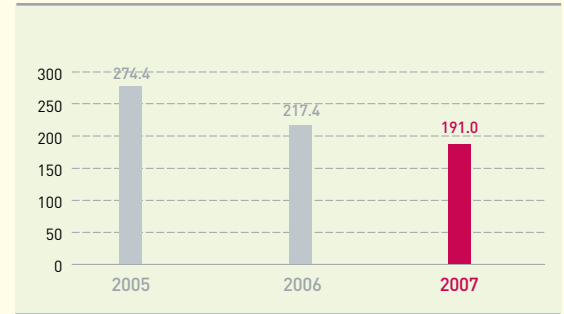
Plant	Improvement activities	Investments (KRW mil.)	Effect
Ochang	Install coating No.4 RTO at Optical Material plant #2	650	Reduce air pollutants
	Improve indoor air quality by filter change at optical plant	118	Reduce air pollutants, improve working environment
Cheongju	Install RTO at HI-MACS® plant #1	557	Reduce air pollutants
	Install candle filter at foaming machine No.2	258	Reduce air pollutants
	Improve incinerator at printed circuit material plant	133	Reduce air pollutants
Ulsan	Install electrostatic precipitator	213	Reduce air pollutants
	Replace major parts of electrostatic precipitator	220	Reduce air pollutants
Iksan	Replace fume capture filter	45	Reduce air pollutants
	Replace RTO ceramic	42	Reduce air pollutants
Yeosu (NCC)	Install BD-401 NOx reduction system	584	Reduce air pollutants (NOx 120 → 70ppm)
	Install HDPE powder production silo and wrapping machine	448	Reduce air pollutants
	Reduce VOC leakage by recovery of HDPE off gas	192	Reduce VOC incineration(200kg/hr)
Yeosu	Change RTO phase change material at ABS process	480	Improve efficiency of pollution preventive facility
	Install VCM capture facility in PVC P/T process	450	Reduce VOC emission
Naju	Change to cleaner fuel for boiler (LNG)	800	Reduce air pollutants
	Install SRU 2 Train (1st)	470	Reduce air pollutants(SOx 22 → 15ppm)
	Replace RTO ceramic	148	Remove odor

of Toxic Release Inventory (TRI).

In December 2004, LG Chem signed a Voluntary Agreement (VA) on Toxics Use Reduction, part of the Ministry of Environment policies. To comply with the VA, the Company aims to phase out the use of toxics by 30% within three years (2007) and 50% within five years (2009), through process improvement and resource recovery system. We also introduced Leak Detection and Repair (LDAR) system that is designed to reduce the volume of toxic chemicals emitted to the air through non-point pollution sources, e.g. pump, valve and flange.

### Basic Unit of Toxic Chemicals Use

(Unit: kg/product-ton)



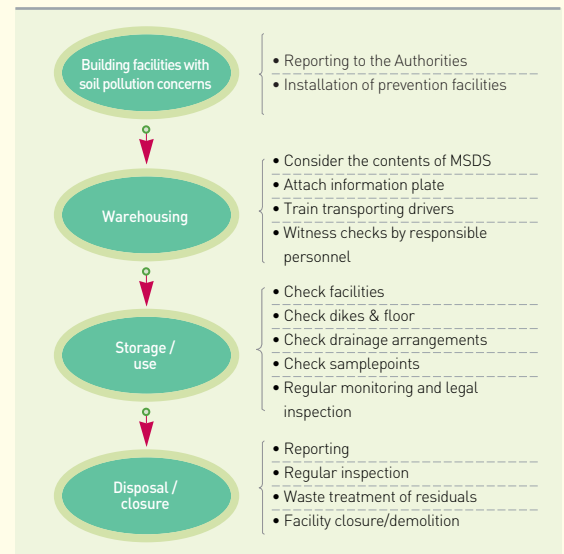
### Improvement Activities on Toxic Chemicals Use

Plant	Improvement activities	Investments (KRW mil.)	Effect
Ochang	Development of P-Chem high-performance eco-friendly product	600	Reduce solvent usage
	Improvement of freezer condenser (EA903X)	99	Reduce toxic chemicals
Yeosu	Improvement on ABS process 1-AN exposure work	90	Respond to toxic gas leakage
	Installation of LDAR system on VCM handling facility	100	Reduce VCM emissions (48 → 42ton/year)
Yeosu (3AA)	Installation of piston ram valves on slurry line	100	Prevent VOC leakage
Naju	Development of 2EHA Benzene-free process	332	Zero use of Benzene (47ton/year)

### Soil Pollution

LG Chem strictly governs the lifecycle management from construction to disposal of soil-contaminating facilities in all production sites through the soil management manual. When building the soil-contaminating facilities, we examine closely with relevant divisions in advance. To prevent pollutants from permeating into the soil, soil-contaminating facility area is paved with concrete and waterproofed. Dikes are installed to block pollutant outflow. Regular inspections ensure stringent soil management. Annual surveys of soil conditions at soil-contaminating facilities across LG Chem's plants showed that the pollution levels in the surrounding vicinities were controlled within the legal thresholds in accordance to the Soil Environment Conservation Act of Korea.

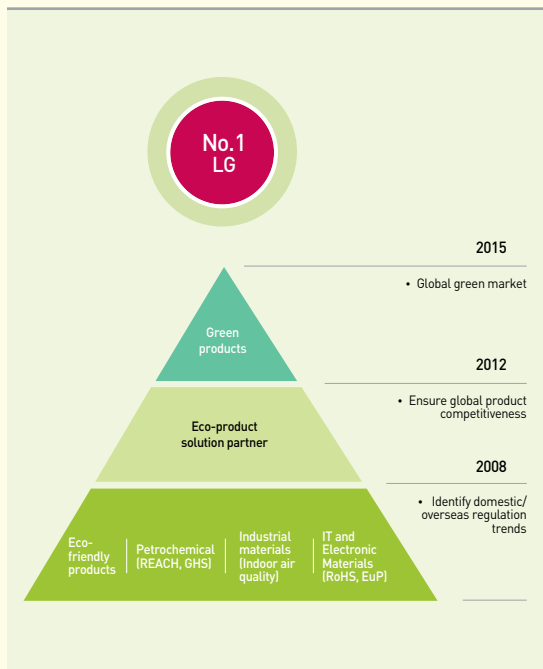
### Flow Chart for of Soil Pollution Management



# Eco-Products Development

LG Chem embraces its role of providing products that do not undermine the environment. We are continuously honing our business competency with the goal of producing greener products.

## Vision



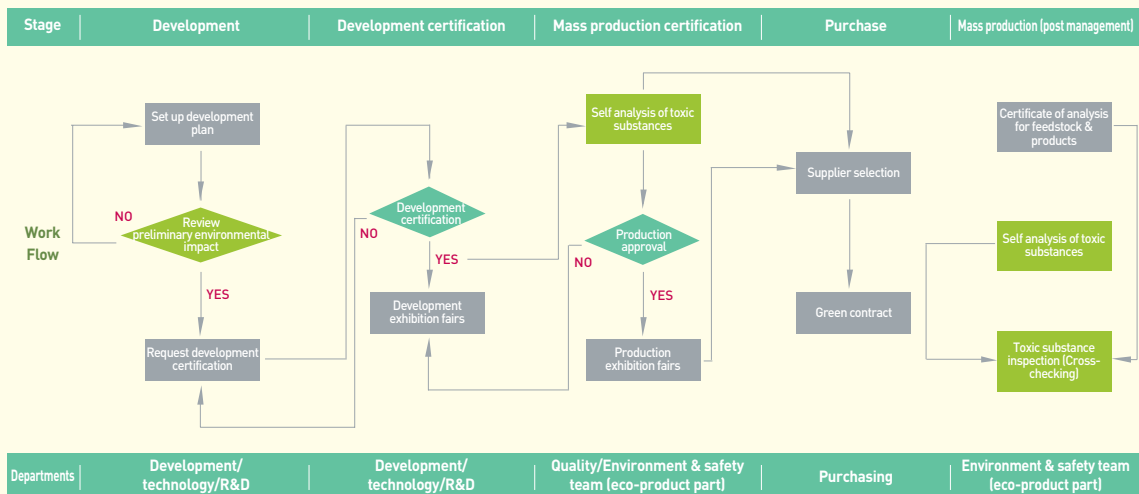
## Development of Eco-Products

In addition to efforts to preserve nature and ensure safety, which form the basic elements of environmental management, LG Chem pursues continued technology development and innovation in order to provide consumers with eco-friendly products and respond to product environmental regulations.

## Eco-Design Process

LG Chem implements the eco-design process to address the environmental impact of our products throughout its entire life cycle, from development and raw material purchase to production, use, and disposal. Internal regulations on green product development and environmental certification for suppliers restrict any purchase of harmful materials in the procurement stage. Processes to minimize pollutants and maximize energy and resource conservation are employed in the manufacturing stage.

## Eco-Product Development Process



- 47 \_ Environmental Management
- 55 \_ Energy
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We also focus our efforts on developing non-toxic, durable products that are reusable and recyclable to reduce the environmental burden during the usage and disposal stages.

### Eco Product System

A company-wide body was set up in 2005 to respond to various domestic and international environmental regulations such as RoHS, sick house syndrome and REACH. We also have in place a cooperative system connecting the environment, R&D, production and marketing divisions for the development and sales of green products. Our efforts have led to economical yet quality eco-products which are incorporated in our strategy to promote a premium image to consumers.

### Eco-Friendly Certification System

Promoting sustainable environmental stewardship among our suppliers was one of our key

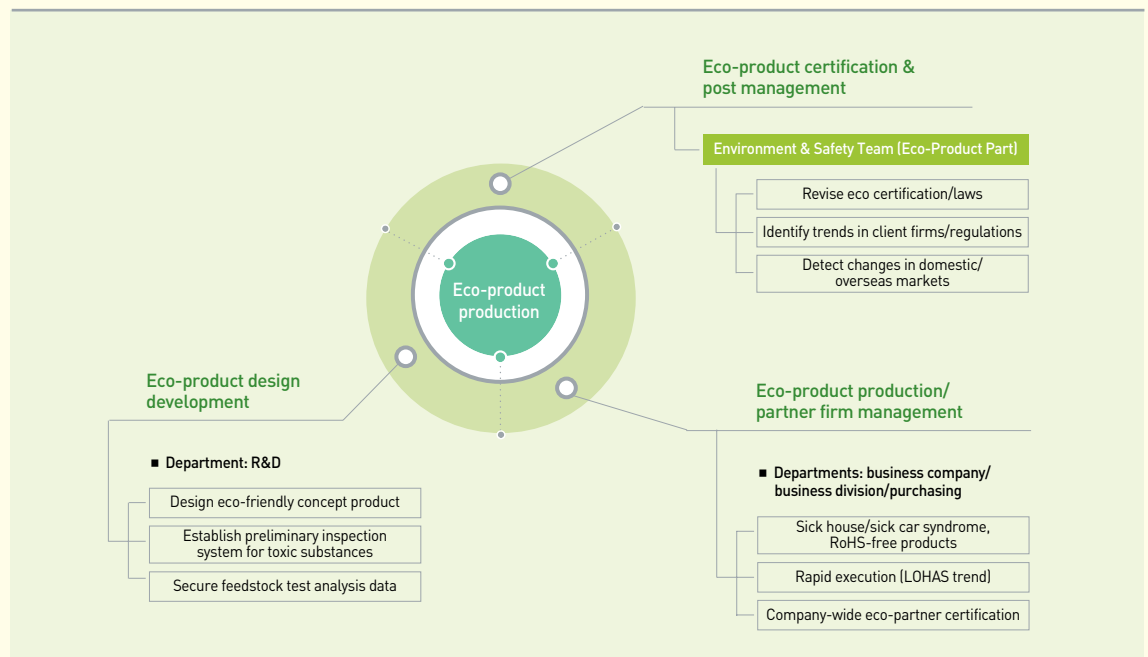
focuses in gearing for EU-driven Restriction of Hazardous Substances (RoHS: ban on use of six hazardous materials including mercury, lead and cadmium) directives which took effect in July 2006. To this end, we set up guidelines for an eco-friendly supply chain in 2005 and launched the environmental certification system in 2006. Our 220 suppliers of information and electronic materials are required to comply with tough international environmental standards by identifying hazardous substances in raw materials and assessing their environmental impact. Moreover, we are helping small-to mid-sized partner firms meet environmental regulations by providing, in real time, latest information and trends from around the world through our eco-friendly newsletter site.

### Eco-Products

#### Z:IN (Zenith Interior for LOHAS)

Z:IN is a premium brand for home interior materials with an emphasis on nature and people

### Eco-Product System



## What is Z:IN?

**Z:IN** refers to Zenith Interior for LOHAS (Lifestyles Of Health And Sustainability). It is a premium brand of home interior materials with an emphasis on nature and people.

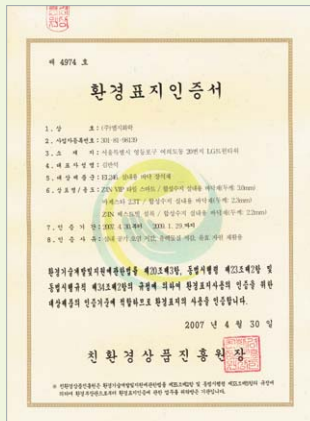
### Objectives of Z:IN

- **Vision** | Korea's No.1 total home solution brand
  - **Mission** | Create enriched living space by providing premium, environmentally-friendly home interior materials
- Environment-friendliness**\_ Protect nature and develop recyclable materials and green processes
- Trust**\_ Serve as a faithful partner in creating living space
- Premium**\_ Provide the optimum space and a sense of pride in leading a quality life

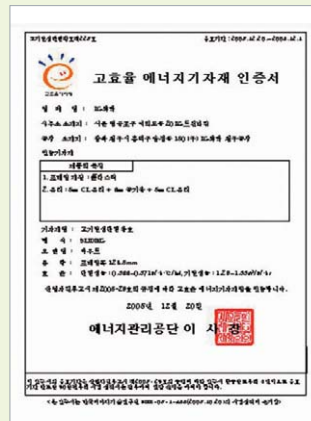
launched by LG Chem in 2007, thereby introducing the concept of total home solution for the first time in Korea. Based on environment-friendliness, expertise and trust, Z:IN provides a total solution to create rich living space and optimal value for the customer.

### Eco-Labeling

LG Chem is striving for pollutant reduction, energy conservation and efficient use of materials in all stages of the product lifecycle, from material mining and production to use and disposal. We



• Eco-Label Certification



• High Energy Efficiency Certification



• HB Mark Certification (top grade)



• Floors



• Windows (system windows)



• Acrylic Solid Surface



• Decorative Sheets



• Windows (balcony windows)



• Wallpapers

are producing eco-friendly materials that emit nearly no TVOC or HCHO, which are known as the major causes of indoor air pollution. Our materials received the Healthy Building (HB) mark (less than 0.1mg/m<sup>2</sup>h of TVOC, less than 0.015mg/m<sup>2</sup>h of HCHO). We also obtained 38 Eco-Labels, 31 HB marks as of December, 2007 for our flooring materials, window frames, decorative sheets, and wallpapers. In particular, our window products become certified as highly efficient energy products.

**Green Renewable Energy Project  
 (BIPV: Building Integrated PhotoVoltaics)**

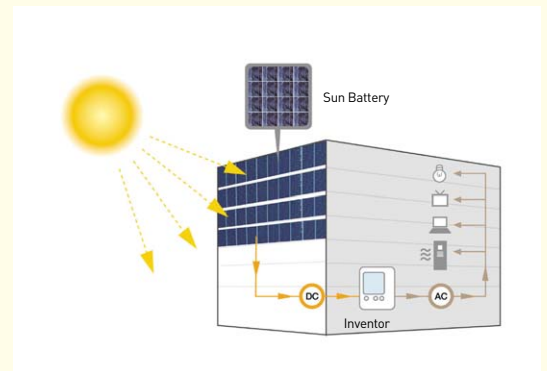
A Building Integrated Photovoltaic system- an innovative concept that integrates fuel cell modules into the building envelope materials- is designed to drive functionality in building exteriors to achieve the dual function of power generation as well as improving the building envelope. In the face of environmental challenges posed by global warming and depletion of energy resources, development of such eco-friendly renewable energy has indeed emerged as a global issue with the need for alternative energy rising. Securing stable sources of energy is all the more important for Korea as the country relies on energy imports to meet 97% of its energy needs. At LG Chem, we will apply photovoltaic power generation-widely hailed as a next generation energy source- to the building envelopes to secure source of eco-friendly energy, and bring differentiated yet creative facade by drawing on our accumulated know how in design development. Through these initiatives, we aim to achieve leadership in the domestic market, estimated to grow into a market of KRW 150 billion in 2010.

LG Chem landed a project for the BIPV system (roughly at KRW 4 billion) in July 2007 to be located in the southeastern distribution complex in Moonjung-dong, Songpa-gu, whose development is led by the Seoul Metropolitan Government. Our progress-to-date ratio is 95%. As the first and largest of its kind to be built in Korea, the BIPV system will be constructed on some

2,800m<sup>2</sup> of outer walls of commercial buildings. Approximately 300MWh of power annually produced from this system will be channeled for use in parking lot lights, outdoor billboards, common utilities and ground-level power supply. Along with power generation, reduction of up to 140 ton of CO<sub>2</sub> per year can be expected to be gained from the system as well.



•Southeastern Logistics Complex



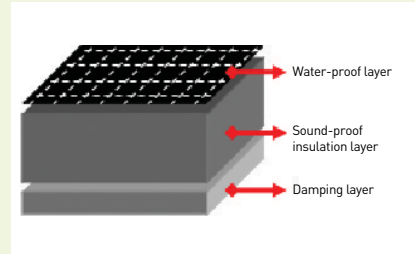
•Concept-Map of BIPV

**Sound-Proof Materials for Floorings**

Combining best-in-class plastics processing capacity in Korea with the state-of-the-art acoustic control technology, our sound absorption materials for flooring were developed as the top-grade building materials in Korea to address social concerns posed by transfer of floor-to-floor noise. LG Chem

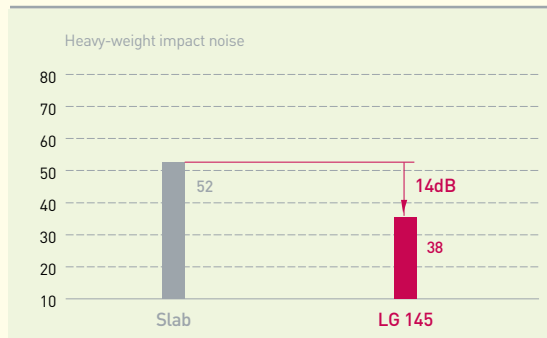
currently has in place Grade 1 for heavy and Grade 1 for light sound insulation materials ready to be deployed for site application. We will continue to focus on new product

development to introduce slimmer sound-proof materials and graded materials.

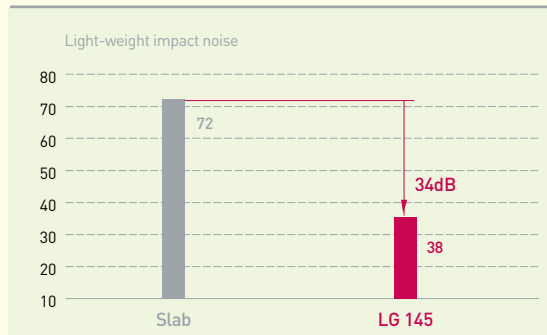


Sound-Proof Performance Test

[Unit: dB]



[Unit: dB]



Certificate of analysis

**시험성적서**

대한주택공사 | 성적서번호: PQ070976  
 (Tel: (031)738-4770, Fax: (031)738-4799) | 케이치(1)(총 11)

1. 의뢰자  
 \* 기관명: (주)LG화학 김반식  
 \* 주소: 충북 청주시 흥덕구 송정동 150번지  
 \* 의뢰일자: 2007년 11월 12일

2. 시험성적서의 용도: 바닥충격을 차단구조 성능인정

3. 시험대상품목/물질/시료명: 바닥충격을 표준시험실 측정 (LG차음재 180-45)  
 \* 바닥구조: 스페트브180 mm+LG 차음재 Type9 45 mm+경량기포콘크리트30 mm+마감보터40 mm

4. 시험일자: 2007년 11월 20일

5. 시험방법: KS F 2810-1,2:2006

6. 시험환경:  
 \* 온도: (17.6 ~ 17.9) °C, 상대습도: (58.3 ~ 58.6) % R.H.

7. 시험결과

주파수 (Hz)	경량 규준화 바닥충격음(dB)					단일수위 평가량	중량 바닥충격음(dB)					단일수위 평가량
	125	250	500	1000	2000		주파수 (Hz)	63	125	250	500	
측정값						측정값						
인자계	41.7	43.8	44.7	36.9	27.8	38	인자계	67.1	44.8	40.8	29.7	37
시험실온실	39.7	42.1	45.0	36.8	31.4	38	시험실온실	67.9	45.3	38.8	32.4	38
인자계							인자계					
시험실온실							시험실온실					

\*측정조건: 없음

확인 | 시험자: 활종규 (직명) | 기술책임자: 박인화 (직명)

\* 위 성적서는 국제시험소인정협력체(International Laboratory Accreditation Cooperation) 상호인정협정(Mutual Recognition Arrangement)에 시행한 한국요정시험기관인정기구(KOLAS)로부터 공인받은 분야에 대한 시험결과입니다.  
 \* 위 성적서는 의뢰자가 제시한 시료에 대한 결과이며 사전 동의 없이 홍보, 선전, 광고 및 소송용 등의 용도여외의 사용을 금합니다.

대한주택공사 사戳 | 2007. 11. 29

MINO, HJRI-P017-01-01(Rev.3)



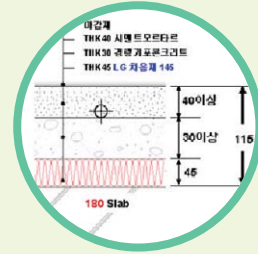
- 47 \_ Environmental Management
- 55 \_ Energy
- 57 \_ Response to the Convention on Climate Change
- 60 \_ Response to REACH
- 63 \_ Environmental Performance
- 67 \_ Eco-Products Development

**| Layer materials |**

- Water-proof layer: G/F & PVC impregnated layer
- Sound-proof insulation layer: Polyurethane series
- Damping layer: Plastic resin compound materials

**| Size |**

- First-grade: 45T x 1,000W x 1,500L



**RoHS-Free Products**

LG Chem has been using non-toxic, lead-free solders in our products since 2005, replacing the use of lead in electronic adhesives. Furthermore, as the analysis results from the certified laboratory show,

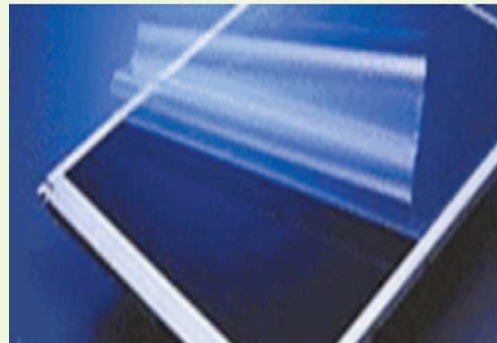
our products use materials free of six substances restricted under RoHS, i.e., lead, mercury, cadmium, hexavalent chromium and brominated flame retardants (PBB & PBDE).



• Rechargeable Batteries (Prismatic Cell, Cylindrical Cell)



• Rechargeable Batteries (Polymer Cell)



• Optical Material



• Toner

EMPLOYEE



- 75 \_ Human Resources
- 79 \_ Welfare
- 80 \_ Labor-Management Cooperation
- 83 \_ Safety & Health



# BRINGING BALANCE TO LIFE

LG Chem respects the creativity and autonomy of our people based on management principle of 'respecting human dignity'. We are also committed to work and life balance by bringing innovation across corporate culture.

“

*As lyrics 'People are more beautiful than flowers' go, I think a true global enterprise is the one that values and nurtures individuals. Embracing employees as the most precious asset and focusing on talent development is the strongest competitive edge and a social responsibility of LG Chem.*

”

**I Chan-Jin Kang |**  
Assistant Manager, HR Planning Team



# Human Resources

LG Chem respects individual creativity and autonomy of our people and value their capabilities and contributions as we strive to give each one equal opportunities to advance and excel. We are also committed to fostering employees with moral as well as professional competencies.

## HR Principles

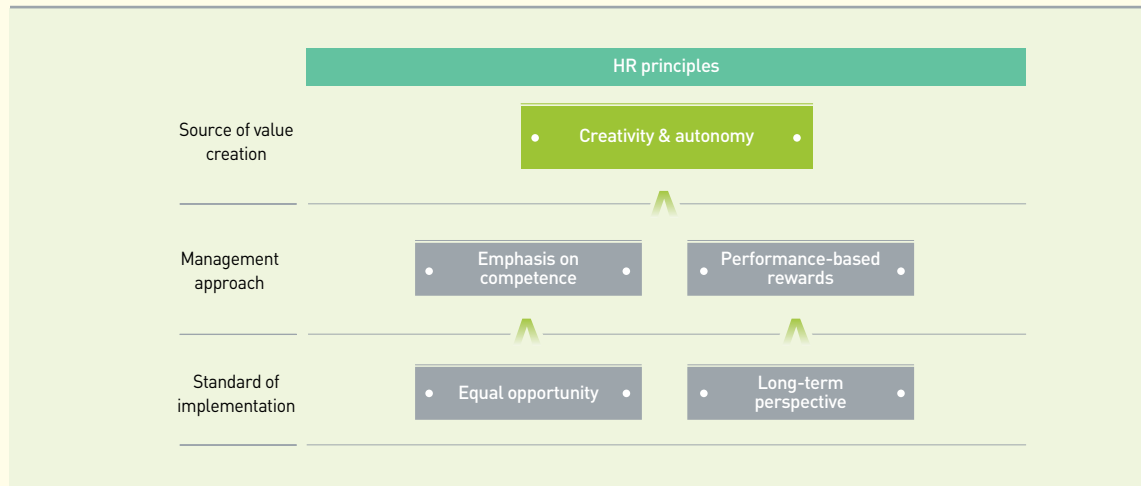
In order to realize 'Respecting Human Dignity', one of LG's management philosophies and the basic component of LG Way which is LG's core beliefs and values, LG Chem respects creativity and autonomy of members and establishes the human resource principle

and make it as the index of human resource and organization operation to develop and execute the personal capability to the best through the performance management system.

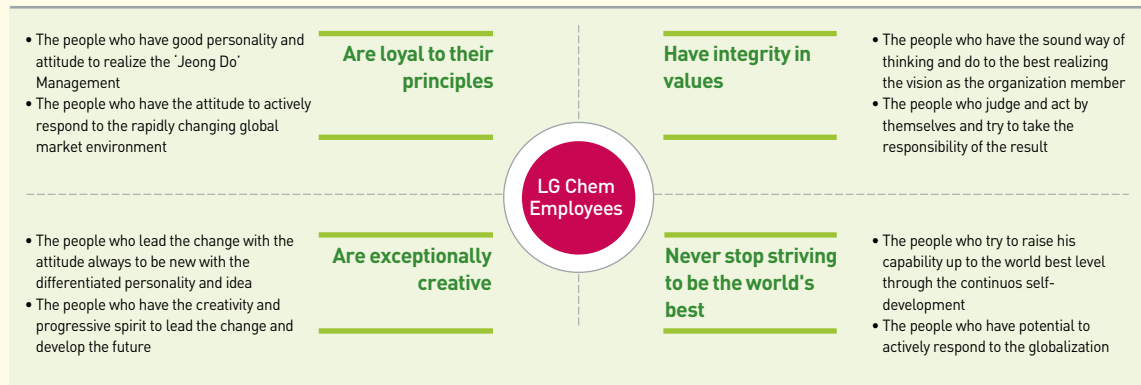
## Our People

LG Chem is fostering a culture that

### LG Chem HR Principles



### LG Chem Employees...



rewards excellent performance and mental capacity. We prize people with competitiveness in knowledge, skills and language as well as those embracing team spirit and shared values.

## HR Development Program

### Nurturing Core Talent

Since 1996, LG Chem has been operating the High Potential Individual Program to secure next-generation business leaders and to develop their full potential systemically. Candidates are selected from middle managerial levels after a careful screening process that includes merit rating, and assessment of job performance and language proficiency. The final selections are made by the HR Development Committee comprised of top executives. When people get selected as HPI, they develop the management skills (strategy, financial/accounts, marketing, HR), foreign language capability, the thought of global perspective, leadership capability, etc. for 4 years. With this, we dispatch the education course like overseas top MBA and domestic MBA, etc. though every year selection and raise the business leaders who are equipped with global capability. We dispatched 2 members to overseas top MBA and 2 members to domestic MBA in 2007.

Moreover, we have in place the 'Regional Specialist Program' to nurture talents who will work in globally strategic regions. In 2007, 11 regional specialists were selected and dispatched to China, Russia, India, and Middle East.

### Succession Planning

We are operating the Succession plan to select early and raise the successors of core positions for business operations and to acquire the continues leadership. On considering the leadership, management skills, job specialty required for each position, we are selecting 2-3 successor candidates per each position every year and discussing how to develop them at the committee HR Development Committee. The committee also periodically reviews the results of development plans

to improve the executive ability of Succession Plan.

### Development Interview

At LG Chem, all white-collar employees should have a development interview with a team leader and executives at least one time per three years, where they discuss and decide their career development plans and detail practices based on their professional goals. Through the interview session, interviewees can get support necessary for development and advises about their career plan to achieve their goals. The result of the interview is considered when to decide the job rotation or education program participation. The interview for HPI, especially, is operated more systematically to strengthen effects of development such as endowment of job enrichment.

### Education & Training

Our 2007 human resources targets were to promote leadership, strengthen work proficiency and enhance employee contribution to company performance. The underlying goal is to foster a pool of outstanding talent with a global perspective who will realize our vision of No.1 LG. We won the top prize in the KMAC-sponsored Korea Management Awards' HR management category in 2007.

### Strengthened Work Proficiency

In an effort to strengthen employees' work proficiency, specialized training programs aimed at optimizing individuals' duties and functions have been implemented for each division such as sales/marketing, R&D, manufacturing, accounting/finance, IT, and HR.

### Incentives and Rewards

For better reflection of team and individual achievements, each employee's annual salary is tied to team and individual performances while short-term incentives are based on team merits. Our diverse incentive programs include Golden Collar Incentive for retaining core talent, on-spot incentive for immediate reward of individual achievements and other

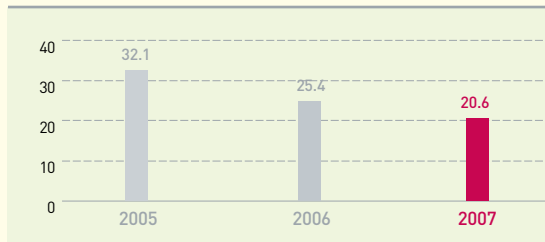
benefits awarded according to the specific characteristic of a business unit. We also offer chances for fast-track promotion to those showing excellent performance and leadership potential.

**Workforce Status**

As of 2007, we employ 10,780 people (full-time basis) of which 82% are working at worksites other than the headquarters. Male and female employees number 9,699 and 1,081, respectively.

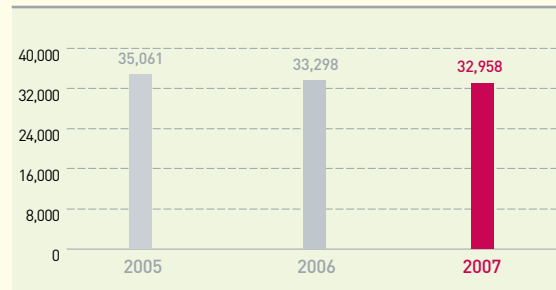
**Training Hours per Employee**

(Unit: hour)



**Employees Receiving Training per Year**

(Unit: person)



**Employees by Year/Area**

(Unit: person)

Category	2005	2006	2007
<b>Plant</b>	6,328 (62.6%)	6,999 (65.7%)	7,701 (71.4%)
<b>Research park</b>	1,420 (14.1%)	1,330 (12.5%)	1,140 (10.6%)
<b>Head office</b>	2,355 (23.3%)	2,325 (21.8%)	1,939 (18.0%)
<b>Total</b>	10,103 (100%)	10,654 (100%)	10,780 (100%)

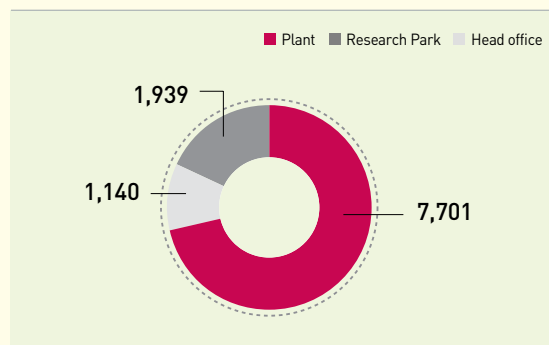
**Employees by Year/Age**

(Unit: person)

Category	2005	2006	2007
<b>Above 50's</b>	709 (7.0%)	855 (8.0%)	1,000 (9.3%)
<b>40's</b>	2,539 (25.1%)	2,848 (26.7%)	3,220 (29.9%)
<b>30's</b>	4,083 (40.4%)	4,609 (43.3%)	4,737 (43.9%)
<b>Under 30's</b>	2,772 (27.4%)	2,342 (22.0%)	1,823 (16.9%)

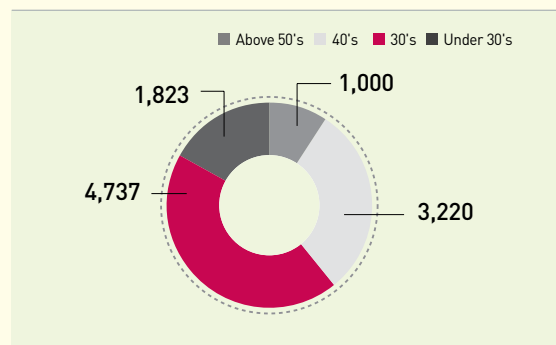
**Employees by Area**

(Unit: person)



**Employees by Age**

(Unit: person)



## Employees by Gender/Part

[Unit: person]

Category	No. of Workforce Status			Total
	Office work	Production	Others	
Male	4,588	5,111	0	9,699
Female	887	194	0	1,081
<b>Total</b>	<b>5,475</b>	<b>5,305</b>	<b>0</b>	<b>10,780</b>

### Global Talent Recruitment & Development

LG Chem continues to attract and foster high calibers overseas to accelerate localization of overseas businesses. We are presently driving localization of major posts, especially around the Chinese region, to enable localization of our overseas operations.

As of the end of 2007, LG Chem has presence in 15 countries across the world (China, Taiwan, India, Vietnam, Thailand, Indonesia, Singapore, Japan, U.S., Brazil, Germany, Switzerland, Poland, Turkey, and Russia) with total 28 local subsidiaries and offices. We employ 5,054 people abroad, of which 4,879 are local hires (96.5%).

Among them, 3,928 people are based in the Chinese region, representing 78% of total overseas workforce, including 3,806 that are locally hired. In addition, post localization rate for part leaders and/or higher marked 70%, or a 7% rise from 2006.

India has a total 341 staff working in the region, accounting for 6.7% of total overseas workforce.

Furthermore, we are taking initiatives to develop local employees who can competently lead local operations in the place of expatriates from the head office. We are active and consistent in running programs to boost capability of local hires in the early stage, including

local Chinese HPI programs, HQ trainings and HR/finance workshops for functional operators as well as dissemination trainings/internalization for LG Way.

Taking a closer look at the local hiring process, we recruit around 130 new staff annually with humanity/engineering backgrounds through regular campus recruiting at major Chinese universities in the 1st & 2nd half of the year. We also bring experienced workers on board with a required set of business skills to deepen our pool of human capital.

In regions outside China, LG Chem India takes on interns from local industrial training institutes or Polytechnic College. The interns work for the statutory period and are later utilized as a pool of technicians when there is a need for staffing in the future. In Europe, experienced workers with sales/marketing backgrounds are largely hired, and given the multicultural characteristics of the region, multilingual proficiency is preferred in recruitment.

### Overseas Workforce Status

[Unit: person]

	Total	Local hires	Ratio
<b>Overseas staff</b>	5,054	4,879	96.5%
<b>Managerial levels or higher</b>	220	108	49%

# Welfare

LG Chem stands committed to ensuring competitive welfare benefits for our people to help them lead healthy and secure lives. Our commitment to welfare helps inspire in our people a stronger sense of identity and pride in the company and enables us to attract and retain excellent human capital.

## Employee Benefits

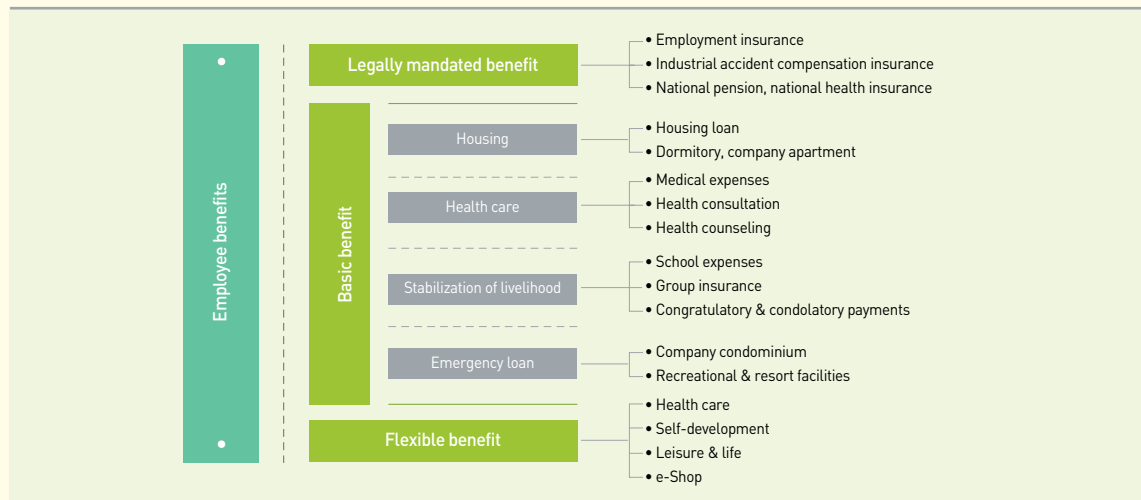
The welfare system at LG Chem is divided into the following two benefit plans on top of mandatory social security (four insurances). One is a basic benefit plan that covers housing support for increased security, livelihood assistance (e.g., medical/health, tuition/group insurance/congratulatory and condolatory supports), and leisure support for condominiums and recreational facilities. The other is a flexible benefit plan with broadened options for individuals.

The flexible benefit plan was introduced to promote Work & Life Balance (WLB) of our people. It is designed to support personal leisure and self-development as the recipients can flexibly opt for and use different benefits to suit their needs and lifestyles.

## Flexible Benefit Plan



## Basic Framework





## Labor-Management Cooperation

At LG Chem, we believe in horizontal labor and management relations based on mutual respect, giving the union and the Company equal footing.

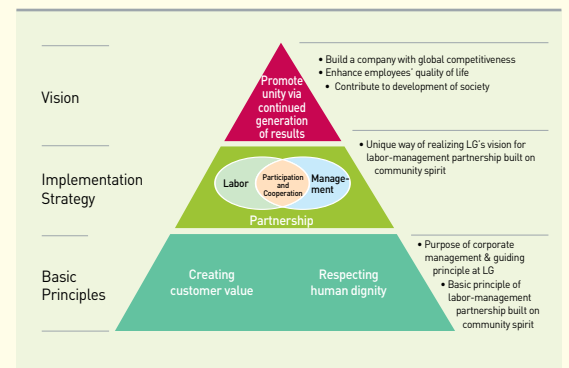
### Vision for Labor-Management Partnership

LG Chem envisions labor-management partnership built on a sense of community, embracing our guiding principles of 'creating value for customers' and 'respecting human dignity' in our pursuit for participation and cooperation. We uphold partnership that looks forward to bring world-class competitiveness through a continued focus on performance, innovate the quality of life of people and contribute to development of a broader society.

### Three-Dimensional Model for Labor and Management

To build partnership between labor and management based on a genuine sense of community, LG Chem has put in place a unique model for collaboration that facilitates interactive engagement and cooperation of everyone involved in corporate management, field operations and collective bargaining, all interlinked with labor-management relations.

### Labor-Management Cooperation Vision & Strategy



Our direction for labor-management partnership is developed in the following three dimensions: In corporate management dimension, value of the company and employees is enhanced via transparent and open management; In field operation dimension, maximum productivity is gained through strong teamwork and innovation; and in collective bargaining dimension,

### Labor-Management Cooperation Model



business-oriented labor-management relation is built on the basis of rational labor-management practices and a productive negotiation culture.

Furthermore, collective bargaining reached between the labor union and management is applied to all employees in accordance with relevant labor regulations, and as for key changes in business, the requirement for faithful consultation with labor union is explicitly defined in the collective agreement, thus reinforcing the basis for collaboration.

**Key Activities of Labor-Management Collaboration**

**Corporate Management Dimension**

LG Chem reinforces the management’s on-site management through the CEO’s ‘Dialogues with Employees’ and the CHO’s ‘HR networking.’ We also drive effective communication with the management led by 12 employee consultation councils in each business division. Furthermore, we measure employee trust in management activities and identify opportunities for improvement through annual satisfaction surveys.

**Field Operation Dimension**

We are dedicated to entrenching field-driven HR management through a variety of team building programs and by empowering frontline managers in handling complaints and grievances. In addition, we make effort to provide a more decent workplace through the joint committee on industrial safety and health between labor and management, and offer opportunities for overseas industrial training to nurture global thinkers capable of competing on the global stage.

**Collective Bargaining Dimension**

We collaborate through the quarterly labor-management council to share results of management activities and seek consultation on key pertinent issues. We run joint labor-management TFT when working to improve our HR/welfare system. Every year, we discuss ways to seek mutually beneficial growth between labor and management via joint workshops prior to wage and other collective bargaining negotiations, and during such negotiations, a working-level committee is formed to promote a productive negotiation culture.



• Joint Labor-Management Workshop



• Joint Overseas Industrial Training

### Visible Performance from Labor-Management Collaboration

LG took the lead in settling wage and collective bargaining negotiations amongst major sites unionized under the Korean Confederation of Trade Unions in 2007, leveraging the 'Three dimensional model for labor-management cooperation' built on engagement and cooperation. Also, 'Labor-management agreement for improved competitiveness and job security' was reached to declare our commitment towards productive



• The Signing Ceremony for Wage and Collective Bargaining Negotiations

labor-management relations based on collaboration. These accomplishments, in turn, have become the source of strength for the Company and excellent working conditions and welfare for our people. LG Chem is thus, praised for greatly contributing to bringing stability in labor-management relations and realizing harmony in the industrial workplace in Korea.

### Key Issues of the Labor-Management Council, 2007

Description	Details
<b>Incentives</b>	<ul style="list-style-type: none"> <li>• Sharing the base criteria for incentive payment</li> <li>• Discussing the scale of incentive payment</li> </ul>
<b>Staffing</b>	<ul style="list-style-type: none"> <li>• Discussing staff management plan for key sites</li> <li>• Discussing staffing for key sites</li> </ul>
<b>Welfare facilities</b>	<ul style="list-style-type: none"> <li>• Operation of In-house childcare facility</li> <li>• Repairs for old age welfare facilities within production sites</li> <li>• Maintenance/repairs for company housing and dormitories</li> <li>• Routes of shuttle bus services</li> <li>• Canteen facilities and its operation</li> </ul>
<b>Others</b>	<ul style="list-style-type: none"> <li>• Sharing key timelines on the company calendar</li> <li>• Coordination of joint scheduling</li> </ul>

## Safety & Health

Based on the philosophy of respecting human dignity, LG Chem places priority on the safety and health of employees and all other stakeholders. We are driving continuous improvement activities across our operations, from production and purchasing to sales and service.

### Safety & Health Management System

On the basis of our management principles and corporate safety management regulations, each site is charged with developing their policies for ensuring safety and health at workplace. LG Chem strives for continuous improvements in its health and safety practices including risk assessment, education & training, and emergency response. We have adopted Process Safety Management (PSM), OHSAS 18001, and KOSHA 18001. We have also combined various safety and health systems into an integrated system under the Responsible Care guidelines to ensure a higher level of safety awareness across our organization.

### Accident Prevention via Safety & Health Audit

Safety and health audits are conducted at the plant and the headquarters level to prevent industrial accidents and health risks.

The individual worksite audit is comprised of a regular inspection, where the departments review and conduct

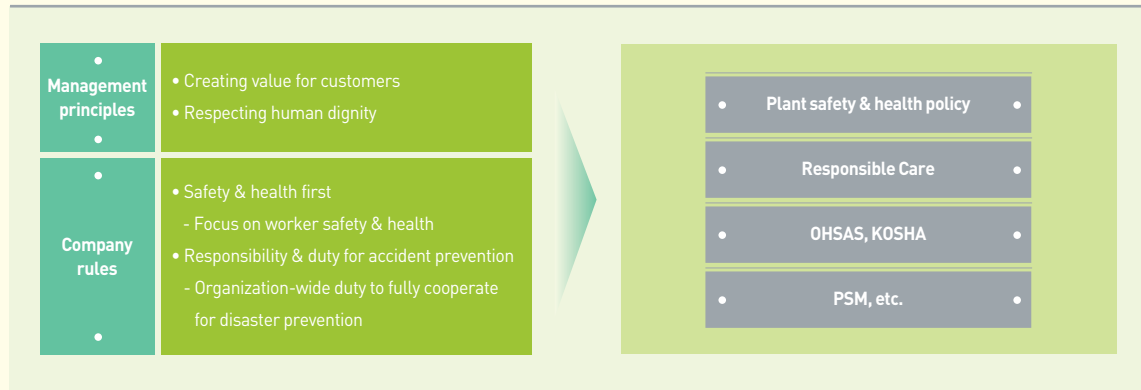
training on pre- and post-work related risks, and systematic inspections such as PSM, OHSAS, KOSHA, and Responsible Care which are held once or twice a year.

The corporate-level audit, launched in 1993, is executed in various forms in line with the current status of the Company and health and safety issues at hand.

- 1993~1995: Audits to reward safety · health-oriented mindset
- 1996~1997: Support for sites that need better environment and safety management
- 1998~2001: Site tours and audit for accident prevention, networking and education
- 2004~2005: Audits on overseas sites
- 2006~2007: Audits on newly incorporated sites, accident-prone sites, and those that requested support audit on non-manufacturing sites (distribution center, exhibition centers, HRD Park, etc.)

In addition, outside experts carry out special inspections as needs arise.

### Safety and Health Management System



## Industrial Accidents

Industrial accidents are measured by rate of injury, injury rate per thousand men, frequency rate of injury and severity rate of injury, etc. As

performance indicators for accident prevention, LG Chem leverages rate of injury that shows the frequency of injury occurrence and severity rate of injury which indicates the scale of injury.

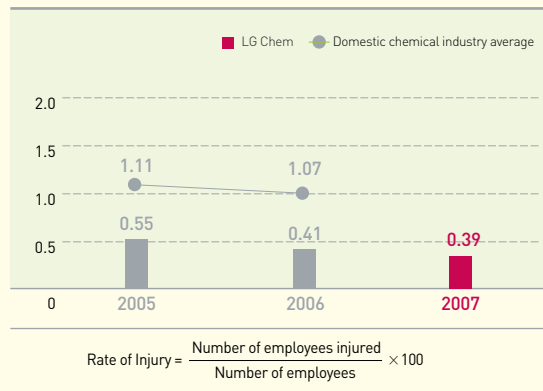
## 2007 Industrial Disaster

(Unit: %)

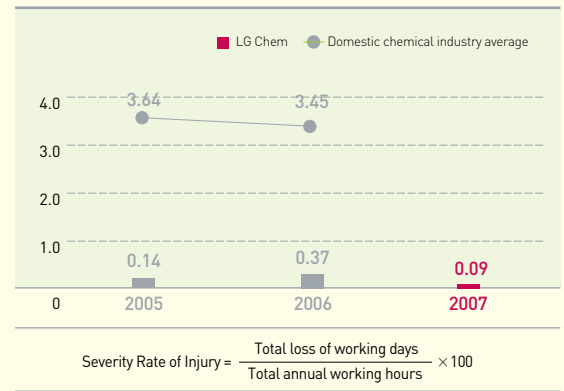
Loss of working days	On-site		Off-site			Occupational disease	Total
	On-job	Off-job	Picnic/sports day	Outside duty	Others		
Under 90 days	62.8	-	14.0	2.3	-	-	79.1
Over 90 days	14.0	-	2.3	2.3	2.3	-	20.9
Death	-	-	-	-	-	-	-
<b>Total</b>	<b>76.7</b>		<b>23.3</b>			<b>-</b>	<b>100</b>

• On-site: At the work place • Off-site: outside the work place

## Rate of Injury



## Severity Rate of Injury



## Health Promotion Activities

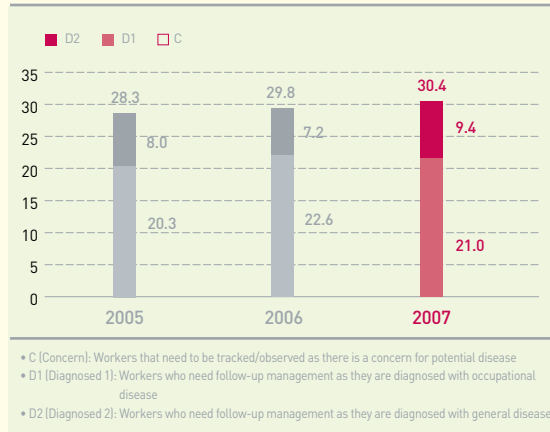
Every year, LG Chem implements measures to improve the working environment to create a healthy and pleasant workplace for all our people. We offer a variety of high-quality health care programs. They include onsite medical visits to prevent general and occupational disease, health information offering, physical therapy to protect against musculoskeletal diseases, and prevention of noise induced hearing loss which is common in manufacturing factories and difficult to treat. To address the rise in adult diseases caused by

the westernized diet, lack of exercise and smoking, LG Chem offers physical fitness checkups, expanded workout facilities, physical therapy service, smoke-free and alcohol-free campaigns, and medical consultations.

Moreover, computerization of health related services such as medical checkups, treatments and consultations has led to greater efficiency. The health promotion system and convenient data retrieval on health-related statistics are used in policy decision making for health promotion policy.

Prevalence Rate

(Unit: %)



• Health Promotion Website



• In-house Health Check-up Center

Safety and Health Education

Training is one of the most crucial elements in promoting safety and health. That is also evident in the fact that laws on industrial safety, health and fire fighting stipulate mandatory training. LG Chem is working to reduce the number of group trainings. Rather, the stress is placed on more practical training courses that are closely related to actual work such as danger anticipation training and sharing cases of near miss.

One of our key programs is the Safety First Course, a practical training session designed to prevent industrial accidents by eliminating unsafe actions. Our Yeosu plant developed in 2007 'Safety Leadership Training' aimed at embedding safety beliefs and philosophies in the site leaders as well as internalizing safety theories and facilitating safety communication. The training will be carried out starting 2008.

Other Safety and Health Programs

Safe/Unsafe Mileage System

We have modified the Safety Training Observation Program to better reflect our corporate situation. The safe/unsafe mileage system, a cumulative approach to managing safety issues, quantifies best practices of accident prevention and unsafe actions at various departments.

Self Recognition Program Development and Operation

Cheongju plant is developing and operating 'Self recognition program' through improvement theme activities to eradicate conventional disasters that occur on a repeated basis. The self recognition program is designed as a disaster prevention activity in which workers themselves identify and address risk factors and link to developing work safety procedures, revision of safety rules, and provision of safety training.

### Safety Promotion for Business Partners

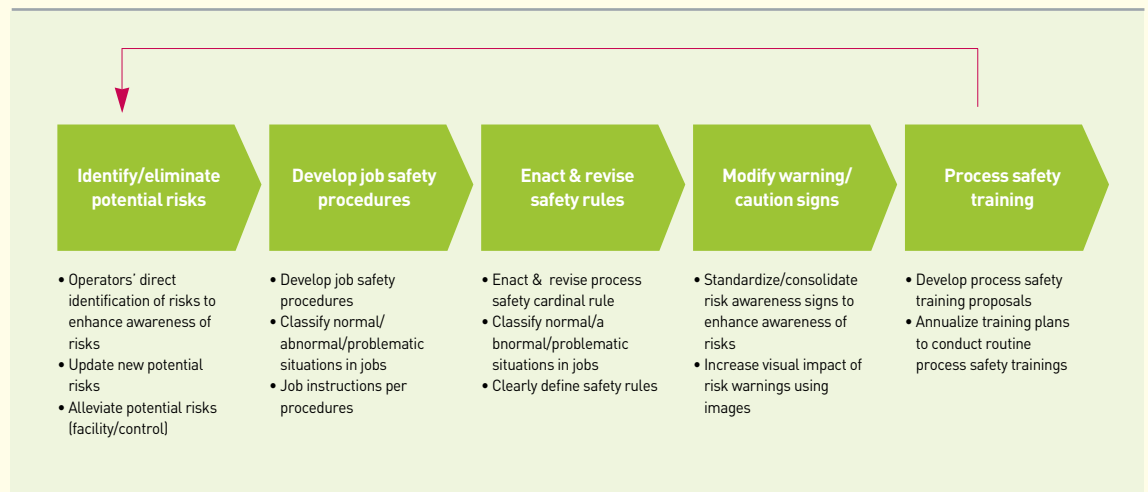
LG Chem's business partners are selected through a strict screening process. For the selected suppliers, we transfer technologies, provide

education and equipment inspections and conduct periodic performance evaluations. The results during evaluations can determine whether a partner receives preferential status during bids for subsequent supply contracts.

### Safety Leadership Course

Building safety leadership												
Absolute safety acquirement												
Key tasks	Enhancing safety awareness				Process/facility safety				Securing workplace safety			
Main tasks	<ul style="list-style-type: none"> <li>Embedding safety awareness/actions</li> <li>Level-specific, process-specific trainings</li> </ul>				<ul style="list-style-type: none"> <li>Introducing safety technology, securing proprietary technology</li> <li>Nurturing voluntary safety review capabilities</li> </ul>				<ul style="list-style-type: none"> <li>Level-specific training</li> <li>Supplier-specific training</li> </ul>			
Direction & purpose of training												
Programs	Supervisor training	Advanced course for environment safety	Plant/Department-specific education	Awareness building program	Shift worker OJT	Day shift training before work start	In-depth safety engineer training	External professional training	New joiner training	Regular employee training	Shutdown training	Job-specific training
Frequency	Quarterly	Twice/year	4 Times/year	Annual	Daily	Daily	Monthly	Needs basis	Half/year	Quarterly	Needs basis	Annual
Process owner	Environment & Safety	Environment & Safety	By plant /department	Environment & Safety	By department	By department	Environment & Safety	Environment & Safety	Environment & Safety	Environment & Safety	Environment & Safety	Environment & Safety
Input hours	Over 16hours/year	4hours/year	8hours/year	16hours/year	over 2hours/month	over 2hours/month	2hours/month	Over 3,000 days/year	0.5 hours/each	2 hours/each	1 hour/each	2 hours/each

### Self-Recognition Programs



SOCIETY



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# SERVING THE GREATER GOOD

A world of happiness for all to share is the future envisioned by LG Chem. Driven by its commitment to corporate citizenship, LG Chem engages in a wide array of social contribution activities to forge a path toward a more inclusive and caring society.

“

*Short-term profit generation is no longer enough to command the admiration of society. I felt pride in being a member of LG Chem while taking part in activities to reach out to our neighbors in need. LG Chem aspires to build a society that embraces and cares for everyone.*

”

**I Kijung Park I**  
Assistant Manager, Public Relations Team



## Corporate Citizenship Activities

With unswerving commitment to corporate social responsibility, LG Chem engages in social contribution activities that add value to our community.

As the leading chemical company in Korea that delivers solutions for customer value innovation, LG Chem also contributes to spurring healthy development of society through volunteering, support for education, environmental protection, and more. We will continue to do our best to serve our community as a solution partner.

### Major Social Contribution Activities

#### Employee fund raising

The LG Chem Twin Angel Fund is a voluntary fund-raising initiative of LG Chem employees launched in January 2005. It is a matching grant fund whereby the company matches employees' contributions. Using KRW 2,008 (2 x KRW 1,004) as the basis per account, employees can request up to ten accounts and have donations deducted from their monthly salaries. The LG Chem Twin Angel Fund raises money from employees

at our main production sites including the plants in Yeosu, Ochang, Daejeon, and Iksan. As of the end of 2007, there were 4,207 employees contributing to the fund.

The money raised is used to support the communities in regions where we operate. Our assistance includes scholarships for child-headed households, food for malnourished children, heating bill assistance for the elderly who live alone, and help for the disabled.

Our Ulsan plant is not a participant in the LG Chem Twin Angel Fund, but it has been running a separate program since 1998. With money raised through the 'One person, one account' campaign, our workers in Ulsan are supporting senior citizens living alone (10 persons), children who are in charge of their household (5 persons), and social welfare facilities (6 centers).

### Social Contribution Activity Status in 2007

	No. of volunteers	Participation ratio (%)	Volunteer hours	No. of volunteer activities	Social contribution spending (KRW thousand)
2007	7,423	70.0	8,306	782	817,651

### Employee Donations to LG Chem Twin Angel Fund

(Unit: KRW thousand)

	Research Park	Yeosu	Cheongju	Ochang	Naju	Iksan	Total
2005	14,234	68,596	49,139	22,531		2,047	156,547
2006	28,366	95,387	51,598	32,186		8,574	216,111
2007	34,285	99,715	48,676	38,240	7,347	12,500	240,765
Starting year	2005. 5	2005. 5	2005. 7	2005. 4	2007. 5	2005. 10	

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## Social Contribution Activities

Plant	Major Activities
<b>Yeosu</b>	Bathing service, home repairs, delivering coal briquettes performance at social welfare facilities, volunteering at remote islands, outings for the disabled, street cleanup, kimchi-making, ‘instilling hope among the youth’ campaign helping the elderly, tree planting
<b>Ochang</b>	Volunteering at nearby social welfare facilities, visiting senior citizens living alone, goods donation, funds to help the neighbors in need, funds for youth-headed households
<b>Ulsan</b>	Raising funds for the underprivileged, funds donation to the association of Vietnam War veterans’ widows, visiting teenage Household heads and senior citizens living alone, aid to provide meals to undernourished children (1 class), volunteering at social welfare facilities (5 centers), donation to a program to feed needy Children, book donation under ‘one company, one school’ campaign
<b>Naju</b>	Sister ties with 22 broken homes, feeding undernourished children in elementary schools (30 students/month), cleanup/repair work on senior centers in nearby villages, river cleanup (6 times/year), support for local NGOs, weekly baking events at centers for the underprivileged, cleanup/repair work on cultural asset of Naju

Plant	Major Activities
<b>Iksan</b>	Volunteering under sister ties by team (63 occasions), angel Scholarship with Love (5 persons/year), support for Iksan city events (Seodong Festival, etc.), donation of funds to senior centers in nearby villages (outing, facility repair work), quarterly cleanup at Shinheung Stream under ‘one company, one river’ campaign, mountain cleanup, support for social welfare facilities
<b>Daesan</b>	Cleanup work and goods donation in the wake of Taean oil spill, volunteer work for the elderly living alone led by Daesan plant service club, support for social welfare facilities (Seosan Welfare Center for the Disabled, Seolim Welfare Center, etc.), assistance for Daesan city events (local festivals, etc.), charity bazaar for the less fortunate and volunteer work (fund-raising events, etc.)
<b>Cheongju</b>	‘One company, one village’ campaign, volunteering at a shelter for abused children, participation in Beautiful Store charity events, support for Korean Organ & Tissue Donor Program
<b>Daejeon</b>	Donation of funds for low-income single-parent households, uniform donation for under privileged students, Kimchi-making, support for special event to mark children’s day, financial aid for teenage heads of households and children in welfare centers, ‘stepping stone of love’ event to provide meals to undernourished children



• Corporate Citizenship Activity by Ulsan Plant Workers



• Helping the Elderly Suffering from Alzheimer’s Disease

## Social Welfare Support

LG Chem is helping to build a caring society by engaging with the community in various ways including scholarships for children of low-income families.

### | Supporting the Youth | Child Development Account, Learning Materials, and Birthday Parties

In cooperation with the Chungcheong buk-do branch of the Korea Welfare Foundation, LG Chem extends scholarships to teenage household heads under the Child Development Account (CDA) scheme. We also organize birthday parties for underprivileged youngsters and provide learning materials to young students living in remote areas.

Under the CDA scheme, monthly donations of KRW 60,000, comprising KRW 30,000 each from the government and private sector, are installed into long-term accounts to benefit minors who head their households or live in welfare facilities. The youngster who is the account holder can use the money accumulated in the account after the legal age. LG Chem donates KRW 30,000 a month for 220 children in Chungcheongbuk-do province.

As a means of lending emotional support, we arranged

birthday parties for 54 elementary school students from low-income families. In addition, we organized the delivery of learning materials for 25 children with limited access to educational facilities due to economic or geographical reasons to stimulate their interest in learning.

### Scholarships

The Cheongju plant, in conjunction with the Chungcheongbuk-do chapter of the Community Chest of Korea, provided 70% of college tuition fees to 36 college students for the second school semester of 2007. The initiative was designed to assist college students who grew up in welfare facilities or come from households that earn less than the government-designated minimum livelihood level. The purpose was to provide equal opportunity for education to eliminate poverty. The Cheongju plant, in cooperation with the Korea Welfare Foundation, also grants KRW 50,000 in scholarships every month to 100 local teenagers who head their households.



• Opening of Library at Mipyong Elementary School



• Opening of Library at Hwayang Elementary School

The Ulsan plant offers meal subsidies for underprivileged children at the nearby Onyang Elementary School. Additionally, it has set up savings accounts for five socially marginalized children to set up funds toward college education.

Ochang Techno Park extends tuition assistance to 30 minors who head their households. The Iksan plant provides KRW 100,000 every month to children recommended by the educational authorities under a program called 'Angel Scholarship with Love.'

### Assistance for Schools

LG Chem is building libraries in elementary schools together with the Community Chest of Korea and the Citizens Action for Reading Culture. In November 2007, we helped to open libraries in Mipyong and Hwayang elementary schools near the Yeosu plant. The libraries benefit not only the school children, but are also open to local residents to raise interest in books and culture among the wider community.

Ochang Techno Park and Cheongju plant donated beam projectors to five elementary schools to upgrade their learning environment. In all, fifteen units were delivered to schools in the areas of Ochang, Oksan, and Cheongju



• Repairing Homes for Households Led by Minors

in June. Separately, the Ulsan plant forged sister ties with an elementary school in the city and donated books that the school needed.

### Other Activities to Help the Less Fortunate

The Yeosu plant, in connection with Yeosu city hall, provides monthly scholarships to teenagers who head their households. These youngsters also have the chance for counseling on their future career paths. In February, the plant workers volunteered their time to fix up the homes of young household heads, doing wall insulation work, wallpapering and repairs to create a comfortable living environment. In August, 50 underprivileged children were treated to a day of fun and excitement with a rafting trip.

For the past five years, the Daejeon Research Park has been conducting the 'Stepping stone of love' event with the Korea Welfare Foundation. A KRW 30 million donation was presented so that needy children could spend a warm winter. Totally 500 people participated in the event including 200 minors who head their households or live in welfare facilities. Separately, Daejeon Research Park has been contributing to a fund to help needy youngsters become more independent since November.



• Donating Meal Subsidy to Naju Elementary School

**| Supporting the Disabled |**  
**Diagnosis and Registration for Disabled Children**

LG Chem, in conjunction with the Community Chest of Korea and the Korean Association of Welfare Centers for People with Disabilities (KAWCD), has been helping minors under the age of 18 from low-income families with suspected disability receive an accurate diagnosis of their conditions. Assistance is also made available to help a registration as a disabled person with the authorities upon diagnosis. The opportunity to receive medical testing was given to 301 children in 2007. The examinations included psychological test, hearing test, MRI, and electromyogram. We also offer assistance with treatments such as medicines, psychological treatment, and physical therapy.

**Assistance for the Disabled**

Since 2003, the Yeosu plant has been giving bathing services for people with mental disability twice a month in conjunction with Ssangbong Senior Welfare Center. The plant workers also assist people with physical disability when moving homes and volunteer once a month at a facility for the physically challenged in Yeosu.

Workers at Ochang Techno Park have been volunteering

at Cheong-ae-won, a facility for the mentally disabled once a month from August 2005. Opened in 2000, the center is currently home to 30 people with severe disabilities. Ochang Techno Park employees have also been volunteering at New Heaven Shelter every other month. They take part in various events, such as picnics and kimchi-making, to help the disabled develop skills necessary to adapt to society.

The Cheongju plant established a sister relationship with Grace House, a facility for disabled children in Cheongju. Volunteers bathe the children and take them to visit the zoo and park every month. The plant also provides wallpapers and flooring, and carries out facility repair and maintenance work. Meanwhile, workers at the Ulsan plant volunteer their services to Suyeon's Children Home where they bathe and play with the children.

The Daesan plant donated a vehicle used to provide mobile bathing service to Seosan city in 2006. In addition to material assistance, plant employees also volunteer their time and effort. They have been visiting a local facility for the mentally disabled once a month from November 2007.



• Repair Work at New Heaven Shelter



• Autumn Field Trip for People with Disabilities

### | Local community | Support for the 2012 Yeosu Expo

The Yeosu plant is carrying out a campaign to create green gardens to assist the Yeosu city in preparation to host the Expo 2012. A 'green garden' event was held twice during the year. Activities were also held to plant trees and flower beds at major parks in Yeosu to mark Arbor Day. Our support for the Expo extends to street cleanup, cleaning public toilets at popular tourist spots, and environmental cleanup. These activities are intended to promote Yeosu as a clean and beautiful city.

### Other Social Contribution

In October, about 970 employees of Daesan plant and their family members held a bazaar. Money raised through the event was used to help the underprivileged including elderly people who live alone and people with disabilities. In December, Daesan plant donated supplies and sent volunteers to clean up after the devastating oil spill in Taean.

As part of the LG Welfare Foundation's 'Create Warm Homes' project, the Ulsan plant donated funds in November that was used to help 12 underprivileged households bear the winter cold. The money was used to replace old heating systems, wallpapers and floor coverings. Then in December, the labor union and the management jointly took part in an external campaign to benefit the less fortunate. Some 990 employees, or 90% of the plant's workforce, pitched in to raise KRW11 million. The money was donated to the Community Chest of Korea and the association of widows of Vietnam War veterans.

Ochang Techno Park donated living expenses and supplies such as fans and winter clothings to elderly people living alone. It also made home repairs and organized birthday parties for senior citizens. In December, teenage household heads and children from broken homes in the low-income bracket in Ochang and Oksan were invited to a special year-end event.



• Vitamin Volunteer Activity



• Relief Work After the Oil Spill Off the West Coast

## Environment/Culture Support

LG Chem carries out a wide range of activities to protect the environment and support arts and culture to enrich lives and build a healthy society.

### | Environment-Friendly Activities | Green Mountain Campaign

LG Chem, in conjunction with the LG Evergreen Foundation established in 1997, launched a 'Green Mountain Campaign' to protect the natural environment. The campaign involves cleanup efforts in mountains and streams around our production sites. In October 2007, in celebration of the 'mountain day' and the 'mountain culture week,' a total of 908 persons took part in a large-scale cleanup drive. Participants included LG Chem employees from the headquarters, Yeosu, Naju, Ulsan, Ochang, and Iksan as well as government workers, members of our business partners and citizens groups.

### Community Environment Protection

LG Chem engages in activities for the protection of nature and the community as part of its

commitment to promote a clean and green environment. Each of our worksites carries out various campaigns including 'one mountain, one river cleanup,' 'migratory bird feeding,' 'extermination of negative foreign fish,' and 'tree planting' campaigns. In particular, the Yeosu plant visited Dolsan Park, a local attraction in April, to carry out cleanup activities and plant camellia trees, the symbol of Yeosu. It also participated in marine cleanup activities on the coast. In July, Yeosu workers carried out an environmental cleanup around hiking paths and near the temple in Jogye Mountain in Suncheon.

Ulsan plant employees, residents of the nearby Mangyang village and employees of suppliers jointly take part in cleanup work around Hwaya River and Daewoon Mountain on a regular basis. Their efforts have been recognized, as an exemplary model of the 'one company, one village' campaign.



• Planting Trees at Dolsan Park



• Green Mountain Campaign



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### | Arts and Culture | Traditional Musical Performance for Military Servicemen

In cooperation with the Korean Business Council for the Arts, LG Chem began staging traditional musicals for people serving in the military who have limited access to arts and culture in 2007. Performances are given by the traditional musical troupe Taru for this project named

'Musical holiday with LG Chem.' Founded in 2001, Taru is led by young traditional musicians with a strong passion for their craft. A total of ten performances were staged from May to June to a combined audience of 7,860 soldiers, many of whom will go on to lead the economy when their mandatory military service is over and become our future customers. The traditional musical performances are only one of the many initiatives pursued by LG Chem in support of arts and culture.

#### | Military Korean Music Musical Concert Support

Date	Place	No. of performance
May 9, 2007	Daejeon army command	2
May 18, 2007	Daegu 2 <sup>nd</sup> army command	1
May 22, 2007	Yongin 3 <sup>rd</sup> army command	1
May 26 and June 9, 2007	Nonsan army training center	4
June 15, 2007	Wonju 1 <sup>st</sup> army command	1
June 23, 2007	Nonsan army training center	1



• Musical Holiday with LG Chem

## Outreach Program

LG Chem is helping to advance science and technology and support scientists of the future through chemical outreach programs.

Outreach programs were prepared by professionals who incorporated the insight drawn from comparative case studies in many countries. They included Mobile Chemistry Camp for middle school students, and Chemistry Frontier Festival for high school students, all designed to cultivate talent in science and engineering. In addition, Daejeon Research Park runs Junior Science Class.

### Chemistry Camp

The Chemistry Camp, under the theme of 'Smashing Time with Friends at LG Chem Camp,' is a 3-day program during summer vacation for middle school students every year. Professionals in chemical science or recreation add spice to chemistry programs and group activities. Thus, students become more familiar with chemistry and take away memories that will remain fresh in the years to come.

### Chemistry Frontier Festival

The Chemistry Frontier Festival

([www.ilovechem.com](http://www.ilovechem.com)) is designed to cultivate creativity in high school students talented in chemical science and life science. By providing continuous support to the top prize winners, we are not only discovering outstanding young minds in chemistry but are also nurturing their development. It is organized by Korea Advanced Institute of Science and Technology (KAIST) and co-hosted by the Ministry of Education and Human Resources Development, LG Chem, Hanwha Chemical, SK Corporation, and Honam Petrochemical. Contestants selected in a preliminary round compete in feats of knowledge and creativity dealing with assigned subjects (environment, energy, life science, sociology, traditional Korean science) or subjects of their choice and give presentations on study results. At the same time, a Q&A Forum is held on issues focusing on the future of chemical science with professors of KAIST and researchers as panels. The festival accompanies various events, including a product show displaying high-tech products of the co-hosts, visits to cutting-edge research labs, award ceremony, and a dinner reception.



• Chemistry Camp



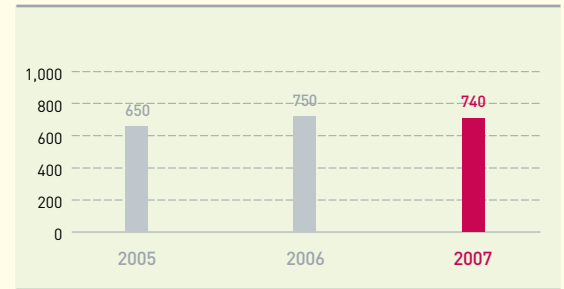
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### Junior Science Class

The Junior Science Class is a program for fourth, fifth, and sixth graders in the Daejeon region where researchers who work at Research Park serve as volunteer teachers. Children whose science knowledge was limited to textbooks get to experience and understand science through basic experiments and modeling prototypes.

### Participants at Chemistry Camps

[Unit :person]



### Activities

Year	School	No. of Class	No. of Participating engineers
2004	Daemun Elementary School (Jung-gu, Daejeon)	12	18
	Maebong Elementary School (Daedeok-gu, Daejeon)		
2005	Daedeok Elementary School (Yuseong-gu, Daejeon)	15	15
2006	Wonang Elementary School (Daedeok-gu, Daejeon)	16	21
2007	Daejun Jahyewon (Dong-gu, Daejeon)	25	26
	Pyunghwa Village (Dong-gu, Daejeon)		
	Sungshim Nursery School (Dong-gu, Daejeon)		
	Lucy Mother and Child home (Jung-gu, Daejeon)		



• Junior Science Class



## Global Social Contribution Activities

Before expanding into an overseas market, LG Chem seeks ways to make a positive impact on the country and its people such as through scholarships and welfare programs.

LG Chem primary focused on the scholarship program in China as part of its giving back to the community activities. Since 1996 it has made steady progress in scholarship programs through Beijing University and Tsinghua University in order to foster human resources required for the labor force of the society. In 2005 LG Chem Scholarships were awarded to Tsinghua University students for the first time to celebrate the establishment of a holding company. Since then, scholarships have been continuously given away to top university students in Beijing, Shanghai, Tianjin, Ningbo, Nanjing, and so on.

LG Chem Engineering Plastics, our manufacturing subsidiary in Guangzhou, donated books and supplies to an underfunded elementary school and opened a library bearing its name. In addition, it has been giving scholarships annually to outstanding students at Sun Yat-Sen University and South China University of Technology in Guangzhou from 2005.

LG Dagu Chemical, our manufacturing subsidiary in Tianjin, offers the 'LG Dagu Scholarship' for students of Tianjin University and Nankai University. The subsidiary also has been planting trees in Tanggu Forest Park from 2006 and doing maintenance work on street lamps and safety devices at Waitan Park. In addition, it has given tuition support and donated winter supplies for people in poorer

districts and disaster zones, and conducted activities to raise fire safety awareness among local residents.

LG Chem America, Inc. has been doing volunteer work and raising donations to mark special days. In May 2007, employees at the Los Angeles branch took part in the '2007 Salvation Army LG Chapter-Mother's Day Gift Basket Wrapping.' Money raised from the event was donated to the Salvation Army.

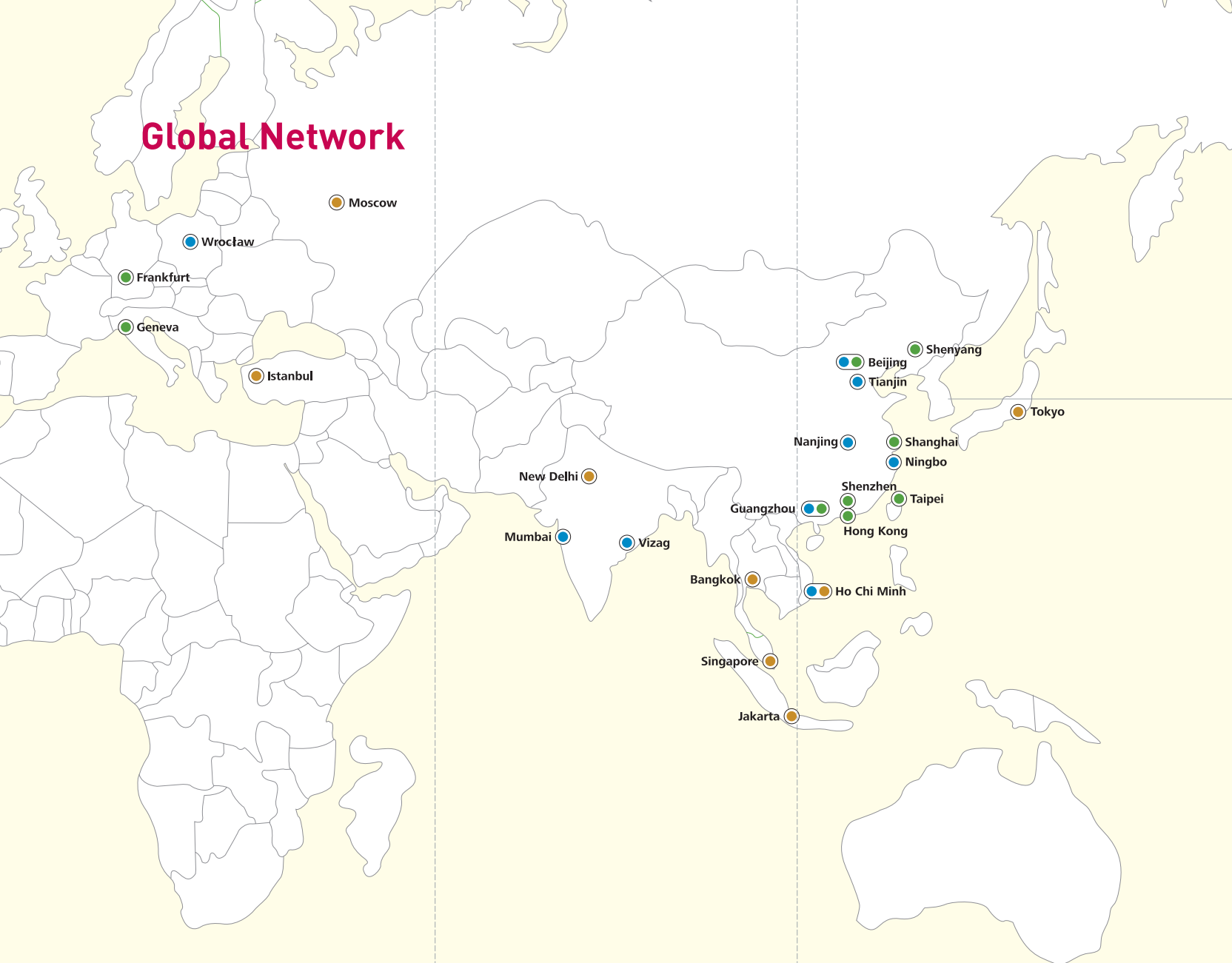
LG Yongxing, our ABS subsidiary located in Ningbo, China, launched its 'I love Ningbo' campaign in June 2003 to establish LG Chem as a truly local company in the hearts and minds of the local citizens. Under the campaign, it has granted scholarships to students of Zhejiang University and Ningbo Polytechnic, extended financial assistance to underprivileged students, visited welfare facilities on special holidays such as the Lunar New Year, and donated computers to schools in the Ningbo area.

LG Yongxing is an active supporter of volunteer efforts led by the charity council of Zhenhai district. It takes part in a wide range of activities to support local residents including a traffic safety campaign with the Zhenhai police. A special event was organized for children's day in which 600 students and government officials attended. Such initiatives are helping to enhance LG Chem's image in the local community.



# APPENDIX

# Global Network



## ● Manufacturing Subsidiaries

Name	Location
Tianjin LG DAGU Chemical Co., Ltd.	Tianjin
Tianjin LG Bohai Chemical Co., Ltd.	Tianjin
Ningbo LG Yongxing Chemical Co., Ltd.	Ningbo
LG Chemical (Guangzhou) Engineering Plastics Co., Ltd.	Guangzhou
LG Chem (Tianjin) Engineering Plastics Co., Ltd.	Tianjin
Tianjin LG New Building Materials Co., Ltd.	Tianjin
LG Chem (Nanjing) Information & Electronics Materials Co., Ltd.	Nanjing
LG Chem Display Materials (Beijing) Co., Ltd.	Beijing
LG Chem (Taiwan), Ltd.	Taipei
LG Chem Industrial Materials Inc.	Adairsville
LG Chem Poland SP. Z O.O	Wrocław
LG Polymers India Private. Ltd.	Mumbai
	Vizag
LG Vna Chemical JV Company	Ho Chi Minh

## ● Marketing Subsidiaries

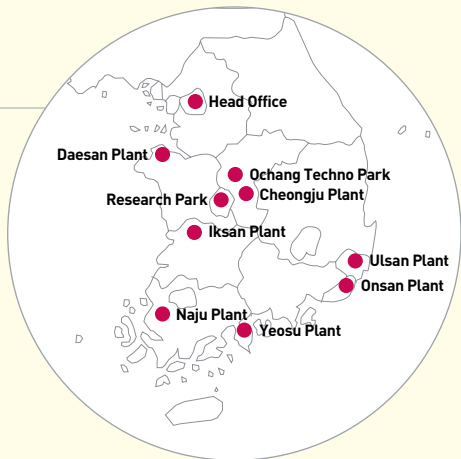
Name	Location
LG Chem China Investment Co., Ltd.	Beijing
	Shanghai
	Guangzhou
	Nanjing
	Shenzhen
	Shenyang
LG Chem Hong Kong Ltd.	Hong Kong
LG Chemical India Private Ltd.	New Delhi
LG Chem America, Inc.	New York
	Los Angeles
	Detroit
	San Jose
	San Diego
	Austin
	Houston
LG Solid Source, LLC	Phoenix
LG Chem Brasil, Ltd.	Sao Paulo
LG Chem Europe GmbH	Frankfurt
	Geneva

## ● Representative Offices

Name	Location
LG Chem, Ltd. Moscow Office	Moscow
LG Chem, Ltd. Istanbul Office	Istanbul
Hochiminh Office	Ho Chi Minh
LG Chem, Ltd. Bangkok Office	Bangkok
Tokyo Office	Tokyo
Jakarta Office	Jakarta
Singapore Office	Singapore

## ● R&D Centers

Name	Location
Compact Power Inc.	Troy



- Manufacturing Subsidiaries
- Marketing Subsidiaries
- R&D Centers
- Representative Offices
- Domestic Plants

## ● Domestic Plants

### Research Park

Area\_ 85,530 m<sup>2</sup>

Major Business\_ New Materials Research



### Ochang Techno Park

Area\_ 248,209 m<sup>2</sup>

Major Businesses\_ Rechargeable Batteries, Optical Materials



### Naju Plant

Area\_ 562,793 m<sup>2</sup>

Major Businesses\_ Octanol, Butanol, Plasticizers, Acrylic Acid



### Yeosu Plant

Area\_ 991,735 m<sup>2</sup>

Major Businesses\_ VCM, PA, SM, Acrylates, PVC, ABS, EDC, PS, SAN, LDPE, Octanol, MBS, SBS, SBL



### Ulsan Plant

Area\_ 413,785 m<sup>2</sup>

Major Businesses\_ Housing Materials, Living Materials, Automotive Materials, Plasticizers



### Iksan Plant

Area\_ 94,636 m<sup>2</sup>

Major Businesses\_ ABS Compounds, Engineering Plastics



### Cheongju Plant

Area\_ 350,781 m<sup>2</sup>

Major Businesses\_ Building Materials, Living Materials, IT and Electronic Materials, Rechargeable Batteries



### Onsan Plant

Area\_ 209,376 m<sup>2</sup>

Major Businesses\_ Fluorescent Substances



### Daesan Plant

Area\_ 1,297,477 m<sup>2</sup>

Major Businesses\_ VCM, PVC, Ethylene, Propylene, Benzene, BD, PE, PP, Synthetic Rubbers



# Glossary

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**6 Sigma** | A management strategy implemented companywide in order to evaluate all quality levels quantitatively. It aims to create a culture of efficiency and quality by training employees for problem solving and professionalism to achieve quality innovation and customer satisfaction.

**CCL (Copper Clad Laminate)** | Comprised of thin layers of copper alloy and special resin.

**CDM (Clean Development Mechanism)** | The CDM provides for industrialized countries to implement projects and investments that reduce greenhouse gas emissions in developing countries, in return for certified emission reductions (CERs). The industrialized countries can use the CERs to help meet the international regulations in greenhouse gas emission.

**Direct Emission** | Emission of greenhouse gases resulting from the combustion of fossil fuels such as oil and coal. Includes emission from stationary combustion sources, transportation medium, manufacturing processes involving physical or chemical reactions, and fugitive emission from hydrants, coolants, etc.

**Eco-Label** | Eco-label is a symbol on a product or its package informing customers how the product was made in an environmentally sensitive manner. The eco-label aims to promote products with a reduced environmental impact from production, distribution and use, to disposal.

**Emission Trading** | A scheme allowing nations to trade emission allowances based on emission allowances granted to countries obliged to reduce greenhouse gases.

**Environmentally Friendly Company** | The Ministry of Environment of Korea designates organizations that contribute to environmental sustainability by reducing pollutants and the use of materials and energy as well as improving environmentally friendliness in their product, facilities, and services.

**ERP (Enterprise Resource Planning)** | An integrated information system for managing all human and physical resources used by an enterprise in carrying out its business activities with the ultimate purpose of boosting the firm's competitive edge.

**EuP (Energy using Product) Directive** | Effective since August 2005, the directive makes it mandatory to incorporate environmental aspects into the design (eco-design requirements) of energy-using products distributed in the EU market.

**GHG (Greenhouse Gas)** | Greenhouse gases are gaseous components in the atmosphere that contribute to the greenhouse effect. According to Kyoto Protocol, carbon dioxide, nitrogen dioxide, methane, SF<sub>6</sub>, HFCs and PFCs are defined as greenhouse gases.

**GHS (Globally Harmonized System on Classification and Labeling for Chemicals)** | A globally harmonized system for classification, labeling, and safety data sheets for chemicals according to their hazards.

**GRI (Global Reporting Initiative)** | An international organization for developing and spreading globally applicable sustainability reporting guidelines. Various stakeholders covering business, research institute, nongovernmental organizations, and financial institutions participate. It was established in 1997 by Coalition for Environmentally Responsible Economies (CERES), and later became independent in 2002. GRI is an official collaborating center of United Nations Environment Program and has a partnership with Global Compact.

**Healthy Building (HB) Material Mark** | The HB Material Mark employed in the architectural community is certified in 5 grades according to the emission level of VOCs and formaldehyde in building materials (veneer boards, flooring materials, wallpapers, wood, panels, paints, adhesives, etc) produced at home and abroad.

**IEC (International Electrotechnical Commission)** | The international standards and conformity assessment body for all fields of electrotechnology.

**Indirect Emission** | Emission of greenhouse gases from electricity or steam purchased from an outside company.

**IPCC (Intergovernmental Panel on Climate Change)** | A body established by the World Meteorological Organization (WMO) and the United Nations Environment Programme (UNEP) to address climate change. IPCC is open to all members of the UN and WMO.

**ISO 14001** | Internationally recognized standards for environmental management system which certifies an organization for its environmental management.

**ISO 14031** | Provides guidelines for corporate environmental performance evaluation.

**KOSHA 18001** | A health and safety management certification system developed by the Korea Occupational safety & Health Agency (KOSHA) benchmarking BS8800 and OHSAS 18001.

**KRI (Key Risk Indicator)** | An indicator showing the potential of risk occurrence and exposure.

**Kyoto Protocol** | A protocol adopted at the Third Conference of Parties of the UN Framework Convention on Climate Change held in Kyoto in 1997. The Protocol went into force on February 16, 2005. It sets the targets for reduction of greenhouse gas emissions from industrialized countries, and stipulates that the volume of collective emission by industrialized nations shall be reduced by 5.2% of that of 1990 between 2008 and 2012.

**LCA (Life Cycle Assessment)** | An objective process to evaluate the environmental burdens associated with a product, process, or an activity by identifying energy and materials used and wastes released to the environment, and to evaluate and implement opportunities to affect environmental improvements.



**Leak Detection and Repair (LDAR) System** | Fugitive emission source that enables pollutants to bypass point source and be emitted into the atmosphere.

**LOHAS (Lifestyles of Health and Sustainability)** | A market segment focused on health, the environment, social justice, personal development and sustainable living.

**Matching Grant** | A system whereby the company provides a contribution equivalent to the amount donated by an employee to help the underprivileged.

**NCC (Naphtha Cracking Center)** | A facility that produces feedstock for petroleum products such as ethylene (feedstock for polyethylene), propylene (for polypropylene) and butylene (for synthetic rubber) through thermal cracking (naphtha is combined with steam at a temperature of about 800°C).

**OHSAS18001** | Auditing standards and guidelines for occupational health and safety management system.

**PL (Product Liability)** | When consumers or a third party suffer physical and material damage due to product defects, the manufacturer or the seller become liable and compensate for the damages.

**RC (Responsible Care)** | The chemical industry's global voluntary initiative under which companies, through their national associations, work to continuously improve their health, safety and environmental performance. The corporate and government sectors participate in implementing RC activities.

**REACH (Registration, Evaluation, Authorization and restriction of Chemicals)** | The new EU regulations on chemicals management stipulating that the roughly 30,000 chemical substances manufactured in or imported to the EU be registered with the European Chemicals Agency.

**RoHS (Restriction of Hazardous Substances)** | A directive banning the use of six hazardous materials of Lead, Mercury, Cadmium, Chromium VI, PBB and PBDE in products to be sold in the EU market effective from July 2006.

**RTO (Regenerative Thermal Oxidizer)** | The RTO oxidizes VOCs and exhaust gases in high heat(800°C). It incorporates specialized ceramic media in a wide regenerator (heat transfer bed) to allow thermal rate efficiencies in excess of up to 97%, making it a high energy-saving and cost effective solution for air pollution control.

**TMS (Tele-Monitoring System)** | An automatic measuring device set up to measure exhaust gases at the point of emission. The data is used to check whether businesses are complying with emission standards under the Clean Air Conservation Act, impose fines for excess emission, and draw up air pollution policy.

**TOE (Ton of Oil Equivalent)** | TOE is defined as 10<sup>7</sup> kcal calorific value generated from 1 ton of crude oil.

**TRI (Toxics Release Inventory)** | The TRI contains information concerning wastes management activities and the release of over 600 toxic chemicals by facilities, production, distribution, or other use of such materials. The relevant government office integrates the TRI data of business enterprises and releases the information to the public.

**TPM (Total Productive Maintenance)** | Management innovation activities for enhancing productivity.

**UNFCCC (United Nations Framework Convention on Climate Change)** | A convention adopted in New York on May 9, 1992, and ratified by more than 150 sovereign states and the European Union at the Earth Summit held in Rio de Janeiro in 1992. The purpose of the convention is to stabilize the concentration of the greenhouse gases in the atmosphere to the level preventing dangerous human interference with the climate system.

**VA (Voluntary Agreement)** | An agreement aimed at achieving the target energy saving level and reduction of greenhouse gases, executed by corporations that produce, supply and consume energy and the government, based on mutual trust. Under the scheme, a company sets and tries to attain realistic targets, and the government provides tax support and other incentives to reach the target. It is a nonregulatory system that provides active support for the corporate efforts to achieve the targets.

**VOC (Volatile Organic Compounds)** | Substances like paints, adhesives and petro-chemical products. VOCs form photochemical ozone, causing harm to human bodies with cancer risks and potentially damaging on genes.

**WRI (World Resource Institute)** | An environmental think tank of scientists, economists and policy researchers based in Washington D.C. It conducts research to find ways to satisfy the public demands while achieving economic growth and to preserve natural resources and the environment.

# KMAR Assurance Statement

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## Foreword

The Korea Management Association Registration and Assessments (KMAR) has been engaged by LG Chem to check claims contained in its 2007 Sustainability Report (the Report). LG Chem is responsible for the collection and presentation of information within the Report. Our responsibility is to carry out assurance activities on specific information in the assurance scope as stipulated below.

## Our independence

With the exception of providing third party assurance services, KMAR is not involved in any other LG Chem business operations that are aimed at making profits in order to avoid conflicts of interest and maintain independence.

## Assurance scope

LG Chem describes its efforts and achievements of its sustainability activities in the Report. The assurance process was designed to provide readers with the following information;

- Assurance of the economic segment

Review whether financial performance data has been extracted appropriately from LG Chem's 2006 Financial Statements Audit Report and Annual Report as defined in the Report's performances and conclusion sections.

- Assurance of social/environment segments

- Sustainability management system
- Customer
- Environment
- Employee
- Society

'Discribed appropriately' means that the contents of the Report appropriately reflect actual data and raw information and are drawn up in a consistent and reliable manner. For the economic sector, we based our evidence gathering procedures on reasonable assurance. It is a higher level of assurance than that of a limited assurance engagement in terms of characteristics and the extent of tasks performed.

## Assurance standards

KMAR performed the review based on our assurance standards that have been developed in accordance with the AccountAbility's 'AA1000 Assurance Standard.' We also used the International Auditing and Assurance Standards Board-issued 'International Standard on Assurance Engagements (ISAE 3000): Assurance Engagements other than Audits or Reviews of Historical Financial Information' as additional guidelines.

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## Assurance process and conclusions

In order to form our conclusion, KMAR undertook the steps as outlined below to assess LG Chem's internal processes for reviewing sustainability reporting practices.

- Surveyed media information on LG Chem's sustainability during the reporting period
- Reviewed systems and processes used in producing data
- Assessed internal documents and materials
- Interviewed people in charge of disclosed activities and performances

Based on the results we have obtained from document reviews, related department visits and interviews, we held several discussions with LG Chem on the revision of the Report. We reviewed the Report's final version in order to check whether our recommendations for improvement and revisions have been duly reflected.

- **Economic performance**

We compared the Report against LG Chem's 2007 Financial Statements and found that the financial data presented in the Report has been appropriately derived from 2007 unconsolidated Financial Statements.

- **Environmental and social performance**

Nothing has come to our attention that causes us to believe that information contained in the environmental and social sections under the assurance scope is in appropriately presented and no material errors were found.

## Recommendation for improvement

We hope LG Chem's first publication of the Report will be actively used as a communication tool with the stakeholders and recommend the following for improvements.

- Defining up integrated management on social and environmental activities performance and risks
- Expansion of scope of the Report; to include information on overseas sites such as China

**KMAR**

*K. H. Park*  
CEO Ki-Ho Park

# GRI Index

GRI Index	Indicators	Page	Extent of reporting	Reason
Vision and Strategy	1.1 Statement from the most senior decision-maker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy	5-6	●	
	1.2 Description of key impacts, risks, and opportunities	5-6, 27-28	●	
Organizational Profile	2.1 Name of the organization	3	●	
	2.2 Primary brands, products, and/or services	4	●	
	2.3 Operational structure of the organization, including main divisions, operating companies subsidiaries, and joint ventures	4	●	
	2.4 Location of organization's headquarters	3	●	
	2.5 Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	32, 101-102	●	
	2.6 Nature of ownership and legal form	12	●	
	2.7 Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	4, 31-32	●	
	2.8 Scale of the reporting organization	3-4	●	
	2.9 Significant changes during the reporting period regarding size, structure, or ownership	2	●	
	2.10 Awards received in the reporting period	8	●	
Report Parameters	3.1 Reporting period (e.g., fiscal/calendar year) for information provided	2	●	
	3.2 Date of most recent previous report (if any)	2	●	
	3.3 Reporting cycle (annual, biennial, etc.)			
	3.4 Contact point for questions regarding the report or its contents	2	●	
	3.5 Process for defining report content	2, 23-24	●	
	3.6 Boundary of the report	2	●	
	3.7 State any specific limitations on the scope or boundary of the report	2	●	
	3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	2	●	
	3.9 Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report	31	●	
	3.10 Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement			
3.11 Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	2	●		
3.12 Table identifying the location of the Standard Disclosures in the report	107-108	●		
3.13 Policy and current practice with regard to seeking external assurance for the report	2	●		
Governance,	4.1 Governance structure of the organization	12-13	●	
Commitments, and	4.2 Indicate whether the Chair of the highest governance body is also an executive officer	13	●	
Engagement	4.3 For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	12-13	●	
	4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body		○	
	4.5 Linkage between compensation for members of the highest governance body, senior managers, executives, and the organization's performance		○	N/A
	4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided	12-13	●	
	4.7 Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics	13, 11, 49	●	
	4.8 Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	12-13	●	
	4.9 Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance	12-13	●	
	4.10 Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	12-13	○	
	4.11 Explanation of whether and how the precautionary approach or principle is addressed by the organization	12-13	●	
	4.12 Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	57	○	
	4.13 Memberships in associations (such as industry associations) and/or national/international advocacy organizations	4	●	
	4.14 List of stakeholder groups engaged by the organization	23-24	●	
	4.15 Basis for identification and selection of stakeholders with whom to engage	23-24	●	
	4.16 Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	23-24	●	
	4.17 Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	23-24	●	
Economy	EC1 Direct economic value generated and distributed	33-34	●	
	EC2 Financial implications and other risks and opportunities for the organization's activities due to climate change		○	
	EC3 Coverage of the organization's defined benefit plan obligation	27	○	
	EC4 Significant financial assistance received from government		○	N/A

● Full, ● Partial, ○ None, N/A Not Available, N/Ap Not Applicable, N/AI Not Allowed

GRI Index	Indicators	Page	Extent of reporting	Reason
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation		○	
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	78	●	N/A
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	92	●	
<b>Environment</b>				
EN1	Materials used by weight or volume	63	●	
EN2	Percentage of materials used that are recycled input materials		○	N/A
EN3	Direct energy consumption by primary energy source		○	N/AI
EN4	Indirect energy consumption by primary source		○	N/AI
EN8	Total water withdrawal by source	63	●	
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		○	N/A
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas		○	N/A
EN16	Total direct and indirect greenhouse gas emissions by weight		○	N/AI
EN17	Other relevant indirect greenhouse gas emissions by weight		○	N/AI
EN19	Emissions of ozone-depleting substances by weight		○	
EN20	NOx, SOx, and other significant air emissions by type and weight	65	●	
EN21	Total water discharge by quality and destination	64	●	
EN22	Total weight of waste by type and disposal method	64	●	
EN23	Total number and volume of significant spills		○	N/Ap
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	62-72	●	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category		○	N/A
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations		○	N/Ap
<b>Labor Practices &amp; Decent Work</b>				
LA1	Total workforce by employment type, employment contract, and region	77	●	
LA2	Total number and rate of employee turnover by age group, gender, and region		○	
LA4	Percentage of employees covered by collective bargaining agreements		○	
LA5	Minimum notice period[s] regarding significant operational changes, including whether it is specified in collective agreements		○	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region	84	●	
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	83-86	●	
LA10	Average hours of training per year per employee by employee category	96	●	
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	77	●	
LA14	Ratio of basic salary of men to women by employee category		○	N/A
<b>Human Rights</b>				
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	16	●	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	16	●	
HR4	Total number of incidents of discrimination and actions taken		○	N/Ap
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	15-16 80-82	●	
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	16	●	
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor	16	●	
<b>Society</b>				
S01	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting		○	N/A
S02	Percentage and total number of business units analyzed for risks related to corruption		○	N/A
S03	Percentage of employees trained in organization's anti-corruption policies and procedures	14-16	●	
S04	Actions taken in response to incidents of corruption	16	●	
S05	Public policy positions and participation in public policy development and lobbying		○	
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations		○	N/Ap
<b>Product Responsibility</b>				
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	40-41	●	
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	69-72	●	
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	40	●	
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services		○	N/Ap

# Milestones

## 1940~1969

- JAN 1947 Established as Lucky Chemical Industrial Corporation
- NOV 1951 Produced Korea first injection-molded products
- JUN 1954 Commissioned first mass-production injection-molding plant
- AUG 1962 Established floorcovering maker Lucky Vinyl Ltd.
- JAN 1966 Renamed as Lucky Chemical Industries Co., Ltd.
- OCT 1969 Listed on Korea Stock Exchange

## 1970~1979

- FEB 1974 Renamed as Lucky Ltd.
- NOV 1976 Commissioned Yeosu PVC paste resin plant
- AUG 1978 Commissioned Ulsan FRP plant
- DEC 1979 Opened Lucky Central R&D Center in Daejeon

## 1980~1989

- SEP 1982 Completed expansion of Yeosu PVC paste resin plant
- MAR 1984 Acquired Korea General Chemicals' Naju octanol plant
- JAN 1985 Commissioned Yeosu PS plant
- MAY 1987 Commissioned Naju acrylate plant

## 1990~1999

- MAY 1990 Commissioned Yeosu VCM plant
- JUN 1990 Commissioned Yeosu acrylate plant
- OCT 1992 Commissioned Yeosu PA plant
- APR 1993 Developed industry's first HCFC-resistant synthetic resin
- OCT 1993 Commissioned Yeosu IPA plant
- OCT 1994 Completed Lucky Research Park in Daejeon
- FEB 1995 Renamed as LG Chem. Ltd.
- NOV 1996 Acquired Hindustan Polymers Ltd. in India (LG Polymers India)
- JAN 1997 Commissioned Yeosu OXO plant
- APR 1997 Completed expansion of Yeosu acrylate, EDC/CA, and VCM plants
- DEC 1997 Named one of the Asia's Best Companies by Euromoney
- MAY 1998 Commissioned Tianjin PVC and PVC flooring plants
- JUL 1998 Commissioned Ningbo ABS plant
- JUL 1998 Commissioned Yeosu NPG plant
- FEB 1999 Issued 2 million global depository receipts
- SEP 1999 Commissioned Cheongju lithium-ion battery and copper-clad laminate plants
- OCT 1999 Commercialized color filter photoresists for LCD panels

## 2000~2007

- OCT 2000 Completed 90,000 mtpa expansion of Ningbo ABS plant
- NOV 2000 Acquired Hyundai Petrochemical's PVC business
- MAR 2001 Co-founded battery developer Compact Power, Inc. in the USA
- APR 2001 Demerged into three separate companies: LG Chem, LG Chem Investment, and LG Household & Health Care
- OCT 2001 Completed 90,000 mtpa expansion of Tianjin PVC plant
- FEB 2002 Completed Cheongju polarizer plant expansion
- APR 2002 Completed expansion of Cheongju battery plant, doubling capacity
- AUG 2002 Commissioned Guangzhou EP compound plant
- AUG 2002 Established LG Chem China Trading Co., Ltd. in Shanghai
- DEC 2002 Completed 150,000 mtpa expansion of Ningbo ABS plant
- MAR 2003 Commissioned Tianjin window profile and door plant
- JUN 2003 Acquired 50% equity stake in Hyundai Petrochemicals
- JUL 2003 Completed 100,000 mtpa expansion of Tianjin PVC plant
- AUG 2003 Established Nanjing battery and polarizer back-end processing plants
- NOV 2003 Established LG Chem Industrial Materials, Inc. in the USA
- JAN 2004 Completed expansion of Ochang polarizer
- MAR 2004 Completed Ochang Techno Park production complex for Information & Electronic Materials Group
- JUN 2004 Established Ningbo SBL joint venture
- JUL 2004 Established marketing subsidiary LG Chem (Taiwan), Ltd. in Taiwan
- NOV 2004 Commissioned Guangzhou ABS plant
- DEC 2004 Established LG Chem (China) Investment Co., Ltd. in Beijing
- JAN 2005 Completed business split of Hyundai Petrochemicals and established LG Daesan Petrochemicals
- JUN 2005 Established joint R&D lab with Moscow State University
- JUL 2005 Established sales subsidiary LG Chem Europe GmbH in Frankfurt
- OCT 2005 Commissioned HI-MACS<sup>®</sup> solid acrylic surface plant in the USA
- NOV 2005 Established LG Chem Poland Sp. z o.o. polarizer back-end subsidiary in Poland
- NOV 2005 Completed expansion of Ochang polarizer (26,000,000 m<sup>2</sup>)
- JAN 2006 Merged LG Daesan Petrochemicals
- DEC 2006 Completed expansion of Ochang polarizer (49,000,000 m<sup>2</sup>)
- APR 2007 Completed expansion of Daesan NCC, raising capacity to 260,000 mtpa of ethylene and 130,000 mtpa of propylene
- NOV 2007 Merged LG Petrochemical

# Reader Feedback Questionnaire

We welcome your opinions. Please fill out this feedback questionnaire and send it to us by mail or fax. Your opinions will be reflected to improve our future sustainability reports.

## Recipient

Fax | 82-2-3773-3414

Environment & Safety Team, LG Chem

## Sender

- Name \_
- Gender \_
- Occupation \_

### 1. Which of the following applies to you?

- LG Chem Employee    Shareholder/Financial Institute
- Customer    Business Partner    Citizens' Group
- Local Community    Research/Academia    Government
- Media    Other:

### 2. For what purpose do you use this Report?

### 3. In which area(s) are you interested in this Report?

(Mark one or more)

- Sustainability Management System
  - Sustainability Management Vision   • Corporate Governance
  - 'Jeong-Do' Management   • Corporate Culture
  - Risk Management   • Stakeholder Communication
- Economy
  - Management Vision & Strategy   • Innovation Activities
  - Economic Performance
- Customer
  - Customer Value   • Customer Safety
  - Customer Privacy Protection   • Customer Cooperation
- Environment
  - Environmental Management   • Energy
  - Response to the Convention on Climate Change
  - Response to REACH   • Environmental Performance
  - Eco-Products Development
- Employee
  - Human Resources   • Welfare
  - Labor-Management Cooperation   • Safety & Health
- Society
  - Corporate Citizenship Activities   • Social Welfare Support
  - Environment/Culture Support   • Outreach Program
  - Global Social Contribution Activities
- Other

### 4. How credible and useful was the Report's information in the following areas?

Sustainability										
Management System	(Very Poor)	1	2	3	4	5	(Very Good)			
Economy	(Very Poor)	1	2	3	4	5	(Very Good)			
Customer	(Very Poor)	1	2	3	4	5	(Very Good)			
Environment	(Very Poor)	1	2	3	4	5	(Very Good)			
Employee	(Very Poor)	1	2	3	4	5	(Very Good)			
Society	(Very Poor)	1	2	3	4	5	(Very Good)			
Other	(Very Poor)	1	2	3	4	5	(Very Good)			

### 5. If there is anything that needs to be addressed or further explained in the Report, please tell us.

### 6. How would you rate our activities in the following areas?

Sustainability										
Management System	(Very Poor)	1	2	3	4	5	(Very Good)			
Economy	(Very Poor)	1	2	3	4	5	(Very Good)			
Customer	(Very Poor)	1	2	3	4	5	(Very Good)			
Environment	(Very Poor)	1	2	3	4	5	(Very Good)			
Employee	(Very Poor)	1	2	3	4	5	(Very Good)			
Society	(Very Poor)	1	2	3	4	5	(Very Good)			
Other	(Very Poor)	1	2	3	4	5	(Very Good)			

### 7. Do you have any additional opinions on LG Chem's activities or Sustainability Report? If so, please specify.

\* If you wish to receive the next edition of our Sustainability Report, please complete the information below.

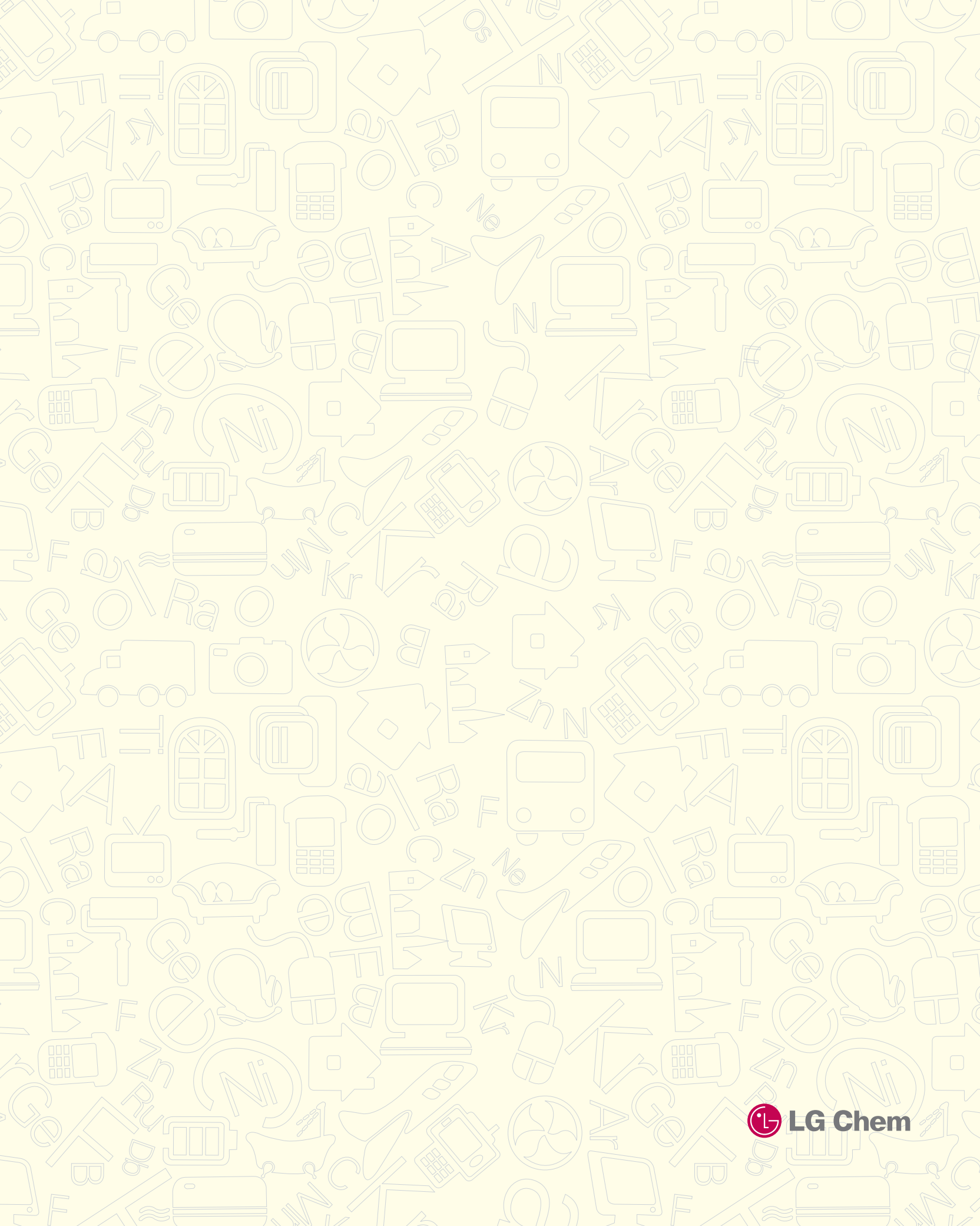
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Fax \_\_\_\_\_

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