

2013 Compliance Report

Compliance Program

Appointment of Compliance Officer

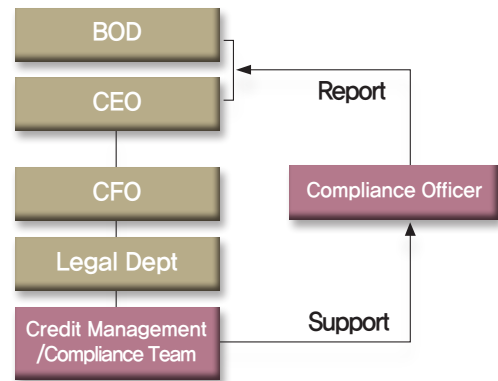
In accordance with the revised Korean Commercial Act, LG Chem, Ltd. (“LG Chem”) appointed a Compliance Officer at the Board of Directors Meeting held in April, 2012 and established the Compliance Guidelines required for the operation of the compliance program led by a Compliance Officer. The main content of the Compliance Guidelines is establishment and implementation of preventative measures to reduce legal risks that may occur in the course of business. The applicable scope of the Compliance Guidelines includes all activities related to the company operation and its employees.

The Compliance Officer supervises compliance activities in accordance with the Compliance Guidelines by inspecting the compliance status of the company and its employees and implementing the improvement measures regarding the existing company policies which may violate the relevant laws and regulations.

Organizational Structure

In 2012, the Compliance Part within the Legal Department was newly created and started operation to identify status of compliance activity, to establish network with other departments and to set up the directions for compliance activities.

In 2013, to strengthen compliance activities within the company, the Compliance Part expanded to become Credit Management & Compliance Team (“Team”).



Roles and Responsibilities of Compliance Officer / Team

The roles include: (1) implementation of Compliance Guidelines (2) preventative and improvement measures to reduce legal risks (3) formation and implementation of compliance education programs and (4) compliance activity review and result evaluation.

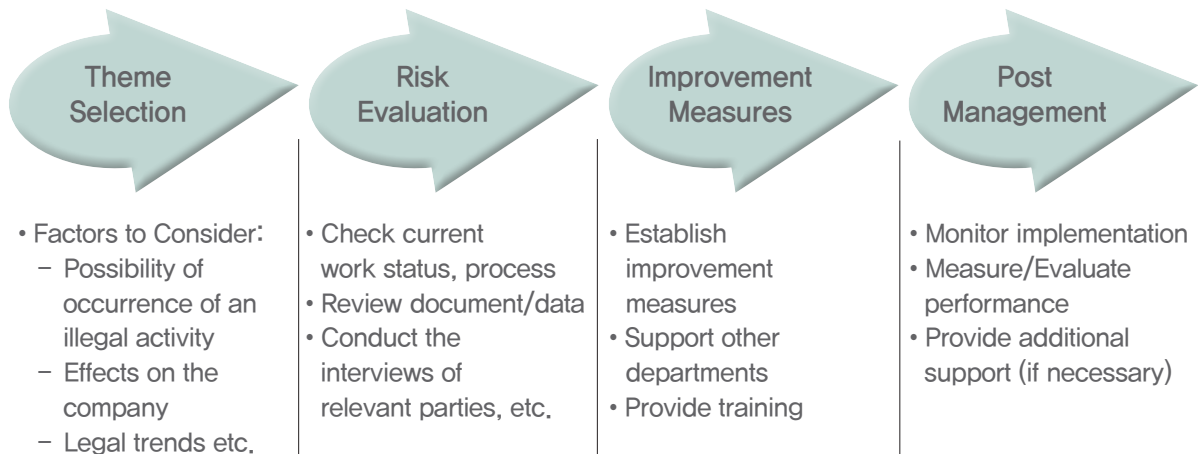
In particular, the Team regularly (as well as irregularly) inspects possible violation of applicable laws and regulations and employees' complying status of Compliance Guidelines. Also, the Team selects a main theme to establish preventative and improvement measures to reduce legal risks of the relevant area and supports other departments within the company. The Team continuously develops and performs customized compliance educational programs for each business unit and employment position. In addition, the Team reviews and monitors the results of compliance activities (including improvement measures and training) and inspects and evaluates the legal risk management.

Activities Roadmap

Management Method of Compliance Activities

LG Chem has implemented the compliance activities management method. Instead of following the approach of creating a check-list from a risk pool covering the entire business scope of the company, LG Chem selects an individual theme as a priority control target. This focused management method per theme enables the Team to evaluate the issues, establish the solution, and engage in intensive, in-depth improvement of individual risk.

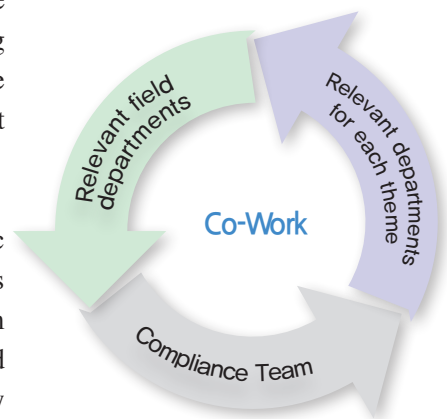
Step by Step Process of LG Chem's Management Method are as below:



Co-Work with Other Departments

Effective outcomes of compliance activities can be achieved through the cooperation with relevant departments for each theme. By utilizing relevant department's knowhow, and accumulated information/data, the repetitive work can be minimized and the effective improvement measures can be established and implemented in a short period of time.

In 2013, the Team co-worked with several teams, including Public Affairs Team (fair-trade/external cooperation), Employee Relations Team (employee relations management), Safety & Environment Team (safety/environment policy establishment and accident response), and Accounting Management Team (supervision of intra-company contracting) to perform various compliance activities. Going forwards, the inter-departmental cooperation will be expanded and strengthened for each theme.



Theme Achievements

1 Cartel Prevention Activities

The Team has identified association and conference participation records that may give rise to potential inappropriate competitor contacts and evaluated and classified the associated risks. Through this process, the Team has established an internal approval process, and guidelines for the participation decision making and what to do before and after participation. In addition, the guidelines stipulates, in detail, the prohibited acts with respect to direct competitors contacts and collection or sharing of competitor information via third parties.



As a result, customized “Cartel Prevention Handbook” was published and distributed to meet the needs of each business divisions within the company. A conference was held in order to raise the awareness of cartel prevention and emphasize the importance of the policy implementation.

2 Publication of Inter–Subsidiary Transaction Guideline

With the revision of the Korea Commercial Act in 2012, the authority scope of BOD has expanded with respect to self-dealings and the inspection and regulation regarding improper internal transaction between subsidiaries have been reinforced. With regard to a Conglomerate, there are multiple subsidiaries that may constitute the participants of self-dealings or a self-dealing may also constitute as an extensive internal transaction, thereby causing confusion and giving rise to the possibility of the occurrence of violation of relevant laws and regulations.

To resolve such issue, “Guideline on Inter-Subsidiary Transactions” was published. The Guideline explains the basic concepts of extensive internal transactions and self-dealings and summarizes, in detail, the scope of counterparties and transaction amount that involve LG Chem. A conference was held to distribute the Guidelines and to educate executives and employees how to check whether a pertinent inter-subsidiary transaction constitutes self-dealings or internal transactions and whether it complies with the relevant legal requirements and internal process.

In particular, the on-site conferences were held at Daejeon, Ochang, Chungju, Daesan, and Yeosu plants to educate the employees and facilitate inquires regarding issues and questions at their pertinent plants.

3 Publication of Intra-Company Contract Guideline

In order to identify and understand the risks related with intra-company contracts and to establish an effective management system, Intra-Company Contract Guideline was published. Major contents are intra-company contracting regulations, related precaution measures, labor relation issues, and accident/dispute measures.

A conference was held at HQ and on-site regional office conferences are scheduled during the first half of 2014.



The Guideline explains the roles of the relevant departments that are involved in intra-company contracting and identifies the associated major risks and introduces measures to facilitate relevant department cooperation, thereby improving the management efficiency.

Compliance Training Overview (2012. 12 ~ 2014. 1)

Themes	Type	Frequency	Attendees
Cartel Prevention	Executive Training	2	178
	Division Training, Including Executives	7	637
	Team Leader Training	5	360
	Working-Level Training	4	92
Inter-Subsidiary Transaction	HQ Training	1	204
	Regional Plant On-Site Training	5	115
Intra-Company Contract	HQ Training	1	104
	Regional Plant On-Site Training *	5	—
Total		30	1,690

*2014년 3월 예정

Because it is very important for business leaders or team leaders to consistently assert the strong resolution to prevent cartel activity and to encourage others to comply with company policy, more cartel prevention trainings and conferences have been provided to the leaders.

In order to improve work process and realize the maximum efficiency thereto, Inter-Subsidiary Transaction Guideline and Intra-Company Contract Guideline on-site training sessions, in cooperation with related departments, have been provided in accordance with the needs of each regional plant.

Compliance training sessions provided by the Compliance Officer and the Team are as above, and relevant department regarding related issues provides its own additional training program.

Plan for 2014

Themes for 2014 Activities

- ✓ Purchase Process Improvement
- ✓ Quality Control Process Improvement
- ✓ Dissemination of Compliance Activities to Overseas Subsidiaries

The major themes for 2014 are improvement of purchase and quality control processes.

Due to the fact that LG Chem has a wide variety of businesses and products in the capacity as a seller and also as a purchaser, it shall verify, reduce and manage risks associated with the violating relevant laws and regulations, and maintain competitiveness through cooperation with business partners under its supply chain.

Regarding quality control, the quality warranty conditions for major products and quality accident handling process will be reviewed and the improvement measures will be established. Through this process, the scope of quality control obligation of LG Chem will be clarified and the risks for violating laws and regulations and being involved in disputes can be managed effectively.

Also, LG Chem shall also disseminate and spread the compliance activities to overseas subsidiaries.

[Compliance Themes]

Product Liability

HR/Labor Relations

FCPA

Fair Trade

Intellectual Property

Safety/Environment

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**The scope of Corporate Compliance is wide and varied.
LG Chem is confident that consistent compliance
activities based upon specific themes will lead to the
implementation of compliance management in each and
every business area of LG Chem.**