



Sustainable Growth

2006 Sustainability Report

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Report Outline

Purpose

• LG Chem is a global solutions partner that grows with its customers. Over the past 60 years, we have contributed to advancing the Korean economy and raising quality of life. LG Chem has always been at our customers' side, from the start until fruition of their success.

The 2006 Sustainability Report is the first such report published by LG Chem. We have been issuing our Environmental Report every year since 2003. But to keep pace with the changing times, we decided to detail our sustainability management activities in an organized format by issuing this sustainability report. This report is intended to communicate our activities for sustainability to our shareholders, customers, employees, local communities, NGOs, and other stakeholder groups. We look forward to receiving valuable feedback from all stakeholders.

As the leading chemicals producer in Korea, LG Chem will carry out its social responsibilities and duties and faithfully disclose activities for sustainable development.

Scope

• This report covers the period from January 1 to December 31, 2006. Data from 2004 and 2005 are also included when necessary to assist in understanding trends on quantitative indicators. The report covers 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. The merger with LG Daesan Petrochemicals in 2006 has increased the scope of compiled data.

Guidelines

• This report was prepared based on the GRI (Global Reporting Initiative) G3 Guidelines. Before deciding on the report contents, we pursued dialogue with internal and external stakeholders to share ideas on issues regarding sustainability. We made every effort to incorporate stakeholders' opinions in this report.

Third Party Assurance

• Prior to publishing this report, we received third party assurance to ensure credibility of information and data contained herein and the report preparation process. For the third party opinion, please refer to pages 82-83.

Additional Information

• We have published Korean and English versions of this report. The report can also be viewed by accessing our website (<http://www.lgchem.com>).

Contact Point

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CEO Message

“ LG Chem will work tirelessly to be a company that is respected by the general public through sustainability management giving balanced consideration to environmental, social and economic factors. ”



• It gives me great pleasure to present to you LG Chem's 2006 Sustainability Report. This report details our environmental, social and economic activities and performance in connection with our pursuit of sustainable development. This report is intended to serve as a forum through which our stakeholders can express their views. We will embrace your valuable ideas and suggestions and incorporate them in our sustainability management strategy.

• This year marks the 60th anniversary of LG Chem. To realize our vision of 'To be a global leader — Growing with customers by providing innovative materials and solutions,' everyone at LG Chem is practicing Speed Management. Based on the concepts of "early, fast, and real time," Speed Management is accelerating transform and the execution of our strategies to help cultivate the growth drivers to achieve our management objectives.

• Along with economic performance, we are committed to fulfilling our social responsibility. Business ethics are an integral part of operations at LG Chem. Based on "Jeong-Do" Management (Management by principle), all of us here observe principles of fair competition and pursue transparency. We renewed our employees' code of conduct with the formulation of "Jeong-Do" Management Implementation Guideline for Fair Competition. We have also adopted a company-wide risk management system to better predict and control both internal and external risk factors in an uncertain operating environment.

• LG Chem is engaged in an industry that consumes vast amounts of energy and natural resources and has considerable implications for the environment and safety. For that reason, we are devoted to minimizing environmental and safety risks throughout the production and distribution process and to creating eco-friendly products. We are making thorough preparations to ready ourselves for product environmental regulations such as the RoHS directive and REACH. Reducing the emission of greenhouse gases is another area of importance at LG Chem. We are laying the groundwork for the control of greenhouse gases to respond to the convention on climate change.

• With a view to the sustainable development of mankind, LG Chem has been implementing sustainability management giving balanced consideration to environmental, social and economic factors. We will pursue mutual cooperation and prosperity with diverse stake-holders and work tirelessly to be a company that is respected by customers, shareholders, employees and the general public. Thank you.

Bahnsuk Kim

Bahnsuk Kim | President & CEO

Company Profile

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	14,458 (10,654 in Korea, 3,804 overseas)
Financial snapshot	

[Unit: KRW million]

Total assets	Total liabilities	Total shareholders' equity
5,806,516	3,189,276	2,617,240
Sales	Operating profit	Net profit
9,302,341	333,945	318,782

· As of December 31, 2006

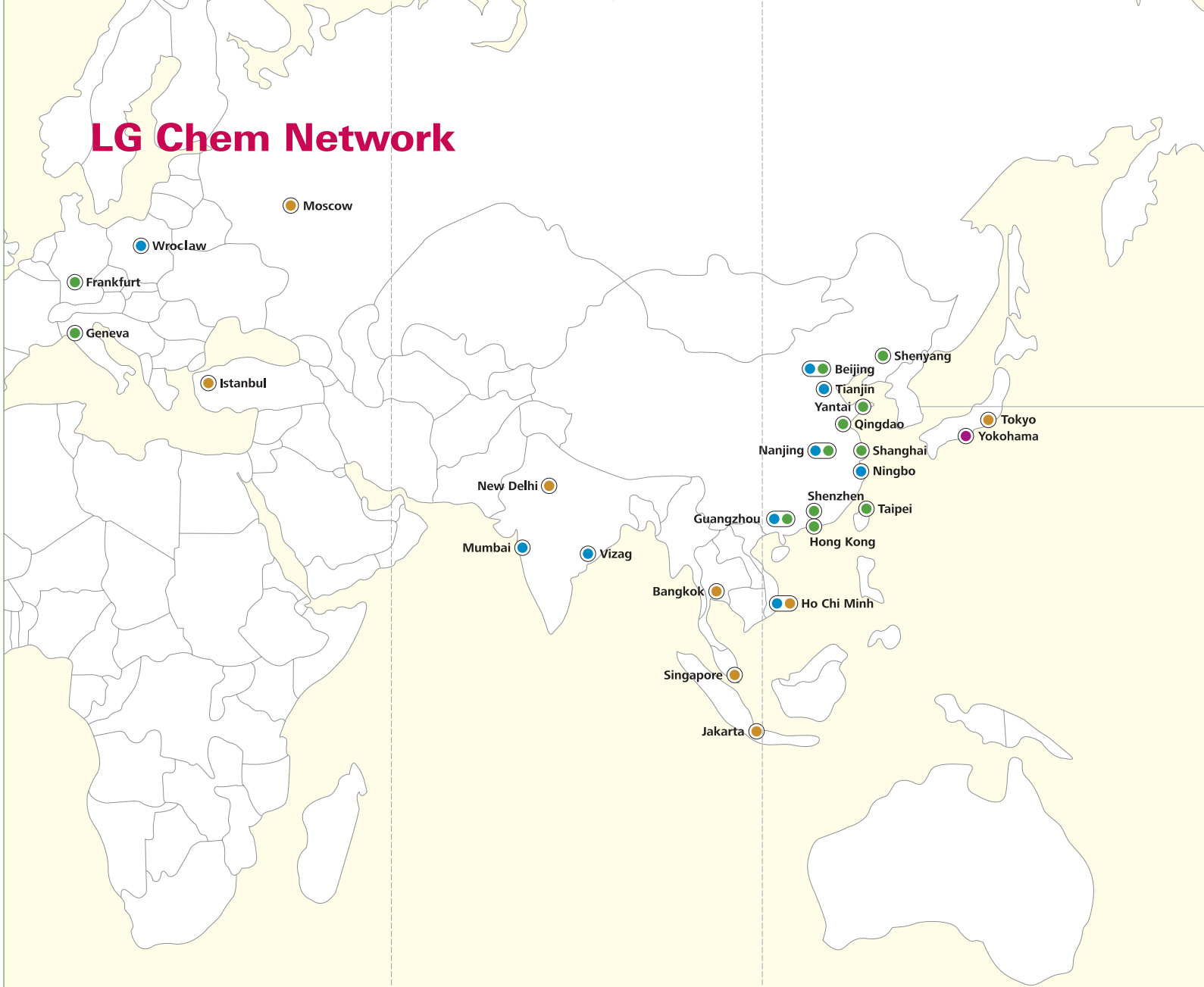
Main Products by Group

Petrochemicals	NCC/Polyolefin	NCC products (ethylene, propylene), polyolefin,
	Rubbers/Specialty Polymers	Synthetic rubbers, specialty polymers (MBS, SBL, SBS)
	PVC	Synthetic resins widely used in building and living materials
	ABS/EP	ABS resins and engineering plastics used in electric/electronic devices and automobiles
	Acrylates/Plasticizers	High absorbent polymers, acrylic and plasticizer used as raw material for paints
Industrial Materials	Housing Solutions	Window frames, furnishings, flooring materials, wallpapers, wall materials, total interior services
	Living Solutions	High-gloss sheets, interior films, surface decorative materials such as artificial marble products HI-MACS [®] , sign board materials, road sign board materials
	Automotive Solutions	High quality fabric for automotives, interior/exterior trims
Information & Electronic Materials	Mobile Energy	Lithium-ion batteries, lithium-ion polymer batteries
	Optical Materials	Polarizers, PDP filters, printed circuit materials
	Electronic Materials	Phosphors, photo sensitive materials, over coating materials for LCD, toners, OLED materials, electrolyte, positive electrode material

Affiliation with External Organizations

<p>Korea Business Council for Sustainable Development (KBCSD)</p> <ul style="list-style-type: none"> Identify global industry trends in corporate sustainability management Identify and take actions to address sustainability issues <p>The Institute for Industrial Policy Studies (IPS) BEST Forum</p> <ul style="list-style-type: none"> Gather information and case studies on business ethics Participate in forums and workshops 	<p>Korea Association of Environmentally Friendly Companies</p> <ul style="list-style-type: none"> Association of companies designated as being environmentally friendly Promote environmental management through seminars, workshops, etc. Yeosu, Cheongju, Ochang, Ulsan, Onsan, Naju and Iksan plants <p>Industry Associations</p> <ul style="list-style-type: none"> 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
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LG Chem 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
Ningbo LG Yongxing Latex 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
Tianjin LG Window & Door Co., Ltd.	Tianjin
LG Chem (Nanjing) Information & Electronic Materials Co., Ltd.	Nanjing
LG Chem Display Materials (Beijing) Co., Ltd.	Beijing
LG Chem Industrial Materials, Inc.	Adairsville
LG Chem Poland Sp. z o.o.	Wroclaw
LG Polymers India Pvt. Ltd.	Mumbai
	Vizag
LG Vina Chemical J/W Company	Ho Chi Minh

● Marketing Subsidiaries

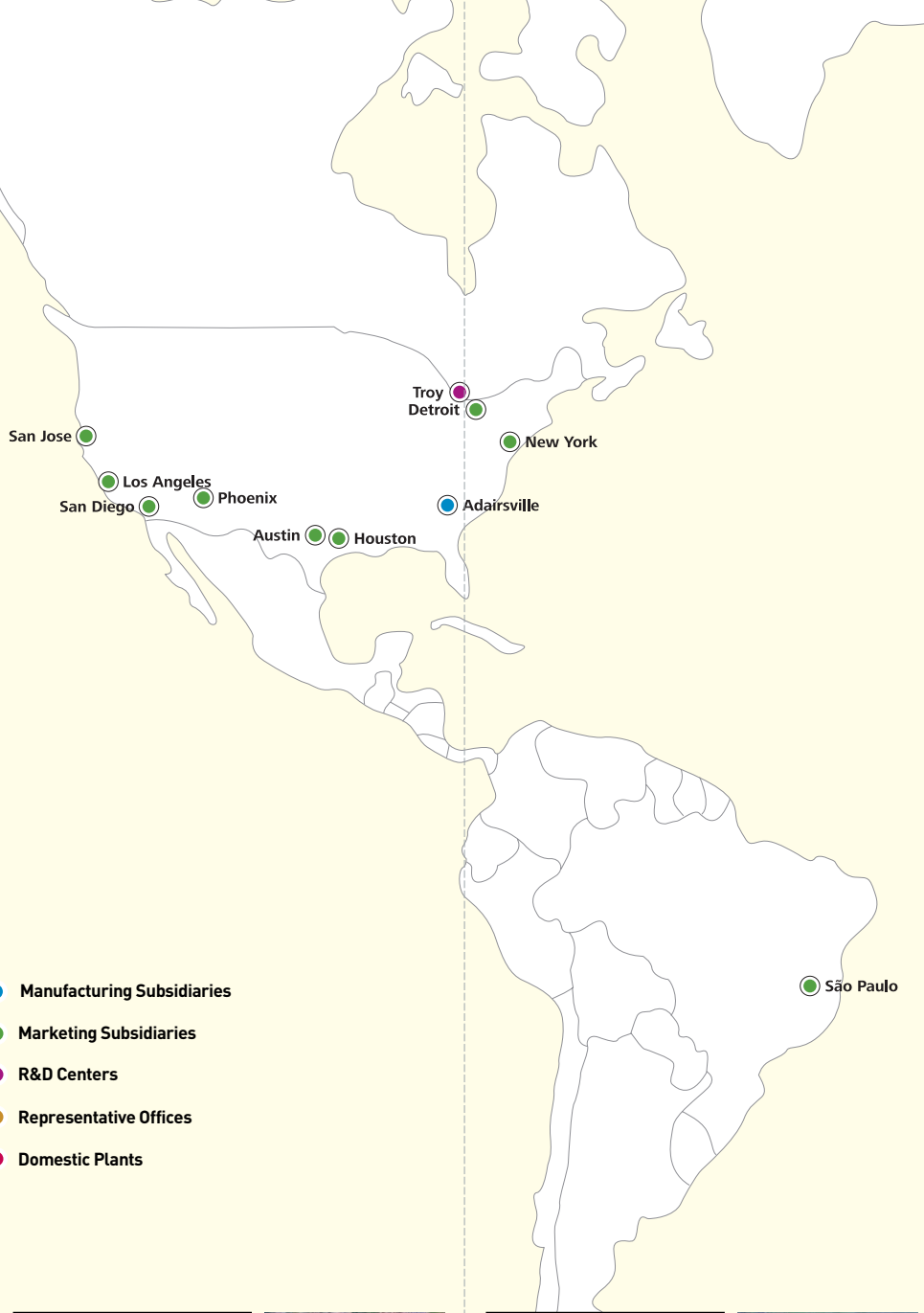
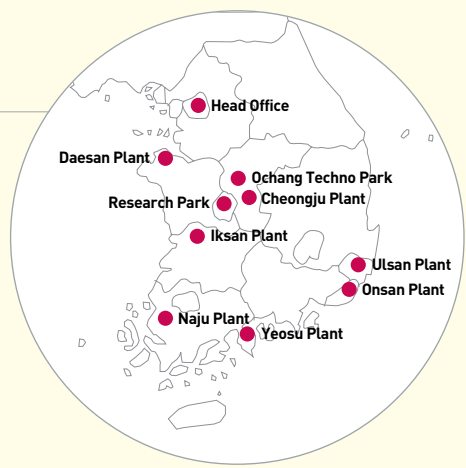
Name	Location
LG Chem (China) Investment Co., Ltd.	Beijing
	Shanghai
	Guangzhou
	Nanjing
	Yantai
	Shenzhen
	Shenyang
LG Chem Hong Kong Ltd.	Hong Kong
LG Chem (Taiwan), Ltd.	Taipei
LG Chem America, Inc.	New York
	Los Angeles
	Detroit
	San Jose
	San Diego
	Austin
	Houston
	Phoenix
LG Solid Source, LLC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

● Representative Offices

Name	Location
LG Chem Moscow Office	Moscow
LG Chem Istanbul Office	Istanbul
LG Chem New Delhi Office	New Delhi
LG Chem Ho Chi Minh Office	Ho Chi Minh
LG Chem Bangkok Office	Bangkok
LG International Japan Ltd.	Tokyo
LG Chem Jakarta Office	Jakarta
LG Chem Singapore Office	Singapore

● R&D Centers

Name	Location
Compact Power, Inc.	Troy
Battery Research & Development in Japan	Yokohama



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

● Domestic Plants

Research Park
 Area_ 85,530 m²
 Major R&D_ New Materials Research



Ochang Techno Park
 Area_ 248,209 m²
 Major Products_ Rechargeable Batteries, Optical Materials



Naju Plant
 Area_ 562,793 m²
 Major Products_ Octanol, Butanol, Plasticizers, Acrylic Acid



Yeosu Plant
 Area_ 991,735 m²
 Major Products_ VCM, PA, SM, Acrylates, PVC, ABS, EDC, PS, SAN, LDPE, Octanol, MBS, SBS, SBL



Ulsan Plant
 Area_ 413,785 m²
 Major Products_ Housing Materials, Living Materials, Automotive Materials, Plasticizers



Iksan Plant
 Area_ 94,636 m²
 Major Products_ ABS Compounds, Engineering Plastics



Cheongju Plant
 Area_ 350,781 m²
 Major Products_ Building Materials, Living Materials, Information & Electronic Materials, Rechargeable Batteries



Onsan Plant
 Area_ 209,376 m²
 Major Products_ Fluorescent Substances



Daesan Plant
 Area_ 1,297,477 m²
 Major Products_ VCM, PVC, Ethylene, Propylene, Benzene, BD, PE, PP, Synthetic Rubbers



Sustainability Management System



- 08 Sustainability Management Vision
- 09 Corporate Governance
- 10 "Jeong-Do" Management (Management by principle)
- 13 Risk Management
- 16 Stakeholder Communication



SUSTAINABILITY IN ALL WE DO

- LG Chem pursues sustainability management giving balanced consideration to economic trustworthiness, environmental soundness and social responsibility. Our management philosophies of “creating value for customers” and “respecting human dignity” are in line with the essence of our sustainability management activities, which take into account the value of all stakeholders and the environment. While it may not always be in plain view, sustainability is incorporated into all of our actions.

HIGHLIGHTS

- Corporate governance has improved significantly since CEO Bahnsuk Kim took the helm in 2006. We have appointed more outside directors, and greater autonomy has been given to the Board of Directors and the Audit Committee.
- To renew our commitment to “Jeong-Do” Management (Management by principle), we revised the LG Code of Ethics Implementation Guideline in 2004 and drew up the “Jeong-Do” Management Implementation Guideline for Fair Competition in 2006.

Sustainability Management Vision

LG Chem practices sustainability management that gives balanced consideration to the environmental, social and economic aspects to promote the sustainable development of mankind.

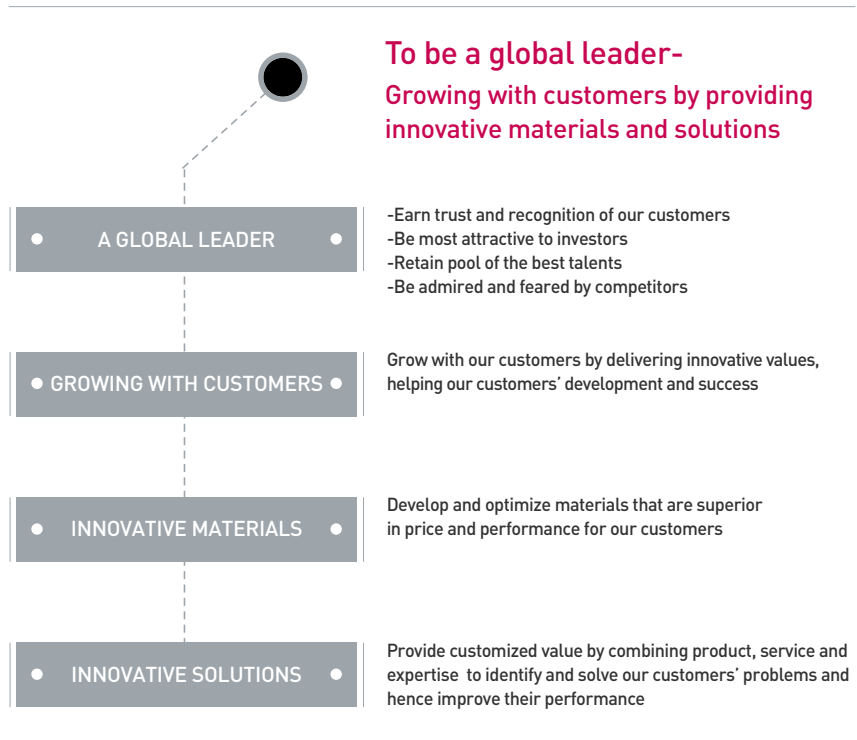
01_ Vision

- 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 becoming a world-class company. Bearing that in mind, shaping a customer-oriented company is the way toward sustainable development.

02_ Core Values

- The core values represent the standards of judgment and conduct shared by everyone at LG Chem to realize our vision.

Meaning of Vision



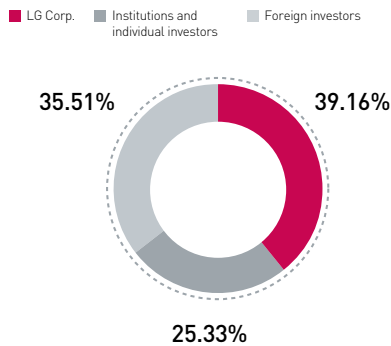
Core Values



Corporate Governance

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

Share Ownership (Common Stock)



01_ Strengthened Corporate Governance

- The adoption of the holding company system by LG in 2003 led to a vast 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 balance, both internally and externally, and increased the benefits of minority shareholders. The holding company framework removed the risk of one company's financial crisis spreading to the entire group. Since CEO Bahnsuk Kim assumed the helm of LG Chem in 2006, the Company has appointed more outside directors with the relevant knowledge and experience, while the board of directors and Audit Committee have been granted greater autonomy.

02_ Board of Directors

- A total of seven persons serve on LG Chem's board of directors. Outside directors fill four of the board seats, or more than half of the total, thereby satisfying the legal requirement concerning outside director appointment. The composition indicates that the board enjoys autonomy and forms the basis of LG Chem's management transparency. The Nomination Committee for Independent Directors, comprising one outside director and one inside director, recommends candidates based on a review of their expertise and independence. The candidates are then subject to approval by the general shareholders' meeting before being appointed. Outside directors monitor and keep a check on major issues concerning company operations. They play a vital role in ensuring effective decision-making by presenting objective views and opinions.

In principle, the board meets on a quarterly basis. However, extraordinary meetings can be convened if the need arises. A total of nine BOD meetings were held in 2006, with the average attendance rate being 90%. 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 the board. That allows the board members to carry out a thorough review of agenda items, which in turn enables them to present clear and objective opinions at board meetings.

03_ Audit Committee

- The Audit Committee is composed solely of outside directors to ensure full autonomy and transparency. The three-member committee is made up of experts in the chemical, financial and legal fields. The chairman is Kim Kon-sik, an expert on corporate governance. The committee meets each quarter and carries out various activities to fulfill its supervisory function and keep an eye on management. The committee is briefed on settlement of accounts by the outside auditor. It also hears advice on internal control mechanisms from external bodies and is briefed on management audits.

“Jeong-Do” Management (Management by principle)

“Jeong-Do” Management is LG’s unique code of conduct. Going beyond business ethics, it is the way in which LG Chem produces results by competing fairly based on competence.

01_ Underlying Belief

- LG Chem looks beyond short-term performance. Our aim is to uphold leadership over 50 years, even up to 100 years. “Jeong-Do” Management forms the basis of all activities aimed at reaching that goal. We will fulfill our responsibility to customers and society to earn their respect and confidence. We observe the principles of fair competition and comply with business ethics to grow into a true global leader that spearheads world markets.

Concept and Implementation

“Jeong-Do” Management implies more than adherence to laws and ethical conduct. It represents our core value of pursuing transparent and fair business activities to fulfill our responsibility to customers and society and our commitment to sustainable development. Various efforts have been made to ensure transparency in our dealings with business partners and to promote a fair and open culture among our staff. 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 Guideline” 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 Guideline” was revised in 2004. Two years later, we renewed our commitment as we created the “Jeong-Do” Management Implementation Guideline 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 build the competence to compete fairly, even though adversity may fan the appeal of taking shortcuts for short-term gains. That belief is shared by all employees of LG Chem. Everyone at LG Chem is committed to exercising “Jeong-Do” Management to create a world-class company and sharpen our competitive edge at the global level.

02_ LG WAY and “Jeong-Do” Management

- The LG WAY represents LG’s core beliefs, values, and aspirations. It illustrates a vision structure that guides the thoughts and actions of LG people in attaining the ultimate goal of becoming the No. 1 LG.

It stipulates the way in which this goal is reached through the practice of “Jeong-Do” Management, and the realization of LG’s commitment to “creating value for customers” and “respecting human dignity.” “Jeong-Do” Management signifies more than ethical management: it refers to management that creates actual results based on competency that can win over the competition.

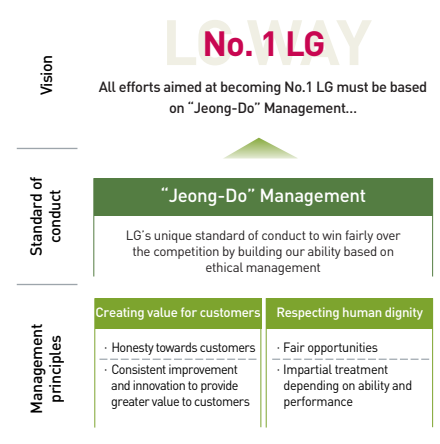


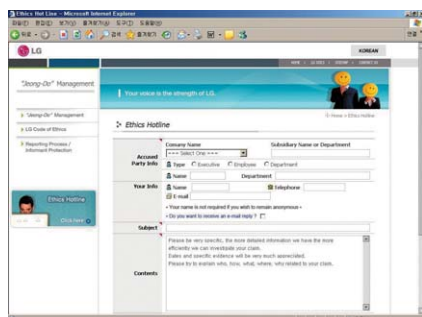
• LG Code of Ethics at our Website www.lgchem.com



• LG Code of Ethics Implementation Guideline

LG WAY





• Ethics Hotline



• "Jeong-Do" Management Training for Suppliers



• Ethics Handbook

• "Jeong-Do" Management - Case Studies

03_ Organization and Program

Organization: Ethics Office

The LG Chem Ethics Office was set up to prevent violation of business ethics and root out improprieties. Reporting directly to the CEO, the office runs the Gift Receipt Reporting System and Ethics Hotline. It provides consultation on "Jeong-Do" Management and business ethics and carries out activities to promote "Jeong-Do" Management inside and outside the Company. Additionally, each business division maintains its own ethics office. These offices carry out promotional and educational activities, identify unfair business acts, and deal with bribes or improper gifts.

Education and Training

LG Chem provides training on "Jeong-Do" Management to all members of staff in domestic and overseas subsidiaries and offices. The training promotes the sharing of common values and reinforces employees' commitment to "Jeong-Do" Management. Conducted via the online and offline medium, these programs cover theory, case studies, and detailed implementation methods. Periodic training on "Jeong-Do" Management and its implementation is also given to employees of our partner firms.

Gift Receipt Reporting System

If an employee receives money or valuables from an interested party or enjoys some form of economic gain, the individual is required to make a voluntary report of the incident within three working days to the Ethics Office. The received money or goods are submitted to the Company to be auctioned off. Proceeds from the auctions are donated to charitable causes. Two auctions were held in 2006 and the proceeds were delivered to eight social welfare groups.

Ethics Hotline

This is a system under which employees can report suspicious activities. Reports can be made on various improprieties such as wrongful business conduct by employees, the receipt of bribes by taking advantage of prominence in position, and violation of LG Code of Ethics or "Jeong-Do" Management. The informant's identity is not revealed without express consent and every effort is made to protect the informant. If the informant suffers any reprisal due to the reporting, steps will be taken to compensate the informant or restore his/her position. Excluding complaints regarding quality, around 80 reports were filed in 2006. Measures were taken to remedy the reported problems.

Support for Business Partners

As part of our efforts to spread the culture of business ethics, we recommend our small to mid sized partner firms set up an ethics system best suited for their needs and provide assistance towards that end. Drawing on our experience with "Jeong-Do" Management, we help our partners prepare a code of ethics and build the necessary infrastructure. We also provide case studies and support training.

“Jeong-Do” Management (Management by principle)

04_ 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.

05_ 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 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 from 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 divisions and plants to prevent fair trade violations. When violations do occur, corrective action is taken to remedy the situation.

● Training

Manuals and educational 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.

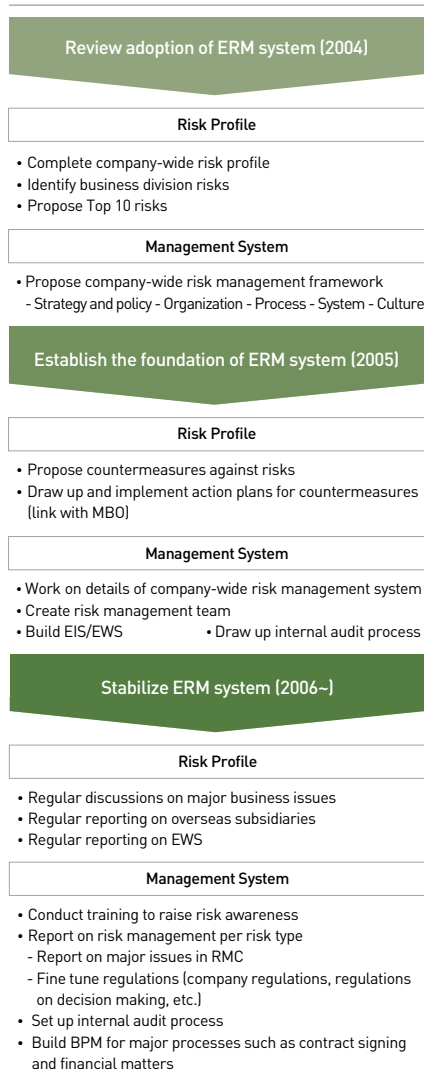
Compliance Program Activities

Category	2004	2005	2006
No. of internal audits	6	4	6
No. of training sessions	5	3	4
No. of preliminary reviews	55	77	61

Risk Management

LG Chem is shifting to a new paradigm in risk management. We are implementing Enterprise Risk Management (ERM) to control risk from a company-wide perspective.

Implementation Process



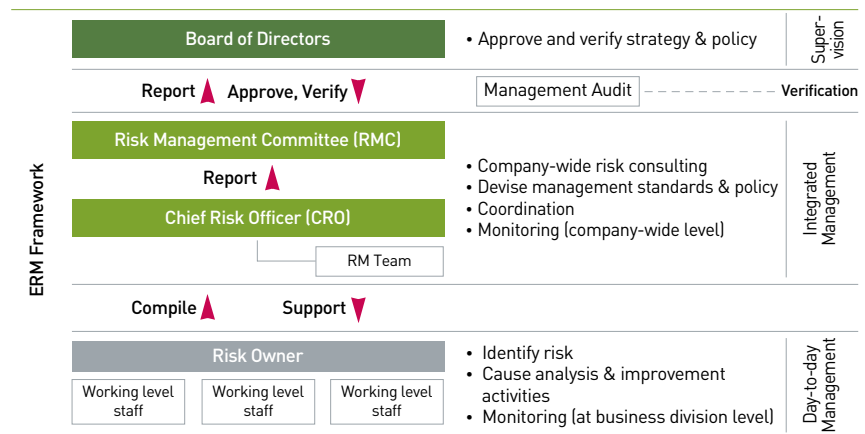
• EIS: Executive Information System
 • EWS: Early Warning System
 • BPM: Business Process Management

01_ Enterprise Risk Management (ERM)

- Incidents that damage corporate image and heightened uncertainty in the business environment highlighted the need for a company-wide system of managing risk. That prompted the adoption of ERM at LG Chem. In doing so, we became the first manufacturing company in Korea to adopt ERM. The system helps us identify internal and external risk factors, predict their impact, and control the risks. The purpose of ERM is to minimize uncertainty of business performance and maximize shareholder value.

02_ Risk Management System

- LG Chem has a three-tier risk management system which includes routine management by the risk owner (1st level), integrated management by the risk-managing body (2nd level), and the supervisory function of the board of directors (3rd level).



• RMC: Risk Management Committee

Risk Management Roles

Classification	Details
Board of Directors	• Approve risk management strategy and policy, supervise risk management activities
RMC	• Devise risk management standards and policy, coordinate major risk-related issues • Check trends related to business risk and deliberate on countermeasures • Determine and oversee major risks for the entire company and each business division
CRO (CFO)	• Entrench risk management system, has final responsibility for risk management
RM Team	• Identify, assess and manage company-wide risks, promote execution of countermeasures to risk • Monitor and report risk countermeasures, overseas subsidiaries and EWS • Support working level risk management, maintain and complement risk management system
Risk Officer	• Support risk management and execution of countermeasures in pertinent sector
Risk Owner	• Carry out day-to-day risk management activities (eg, identify and assess risk, execute countermeasures)

Risk Management

03_ Risk Management Overview

Identifying Risk

Business Division Risk_ Taken into consideration when formulating mid/long-term strategy and business plans. The business environment is constantly monitored to check for changes. The effects of such changes and business issues are reviewed periodically and reflected in operations.

Investment Risk_ Before a major investment is made, it is first subject to deliberation by the Investment Subcommittee. The matter is then referred to the Corporate Investment Committee which makes the final decision.

Corporate Staff Risk_ Key issues concerning the operating environment such as the foreign exchange rate, interest rate, environmental regulations and government measures are selected at the start of a year. The selected issues are then checked during the monthly corporate staff meeting chaired by the CEO.

Responding to Risk

EWS Operation_ The Early Warning System (EWS) gives prior notice on the extent of exposure to and signs of potential risks that may have an influence on realizing our strategy and goals. LG Chem conducts monthly monitoring of risk levels by business division and by risk.

Work Autonomy Maintenance_ We revamped the autonomy rules of the domestic business divisions and overseas subsidiaries to define authority and responsibility and to raise work efficiency.

Monitoring Overseas Subsidiaries_ The conditions and main issues of overseas subsidiaries are monitored and reported once a month to prepare for expansion of global operations and to reinforce management of our overseas subsidiaries.

BPM_ Business Process Management (BPM) has been adopted for major business activities such as contract review and export financing. BPM clearly defines the party responsible for managing the pertinent activity and enables systematic and efficient management.

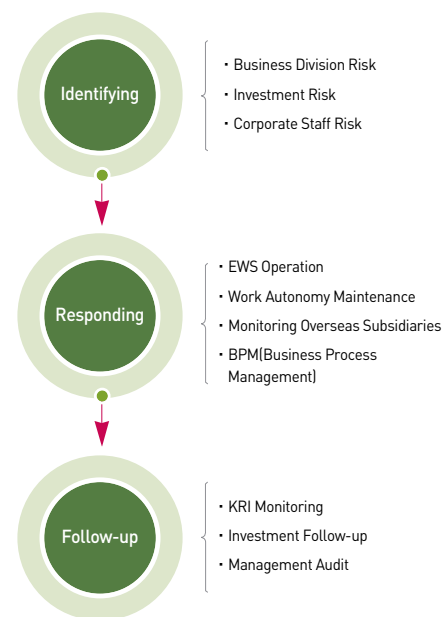
Follow-up Activities

KRI Monitoring_ Monitoring through EWS involves inspection of each business division's risks and key risk indicators (KRI) to uncover issues relevant to each division. These issues are reported on a regular basis to the CEO and CFO.

Investment Follow-up_ Follow-up measures are taken to enhance investment efficiency. We monitor the progress of investment projects to see whether they are moving along according to initial plan. A record-keeping system has been established to check the investment efficiency of completed projects. Twice a year, we check whether completed projects are on track and detect factors that could take a project off course.

Management Audit_ When a risk occurs that affects the entire company, we plan to conduct internal audits on a company-wide level if deemed necessary and take rigorous follow-up measures to prevent similar incidents from arising in the future.

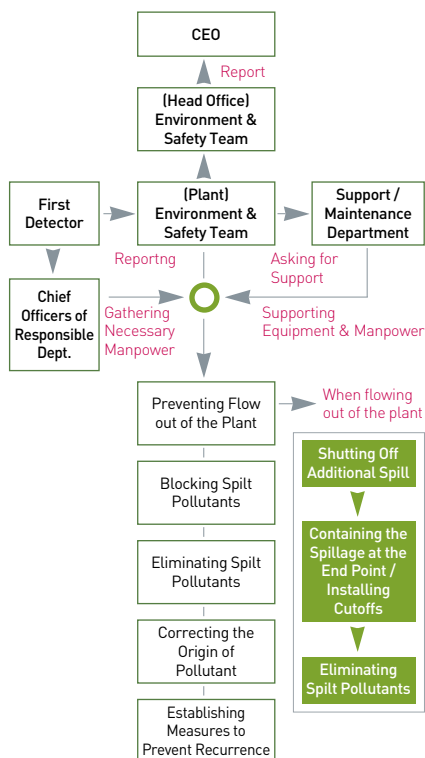
Risk Management Flow



■ Responding to Major Environmental Risks

Category	Major Risk	Response Process
Water quality	Inflow of hazardous chemicals into waterways	Emergency reservoir process
Air quality	Toxic gas leak	Response process in the event of release of hazardous chemicals
Wastes	Discharge of designated wastes at business sites	
Toxic materials	Toxic material spill	
Soil pollution	Discharge of materials that cause soil pollution	Plant emergency measures
Safety	Fires, explosions, human casualties	
Natural disaster	Typhoons, earthquakes, etc.	

■ Emergency Response Process in case of Hazardous Chemicals Spill



04_ Environmental Risk Management

Environment & Safety Audit

Environment and safety audits are carried out at LG Chem business sites every year. The audits are conducted by a team comprising internal personnel and outside experts. The audits are applicable to all business sites in Korea and overseas, with the priority given to new worksites or those that request an audit. Centered on a practical approach, the audits check for compliance with related regulations, whether environmental and safety equipment are being maintained at optimal levels, potential risks and building a system to respond to such risks. Meanwhile, each business site carries out their own environmental and safety audits and monitoring activities tailored to the needs of the respective sites. These activities take place on a weekly or monthly basis.

Support Activities for Overseas Subsidiaries and Business Sites

As a global corporation, LG Chem has been working to raise the environmental and safety standards of its overseas production sites to a level comparable to their counterparts in Korea. We have been carrying out environmental and safety audits on our plants in China, Vietnam and India since 2004. We have introduced Responsible Care (RC) activities, which are being pursued by our Korean plants. We also inspect environmental, safety and energy management at the overseas facilities and analyze the gap with Korean worksites and seek ways to narrow any discrepancy.

Accident Prevention

The environment & safety and production departments carry out periodic inspections, while a control center identifies potential environmental and safety risks at production sites. As a means of preventing risk, the production department designates a person responsible for each equipment. The environment & safety department has an environmental and safety patrol team that keeps watch over major plant facilities around the clock. It gives particular emphasis to areas with the potential to discharge pollutants due to problems with production processes. It also carries out cross-checks on pollution prevention facilities with the production department.

Internal & Follow-up Inspections

Internal inspections take place at each worksite twice a year. They are carried out by inspectors having the necessary experience and qualifications. Any irregularity is reported to the most senior officer of the pertinent worksite and the department in charge is ordered to promptly take corrective action.

Follow-up inspections are conducted by inspectors from outside certifying agencies at least once a year. They are intended to raise the reliability and efficiency of environmental and safety management system certification. In addition, work is underway to integrate RC self-assessment and ISO/KOSHA internal inspections.

Stakeholder Communication

LG Chem incorporates the opinions of stakeholders in the way it conducts its business activities to promote sustainable development of the Company and society.

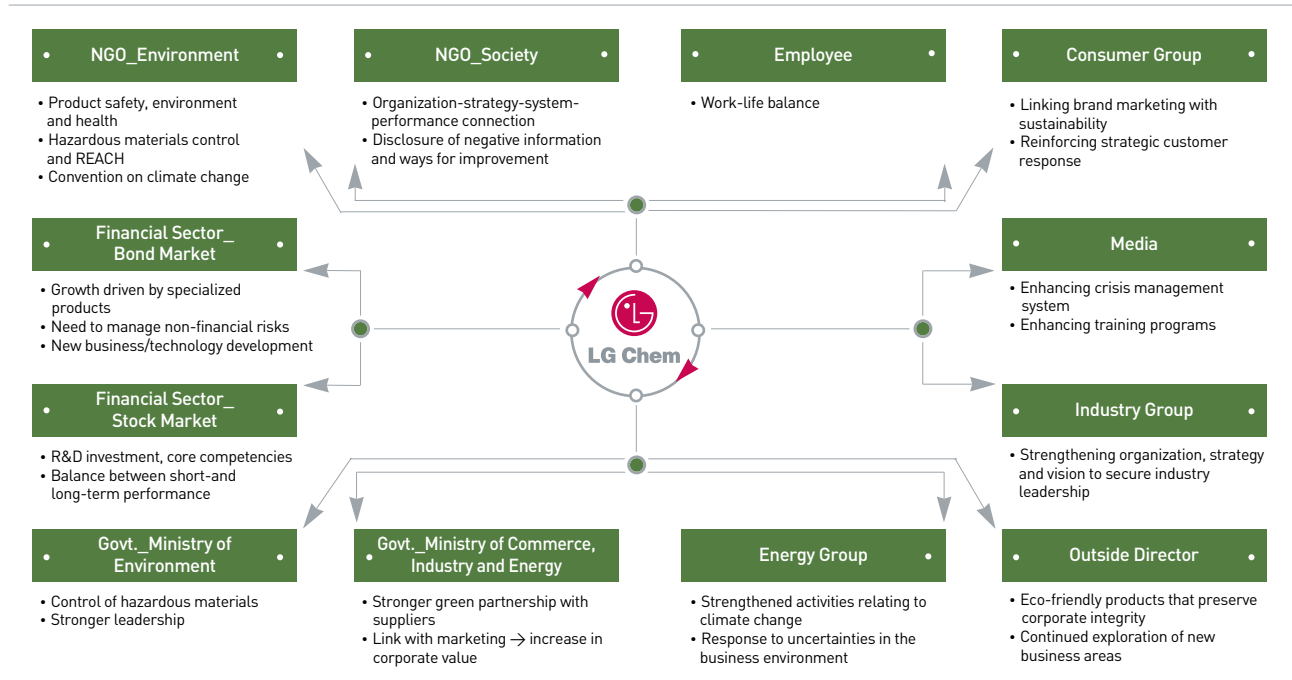
01_ Stakeholder Engagement

- LG Chem took a survey of stakeholders to see what kind of contents they would like to see included in the Sustainability Report. That gave us a chance to study what steps should be taken for sustainable growth and the issues vital to reaching that goal. Moreover, we were able to review progress made through the strategies and business activities executed to date. The survey findings allowed us to examine issues for sustainable growth from a strategic perspective and formed the basis for the main subjects to be covered in this report.

The following figure summarizes the views of stakeholders regarding sustainable growth of LG Chem. While demands and opinions varied somewhat from one stakeholder group to another, we also found a common theme. The shared view was that LG Chem should pay particular attention to “energy and resources in connection with the climate change agreement” and to “raising competitiveness through product safety.”

Internal stakeholders (employees) also believe product competitiveness and a strategic approach to the energy issue are the main factors for sustainable growth. That is what we found through numerous meetings with employees serving in various functions and capacities while preparing this report.

Stakeholder Demands & Issues for Sustainable Growth



■ Stakeholders' Views on LG Chem's Sustainability Issues

Stakeholder	Requests on Sustainability Report Content	Relevant Section in Report	Views on LG Chem's Sustainability Management	Reflected in this Report
NGO_Environment	<ul style="list-style-type: none"> Faithfully observe G3 Guidelines Information on product safety, environment and health Hazardous materials management (REACH, etc.) 	Appendix Customer & Product Environment	<ul style="list-style-type: none"> Analyze and seriously consider corporate social responsibilities (more important than social contribution activities) Interest in socially responsible investment 	Management System
NGO_Society	<ul style="list-style-type: none"> Strategy on creating new growth engines Reflect provisions on stakeholder engagement and background on sustainability management in G3 Guidelines Stages and progress in sustainability management strategy and long-term corporate strategy Strategic decision-making process in corporate governance 	Economy Management System	<ul style="list-style-type: none"> Wish to see two-way communication efforts via the internet Stakeholder participation in management decision-making 	Management System Entire Report
Employee			<ul style="list-style-type: none"> Provide a variety of ongoing programs to raise job satisfaction Expand selective benefits program 	Employee
Consumer Group			<ul style="list-style-type: none"> Link social contribution, PR and marketing activities Customer management that gives greater attention to the less powerful in society Supply network aspect – training/support for minor partner firms (such as wallpaper service firms) 	Customer & Product
Media	<ul style="list-style-type: none"> Prevention of use of sustainability report as PR material 	Entire Report	<ul style="list-style-type: none"> Expand internal training programs with a long-term perspective Check and supplement systems for emergency response and crisis management 	Management System
Industry Group			<ul style="list-style-type: none"> Whether or not corporate vision and strategy support sustainability management 	Management System
Outside Director	<ul style="list-style-type: none"> Development and marketing of eco-friendly products – important role in boosting a company's reputation rather than PR effect 	Customer & Product	<ul style="list-style-type: none"> Uncover new businesses Respond to climate change and energy issues 	Economy Environment
Energy Group	<ul style="list-style-type: none"> Preparations to deal with uncertainty of future business 	Economy	<ul style="list-style-type: none"> Use company's energy policy as a strategic advantage 	Environment
Ministry of Commerce, Industry and Energy	<ul style="list-style-type: none"> Hazardous materials control and response to new international regulations 	Customer & Product Environment	<ul style="list-style-type: none"> Stronger partnership with business partners Strategic link between sustainability, PR and marketing activities Efforts for product safety 	Customer & Product
Ministry of Environment	<ul style="list-style-type: none"> Activities to lead voluntary initiatives by the industry (industry leadership) 	Customer & Product	<ul style="list-style-type: none"> Link social contribution activities with business 	Society
Financial Sector_ Stock Market	<ul style="list-style-type: none"> Investment in and results from new growth drivers 	Economy	<ul style="list-style-type: none"> Efforts to secure core competencies 	Employee Society
Financial Sector_ Bond Market	<ul style="list-style-type: none"> New technology development Business diversification and development of specialized products Interest coverage ratio, cash flow, etc. 	Economy	<ul style="list-style-type: none"> Response to environmental regulations, labor-management issues, and managerial control Hoping for rational financial policy based on accounting transparency 	Employee Environment

Economy

- 20 Management Vision & Strategy
- 22 Innovation Activities
- 24 Economic Performance



CREATING VALUE EVERYWHERE WE ENGAGE

- Among the various activities carried out by a corporation, the most fundamental is the generation of economic value. That's because a company cannot contribute to society without the ability to continue as a going concern. LG Chem pursues customer value innovation, advanced business structure, globalization and new growth drivers to build the basis for long-term growth and enhance corporate value.

HIGHLIGHTS

- LG Chem has launched an initiative to innovate the corporate culture. We are pursuing a culture scheme of "mutual trust, growth through constructive activity, and enthusiasm to produce strong results."
- Revenue increased 25.3% year-on-year in 2006, buoyed by the merger with LG Daesan Petrochemicals and robust growth of the Information & Electronic Materials Group. However, the rise in raw material prices caused by the strength in crude oil prices weighed on profits.

Management Vision & Strategy

LG Chem will stay ahead of the fast changing business environment to ward off potential threats and forge a balanced business portfolio to minimize fluctuations in performance.

01_ Vision & Strategy

- The chemical industry provides essential materials for a wide range of industries including electronics, automobiles, construction, textiles and pharmaceuticals. It has grown at a steady pace in step with the development of the global economy. Recently, chemical producers have been subject to rapid changes in the operating environment. These include high oil prices, fiercer global competition and tightening environmental regulations. These trends have raised concern regarding future growth of the chemical sector.

The most prominent issue facing chemical producers is the persistent strength in oil price. Given the industry's heavy dependence on energy and natural resources, the surge in oil price has significant implications for the cost structure. High oil prices pose a heavy burden on chemical companies' profits. Moreover, strong oil prices have shortened the chemical business cycle, which in turn is increasing earnings volatility.

Another point of interest is that globalization of the chemical markets has sparked fiercer competition. In particular, pressure is expected to heighten as China, the greatest source of demand, continues to raise self-sufficiency in petrochemicals, while more products are flowing out from the Middle East which is armed with an abundant supply of low-priced feedstock. These developments suggest chemical firms will continue to integrate, expand and globalize their operations.

International environmental regulations such as REACH (the new European chemicals regulation) are becoming more stringent. At the same time, market demand is rising for eco-friendly products. That is highlighting the environment and safety as important factors for success in the global marketplace.

LG Chem will stay ahead of the fast changing business environment to ward off potential threats and build a balanced business portfolio to minimize fluctuations in performance. We intend to reinforce global competitiveness and secure new growth drivers to enhance customer value. Our aim is to realize both growth and profits through sustainability management.

Customer Value Innovation

In line with our management principles of "creating value for customers," we will strengthen customer value innovation activities to grow together with our customers. We will step up our customer intelligence function to accurately identify and meet customer needs. To enhance our ability to respond to customers, we plan to strengthen cooperation among the sales, R&D and production departments. In addition, we will bolster the solutions business to provide customized value.

Sustainable Growth Strategy



Advanced Business Structure

LG Chem is creating a balanced business portfolio of petrochemicals, industrial materials, and information & electronic materials to achieve both stable earnings and sustainable growth. An optimal balance will help to minimize the effects of external factors such as changes in the business cycle. In the petrochemicals sector, our focus will be on boosting cost competitiveness and expanding sales of high value-added products to create a stable earnings stream. For industrial materials, we will respond proactively to changing market needs and foster premium products which offer higher margins. The information & electronic materials business will be nurtured as our future growth engine. Given its strong growth potential, we plan to concentrate our investments in this area.

Globalization

LG Chem is actively pursuing overseas expansion of high-margin businesses. In petrochemicals, we are seeking a global corporation for joint penetration into the fast-growing Chinese market and exploring new opportunities utilizing low-cost feedstock in the Middle East and Africa. At the same time, we will continue to enhance profitability of existing overseas operations. In 2006, we improved profitability of our PVC plant in China through vertical integration. In the industrial materials segment, we will expand our artificial marble business in the US and continue with localization efforts (setting up a local plant for building materials).

Another plan involving our global operations is to reinforce the market intelligence function and network of overseas offices and subsidiaries. The move will position us to maintain close connections with overseas markets.

New Growth Drivers

LG Chem is nurturing new businesses and boosting the value of existing businesses to drive future growth. In petrochemicals, we will focus on developing lucrative strategic products such as specialty polymers and environmentally-friendly items. In particular, we plan to put greater emphasis on special grade polyethylene products. We are looking to sustain growth in the industrial materials sector by shifting toward premium products. As for information & electronic materials, we will add to our existing products such as display materials and explore new areas like clean energy and nano materials. To cultivate the basic competencies for future businesses, we intend to expand investment in R&D and take a more customer- and market-oriented approach to promote commercialization of R&D results. We also plan to boost R&D flexibility through more technology outsourcing.

Innovation Activities

LG Chem is implementing Speed Management to reach its 2008 management objectives. Innovation activities are concurrently taking place such as Six Sigma and TPM to sharpen our competitive edge.

01_ Speed Management to Hone Basic Competitiveness

- Speed Management aims to change our way of conduct based on a market- and customer-oriented approach to accelerate strategy implementation and changes in organizational culture. The ultimate goal is to create results at a faster pace to realize our management objectives and vision. Speed Management encompasses five major tasks: sharpening our edge in existing businesses, securing growth drivers, pursuing results-oriented R&D, strengthening customer satisfaction activities, and reforming organizational culture.

02_ 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 diverse 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 high goals and following through with strong execution.

03_ Research & Development

Value Creation through Technological Edge

Guided by the vision of strengthening existing businesses and nurturing future businesses, R&D is focused on discovering new opportunities by building on core technologies in petrochemicals, industrial materials, and information & electronic materials. LG Chem is harnessing its world-class materials technology and investing in R&D to gain a technological edge in information & electronic materials, such as materials for flat panel display (FPD) and lithium ion batteries. During 2006, R&D expenditure totaled KRW 241.1 billion. At the year's end, total R&D staff numbered 1,826.

Strengthening Research for Future Business

LG Chem started focusing on electronic and information materials from the late 1990s. Our efforts led to numerous achievements including the development of core materials for FPD (polarizer, photoresist, OLED materials) and rechargeable batteries. In 2006, 36% of R&D spending went toward electronic and information materials. We have selected display materials and clean energy as our future growth engines and plan to direct up to 50% of R&D spending on these areas by 2012. Related to clean energy, we will concentrate on core materials for fuel cell, medium- and large-format battery for hybrid electric vehicles (HEV), and solar cell to prepare for the depletion of oil.

Code of Conduct for Speed Management

● Early

'Early' signifies early detection of changes in the marketplace and implementing strategy and action corresponding to the changes in order to introduce new materials before the competition.

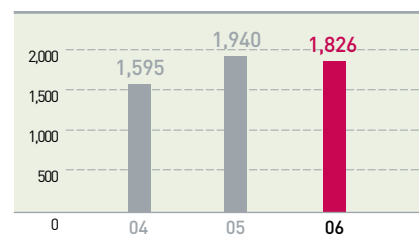
● Fast

'Fast' represents fast response to customer needs. It involves simplifying our organization and processes and enhancing our meeting and reporting culture to speed up decision-making. That, in turn, will lead to faster new product development, higher spec-in speed, and quality and cost improvements.

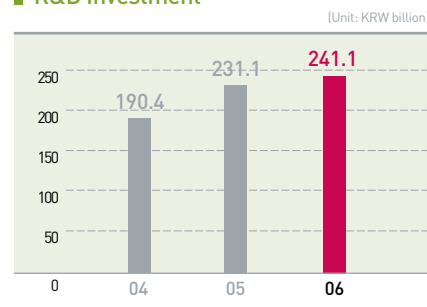
● Real Time

'Real time' applies to determining key performance indicators (KPI) and monitoring them on a regular basis to realize our goals.

No. of Total R&D Staff



R&D Investment





• Vehicle Equipped with HEV Battery

Medium- and large-format battery for HEV_ Research is underway to develop rechargeable batteries for HEV that will provide an alternative to fossil fuel. The batteries will prevent air pollution caused by exhaust fumes and allow the public to better cope with high oil prices. LG Chem is preparing to usher in a new era of HEVs by harnessing lithium ion battery technology to boost fuel efficiency and radically improve user convenience.

Solar cell_ The amount of solar energy emitted over one hour is comparable to the amount of energy used on this planet over the duration of a year. A source of eternal energy, solar power represents a next-generation, eco-friendly solution to prepare for the depletion of oil and natural gas that can also reduce noise pollution and CO₂ emission. LG Chem has succeeded in developing a high-efficiency, large-capacity solar cell that uses energy from the sun.

04_ Organizational Culture Transformation

Background Information

Efforts to transform our organizational 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 organizational culture.

Innovating the Way We Work

Organizational culture transformation 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 innovating our culture regarding meetings, reporting, and end of work day. Much of a company’s duties have to do with reporting, decision making, and basic work procedures. Inefficiency in those areas could pose a sizable problem. Backed by strong commitment from the CEO, LG Chem is striving to eliminate unnecessary tasks and simplify work processes, so that more time and resources can be devoted to tasks that produce greater value.

Economic Performance

Despite the hurdles posed by high oil prices and a weak domestic economy, LG Chem is making every effort to secure growth potential in the global markets and build the basis for sustainable growth.

01_ 2006 Operating Performance

- Revenue grew 25.3% in 2006, buoyed by the merger with LG Daesan Petrochemicals and robust growth of the Information & Electronic Materials Group. However, the increase in raw material prices stemming from strong oil prices weighed on the Petrochemicals Group, while the Industrial Materials Group also remained sluggish. That resulted in a 20.8% decrease in operating profit to KRW 333.9 billion.

Taking a closer look at revenues, the Petrochemicals Group posted 38% growth thanks to the merger with LG Daesan Petrochemicals. On the other hand, sales growth was flat in the Industrial Materials Group. The Information & Electronic Materials Group enjoyed 27% growth despite sluggish demand in the downstream industries (mobile phones, notebook PCs, and displays) thanks to an improvement in the overall capacity utilization rate.

In terms of profits, the Petrochemicals Group suffered a sharp decline, as the hike in raw material prices was not passed on to product prices. The Industrial Materials Group recorded a 16% drop in operating profit. On a brighter note, the Information & Electronic Materials Group turned around and posted an operating profit from deficit, driven by increased capacity utilization for batteries and growth in polarizer sales.

(Unit: KRW billion)

Category	2004	2005	2006
Sales	7,127.4	7,425.1	9,302.3
Operating Profit	522.9	421.7	333.9
Recurring Profit	719.7	467.7	395.3
Net Income before Tax	719.7	467.7	395.3
Net Income	536.4	400.3	318.8

02_ Divisional Performance

Petrochemicals

The PVC business is undergoing rough times. Capacity expansion in China has intensified competition and raw material prices have climbed. Higher raw material prices are also posing a burden for the ABS business in the domestic market, but the Chinese subsidiary is reporting healthy results due to robust local demand and high productivity. Our polyolefin business has grown stronger owing to vertical integration that followed the merger with LG Daesan Petrochemicals. In acrylates, we are boosting our competitiveness based on new technologies and new catalysts. At the same time, we are continuing with strategic marketing efforts including export diversification.

LG Chem is carrying out turnaround activities across all aspects of the PVC and ABS business, from production and marketing to R&D, to strengthen the fundamentals of our operations. We will restructure less efficient facilities, explore new profit streams, and continuously seek ways to hone our edge.

Stability

Category	2004	2005	2006
Current Ratio	93.1%	73.8%	104.1%
Debt-to-Equity Ratio	158.7%	129.4%	121.9%
Total Borrowings to Total Assets	34.9%	32.9%	27.3%
Interest Coverage Ratio	5.7x	4.5x	3.8x

Profitability

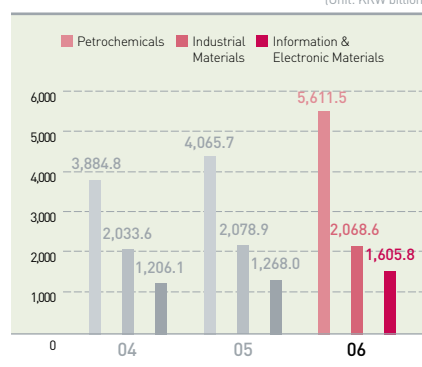
Category	2004	2005	2006
Operating Profit Margin	7.3%	5.7%	3.6%
Net Income Margin	7.5%	5.4%	3.4%
ROA	10.3%	7.1%	5.6%
ROE	26.8%	17.3%	12.6%

Growth and Turnover

Category	2004	2005	2006
Sales Growth	25.7%	4.2%	25.3%
Operating Profit Growth	10.4%	-19.4%	-20.8%
Total Assets Growth	19.3%	-1.5%	3.8%
Assets Turnover	1.4x	1.3x	1.6x

Sales by Business Group

(Unit: KRW billion)



* Sales of other businesses excluded

Industrial Materials

The prolonged downturn in domestic demand and pressure to lower prices of automotive parts worked against the Industrial Materials Group. Even so, the Group managed to grow earnings, albeit slightly, backed by steady improvement in product mix and marketing centered on new brands.

Over the long term, we plan to bolster earnings through growth in eco-friendly and high value-added products combined with a strong technology platform. We will also concentrate on cultivating new businesses based on core technologies.

Information & Electronic Materials

Losses are steadily narrowing in the battery business as rising capacity utilization drives up sales. However, we have yet to reach the breakeven point. The output of optical materials has grown since the newly added polarizer line started production, which in turn pushed up revenues. However, falling selling prices and the appreciating Korean currency lowered operating profit. On the contrary, there was a big jump in the sales of PDP filter and color filter photoresist.

The outlook is bright for the battery business, which should enjoy a boost from sustained growth in the downstream industries (notebook PCs and mobile phones) and increased sales to major clients (Dell, Sony-Ericsson, etc.). For optical materials, we expect the downstream industries to continue applying pressure to lower parts prices. Nonetheless, recovery of the demand sectors, added volume from our new line (which started production in November 2006), growth in supplies to major clients and ongoing innovation activities should lead to continued profits from optical materials.

Dividends

Category	2004	2005	2006
Net Income (KRW billion)	536.4	400.3	318.8
Earnings per Share (KRW)	7,341	5,501	4,392
Dividend Ratio (Based on Par Value, %)	30	25	20
Dividend (KRW billion)	110.0	91.0	72.9
Dividend Payout Ratio (%)	20.5	22.7	22.9
Dividend Yield (%)	3.6	2.2	2.3

Interest Expenses

(Unit: KRW billion)

Category	2004	2005	2006
Interest Income	13.9	12.2	8.9
Interest Expenses	92.2	94.7	88.6
Net Interest Expenses	78.3	82.5	79.7

03_ 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 2006, we declared a dividend of KRW 1,000 per share (based on common stock, 20% of par value), down from KRW 1,250 (25%) in the previous year. The amount was decided after taking into account the somewhat weak 2006 earnings, NCC facility expansion, facility and R&D investment for future growth (eg, polarizer) and our debt-to-equity ratio target. LG Chem will maintain efforts to enhance shareholder value by generating sound profits and returning wealth to shareholders.

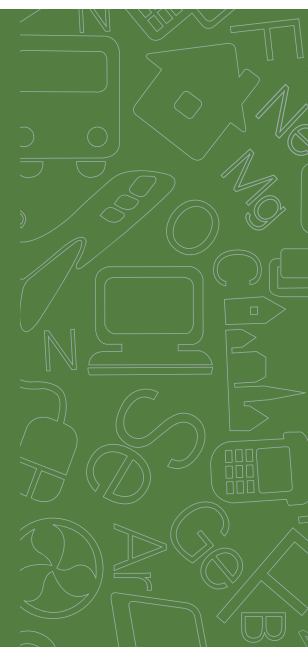
Interest Expenses

Interest expenses amounted to KRW 88.6 billion in 2006, down by KRW 6.1 billion from KRW 94.7 billion in 2005. Interest income totaled KRW 8.9 billion. Consequently, net interest expenses came to KRW 79.7 billion, dropping by KRW 2.9 billion relative to a year earlier.

Customer & Product



- 28 Customer Value Innovation
- 29 Customer First Policy & Program
- 31 Customer Cooperation Program
- 33 Customer Privacy Policy
- 34 Product Safety/Product Liability Actions
- 35 Eco-products



GUIDING US FORWARD

- The support of numerous stakeholders played a vital role in the development of LG Chem. While each stakeholder group has made a valuable contribution, our customers and business partners have played a very special role. Customers are the ultimate reason for all of our business activities, while mutual cooperation with our partner firms has produced important synergies. We will continue to respond faithfully to customer demands and pursue mutual prosperity with our business partners to spearhead the future.

HIGHLIGHTS

- LG Chem has revised its 8-chapter regulations on information protection and added 17 rules on security to provide more thorough guidelines on the protection of customer information.
- LG Chem seeks mutual prosperity with its business partners in various ways. We offer consulting to support our partners in all aspects of operations, from quality, finance and accounting to the environment and safety. We share results and targets via the cooperation council.

Customer Value Innovation

As stated in our vision, LG Chem's primary objective is "growing with customers." That is what propels us to deliver unique and innovative materials and solutions.

01_ Market- and Customer-Oriented Approach

- LG Chem is pursuing change to ensure the attitude and conduct of all employees stem from a customer- and market-oriented approach. First of all, we need to accurately identify values sought by our customers. Offering products and technologies based on our own standards do not necessarily coincide with the needs of the customer. Customer value innovation involves recognizing the environment facing the customers, helping them resolve their problems, and identifying their needs. In this way, we can position ourselves to develop materials and solutions that create practical value for the customer. From the customers' standpoint, customer value innovation helps them succeed in their business. For LG Chem, it means earning customers' recognition for the value we provide and gaining their trust.

02_ Providing Unique Value

- A team representing the marketing, R&D, production and technical service functions work together as one to create customer value. This comprehensive approach enables us to take a more thorough and multi-faceted view to addressing customers' problems and needs. That, in turn, allows us to more effectively and swiftly create new value to ensure customers' success.

In addition to innovative materials, we provide our customers with a wide range of added services and solutions. We pursue interaction with our customers in a wide range of areas to identify their demands as well as their potential needs that have yet to surface.

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.



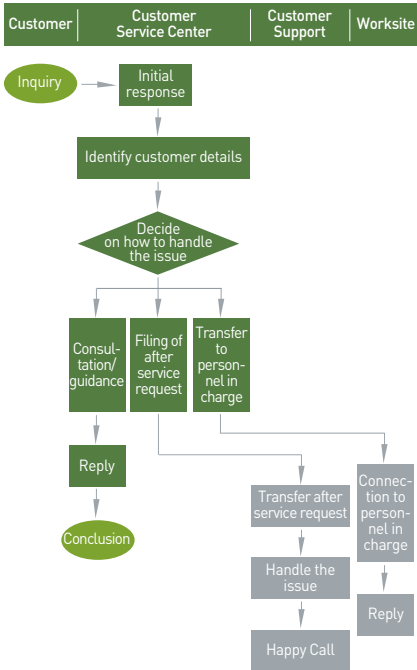
• VBC System

01_ Work Process

Voice of Customers (VOC)

Customer satisfaction is a key source of competitiveness. At LG Chem, customer satisfaction is not limited to just words; we take concrete steps to translate words into action and produce actual results. 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. VOC gives us a means of systematically managing customer opinions filed with the customer service center, website, fax and other channels. Everyone at LG Chem can access the VOC on a real time basis via the Company intranet.

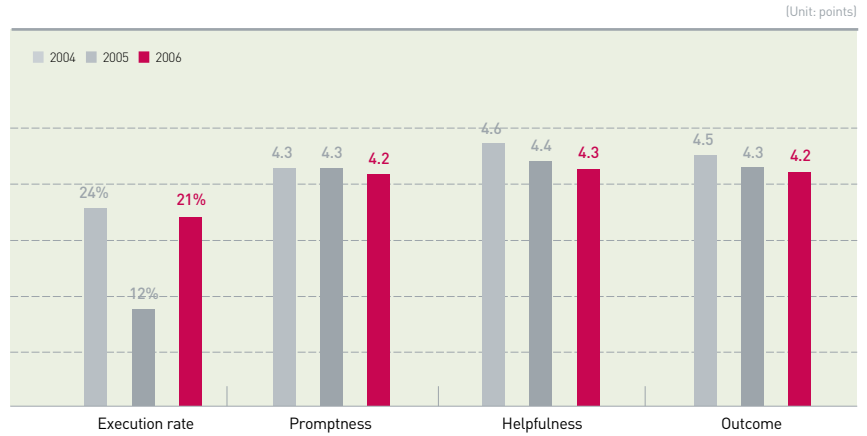
VOC Process



After Service

The Industrial Materials Group launched its service center in 1998. Service requests filed with the VOC system are immediately passed on to the service center and personnel in charge for swift handling of the situation. When a request is filed, the service center contacts the customer and schedules a visit. A staff member will then visit the customer at the arranged time to resolve the problem on hand. Customer surveys are held to check satisfaction levels with after service through the Happy Call scheme, and the survey feedback is used to continuously upgrade our service.

Happy Call



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

Customer First Policy & Program

02_ Program

- LG Chem has introduced a company-wide customer satisfaction campaign and program grounded on the belief that the general consumer is our customer. We operate under the basic mechanism of “work first, settlement later” to swiftly deal with customer claims. This is intended to reduce customers’ inconvenience stemming from delays 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 addition to conventional customer satisfaction surveys, “mystery shopping” evaluations are carried out regularly at LG Interior Club (LGIC) franchises. Rewards are handed out to stores receiving high scores. The Industrial Materials Group uses the evaluation findings to seek ways for the franchise stores to better serve customers.

Examples & Performance

With window systems and doors, how they are installed is as important as the product itself. To enhance the installation quality of our vendors, we introduced the Haut Club quality certification system in 2005. Based on the results of quality certification, we provide incentives to outstanding vendors while imposing penalties on those who do not meet required standards. For those that fail to meet our standards, they may choose to take advantage of the Care Program under which a team of personnel from LG Chem’s technology, marketing, and supporting departments assist a vendor raise its quality level. The percentage of certificates awarded after quality assessments fell from 88% in the first quarter of 2006 to 67% in the fourth quarter. This indicates the certification process has become more stringent.

Previously, the head office was not involved in drawing up contracts for work to install window frames on balconies. However, a growing number of customers raised issues regarding the contract and the number of consumers who suffered damages also went up. So in 2006, LG Chem introduced a standard contract that explicitly states product specifications and delivery time.

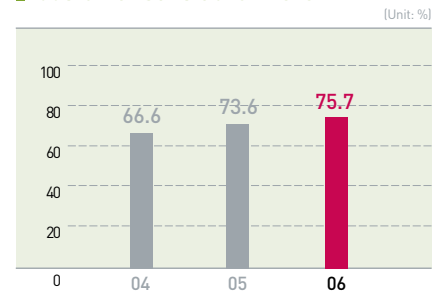
Amid the widespread use of steam cleaners, the damage to flooring materials caused by the device has emerged as a prominent issue. We launched a steam-resistant flooring material boasting a ten-fold jump in performance.

Outside agencies are commissioned to conduct customer satisfaction surveys for each business group once a year. The surveys began in 2002 for the Industrial Materials Group and in 2005 for the Petrochemicals Group and the Information & Electronic Materials Group. In addition, the Industrial Materials Group carries out customer satisfaction surveys on general consumers, distribution clients, and construction firms.



• Haut Standard Contract

Customer Satisfaction Level



• 2004 data is for the Industrial Materials Group only
• Survey by: [petrochemicals, information & electronic materials] -Hankook Research [industrial materials] -Core Research & Consulting

Customer Cooperation Program

LG Chem engages in a variety of activities to strengthen cooperation with its customers and business partners. Our support measures cover training, development, information on market trends and new technologies, and transfer of environmental technology.

평가항목	평가 내 용	평가 점수				평가 비고
		5	4	3	2	
환경경영	환경관리 계획 (근로자교육, 회, 안전성 시험실험, 안전성 시험(환경, 화학적 등), 폐기물 처리계획 등) 및 실적	10	8	6	4	2
안전경영	안전관리 계획(안전관리, 안전성 시험실험 등) 및 실적	5	4	3	2	1
품질경영	품질관리 계획(품질 관리, 품질성 시험실험 등) 및 실적	10	8	6	4	2
환경안전사고	환경안전사고 발생 여부	5	4	3	2	1
환경안전사고	환경안전사고 발생 여부	5	4	3	2	1

• Supplier Environmental Scorecard

01_ Environmental Management Support for Business Partners

- Preventing environmental problems that may face our business partners and minimizing environmental impact are some of the ways in which LG Chem promotes green management. 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 the environmental impact and suggest ways to deal with the issue. Before registering new suppliers, we take an environmental assessment using the scorecard set forth 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 action. Supplier registration will be revoked in the case of failure to comply with the request. Related to supplier inspections, we provide technical assistance and environmental training when making onsite visits to partner firms.

02_ Incorporating Sustainability in Supplier Selection

- Environment and safety assessment is a prerequisite when the procurement department selects suppliers. In the case of contractors, the environment and safety report prepared by each plant’s environment and safety team is incorporated in post-work evaluations. These evaluations serve as important reference in deciding on future dealings, such as assistance, training or severing ties with a particular firm. Furthermore, we are using stricter criteria for choosing suppliers and contractors to ensure that we select materials that meet tightening environmental regulations in developed markets such as the RoHS (Restriction of Hazardous Substances) directive.

We offer training and career development support to equip our procurement personnel with world-class competencies. We also have them receive training on “Jeong-Do” Management (Management by principle) several times a year to instill a strong sense of ethics. The ethics training is given to our business partners as well to promote a shared understanding of “Jeong-Do” Management.

Amid ever growing competition, the success of a company will be influenced by more than merely productivity improvement or savings in purchasing costs. The strength of the entire supply network will play a decisive role. From that standpoint, LG Chem promotes a procurement strategy that emphasizes win-win partnerships with its business partners.

Customer Cooperation Program

03_ Helping Business Partners Enhance Their Competitiveness

- As a way of helping our business partners sharpen their competitive edge, we encourage their employees to take advantage of our "Innovation Academy," a program that reinforces the innovation capabilities of staff at LG Chem. Additionally we are spreading the Six Sigma methodology to our partners. We offer GB (Green Belt) certification for their staff to nurture workers who will lead the way in applying Six Sigma initiatives. Another program available to both LG Chem and our partner firms is the "LG School for fostering true talent."

Quality Innovation (QI) meetings among suppliers offering similar products are organized to promote the sharing of information on market trends, new technologies, success stories and failures. These meetings serve to reinforce the entire supply network. Separately, a cooperation council has been set up comprising representatives from partner firms and LG Chem. The council holds regular meetings to discuss targets and results.

LG Chem provides support on all aspects of operations, from quality, finance and accounting to environment and safety through Total Productive Maintenance (TPM) training given by outside consultants as well as consulting provided by in-house experts at LG Chem.

04_ Environmental Technology Transfer

- LG Chem offers technical support tailored to the needs of specific environmental areas to promote environmental management of small and mid-size 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 resolve problems related to products. The team's assistance extends to client firms as well. When a client firm requests help, the team makes a visit with the environment and safety team to provide onsite assistance.

As a means of securing the best suppliers, we created our OPEN (Open Purchasing Electronic Network) System. The system allows potential new suppliers to easily access LG Chem. For incumbent suppliers, OPEN serves as a venue for information sharing, contracts, price quotes, orders, evaluations, inventory control and communication. Regular inspections are held for our suppliers to assess their management ability, financial structure, delivery, costs, product quality, process management, and environmental and safety factors. When weaknesses are found, we request action to remedy the situation and provide related consulting. All of these measures are aimed at continuously reinforcing the capabilities of our partner firms.



• General Meeting of Partner Firms



• OPEN System

Customer Privacy Policy

LG Chem is taking administrative and technical measures to protect our customers' personal information amid calls for greater corporate accountability in customer privacy with the growing use of the internet and customer information.

01_ Information Security Policy

- 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. The revision added 17 specific security rules to the information security policy comprised of eight chapters.

Growing use of the internet has also led to greater corporate accountability on protecting customer information. LG Chem is taking administrative and technical actions to protect customers' privacy 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."

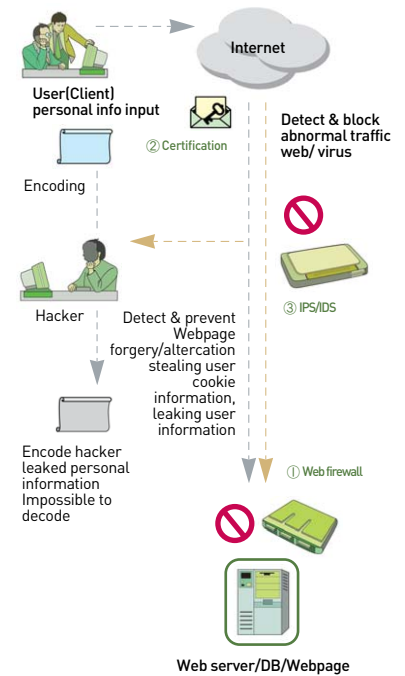
02_ Security Program

- A wide range of cutting-edge security solutions has been implemented to protect the Company against direct losses that could arise from a disrupted or destroyed information system. They also minimize legal and ethical liabilities that may arise from leakage of important customer information. LG Chem is working with specialists from LG CNS to ward off such incidents.

03_ 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 leaks, LG Chem is taking the following actions:

Security Program



① Web firewall system (application system alteration, hacking & data leakage prevention management)
 ② Certification for personal information protection server (Encoding of personal information)
 ③ Break-in prevention/detection system (Illegal log-in detection/prevention management)

Classification	Subject	Activity
Analyze current status of information protection	Web system (Service for customer)	Analyze environment asset
Analyze threats/weaknesses	Web system dangers/weaknesses	Administrative/physical/technological 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
Realize information protection management system	Information protection measures & master plan tasks	Effective solution introduction, operation, management

Product Safety/Product Liability Actions

LG Chem conducts various product safety (PS) and product liability (PL) activities. These include operation of the Company-wide PL promotion council, PS and PL monitoring, issuance of PL report and training.

01_ Company-wide PL Promotion Council

- LG Chem has pooled the resources of its headquarters, plants and research park to create the Company-wide PL Promotion Council to share information on PS (product safety) and PL (product liability) related operations and to tackle relevant problems. The council was set up in February 2002 in line with the Product Liability Act which went into effect on July 1, 2002. The council meets twice a year.

02_ PS/PL Monitoring

- To ensure safety of our entire product line-up LG Chem conducts PS/PL monitoring of selected key products. The annual monitoring focuses on compliance with the product safety management system (PSMS). Each respective department receives feedback, which is then used in drawing up improvement measures and subsequently applied in product development and manufacturing.

03_ 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. Its main contents include the Company's PS and PL-related activities, explanation of government policies and latest domestic and global news.

04_ PS/PL Training

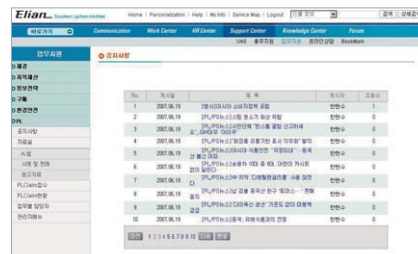
- The corporate customer service center provides basic, expert and in-depth training courses specified for each business division. An entry level program on product safety and product liability has been devised for new businesses. The PL website contains latest information on PL, ranging from government policy and consumer advocacy groups, domestic and international news as well as company activities. The site carried 116 news items in 2004, 171 in 2005 and 68 in 2006.

05_ 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. We are also working to swiftly respond to customer claims and complaints. To this end, we have implemented guidelines which are followed by the entire company.



• Product Liability (PL) Report

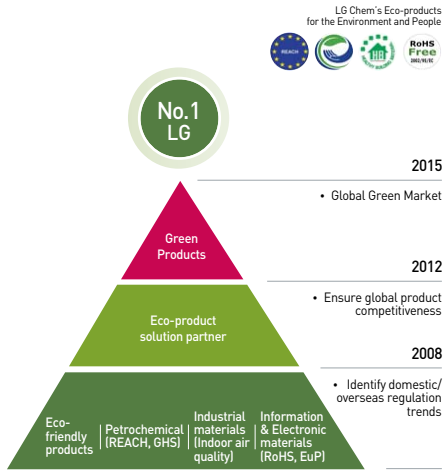


• Product Liability (PL) Website

Eco-products

LG Chem is aware of the global trend for eco-friendly products. Under the vision of “Green Products,” we are concentrating all our core competencies to become a global leader in preserving the environment.

Vision



영지규격	제품명	제품번호	RoHS - 1000 - 0001	용도
영지규격	제품명	제품번호	RoHS - 1000 - 0001	용도
소재	소재명	소재번호	RoHS - 1000 - 0001	용도

1. 목적
본 내규는 친환경 제품개발을 위한 제품개발을 통해 환경친화적이고 고객에게 적합한 제품을 개발하고, 환경에 미치는 영향을 최소화하여 친환경 제품개발을 촉진하고, 친환경 제품개발을 통해 고객에게 RoHS-1000-0001 규격에 적합한 제품을 개발하는 것을 목적으로 한다.

2. 범위
2.1 본 내규는 제품 개발을 위한 제품개발을 통해 환경친화적이고 고객에게 적합한 제품을 개발하고, 환경에 미치는 영향을 최소화하여 친환경 제품개발을 촉진하고, 친환경 제품개발을 통해 고객에게 RoHS-1000-0001 규격에 적합한 제품을 개발하는 것을 목적으로 한다.

2.2 본 내규는 친환경 제품개발을 위한 제품개발을 통해 환경친화적이고 고객에게 적합한 제품을 개발하고, 환경에 미치는 영향을 최소화하여 친환경 제품개발을 촉진하고, 친환경 제품개발을 통해 고객에게 RoHS-1000-0001 규격에 적합한 제품을 개발하는 것을 목적으로 한다.

3. 용어
3.1 용어
본 내규에 사용된 용어는 다음과 같다. (단, 본 내규에 명시된 용어는 본 내규에 명시된 용어를 사용한다.)

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Internal Regulation for Eco-product Development

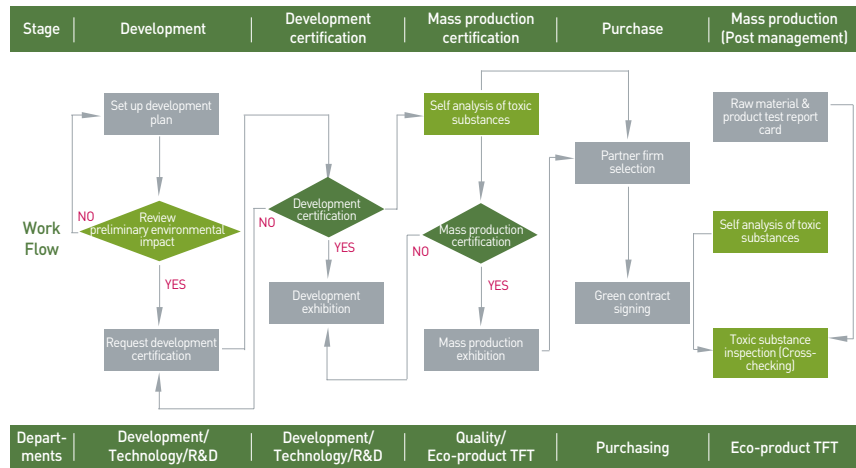
01_ Development of Eco-products

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. We also focus our efforts in developing non-toxic, durable products that are reusable and recyclable to reduce the environmental burden during the usage and disposal stages.

Eco-product Development Process



Eco-products

Eco-Friendly Certification System

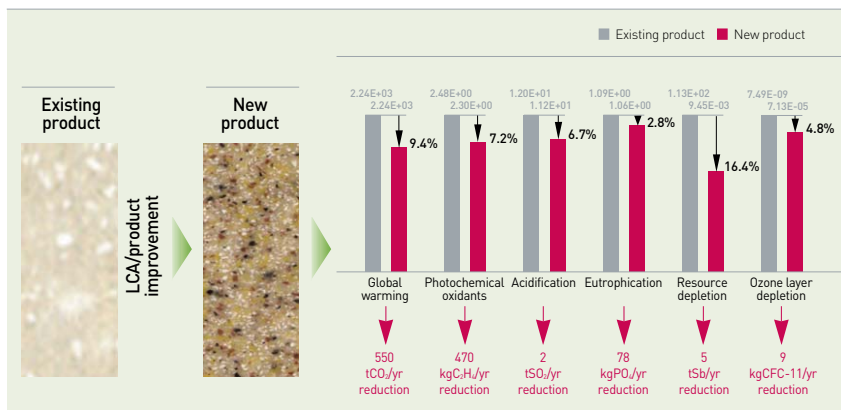
Promoting sustainable environmental stewardship among our suppliers was one of our key focuses in gearing for EU-driven RoHS (Restriction of Hazardous Substances: ban on use of six hazardous materials including mercury, lead and cadmium) directives which took effect in July 2006. To this end, we set 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 environment-related information and trends from around the world through our eco-friendly newsletter site.

Life Cycle Assessment (LCA)

LG Chem is a comprehensive chemical company with vertically integrated operations. This characteristic has allowed us to partner with the national LCI database research project to carry out life cycle assessment on raw materials. Since the first assessment, we have continued to expand our database from information and electronic materials to include industrial materials. In 2003, LCA was taken for rechargeable battery followed by polarizers, phosphors and HI-MACS[®] (acrylic solid surface) in 2004 and circuit materials in 2005 and 2006. In 2006, LCI was drawn up and environmental impact assessment carried out for two petrochemical products including 2-Ethyl Hexanol, circuit materials, and nine types of rechargeable battery and information/electronic materials. The results of assessment are used as basic data in understanding the environmental impact throughout the entire product life cycle and in improving raw materials and processes.

Application Example: HI-MACS[®] (Acrylic Solid Surface)



Partner Firm Green Certification System



Share Environment Related Information with Partner Firms

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 are also recognized for producing eco-friendly materials that emit nearly no TVOC or HCHO, major causes of indoor air pollution. Our materials earned the Healthy Building (HB) mark (less than 0.1mg/m²h of TVOC, less than 0.015mg/m²h of HCHO). We also received 36 Eco-Labels, 26 HB marks, eight Finish M1-class levels and two Japan F4* grades for our flooring materials, decorative sheets, wallpapers, and window frames. In particular, our window products earned the high energy efficiency certification.



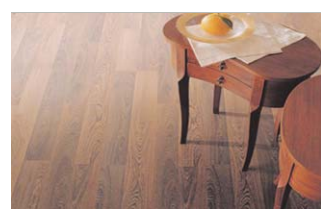
• Eco-Label Certification



• High Energy Efficiency Certification



• HB Mark Certification (Top grade)



• Floors



• Windows (system windows)



• Acrylic Solid Surface



• Decorative Sheets



• Windows (balcony windows)

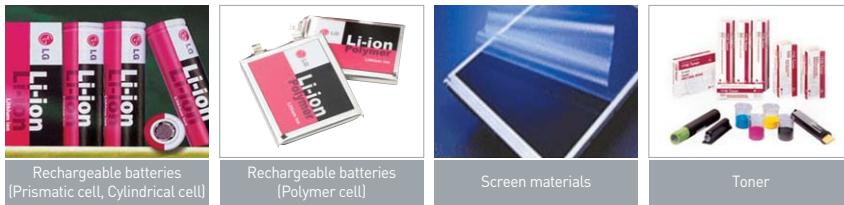


• Wallpapers

Eco-products

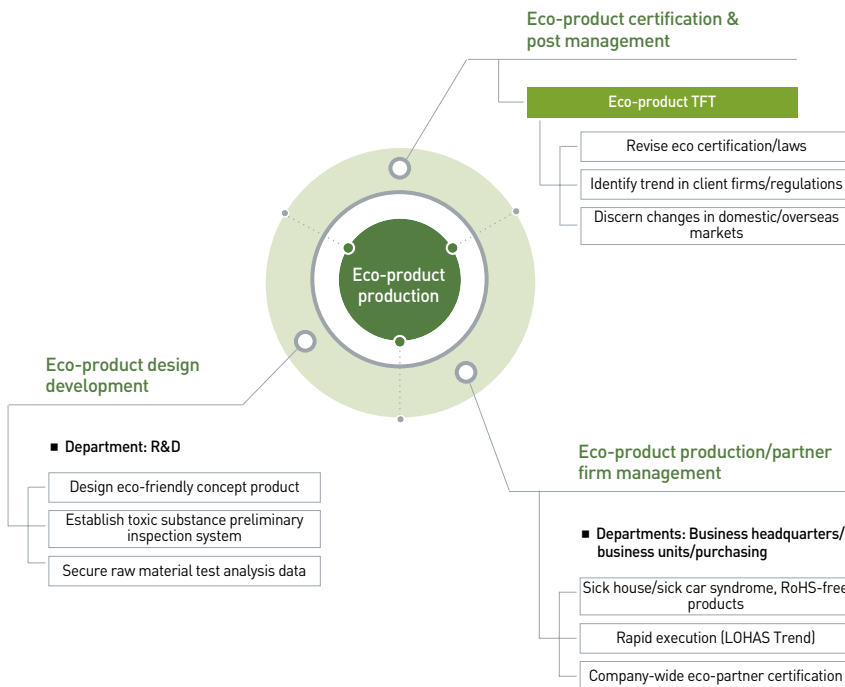
RoHS Compliant Product

LG Chem uses non-toxic, lead-free solder in our products. Our products also use materials free of six substances regulated under RoHS. The six are lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyl and polybrominated diphenyl ether.



Eco-product Member

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.



No.	날짜	내용
1	2005/07/27	국제환경규제 동향에 따라 국내환경규제 동향도
2	2005/07/27	국제환경규제 동향에 따라 국내환경규제 동향도
3	2005/06/26	REACH 인증을 취득한 제품군을 확인합니다.
4	2005/07/01	REACH 인증을 취득한 제품군을 확인합니다.
5	2005/06/26	REACH 인증을 취득한 제품군을 확인합니다.
6	2005/06/26	REACH 인증을 취득한 제품군을 확인합니다.
7	2005/06/26	REACH 인증을 취득한 제품군을 확인합니다.
8	2005/06/26	REACH 인증을 취득한 제품군을 확인합니다.
9	2005/06/26	REACH 인증을 취득한 제품군을 확인합니다.
10	2005/06/26	REACH 인증을 취득한 제품군을 확인합니다.
11	2005/06/26	REACH 인증을 취득한 제품군을 확인합니다.
12	2005/06/26	REACH 인증을 취득한 제품군을 확인합니다.
13	2005/06/26	REACH 인증을 취득한 제품군을 확인합니다.

• Domestic/Overseas Eco-product Trend BBS

02_ Eco-products

z:in (Zenith Interior for LOHAS)

z:in refers to Zenith Interior for LOHAS (Lifestyles Of Health And Sustainability). It is a premium brand of home interior materials that emphasizes nature and people. LG Chem launched **z:in** in 2006, 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.

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 that emphasizes nature and people.

Objectives of **z:in**

- **Vision** | Korea's No.1 total home solution brand
- **Mission** | Create rich 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 best space and pride of leading a rich life

01

EXAMPLE OF IMPROVEMENT

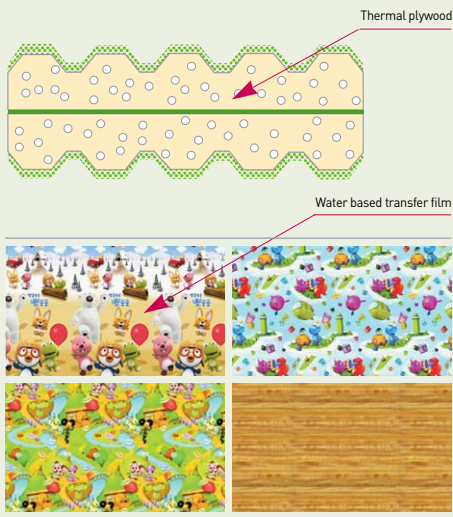
Mats for Childcare Centers (partner firm: I&S)

LG Chem develops and manufactures eco-products through collaboration in R&D and production with our business partners. Areas of cooperation include technology development, process improvement, and finding alternative raw materials. One example of successful collaboration was the development of mats for childcare centers that pose no harm for the human body and ease concern about new house syndrome. That was achieved by developing and applying eco-friendly plasticizer and replacing oil-based ink and adhesive, which are associated with TVOC, with water-based products.

Before
01_ Used conventional plasticizer
02_ Used oil-based adhesive for plywood of half-finished goods
03_ Applied transfer film that uses oil-based ink

↓

After
01_ Switched to non-phthalate plasticizer (35% rise in cost compared to conventional plasticizer)
01_ Made improvements in materials/process to lower TVOC emission
• Applied PVC with low volatile content (VOC) and enhanced safety
• Made improvements in liquid additives (foam, stabilizer) due to possible increase in VOC caused by volatilization of liquid organic matter
• Plywood of half-finished goods using heat
• Applied transfer film that uses water-based ink



Eco-products

02

EXAMPLE OF IMPROVEMENT

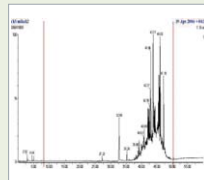
Wallpaper (partner firm: Mosel Wallpaper)

To satisfy consumer demands for eco-friendly wallpaper that minimizes the risk of new house syndrome, LG Chem replaced materials that emit significant levels of TVOC or HCHO through technology development with a partner firm. That allowed us to acquire the highest grade in the HB Mark system. (Criteria for HB Mark highest grade: TVOC below 0.1mg/m³h, HCHO below 0.015mg/m³h)

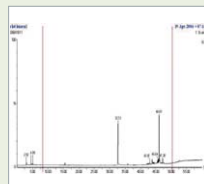
Before	
Product	Huen
TVOC (mg/m ³ h)	0.212
HCHO (mg/m ³ h)	0.005
HB Mark grade	Good (★★★★)



After	
Product	Huen
TVOC (mg/m ³ h)	0.031
HCHO (mg/m ³ h)	Not detected
HB Mark grade	Outstanding (★★★★★)



• HB Mark Certificate for Huen



• Huen

03

EXAMPLE OF IMPROVEMENT

Batteries

LG Chem introduced the Eco-Partnership program for partner firms in July 2006 in response to product environmental regulations such as the EU's RoHS directive. We develop and produce RoHS-free products by securing information on hazardous substances per BOM (Bill of Material) and conducting prior inspections. For example, we replaced lead soldering with tin/silver soldering. We also switched to lead-free tapes, ink and case coating materials. (Lead (Pb) is one of the substances regulated under the RoHS directive.)

Before	
01_ Applied lead soldering	
02_ Used parts and materials containing lead	
· Sealing / bottom tape	
· Serial number ink	
· Case coating material	



After	
01_ Lead-free soldering	
· Switched to tin/silver soldering	
02_ Switched to parts and materials that are lead-free	
· Sealing / bottom tape	
· Serial number ink	
· Case coating material	



• Battery Innerpack



• Battery Hardpack



• Notebook PC Battery Pack

04

EXAMPLE OF IMPROVEMENT

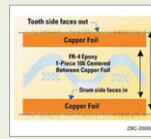
Printed Circuit Material

Regulations are tightening on the use of halogen led by international groups such as IEC, JPCA and Green Peace. To satisfy the needs of client firms amid that trend, LG Chem developed technology to replace brominated flame retardants with phosphorus/nitrogen flame retardant to offer halogen-free RCC, CCL and 2CCL products.

Before

01_ Production of halogen products

- Used epoxy resin containing bromine

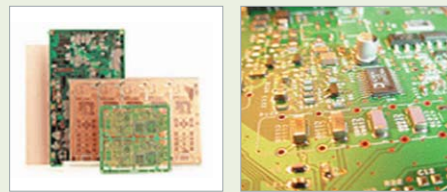


After

01_ Production of halogen-free RCC, CCL and 2CCL products

- Phosphorus and nitrogen instead of bromine, UL certified flame retardance
- 30% rise in price compared to halogen products

Phosphorus flame retardant (low thermal characteristics)	+	TS601 (Al Filler)
Nitrogen flame retardant (high thermal characteristics)	+	H5A (Mg Filler)



• CCL

05

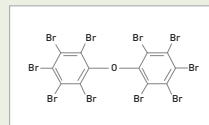
EXAMPLE OF IMPROVEMENT

Switch of PBDE Flame Retardant

Deca-BDE previously used in flame-retardant resins contained the six substances regulated under the RoHS directive such as Octa-BDE and Penta-BDE. We made various changes such as switching to TBBPA, epoxy and phosphorous flame retardants. We also separated the compound line and adopted a designated production system for flame-retardant products. In doing so, we substantially lowered the risk of environmental accidents associated with the relevant products.

Before

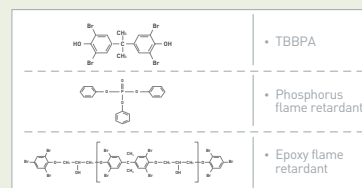
01_ PBDE flame retardant



• PBDE flame retardant (Deca-BDE)

After

01_ TBBPA, Epoxy flame retardant, phosphorus flame retardant



• TBBPA

• Phosphorus flame retardant

• Epoxy flame retardant

Environment

- 44 Environmental Management
- 50 Energy
- 52 Response to the Convention on Climate Change
- 55 Environmental Performance



RESPONDING TO WHAT NATURE NEEDS

- The environment is our most valuable asset. Achievements gained by sacrificing the health of our planet is meaningless. That is why LG Chem engages in environmental management in every aspect of our operations. Listening to nature's voice, being aware of its needs and leaving a cleaner planet for our children will be our legacy.

HIGHLIGHTS

- The Eco-product Task Force Team and Climate Change Convention Task Force Team are meeting the challenges of preserving the environment and complying with various regulations.
- During the second-phase of our mid-to-long term master plan for wastewater and waste reduction (2002~2006), wastewater and wastes decreased by 5% and 48%, respectively, compared to 2001.

Environmental Management

Environmental preservation is a key element of management at LG Chem. We are pursuing a harmonious balance between business activities and the environment to protect nature and people.

01_ Environmental Vision

Environmental Management Philosophy

In pursuit of a harmonious blend of people's lives and nature, LG Chem adheres to eco-friendly practices to help preserve nature and the community and to create greater value for customers.

- 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 strives to prevent environmental pollution and employs all measures necessary to conserve precious natural resources. [Section 4, Chapter 6, LG Code of Ethics]

02_ Environmental Strategy

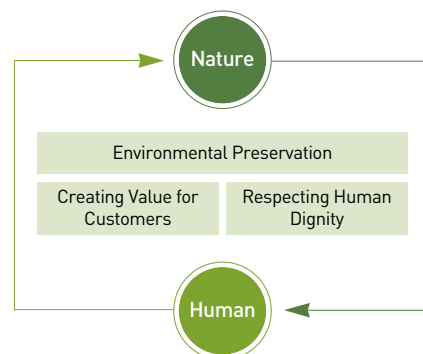
We are witnessing stronger calls for greenhouse gas reduction, more stringent control of chemical materials, and environmentally-friendly products. Our customers, communities as well as employees are demanding higher standards of environmental and safety management. LG Chem is responding to those demands and contributing to the sustainable development of mankind through its mid/long-term strategy on environmental, safety and energy issues.

To satisfy the environmental standards of developed economies such as the EU, where demand is strong for green products, LG Chem formed the Eco-product Task Force Team. The team tackles pertinent issues according to product group (petrochemicals, industrial materials, information & electronic 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.

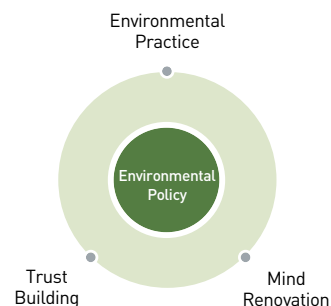
Environmental Strategy

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

Environmental Management Philosophy

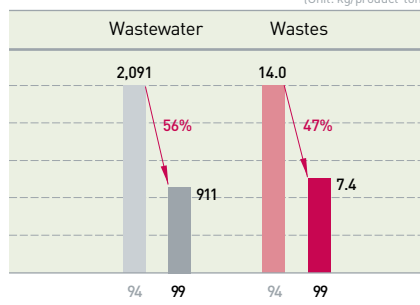


Environmental Policy



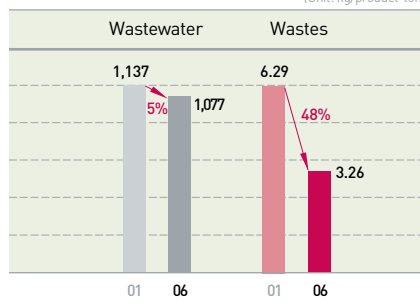
1st Phase Performance (1995~1999)

(Unit: kg/product-ton)



2nd Phase Performance (2002~2006)

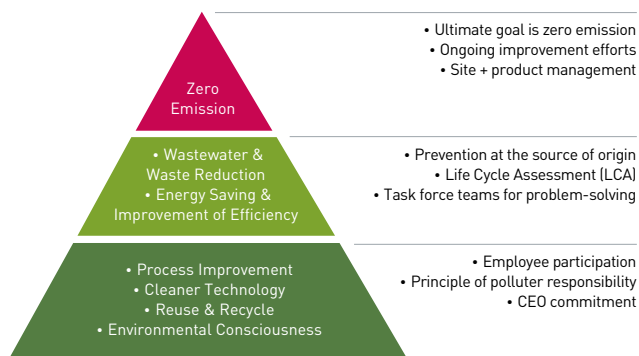
(Unit: kg/product-ton)



Environmental Goals

In 1995, LG Chem set environmental management policies that have been directed to the Company's ultimate environmental goal - "Pollutant Emission Zero." To effectively achieve the goals, phase-by-phase master plans were reset to reduce wastewater and wastes. Unit emission of wastewater and wastes were lowered 56% and 47%, respectively in the first phase (1995~1999). In the second phase (2002~2006) they declined 5% and 48%, respectively.

Pollutant Emission Zero



Environmental Management Roadmap

Phase 1	'95	• Set phase 1 goals
	'95-'96	• Indicator: Pollutant emission amount • Problem: Increase in emission due to increase in production Technical limitations of end-of-pipe approach
	'97-'99	• Revised indicator: Unit emission of pollutant per output
	'00-'01	• Changes in the business environment - expansion of information & electronic materials business, spin-off of subsidiaries
Phase 2	'02-'06	• Set/pursue phase 2 goals • Add mid/long-term target for energy saving
Phase 3	'07-'10	• Adopt/promote environmental performance evaluation • Adopt corporate sustainability management • Respond to environmental regulations on products • Respond to convention on climate change

Environmental Management

03_ Environmental Management System

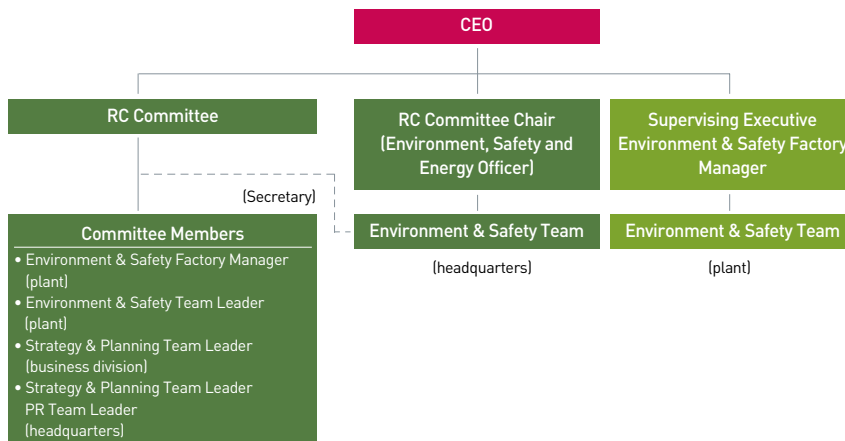
- LG Chem's environmental management is incorporated with Responsible Care initiatives, a collection of voluntary initiatives designed to take responsibility for the safety and health of people and the environmental preservation. Rigorous environmental management practiced throughout the Company's worksites resulted in acquisition of ISO 14001, a certificate qualifying environmental management, OHSAS 18001, and KOSHA 18001, a certificate for health and safety management. All worksites were designated as Environmentally Friendly Company by the Ministry of Environment of Korea.

LG Chem redefines the standards of Environment, Health, and Safety (EHS) Management continuously to reflect evolving regulations and technological advancement and to provide current guidance to employees through regular training programs. The results of EHS Management are reviewed periodically by internal and external audits. The results are reported to top management of each establishment in due course to facilitate sustainability.

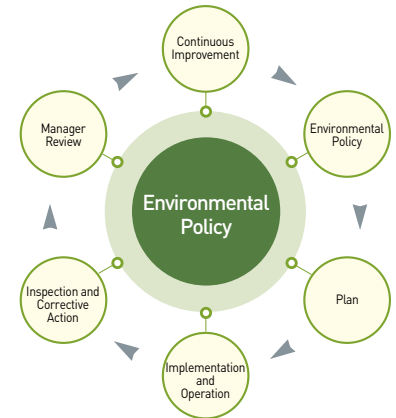
Organization: Responsible Care Committee

In 1991 we established "Environment and Safety Committee" with the objective of promoting eco-friendly management in a systematic manner. Since then, activities of the Environment, Health, and Safety (EHS) Management Committees, one in each establishment, are integrated under the LG Chem Responsible Care (RC) Committee. The RC Committee serves as a centerpiece for company-wide coverage of responsibility in EHS Management. The RC Committee's general meeting, held twice a year, provides an integrated assessment of EHS and energy management to each EHS committee, including an array of issues and solutions, and a framework of related policies. The EHS committees, in turn, share information on critical issues, successful EHS Management cases, and other mutual concerns.

Responsible Care Committee



Environmental Management System Flow



Responsible Care		
• ISO 14001 • Environmentally Friendly Company	• OHSAS 18001 • KOSHA 18001	• Voluntary Agreement (VA)

Environment and Safety Certification/Designation

Worksite	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
Naju	ISO 14001	1997. 08
	KOSHA 18001	2000. 09
	Environmentally Friendly Company	1998. 04
Iksan	ISO 14001	2004. 12
	KOSHA 18001	2001. 11
	Environmentally Friendly Company	1996. 05
Daesan	ISO 14001	2006. 05
Research Park	ISO 14001	2005. 09
	K-OHSMS 18001	2006.11

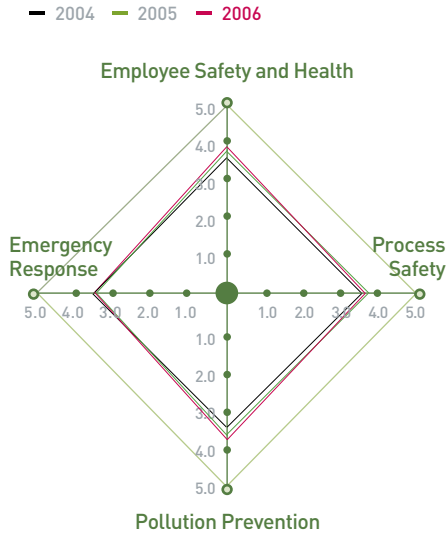


• RC Committee

Roles of Each Establishment for RC Activities

RC Responsible Care		Resource Procurement	Product Development	Production	Sales / Distribution	Service
Production Team at Plant	Business HQ / Business Division	<ul style="list-style-type: none"> Using environment-friendly and safe raw and supplementary materials 	<ul style="list-style-type: none"> Considering environment, safety and health when developing products 	<ul style="list-style-type: none"> Minimization of environmental impact load Securing of worker's health 	<ul style="list-style-type: none"> Prevention of distribution related accidents and emergency response when an accident takes place 	<ul style="list-style-type: none"> Providing environment, safety and health information related to products
				<ul style="list-style-type: none"> Considering environment, safety and health when planning investment 		
Environment & Safety Dept.	Plant	<ul style="list-style-type: none"> Environment, safety and health management and support 				
	Head Office	<ul style="list-style-type: none"> Planning and supporting of corporate environment, safety and health policy 		<ul style="list-style-type: none"> RC operation on the corporate level 		

RC Self-Assessment Result



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 measures specifically set in each establishment and reflected in RC upgrades. The assessment results in 2006 showed improvement compared with those in 2005, with scores of 3.6 to 3.9 points, signifying Practice-in-Place (PP) standard.

RC Self-Assessment Standards

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

Environmental Management

04_ Environmental Management Methods

Environmental Accounting (EA)

EA enables grasp of cost effectiveness and optimal budget allocation in minimizing environmental impact derived from various business activities. The accounting statement is reflected in management decision making, and is available to outside interested parties. With the experience accumulated through participating in trial EA projects, led by the Ministry of Environment since 2002, LG Chem has started environment-related cost accounting by utilizing the table of environmental management costs classified under the EA guidelines of the Ministry of Environment. Since accurate EA can increase management transparency and efficiency, LG Chem is developing a fully computerized EA system linked to the enterprise resource planning (ERP) system.

Environmental Performance Evaluation (EPE)

Performances related to environmental management are measured, analyzed and assessed. The evaluation results are used to enhance the environmental performances and utilized as an objective tool to inspect environmental activities.

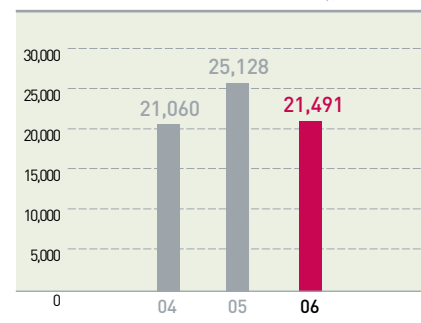
LG Chem has used Six Sigma to establish EPE system. Analyzing the indicators specified in the Global Reporting Initiative (GRI) table and ISO 14031 guidelines, indicators suitable for measuring LG Chem's environmental performances were sorted out, and the method for computing weighted value was developed to assign numerical value to each environmental performance. The pilot test for the evaluation system was done in Cheongju Plant in 2005. In 2008, the evaluation system will be upgraded to properly measure environmental performance of each establishment in detail and will be used throughout the Company as key performance indicators (KPIs).

EPE Indicators

EPE Indicators			
Classification	Sub-Classification	Evaluations	
Internal	Management Performance	01. Environmental Management System	• Observance of environmental management guidelines specified in the ISO certificate
		02. Observance of Regulations and Laws	• Responsible management through the observation of environment-related regulations and laws
		03. Application of the Latest Environmental Management System	• Improvement of corporate value and capabilities by applying the latest environmental management system
		04. Relationship with the Community	• Sustainable progress of the community sought through the establishment of a close relationship with community and responsible environmental management
Operational Performance	01. Input	• Efficient use of materials and energy and cost-reduction activities	
	02. Output	• Tangible and intangible outcomes made for pollutant reduction and environmentally-friendly production	
External	01. Status of Environmental Pollution in the Community	• Pollutant management improved steadily through surveys of environmental pollution in the communities	

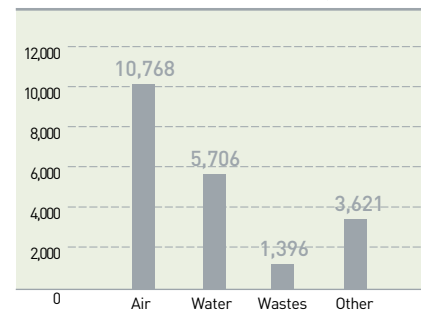
Environmental Investment

(Unit: KRW million)



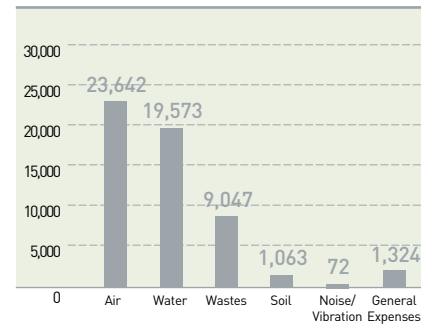
Breakdown of Environmental Investment in 2006

(Unit: KRW million)

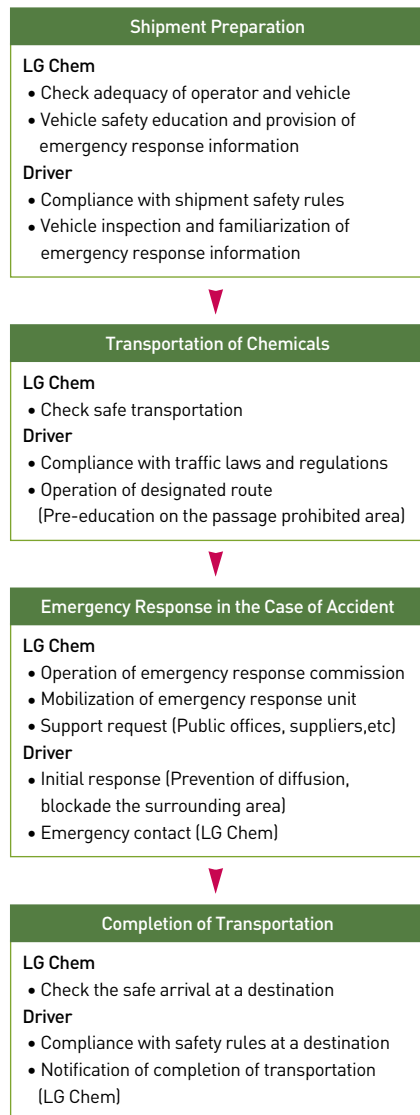


Breakdown of Environmental Costs in 2006

(Unit: KRW million)



Flow of Emergency Response during Distribution



05_ Emergency Response

TMS (Tele-Monitoring System)

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 standard level, an alarm is automatically activated to allow immediate control. Data is transmitted online to relevant government organizations via the TMS.

Prevention of Accidents

For prompt action in the event of accidents, emergency handling scenarios are prepared according to different emergency types and facilities. Each production site exercises a regular emergency drill. Looking closely at the results of each emergency drill can identify shortcomings, lead to supplementation through countermeasure upgrades, and improve future emergency drills to further ensure airtight safety. In the event of toxic chemical spill inside the Company worksites, the problem or damage can be promptly controlled with in-house cutting-off facilities and measures on top of a streamlined emergency network. However, considering traffic conditions in Korea, response to environmental accidents or spill during the transportation of chemicals requires additional measures. Accordingly, LG Chem strives to eliminate any risks or disasters throughout distribution channels from product shipment to delivery. Emergency response drills and training programs are provided to drivers and distributors so that they can build capabilities to handle problems in the event of a disaster. The Company also provides emergency response manuals and vehicle inspections, as well as operating an emergency team and network.



Energy

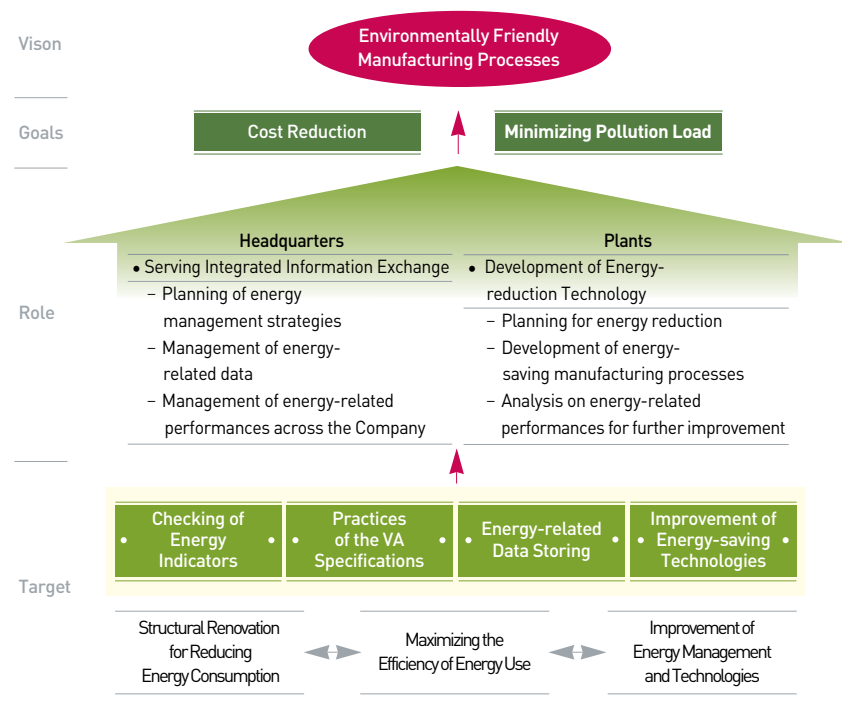
LG Chem's energy management is directed to solidifying the foundation for environmentally friendly production processes by maximizing the efficiency of energy use and thus minimizing costs and environmental load.

01_ Energy Vision

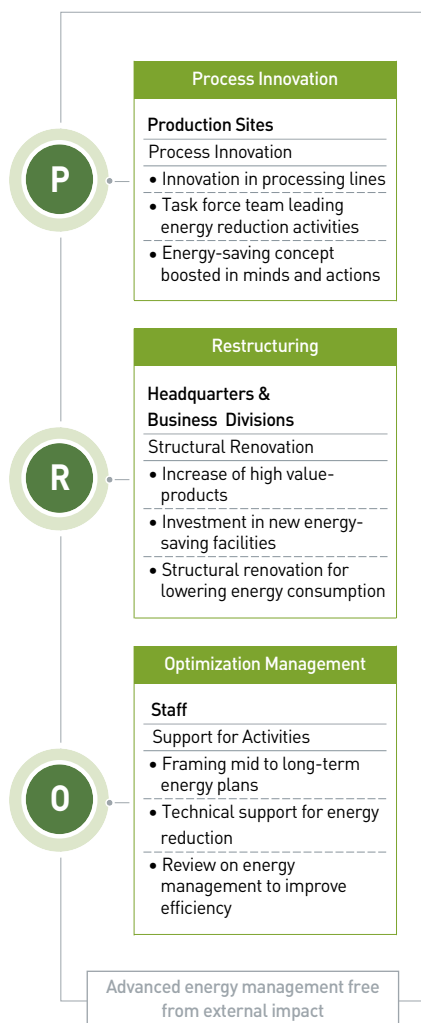
- LG Chem is working to foster environmentally-friendly manufacturing processes through innovative energy saving initiatives. We are pursuing structural changes to lower energy consumption, maximizing efficiency of energy use, and enhancing energy related technologies. Using a system that divides the roles between the headquarters and plants, 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 Energy Impact Free (EIF) PRO campaign across the Company in order to save energy through process innovation at all production sites, organizational restructuring for low-energy consumption and effective support activities.

■ Energy Management Vision and Goals



EIF PRO Campaign Overview



To motivate greater interest in energy conservation, we hold our Innovative Energy Saving Case Study Group at the end of each year. The gathering serves as a venue for assessing energy-saving activities carried out during the year and for sharing success stories. It provides an opportunity to disseminate information on successful activities for energy and cost reduction throughout all of our plants.

02_ Energy Consumption

- LG Chem has eight production plants and one research center. Based on the combined energy consumption (TOE basis) of those facilities in 2006, the proportion of direct energy sources rose by 21%p to 47% compared to 2004 due to the merger with LG Daesan Petrochemicals. The portion of electric power and steam, both of which are indirect sources, reached 43% and 10% respectively.

03_ 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 20 billion. Energy related technologies and achievements are shared among all LG Chem worksites through the energy saving case study meetings.

2006 Energy Saving Innovation Activities

Plant	Energy saving theme
Yeosu (VCM)	Switching fuel for thermal cracker
Yeosu (ABS/PS)	Laying the groundwork for energy saving activities
Yeosu (Maintenance)	Providing solutions to raise energy competitiveness
Daesan (PVC)	Saving energy via incinerator boiler modification
Naju	Energy innovation by optimizing gas processes
Cheongju	In-line processing of wood-type decorative tiles
Ulsan	Raising efficiency of environmental incinerator facilities
Ochang	Optimization of environmental facilities



• 2006 Innovative Energy Saving Case Study Group

Response to the Convention on Climate Change

To prepare for the Convention on Climate Change, LG Chem will develop the systems for greenhouse gas management and carbon emissions trading and apply the Clean Development Mechanism (CDM) between 2005 and 2008.

01_ Climate Change Convention Task Force Team

- The Climate Change Convention Task Force Team was launched in December 2004 to prepare for the Kyoto Protocol which took effect on February 16, 2005. The team is composed of four persons from the headquarters and 120 persons from plants. The plants collect, store and report data on the source of greenhouse gas emissions and emission activities at their respective worksites. 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 short- and mid-term strategies.

02_ Greenhouse Gas Management

- As part of our activities in response to the climate change agreement, we are calculating and analyzing our greenhouse gas emissions levels. Greenhouse gas emissions include 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's (WRI) GHG Protocol. In 2006, 52% of greenhouse gas emissions at LG Chem were direct emissions while 48% were from indirect emissions.

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. We plan to obtain verification for the Yeosu (VCM) plant and Ochang Techno Park in 2007.

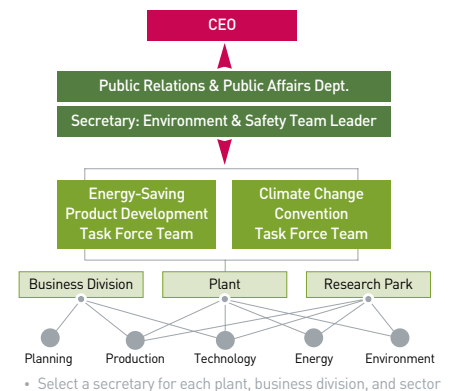


- GHG Inventory Verification (Cheongju Plant)
- GHG Inventory Verification (Ulsan Plant)

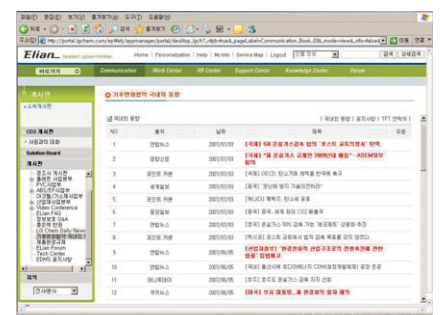
Master Plan

Targets	Strategies
<ul style="list-style-type: none"> Development of Greenhouse Gas Management System 	<ul style="list-style-type: none"> Development of greenhouse gas inventory system (2005) Technology development for and investment in reducing greenhouse gas emission (2006) Development of a greenhouse gas registry system (2006-2008)
<ul style="list-style-type: none"> Application of CDM and the Development of a Management System for Greenhouse Gas Emission Rights and Trading 	<ul style="list-style-type: none"> Application of Clean Development Mechanism (CDM) and development of a management system for greenhouse gas emission rights and trading (2006-2008) Greenhouse gas emission rights and trading managed by the related division and production site (2006-2008) Expert training programs (2005-2008)
<ul style="list-style-type: none"> Development of Energy-saving Products and Processes 	<ul style="list-style-type: none"> Research activities centered on production process technologies for the development of breakthrough energy-saving products (Continued)

Organizational Structure for Response to Convention on Climate Change

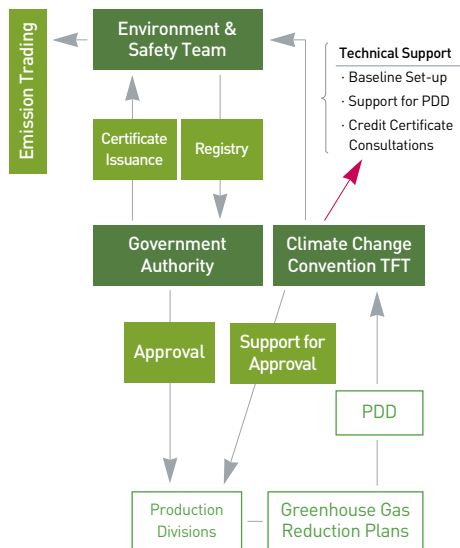


- Select a secretary for each plant, business division, and sector



- Domestic/Overseas trend BBS of Convention on Climate Change

Registry System for Greenhouse Gas Reduction



03_ Greenhouse Gas Registry System

LG Chem registers reduction in greenhouse gases with the national greenhouse gas registry system. Through our participation in the registry system, we are receiving government incentives, fostering an environmentally-friendly corporate image, and managing risks related to the Convention on Climate Change. The Environment & Safety Team and the plants carry out their respective roles regarding the greenhouse gas registry. In more detail, the Climate Change Convention Task Force Team of the Environment & Safety Team sets up the baseline, assists with preparation of PDD (Project Design Document), and conducts technology reviews. The production plants are responsible for drawing up their respective PDDs.

LG Chem has submitted totally 19 greenhouse gas reduction projects with the greenhouse gas registry (one in 2005 and 18 in 2006). Among them, 11 have been registered including the "Reduction of CO₂ emission through improvement in NPG refining method."

Projects Registered in the Greenhouse Gas Registry System

Plant	Project
Naju	<ul style="list-style-type: none"> Reduction of greenhouse gas by switching fuel for steam boiler (B-C → LNG) Reduction of steam with application of isomer separation MVR
Yeosu (NPG)	<ul style="list-style-type: none"> Reduction of CO₂ through improvement in NPG refining method
Yeosu (VCM)	<ul style="list-style-type: none"> Reduction of greenhouse gas through purchasing steam savings by building a high-temperature waste heat recovery system for the quenching process Reduction of greenhouse gas (CO₂) by creating a VCM/CA process network
Ulsan	<ul style="list-style-type: none"> Reduction of greenhouse gas generated from incinerator for foaming process by switching to clean fuel
Yeosu (SM)	<ul style="list-style-type: none"> Reduction of greenhouse gas (CO₂) through waste heat recovery by building a 'SM reaction process Steam Superheater Economizer'
Daesan	<ul style="list-style-type: none"> Reduction of CO₂ by switching fuel (pentane → methane) for EDC thermal cracker Reduction of CO₂ through pure rise in temperature in deaerator resulting from recovery of NCC quench water and residual waste heat from condensed water
Cheongju	<ul style="list-style-type: none"> Reduction of greenhouse gas (CO₂) generated from steam boiler by installing a thermal oxidizer with waste heat recovery boiler
Yeosu	<ul style="list-style-type: none"> Reduction of CO₂ via rationalization of Instrument Air (IAIR) supply

04_ Application of CDM and Emissions Trading Research

LG Chem's Naju Plant is currently pursuing a small-scale CDM (Clean Development Mechanism) project. The project is designed to promote a shift to clean fuel and reduce greenhouse gas emissions. The feasibility assessment of the project has been conducted by the UN-designated CDM Certification Office, which is under the umbrella of the Korea Energy Management Corporation. The project was accredited by the government on December 20, 2006.



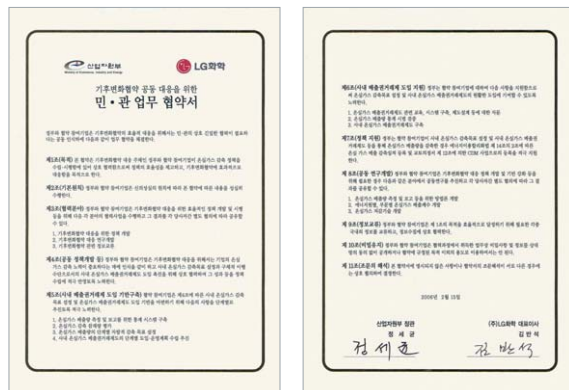
• Approval of CDM Project (Naju Plant)

Response to the Convention on Climate Change

The project will form the basis of our efforts to secure carbon credits. The credits will help us take a more active part in the International Emission Trading market to generate profits and raise the eco-friendly image of LG Chem. We believe working with the government is crucial in effectively responding to the global climate change agreement. To that end, we signed a working agreement on the in-house emissions trading system in February 2006 with the Ministry of Commerce, Industry and Energy and Korea Energy Management Corporation. The agreement will serve as our bedrock in devising a plan for introducing the in-house greenhouse gas emissions trading system at the eight LG Chem plants and in minimizing risks related to the climate change convention.



• Business Agreement In-house Emissions Trading System



• Agreement with MOCIE for Joint Response to the Convention on Climate Change

INTERVIEW Stakeholder Interview

• Kim Chan-gyu, team leader, Korea Energy Management Corporation

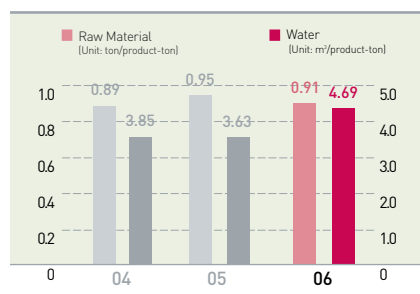
With the global emission trading scheme soon to take effect, companies are in critical need of mapping out strategies to prepare for the UN Framework Convention on Climate Change. However, many domestic firms seem unconcerned about making appropriate preparations although they are seemingly worried about the agreement and uncertainties surrounding the related policies. In this respect, LG Chem has been a great role model. The Company was an active participant in the pilot program for greenhouse gas registry. It has also built a greenhouse gas inventory. Most recently, it has been gearing for the introduction of in-house emissions trading, implemented only in leading global companies. LG Chem is the domestic leader in responding to opportunities and challenges posed by the climate change agreement.

Cooperation with the corporate sector is essential from the government's perspective. In this sense, LG Chem's proactive approach has been particularly helpful to us in devising policies and laying the groundwork for national infrastructure. Preemptive actions can feel very expensive now. But they will have major long-term benefits. I hope LG Chem will continue to lead the industry in setting a good example and use that as a driver for sustainable growth.

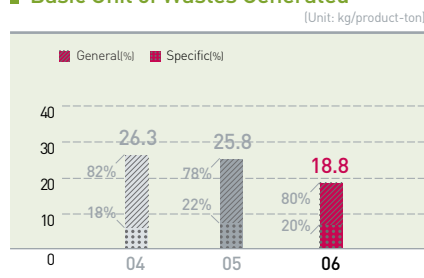
Environmental Performance

LC Chem is committed to environmental stewardship. We promote the recycling of resources, implement rigorous control over waste and hazardous chemicals, and make continuous efforts to enhance air, water and soil quality.

Basic Unit of Raw Material and Water

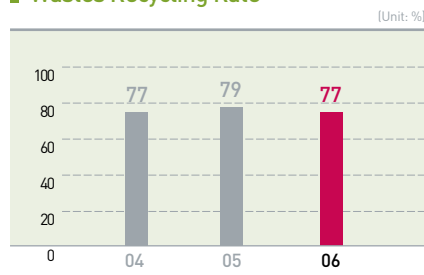


Basic Unit of Wastes Generated

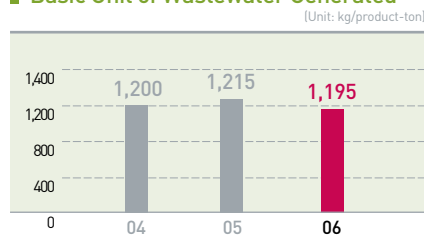


* Basic unit of wastes generated = Wastes generated / Production volume

Wastes Recycling Rate



Basic Unit of Wastewater Generated



* Basic unit of wastewater generated = Wastewater generated / Production volume

01_ Resource/Recycling

- LG Chem is working to prevent the generation of pollutants at the source of origin through changes in products and the entire manufacturing process, starting from raw material input. For pollutants that are generated, we make efforts to reuse or recycle them, which in turn reduces the usage of raw materials.

02_ 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 an annual inspection and maintenance service for wastes treatment and recycling contractors. In addition, the Company has made every effort to minimize the volume of wastes from the source and maximize the recycling rate of wastes. Most notably, we increased the waste recycling rate by actively working with companies specializing in separate waste collection and recycling. Our efforts to turn waste into usable materials, resulted in unit emission reduction in 2006.

Plant	Improvement activities	Investments (KRW mil.)	Effects
Yeosu	Replace dehydrator at wastewater treatment facility	300	Increase waste recycling
Cheongju	Replace with fireproof/insulating bricks in incinerator	390	Increase efficiency of waste incineration
Ulsan	Turn worksite into a clean room	500	Decrease generation of waste from defective products

03_ Water Quality

- Wastewater is treated in the wastewater treatment plant operated at each production site and discharged directly to a nearby river or retreated in the wastewater terminal treatment plant. Sewage is sent through separate pipes to the sewage terminal treatment plant. Basic unit of wastewater showed a decline in 2006.

Plant	Improvement activities	Investments (KRW mil.)	Effects
Yeosu	Increase energy team's pure equipment capacity	1,300	Reduce wastewater generation by 30 tons/day
Cheongju	Build waste water pipe above ground	99	Prevent environmental accidents through visual management
Ochang	Increase wastewater treatment facility capacity	800	Secure capacity for stable treatment of waste water
	Installation of pure/cleaning water recycling system (Reverse Osmosis System) at optical plant #2	300	Reduce wastewater discharge, reduce water usage (198,000 tons/year)

Environmental Performance

04_ Air Quality

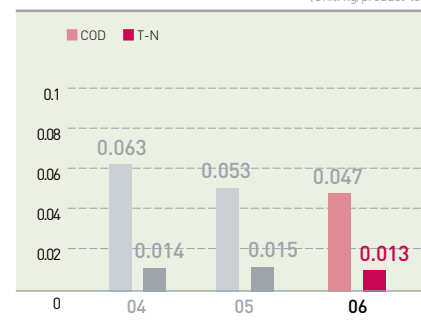
● LG Chem reduces air pollutants from the source of origin through improving basic production processes and utilizing eco-friendly materials and fuels. Pollutants and industrial wastes generated from production activities are treated in pollution preventive facilities. To ensure optimal treatment, a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

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. Installation of a regenerative thermal oxidizer and extended use of clean fuel helped us cut unit emission of pollutants in 2006.

Plant	Improvement activities	Investments (KRW mil.)	Effects
Yeosu	Install 2AA process wastewater incinerator TMS	225	Strengthen pollutant monitoring
	Improve ABS1 process VOC treatment facility	399	Reduce VOC emissions
Cheongju	Replace VOC treatment facility for refined coating	450	Reduce air pollutants
	Install RTO in windows super-hydrophile process	390	Reduce air pollutants
	Install RTO in film#2 process	480	Reduce air pollutants, improve working environment
	Improve air ventilation system in photoresist plant #1	293	Remove odor, improve working environment
	Improve working environment via improved ventilation system	129	Improve working environment, reduce air pollutants
Ochang	Install coating No. 2 RTO at optical plant #2	950	Remove organic solvent and odor, improve working environment
	Install coating No. 3 RTO at optical plant #2	950	Remove organic solvent and odor, improve working environment
	Install membrane coating machine RTO at battery plant	350	Remove organic solvent and odor, improve working environment
Ulsan	Integrate & expand small scale Electrostatic Precipitator	260	Reduce air pollutants
	Improve efficiency of Electrostatic Precipitator	180	Reduce air pollutants
	Replace print process RTO	712	Reduce air pollutants
	Replace major parts of Electrostatic Precipitator	384	Reduce air pollutants
	Change to clean fuel for incinerator (LNG)	544	Reduce air pollutants
Yeosu (SM)	Replace Electrostatic Precipitator	600	Reduce air pollutants

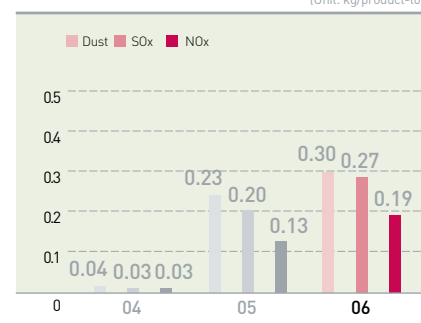
Basic Unit of COD/T-N Emission

(Unit: kg/product-ton)



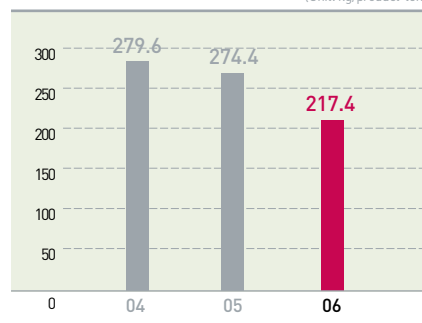
Basic Unit of Dust/SOx/NOx Emission

(Unit: kg/product-ton)



Basic Unit of Toxic Chemicals

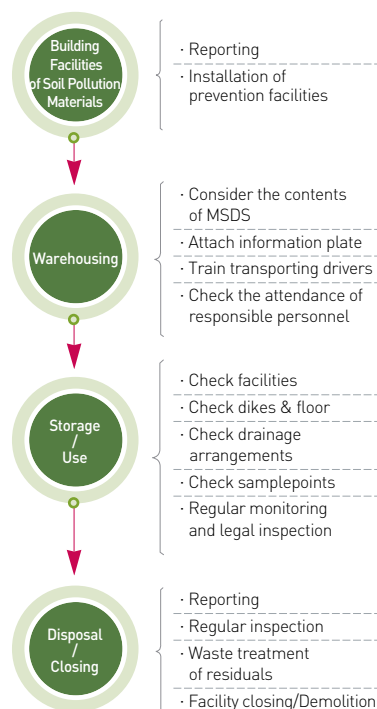
(Unit: kg/product-ton)



• Basic Unit of Toxic Chemicals = Toxic chemicals volume / Production volume

• Toxic chemicals : Toxic materials defined at 「Toxic Chemicals Management Law」

Flow of Soil Pollution Management



05_ Toxic Chemicals

- LG Chem carries out rigorous management of toxic chemicals from warehousing to disposal. To prevent any leakage accidents, monthly inspections are conducted at all sensors and interceptors installed in warehouses while emergency drill is conducted regularly. The average usage of toxic chemicals each year has been reduced due to scientific management including toxics 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 reduce use of toxics by 30% within three years (2007) and 50% within five years (2009), by steadily improving processing methods and applying a resources recovery system. We also introduced LDAR (Leak Detection and Repair) 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.

Plant	Improvement activities	Investments (KRW mil.)	Effects
Ulsan	Build comprehensive fire prevention system	1,000	Prevent environmental safety accidents
Yeosu	Build integrated sensor system for 2AA process toxic gas	147	Counter toxic gas spill
Ochang	Manufacture waterborne electrodes (Reduce use of organic solvents)	45	Use waterborne solvent, install waterborne solving facility
	Install toxic material storage at optical plant #2	200	Facilitate emergency measures, prevent environmental accidents
	Recycle caustic soda	40	Recycling of caustic soda reduces wastewater generation & toxic material usage
	Recycle additives	80	Recycling of potassium iodide improves recycling rate and reduces costs

06_ Soil Pollution

- LG Chem strictly governs procedure from construction to disposal of soil-contaminating facilities in all production sites through the soil management manual. In case of building the soil-contaminating facilities, we examine the matter thoroughly with relevant divisions of the Company in advance. To prevent pollutants permeating the soil, soil-contaminating facility area is paved with concrete and waterproofed. Dikes are installed to block pollutant outflow. Regular inspections ensure watertight soil management. Annual surveys of soil conditions at soil-contaminating facilities in LG Chem's plants showed favorable conditions within legal limits according to the Soil Environment Conservation Act of Korea.

Employee



- 60 Human Resources
- 62 Organizational Culture
- 64 Welfare
- 65 Labor-Management Cooperation
- 66 Safety & Health



BRINGING EXCELLENCE TO THE WORLD

- Our employees are the key to our sustainability. We respect the creativity and autonomy of our people to develop world-class workforce. We are also committed to fostering a sound work environment through HR systems and policies that assure employee health and safety. At LG Chem, we are passionate about making life better with excellent products.

HIGHLIGHTS

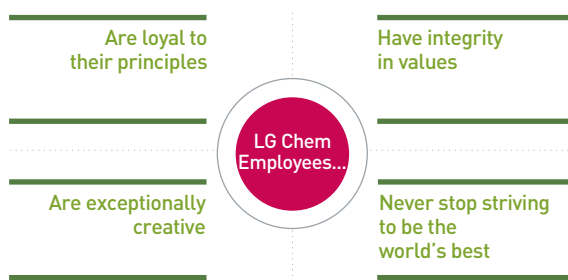
- We raised employee satisfaction in 2006 by introducing a flexible benefit plan with expanded individual options for individual choice. It is a separate program from our existing welfare benefit plan.
- We received the Best Human Resources Developer certification co-sponsored by the Ministry of Education, Ministry of Commerce Industry and Energy, and Ministry of Labor. We also won the top prize in KMAC-sponsored Korea Management Awards' HR management category.

Human Resources

LG Chem respects individual creativity and autonomy. We are committed to fostering employees with emotional and professional competencies.

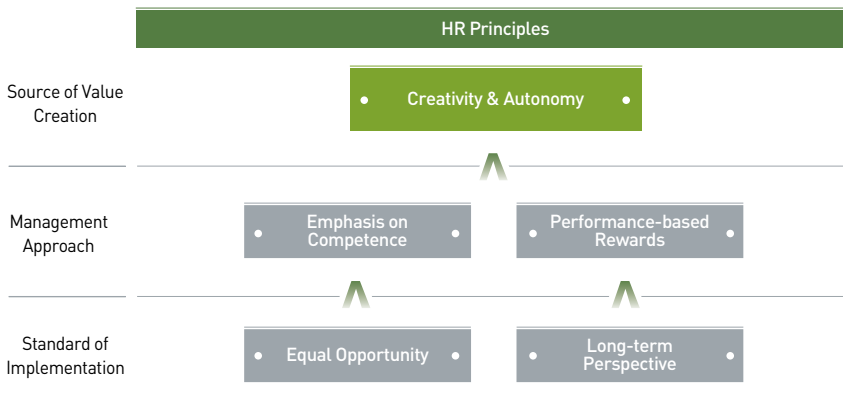
01_ Our People

- LG Chem's human resources policy is fostering a culture that 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.



02_ HR Principles

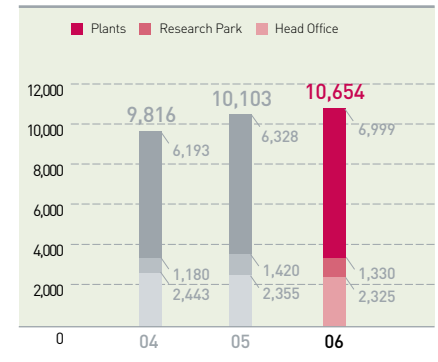
- LG Chem's underlying HR principles guide our personnel-related actions and organizational operation. Our aim is to realize the management principles of creating value for customers and respecting human dignity.



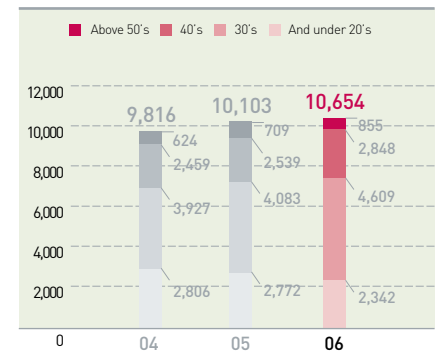
03_ Workforce Status

- As of 2006, we employ 10,654 people (full-time basis) of which 78.2% are working at worksites other than the headquarters. Male and female employees number 9,510 and 1,144, respectively.

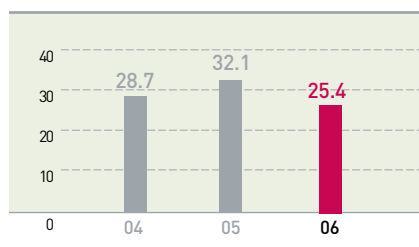
No. of Employees by Year



No. of Employees by Age Group

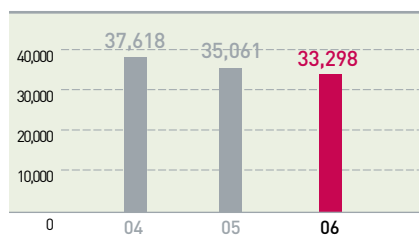


■ Training Hours per Employee



• Including in-house group training, e-Learning, and outside training

■ No. of Employees Receiving Training per Year (Cumulative)



● Six Sigma Training

We provide Six Sigma training in an effort to turn company-wide Six Sigma activities into viable achievements. As of the end of 2006, a total of 4,338 employees obtained Six Sigma certification, accounting for 81.3 % of the entire office workers of 5,338 persons. Among them, 3,843 employees received the Green Belt. That's 72% of the office workers whereas 464 (8.7%) and 31 (0.6%) people acquired the Black Belt and Master Black Belt, respectively.



• Top Prize in the "Korea Management Awards"
- HR Management Category

04_ HR Development Program

Career Management System

All employees engage in personal counseling every three years in which they present their own goals for development under their own autonomy and responsibility. The counseling also serves as the basis for job rotation or job posting decisions. We support educational aspirations (to acquire master/doctoral degrees) of our employees to keep them ahead of the curve in their respective lines of work.

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.

Education & Training

Our 2006 human resources targets were to promote leadership, strengthen work proficiency and enhance employee contribution to company performance. The underlying goal was to foster a pool of outstanding talent with a global perspective who will realize our vision of No.1 LG. In 2005, we received the Best Human Resources Developer certification co-sponsored by Ministries of Education, Commerce Industry and Energy, and Labor. We also won the top prize in the KMAC-sponsored Korea Management Awards' HR management category in 2006.

Nurturing Core Talent

Since 1996, LG Chem has been operating the High Potential Individual Program for early discovery of next-generation leaders and realization of their full potential. Candidates are selected from middle managerial levels after a careful screening process that includes merit rating, and assessment of work performance and language proficiency. The final selections are made by the HR Development Committee comprised of top executives. The selected employees are admitted to the Global Manager Program, LG Chem's in-house MBA course. They also get a chance to attend major overseas MBA programs or special programs run by Korea's leading universities. Moreover, we have in place the "Regional Specialist Program" to nurture talent who can work in globally strategic regions. In 2006, 12 regional specialists were selected and dispatched to China, Russia and India.

Strengthened Work Proficiency

In an effort to strengthen employees' proficiency, specialized training programs aimed at optimizing individuals' duties and functions have been implemented for each division.

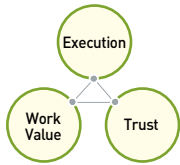
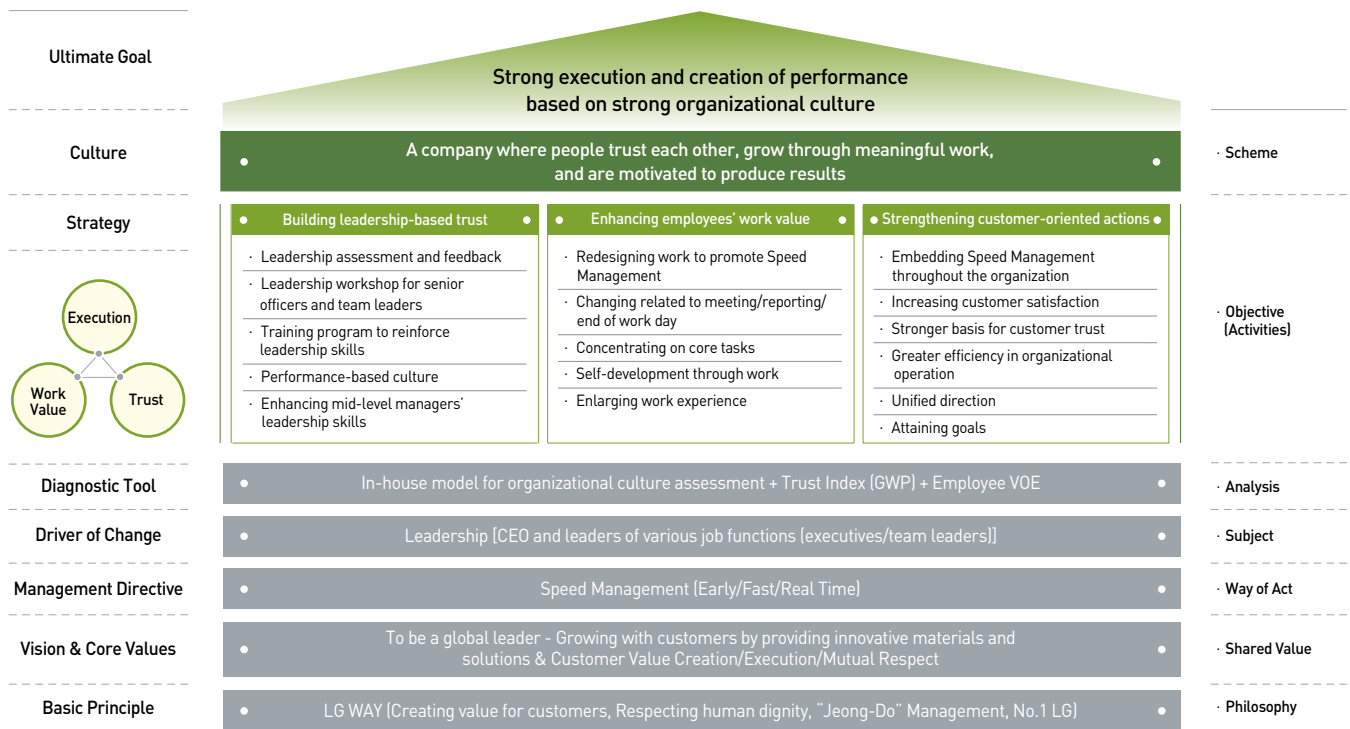
Organizational Culture

LG Chem is incorporating Speed Management into the fabric of the Company to build a strong organization that empowers its people for more action and greater productivity.

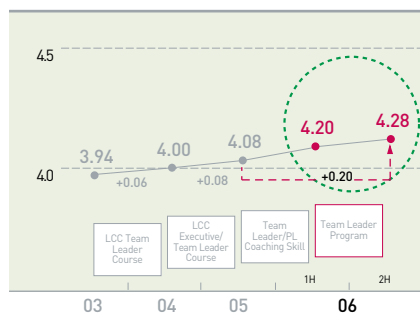
01_ Organizational Culture Transformation

- Based on LG Group's corporate philosophy of LG WAY and core values, LG Chem is stepping up efforts to redefine its organizational culture by instilling Speed Management (early, fast, real time). The goal is to build a stronger organizational culture that empowers employees and motivates them to create greater performance. We are pursuing transformation in three areas: building leadership-based trust, enhancing employees' work value, and strengthening customer-oriented actions.

Overview



Leadership Assessment Result



Framework for Organizational Culture



Assessment Process



Building Leadership-Based Trust

Leaders including the CEO inspire transformation of organizational culture. At LG Chem, fortified by our CEO's clear vision for organizational transformation, we are taking various measures to motivate our staff and spark free flow of communication. We offer a significant portfolio of training and development programs all designed to hone leadership quality. They include regular leadership coaching and guidance sessions as well as leadership workshops for executives and team leaders (executives - 4 times a year, team leaders - twice a year) where they address management policy, strategy and other important issues of LG Chem. 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-oriented culture and enhancing cohesiveness.

Enhancing Employees' Work Value

Passionate people interested in their work drives a company's competitive edge. Under this belief, LG Chem is striving to instill our employees with pride in what they do. To enhance perceived value of work, we are streamlining duties, innovating working style (changes in meeting, reporting, end of work day, etc.) and creating a learning culture. These efforts ultimately boost job satisfaction and help our employees reach their personal vision.

We also conduct a regular review of our organizational culture to check employees' views on work value. For particular issues at hand, we join forces with the HR system to give individual feedback to each worksite. For employees to work in the area best befitting their individual aptitudes and skills, we conduct regular one-on-one interviews and prepare them for a better future by supporting their development and growth.

Strengthening Customer-Oriented Actions

Customers are at the core of Speed Management which emphasizes "early, fast and real time" actions. Our customer-oriented operations mean that we work constantly to identify customer needs, deliver timely solutions and carry out regular monitorings and reviews.

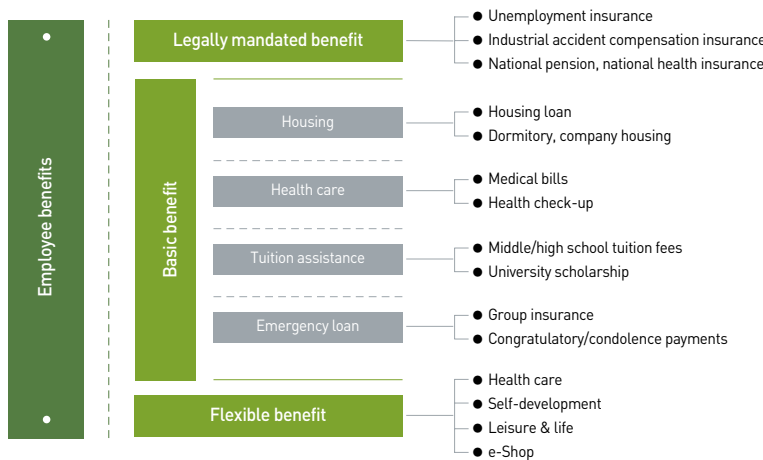
Welfare

LG Chem is committed to providing competitive welfare system to our people. We also promote open communication with our employees through the employee council.

01_ Employee Benefits

• LG Chem's welfare system is divided into two programs. One is a basic benefit aimed at ensuring stability for our employees through a wide range of assistance such as housing, medical expenses, regular physical check-ups and tuition support. The other is a flexible benefit with increased options for individual choices. The flexible benefit was newly introduced in 2006 to promote Work & Life Balance. It provides benefit points which can be used for leisure or personal development activities of an employee's choice.

Basic Framework

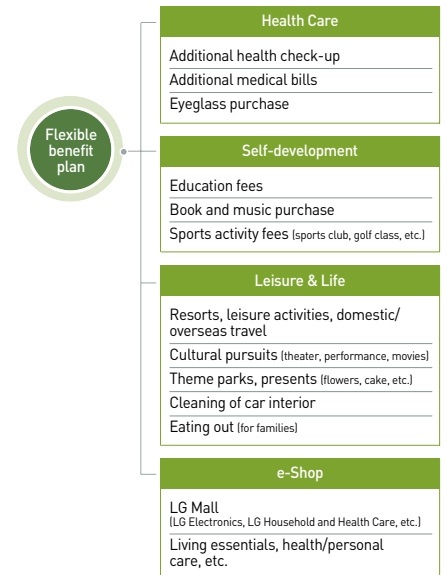


02_ Channeling Employee Complaints

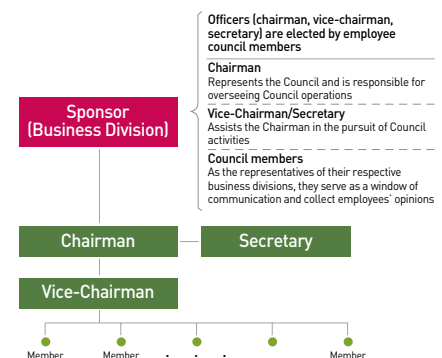
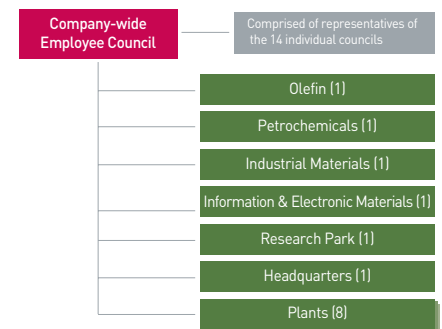
Junior Board

The Junior Board system was launched in 2004. Each business group and plant has its own council. The boards engage in dialogue with the CEO every half a year and takes part in a quarterly workshop to address various employee demands and reflect them in company policy. The boards are also working to bring fun into the workplace. They organize fun events such as visits to baseball parks, movies and hiking trips and also publish the newsletter "Fun Day, Our Day." The board's other responsibilities include drawing up suggestions to enhance work efficiency and strengthening productivity such as ways to improve briefing and meeting practices and adjusting welfare program standards.

Flexible Benefit Plan



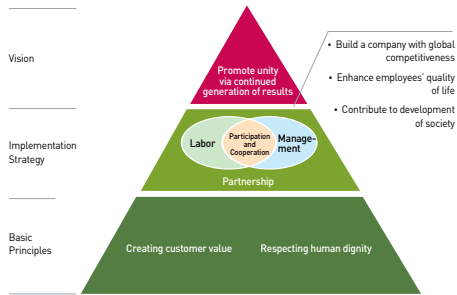
Junior Board



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.

Labor-Management Cooperation Vision & Strategy



Labor-Management Cooperation Model



• Naju Plant Recognized for Outstanding Labor-management Culture

01_ LG Chem's Labor-Management Cooperation Model

Corporate Management Standpoint: Securing Trust with Open Management

Our transparent disclosure of management information not only enhances employees' confidence in the Company but also their understanding of company operations in general. Union representatives are invited to the shareholders meeting to share the management achievements and business plans. Moreover, we communicate management results to the labor union and field workers through a monthly meeting. In order to reinforce labor's role, the union leader serves as a panel member for the Best Practice Contest so the union can take part in reviewing and awarding best practices.

Field Operation Standpoint: Field-oriented Labor-Management Cooperation through Workplace Innovation

Because of the value we place on field-oriented cooperation, we have a variety of programs designed to maximize the performance value. To develop a global mindset and accurately understand global competition, employees are given a chance to train at overseas production plants and other major companies every year. We also operate regular leadership training program to develop leaders. For convenient handling of employee complaints, LG Chem holds individual meetings and operates the level-specific councils for each business unit. Teamwork and having fun are also big elements of our organizational culture. We also support our employees' efforts to develop their language proficiency, acquire certifications and stay healthy.

Collective Bargaining Standpoint: Collective Bargaining based on Mutual Respect

Prior to annual collective bargaining, top managers including the CEO and labor union officials gather at a workshop to hold open discussions on business environment and a question pending between labor and management. The effort has led to greater mutual understanding and laid the foundation for a productive negotiation culture. The Company's basic policy is to share profits with employees based on stipulated principles and rules. We are rewarding our people for their contribution according to reasonable compensation standards agreed upon between labor and management.

02_ Generating Viable Results via Labor-Management Cooperation

- LG Chem's three-dimensional labor-management cooperation model enabled us to reach a landmark labor-management agreement among major Korean Confederation of Trade Unions affiliated workplaces. Such an achievement not only drives the Company's competitiveness but helps to offer one of the best quality of working life and the best employee benefit plans in Korea. LG Chem is also praised for greatly contributing to stabilizing labor-management relations and realizing harmony in the Korea industrial workplace. Our Naju plant was designated as the worksite with the most outstanding labor-management culture by the Ministry of Labor in 2004.

Safety & Health

Safety and health of all our stakeholders have always been a critical component of LG Chem's management principles. We are carrying out improvements across the board in production, purchase, sales, service, etc.

01_ Safety and Health Management System

- 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 standard of safety awareness across our organization.



02_ Accident Prevention via Safety & Health Audit

- Safety and health audits are conducted at the plant level and at 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.

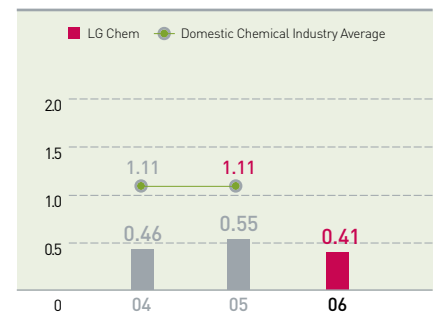
The headquarters-level audit, launched in 1993, is executed in various forms according to the Company status and health and safety issues at hand. In earlier days, inspections were reward-oriented with the purpose of raising safety and health awareness. Since the mid-1990s, inspections focused on preventing accidents by operating/managing safety facilities and identifying potential dangers. Since 2000 the emphasis has been on autonomous inspections by each worksite and the focus shifted to newly established worksites, accident-prone worksites, logistics center lacking a professional management organization and exhibition centers. In addition, outside experts carry out special inspections as needs arise. We use the rate of injury and the severity rate of injury as the performance index for accident prevention.

Safety Motto

By placing the highest priority on safety in every aspect of my work and through safety-conscientious actions, I will build an accident-free factory and happy family.

- Proclaiming the safety motto before various events and meetings, LG Chem is stressing the importance of safety and health.

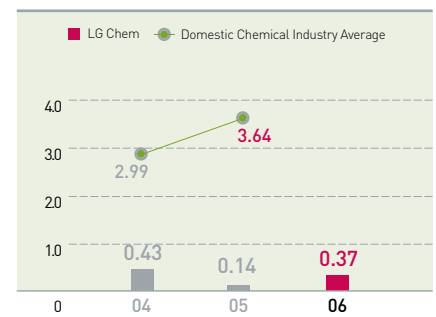
Rate of Injury



$$\text{Rate of Injury} = \frac{\text{Number of Employees Injured}}{\text{Number of Employees}} \times 100$$

- Reason for increase in 2005: Toxic gas spill in neighboring company affected 10 of LG Chem workers who were determined as industrial disaster victims

Severity Rate of Injury



$$\text{Severity Rate of Injury} = \frac{\text{Total Loss of Working Days}}{\text{Total Annual Working Hours}} \times 100$$

- Domestic chemical industry average: Source_ Korea Occupational Safety & Health Agency



• Health Promotion Website



• In-house Health Check-up Center

03_ Health Promotion Activities

- Every year, LG Chem implements measures to improve the work 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 illnesses, 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, non-smoking and non-drinking campaigns, and medical consultations. Moreover, computerization of health related work 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 health policy decision making.

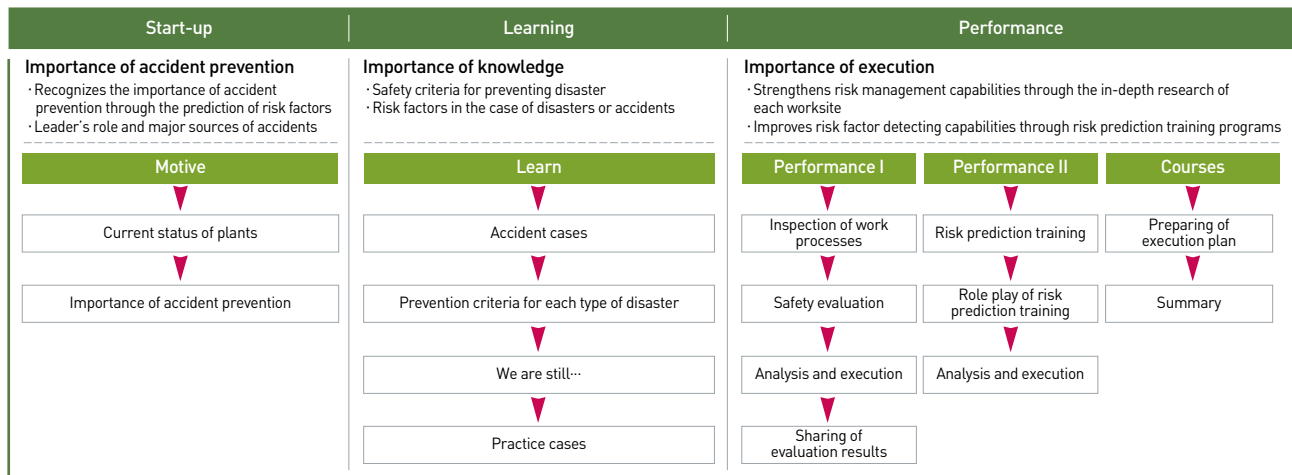
Safety & Health

04_ 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 hazards stipulate mandatory training. LG Chem is working to reduce the number of group trainings. Rather, the stress is on more practical training courses that are closely related to actual work such as danger anticipation training and learning about examples 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. Another is the Safety First Course II, which covers work related danger anticipation training to prevent accidents by predicting potential risks in a variety of situations.

Safety First Course I



Safety First Course II

Classification	Safety Leader Courses			General Courses		
Courses	Level 1 Basic	Level 2 Widespread	Level 3 Safety Manner in Daily Practice	Level 1 Basic	Level 2 Widespread	Level 3 Safety Manner in Daily Practice
Objectives	· Enhancing the importance of safety awareness by following the basics needed in workplaces and correcting unsafe practices	· Pre-and-post skills needed for airtight safety company-wide	· Comprehensive management to ensure safety of employees, safe operation of facilities, and safety-intensifying technologies	· Ensuring airtight safety through intensifying awareness of employees with continued safety reeducation · Enhancement of safety-handling capabilities through hands-on programs		
Responsibility	Safety management with coaching, guidance, and support			Strict observance and practice of safety management guidelines		
Curriculum	· Understanding Process Safety Management (PSM) · Procedures for safe operation · Approval for safe working conditions	· Assessment of safety risks in processing lines · Environment and safety checking prior to operation · Internal audit	· Hands-on studies for Process Safety Management (PSM) · Enhancement of troubleshooting skills	· Procedures for safe operation · Approval for safe working conditions	· Procedures for safe operation · Environment and safety checking prior to operation	· Procedures for safe operation · Capability enhancement to sufficiently identify operational shortcomings

Supporting Cheongju Plant Suppliers

Targets	Conditions	Methods	Effects
<p>Government (Labor Ministry/ Korea Occupational Safety & Health Agency)</p> <p>↕</p> <p>LG Chem</p> <p>↕</p> <p>Suppliers</p>	<ul style="list-style-type: none"> Awareness on injury management in small to mid sized worksites Constraints on support for all worksites <hr/> <ul style="list-style-type: none"> Stable supply of raw materials Responsibility of company's brand image (OEM firms, etc.) Total solutions for client firms <hr/> <ul style="list-style-type: none"> Relatively weak operating conditions Poor working conditions Shortage of safety/health experts Increase in injury rate 	<ul style="list-style-type: none"> Safety & health network <ul style="list-style-type: none"> Provide information via email, supplier council Training <ul style="list-style-type: none"> Provide lecturers, training materials, equipment, training venue Technical support <ul style="list-style-type: none"> Inspection by experts, provide equipment and personnel Work environment improvement, health management <ul style="list-style-type: none"> Assess working conditions, joint use of annex clinics 	<ul style="list-style-type: none"> Drop in industrial injuries <ul style="list-style-type: none"> Root out industrial injuries of suppliers' workers Upgrade safety and health levels <ul style="list-style-type: none"> Raise safety awareness Create safe and pleasant working environment Win-win system <ul style="list-style-type: none"> Strengthen trust with parent company and suppliers

05_ Other Safety and Health Programs

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 inspection and make periodic performance evaluations. The results during evaluations can determine whether a partner receives preferential standing during bids for subsequent supply contracts.

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 outstanding accident prevention examples and unsafe actions of the various departments.

Quantitative Risk Management System

LG Chem introduced a simplified form of quantitative risk assessment tool called Layer of Protection Analysis (LOPA) for assessing risk potential, a key element in process safety management. Whereas conventional quantitative risk potential assessments require a large amount of time and expense and presents difficulties in securing experts and statistical data, LG Chem's LOPA allows for sound and scientific management of process related risks via a quantitative risk management system (QRMS).

Society



IMPROVING THE WELL-BEING OF SOCIETY

- Wherever we reside, there is one unmovable fact - we are part of the larger society. LG Chem cares greatly about the communities where we live and work. As a responsible corporate citizen, we are directing resources toward initiatives for a full and happy life.

HIGHLIGHTS

- Each of LG Chem's worksite addresses various social needs. From "Twin Angel Fund," our company-wide matching grant initiative, to various volunteering activities to help the disabled, the elderly, teen-headed households and other neighbors in need, we are continuing to make a positive impact on people's lives. We are also reaching out to the global community centered on China.

Corporate Citizenship Activities

LG Chem is actively involved in a variety of social contribution activities based on our firm belief in fulfilling our corporate social responsibility.

01_ 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 the employees' contributions. Using KRW 2,008 (2 x KRW 1,004) as the basis for one account, employees can request up to ten accounts and have donations deducted from their monthly salaries.

The LG Chem Twin Angel Fund originally raised funds from employees at the Seoul headquarters, but since has expanded to include our main regional production sites including the plants in Yeosu, Ochang, Daejeon, and Iksan. As of the end of 2006, 4,894 employees were contributing to the fund.

■ Twin Angel Fund by Worksite

(Unit: KRW thousand)

	Head Office	Research Park	Yeosu	Cheongju	Iksan	Ochang	Total
2005	110,743	14,234	68,596	49,139	2,047	22,531	267,290
2006	90,032	28,366	95,387	51,598	8,574	32,186	306,143

In the case of the Seoul headquarters, the funds raised have been used to provide medical equipment to 42 facilities that care for the elderly, sponsor free clinics for the underprivileged living in cities, supply heating in study rooms during the winter, and provide free meals. Money raised by each regional production site has been channeled toward scholarships for youths who are the head of their households, food for malnourished children, heating bill assistance for the elderly who live alone, and the disabled.

Green Mountain Campaign

LG Chem, in conjunction with the LG Evergreen Foundation established in 1997, launched a "Green Mountain Campaign" to help protect the natural environment and prevent destruction of the natural ecosystem. The campaign involves clean-up efforts in mountains and streams around our production sites. In October 2006, in celebration of "mountain day" and the "mountain culture week," a total of 1,065 persons took part in a large-scale clean-up drive. Participants included LG Chem employees from the headquarters, Yeosu, Naju, Ulsan, Cheongju, Ochang and Iksan as well as government workers, members of our business partners and citizens groups.

Community Environment Protection

LG Chem volunteers activities for the protection of nature and the community as part of its commitment to help preserve a clean and green environment. Keeping this in mind, each establishment carries out various campaigns including "One Mountain, One River Cleanup," "Migratory Birds Feeding," "Extermination of Negative Foreign Fishes," and "Tree Planting" campaigns and puts them in practice.



• Green Mountain Campaign

LG Chem promotes environmental awareness in our local communities. The ecological gardens at our business sites are open to community members. We also organize tours of our plants and environmental facilities for local residents and students.

Helping the Disabled and Elderly Who Live Alone

LG Chem is fully devoted to eliminating the sense of alienation that the disabled and the elderly who live alone experience in society. All of our business sites are taking the time and effort to help our alienated neighbors lead healthy lives.



• Volunteer Activities at Chung-ae-won

Support for the Disabled_ The Yeosu plant joined hands with the Sangbong Senior Welfare Center in 2003 to provide bath services for the physically disabled twice a month. Yeosu employees also act as moving helpers for people suffering from physical disabilities. In addition, the plant is actively involved in volunteer activities at welfare facilities for the disabled in the Yeosu area. In October 2006, a culture festival was held for the disabled whereby 35 people were invited on a trip to Danyang in Jeollanam-do. We also donated a big screen TV to “Dong-baek-won”, a living facility for the disabled in November. In recognition of our continuous attention and support for the disabled, we received the Ministry of Government Administration and Home Affairs’ 2006 Outstanding Volunteer Recognition Award. Employees from our Ochang Techno Park have been visiting “Chung-ae-won”, a facility for the mentally disabled, every month since August 2005. Established in 2000, there are currently about 30 seriously disabled people who reside at “Chung-ae-won.” In addition, we have been visiting “New Heaven Care Home,” a facility for the mentally challenged, every other month and share in activities such as making red bean sherbet treats. The Cheongju plant established a sister relationship with “Grace House,” a facility for disabled children in Cheongju. Volunteers help bathe the children and take them to visit the zoo and park once every month. The plant also provides wallpaper and flooring, and helps with facility repair and maintenance work.



• Bath Service

Support for the Elderly_ Since 2001, the Yeosu plant, in conjunction with the Yeosu City Hall, has developed portrait photos for about 650 senior citizens. Workers at the plant also drop by the “Lazarus Village”, home to those suffering from Alzheimer’s, on a regular basis to provide bathing services. Other activities include making food and delivering them to senior citizens who live alone. In the case of our Iksan plant, there are volunteer teams who visit senior welfare facilities and donate essential items, provide monetary assistance, and give bathing services. Additionally, each department leverages its area of specialty to draw wall paintings and carry out facility repairs. The Ochang Techno Park carries out volunteer activities for senior citizens who live alone through the Cheongwon-gun senior welfare center, which includes year end visits to pass out winter clothes.



• Kimchi-Making Campaign

Corporate Citizenship Activities

Support for Underprivileged Children

LG Chem is involved in a variety of activities for young children and teenagers, who are the hope of our future, such as providing scholarships, donating books, and supporting study rooms.

The Yeosu plant provides monthly scholarships and counseling to children who are the head of their household, in connection with the Yeosu City Hall. During May and July of 2006, 135 children living under unfortunate circumstances were invited to sailing and rafting trips. Our Cheongju plant, with the Korea Welfare Foundation, extends monthly scholarships worth KRW 50,000 to 100 children who are the head of their household. The Ochang Techno Park does the same for about 30 children in the region. Our Iksan plant has a similar program called "Angel Scholarship with Love," through which it provides KRW 100,000 every month to children recommended by the Office of Education. In February 2006, the Ulsan plant donated book collections to Cheongryang Elementary School. Separately, employees at our headquarters donated books to a private library at the year's end. In May 2006, our Honam sales team provided wallpaper and flooring material to a study room in Jeonju for children who are the head of their family and/or eligible for social welfare. The team also gave their time to provide a comfortable environment for children to study. In the case of the Research Park in Daejeon, it provided heating oil and kimchi through the "stepping stone of love event," led by the Korea Welfare Foundation. It also held an event to donate school uniforms. Meanwhile, our Onsan plant is involved in activities to support children, such as funding a portion of children's lunches at the nearby Deoksin elementary school.

Other Social Contribution Activities

LG Chem's eight production plants are involved in a variety of local social contribution activities. "Thundersound," a Yeosu plant social club that plays "Poongmul," a type of traditional Korean instrumental music performance, visited homes for the elderly and orphanages with social welfare foundations around the Yeosu area. Employees visited small island villages that have sister relationships with main cultural sites and helped to clean up the environment and provide home repair services. They also visited underprivileged children to deliver holiday meals and sponsor a variety of festivities. Ulsan plant's "LG Volunteer Committee," with the Ulsan City Hall and district offices, visited social welfare centers to help fix electricity and heating systems. The committee members visited the less fortunate to not only help them clean their homes but also provide counseling services, in addition to inviting undernourished children to give them free meals. Separately, the 11 volunteer clubs at the Cheongju plant collectively helped their neighbors to enjoy a warm winter by fixing and maintaining heating systems, burying kimchi pots for the kimchi to ferment during winter time, and installing vinyl wind shields.



• Recreation at Welfare Center



• Volunteer Activity at Welfare Center



• Marine Clean-up



• One Company One Village Volunteer Activity



• Trip for Underprivileged Children

Worksite	Volunteer Group	Major Activities
Yeosu	Volunteer groups of 10 factories	<ul style="list-style-type: none"> • Support for underprivileged households, marine clean-up, environmental preservation activities, portrait photo taking, moving helpers, bathing service, repairs for welfare facilities, movie showing, study rooms
	Thundersound, Hansol Club	<ul style="list-style-type: none"> • Support for welfare facilities and Poongmul tours (traditional instrumental performance)
Cheongju	Chamsarang Club	<ul style="list-style-type: none"> • Grace Home (facility for the disabled)
	Hanmaeum Club	<ul style="list-style-type: none"> • Edenwon (facility for the disabled)
	Life Calendar Volunteer Group	<ul style="list-style-type: none"> • Hyeneung Orphanage
	Battery Volunteer Group	<ul style="list-style-type: none"> • Seongsim Home for the Elderly
Ulsan	General Affairs Team Volunteer Group	<ul style="list-style-type: none"> • Shelter for abused children
	Environment & Safety Volunteer Group	<ul style="list-style-type: none"> • Chungbuk Orphanage
	LG Ulsan Red Cross Volunteer Group	<ul style="list-style-type: none"> • Support for the elderly who live alone and undernourished children • Support for underprivileged students in middle schools • Support for unregistered child-care facilities
Ochang	Love & Sharing Club (Optical Materials)	<ul style="list-style-type: none"> • Volunteer service at welfare facilities <ul style="list-style-type: none"> – Cheongaewon (facility for the mentally disabled) – Cheongwon-gun Welfare Center for the Elderly
	Love & Sharing Club (Battery)	<ul style="list-style-type: none"> • Volunteer service at welfare facilities <ul style="list-style-type: none"> – Jamowon (facility for single mothers) – Helping the underprivileged (elderly living alone, teen-headed households) – Home repairs for the underprivileged
	Vitamin (Support/Electronic Materials)	<ul style="list-style-type: none"> • Volunteer service at facilities for the disabled <ul style="list-style-type: none"> – New Heaven Shelter (facility for the mentally disabled)
Daesan	Hanmaeum Club	<ul style="list-style-type: none"> • Donation of necessities
	Bowling Club	<ul style="list-style-type: none"> • Volunteer services such as cleaning and laundry
Iksan	Volunteer groups of 10 departments	<ul style="list-style-type: none"> • Home visits, volunteer service at welfare facilities
	Sarang Nanumtoe Volunteer Group	<ul style="list-style-type: none"> • Visits to the elderly who live alone, teen-headed households, homes with disabled family members
Naju	Hanuri	<ul style="list-style-type: none"> • Visits to social welfare facilities
	Hanmam Club	<ul style="list-style-type: none"> • Volunteer service at facilities for the underprivileged, Fund of Love
Research Park	Company Housing Residents' Wives Club	<ul style="list-style-type: none"> • Charity bazaar, kimchi-making and baking service
	Does not have a separate volunteer group	<ul style="list-style-type: none"> • Ongoing support through the Twin Angel Fund

Corporate Citizenship Activities

02_ Outreach Program

- LG Chem has carried out outreach programs as part of social contribution activities. Intended to boost a friendly image in public perception of the chemical industry, many of the programs and events are specifically aimed at raising interest in chemistry among young people.

Outreach programs were prepared by professionals who incorporated approaches gleaned from comparative studies of successful cases in other countries. They include Mobile Chemistry Lab as a hands-on program for elementary students, 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 operates Junior Science Class.

Mobile Chemistry Lab

The Mobile Chemistry Lab is a specially-renovated, cutting-edge vehicle for experiments and experiences in chemistry. It visits elementary schools and orphanages weekly, providing children with hands-on programs and knowledge of chemicals in easy-to-learn and intriguing ways. It is jointly operated with the Science and Technology Promotion Center for Youths at Hanyang University. The program was held 56 times in 2006.

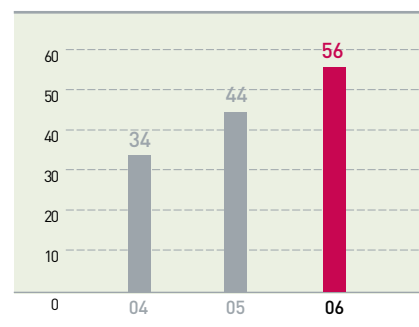
Chemistry Camp

The Chemistry Camp, themed on "Smashing Time with Friends at LG Chem Camp," is 3-day program during summer vacation for middle school students every year. Professionals in chemical science or recreation add spice to chemical programs and group activities. Thus, students enjoy a taste of chemistry in the great outdoors and have memories that will remain fresh in the years to come.

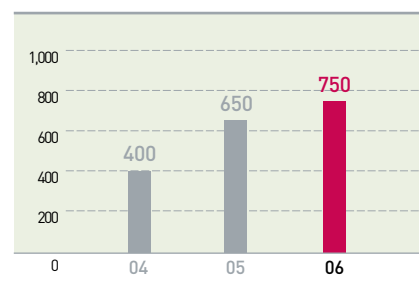


• Chemistry Camp

■ No. of Chemistry Camps Held



■ No. of Participants at Chemistry Camp





• Chemistry Camp



• Junior Science Class

Chemistry Frontier Festival

The Chemistry Frontier Festival (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, Honam Petrochemical, and Samsung Total. Contestants selected in a preliminary contest compete in feats of knowledge and creativity dealing with assigned subjects (environment, energy, life science, sociology, traditional Korean science) or free subjects, with results announced in a presentation and on posters. At the same time, a Q&A Forum is held for likeminded high school students, with issues mainly focused on the future of chemical science, and with professors of KAIST and researchers as panels. The festival accompanies various events, including a product show displaying up-to-date products of the co-hosts, visits to cutting-edge research labs, award ceremony, and a dinner reception.

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.

■ Activities

Year	School	No. of classes	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

Corporate Citizenship Activities

03_ Global Social Contribution

- The core focus of LG Chem's social contribution in China is awarding scholarships. Since 1996, we have been supporting outstanding students at Beijing University and Tsinghua University. After the launch of the holding company in 2005, we started the "LG Chem Scholarship" for students at Tsinghua University. We currently support students in major universities in Beijing, Shanghai, Tianjin, Ningbo, and Nanjing.

Ningbo LG Yongxing Chemical Co., our ABS production facility located in Ningbo, China, launched its "I love Ningbo" campaign in June 2003. The goal of the campaign is to help establish LG Chem as a truly local company in the hearts and minds of Ningbo citizens. Employees of the plant visit orphanages and senior citizens homes to provide volunteer services, and invite local neighbors to the factory and hold cultural events. In addition, LG Chem has garnered a positive response from our local neighbors through our environmental protection activities, blood drive, and SARS fund raising campaign.

Over in the US, LG CAI, our US sales unit, carries out volunteer and fund raising activities for low-income families on special days such as Mother's Day. We are also enhancing LG Chem's image within the US by participating in volunteer house building activities for low income or underprivileged families in conjunction with non-profit organizations like "Habitat for Humanity."



• "LG Chem Scholarship" at Tsinghua University



• "I love Ningbo" Campaign

INTERVIEW Stakeholder Interview

● Choi Jung-yeop, EBN reporter

- It has been my understanding that Korean companies' corporate culture has been a bit reclusive until now. In the future, I believe that companies should focus on seeking ways to aggressively communicate with the outside world. In that sense, it is encouraging to see that more companies are publishing sustainability reports. In particular, it is great that LG Chem is publishing its first sustainability report from my view as a third party related to the Company.

- LG Chem, as a leader of the chemical industry, has been a major presence in the basic materials sector. It has also played a vital role in environmental and social issues. I hope the Company will continue to carry out its chemical and environmental education activities to fulfill its role in changing society.

- In addition, I hope this sustainability report will serve as the first step towards open communication rather than being a promotional tool.

APPENDIX

Glossary

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 processes and professionalism to achieve the quality innovation and customer satisfaction.

BOM (Bill Of Material) | A hierarchical list, chart or diagram that shows an end item and the materials needed to produce the item, the level of each part in the bill and quantity of materials used.

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 emission 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 obligated 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 environmental 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.

F4* | System used by the Japan Industrial Standards Committee for classifying building materials based on their formaldehyde emission levels. Materials are classified into four grades starting from F****.

Finland M1 | A classification system for interior building materials such as flooring materials and paint of Finland's Building Information Foundation RTS. Materials are classified as M1, M2 and M3 depending on the levels of VOC, ammonia and carcinogenic substances.

GHG (Green House Gas) | Greenhouse gases are gaseous components in the atmosphere that contribute to the greenhouse effect. According to Kyoto Protocol, carbon dioxide, nitrogen dioxide, methane, SF₆, 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 | It is an internationally recognized environmental management system standard that certifies an organization's environmental management quality.

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 a risk occurring and exposure to risk.

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.

LCI (Life Cycle Inventory) | A tool that shows all the substances and their amounts involved in the life cycle of a product. LCI forms the basis of Life Cycle Assessment (LCA).

Leak Detection and Repair (LDAR) System | Causing a drop in system pressure, leaks can significantly increase cost of operation and energy consumption. The LDAR system detects the leakage, allowing the cost reduction and air-tight management.

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 | This is an international occupational health and safety management system specification.

PL (Product Liability) | When consumers or a third party has their life, body, and property damaged due to defects of products, the manufacturers or the sellers 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 107 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, cohesive and petro-chemical products. VOCs form photochemical ozone, doing 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 finds ways to satisfy the public's demands while achieving economic growth and to preserve natural resources and the environment.

KMAR Verification Statement

Foreword

The Korea Management Association Registration and Assessments (KMAR) has been engaged by LG Chem to verify the contents of 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 verification scope stipulated below.

Our independence

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

Verification scope

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

- Verification 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 sectors.

- Verification of social/environment segments

Review whether information included in the following segments is presented appropriately.

- Energy
- Product Safety and Eco-products
- Toxic Chemicals
- Safety & Health

"Presented appropriately" means that the contents of the Report appropriately reflected actual data and original information and were presented 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 the limited verification in terms of characteristics and the extent of performed tasks.

Verification standards

KMAR performed the review based on our verification 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.

Verification process and conclusion

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

- Surveyed LG Chem's sustainability related media information 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 results we have obtained from material 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 confirm whether our recommendations for improvement and revisions have been reflected.

- **Economic performance**

We compared the Report with LG Chem's 2006 Financial Statements and found that the financial data presented in the Report has been appropriately derived from 2006 Financial Statements.

- **Environmental and social performance**

We observed that information contained in the "environmental and social sections" has been appropriately presented. We did not discover any significant errors.

Recommendation for improvement

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

- Extension of internal stakeholder engagement in the reporting processes
- Improvement of generating system and process of the Report
- Enlargement of scope of the Report

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

GRI Index

GRI INDEX	INDICATORS	REMARK	PAGE	
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	0	2
	1.2	Description of key impacts, risks, and opportunities	0	2
Organizational Profile	2.1	Name of the organization	0	3
	2.2	Primary brands, products, and/or services	0	3
	2.3	Operational structure of the organization, including main divisions, operating companies subsidiaries, and joint ventures	0	3
	2.4	Location of organization's headquarters	0	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	0	4-5
	2.6	Nature of ownership and legal form	0	9
	2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	0	3
	2.8	Scale of the reporting organization	0	3-5
	2.9	Significant changes during the reporting period regarding size, structure, or ownership	0	24
	2.10	Awards received in the reporting period	0	61
Report Parameters	3.1	Reporting period (e.g., fiscal/calendar year) for information provided	0	1
	3.2	Date of most recent previous report (if any)	N/A	
	3.3	Reporting cycle (annual, biennial, etc.)	X	
	3.4	Contact point for questions regarding the report or its contents	0	1
	3.5	Process for defining report content	0	16-17
	3.6	Boundary of the report	0	1
	3.7	State any specific limitations on the scope or boundary of the report	0	1
	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	0	1
	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	N/A	
	3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	N/A	
	3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	N/A	
	3.12	Table identifying the location of the Standard Disclosures in the report	0	84-85
	3.13	Policy and current practice with regard to seeking external assurance for the report	0	1
Governance, Commitments, and Engagement	4.1	Governance structure of the organization	0	9
	4.2	Indicate whether the Chair of the highest governance body is also an executive officer	0	9
	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	N/A	
	4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	X	
	4.5	Linkage between compensation for members of the highest governance body, senior managers, executives, and the organization's performance	X	
	4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	0	9
	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	0	9
	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	0	8, 22, 62-63
	4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance	0	9
	4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	0	9
	4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	0	34-36, 38
	4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	0	52
	4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations	0	3
	4.14	List of stakeholder groups engaged by the organization	0	16-17
	4.15	Basis for identification and selection of stakeholders with whom to engage	0	16-17
	4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	0	16-17
	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	0	16-17
Economy	EC1	Direct economic value generated and distributed	△	24-25
	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	△	52-54
	EC3	Coverage of the organization's defined benefit plan obligation	X	
	EC4	Significant financial assistance received from government	X	

0 disclosed, △ partly disclosed, X not disclosed, N/A not available

GRI INDEX	INDICATORS	REMARK	PAGE
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	△	31-32
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	N/A	
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	0	74-75
Environment			
EN1	Materials used by weight or volume	0	54
EN2	Percentage of materials used that are recycled input materials	X	
EN3	Direct energy consumption by primary energy source	△	51
EN4	Indirect energy consumption by primary source	△	51
EN8	Total water withdrawal by source	△	55
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	△	52
EN17	Other relevant indirect greenhouse gas emissions by weight	△	52
EN19	Emissions of ozone-depleting substances by weight	X	
EN20	NOx, SOx, and other significant air emissions by type and weight	0	56
EN21	Total water discharge by quality and destination	0	55-56
EN22	Total weight of waste by type and disposal method	△	55
EN23	Total number and volume of significant spills	0	57
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	0	35-41
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	X	
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	N/A	
Labor Practices & Decent Work			
LA1	Total workforce by employment type, employment contract, and region	△	60
LA2	Total number and rate of employee turnover by age group, gender, and region	X	
LA4	Percentage of employees covered by collective bargaining agreements	X	
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	X	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region	0	67
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	0	66-67, 74-76
LA10	Average hours of training per year per employee by employee category	0	61
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	0	9, 60-61
LA14	Ratio of basic salary of men to women by employee category	X	
Human Rights			
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	△	12
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	△	11, 31
HR4	Total number of incidents of discrimination and actions taken	N/A	
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	0	64-65
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	0	12
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor	0	12
Society			
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	X	
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	△	11
S04	Actions taken in response to incidents of corruption	0	11
S05	Public policy positions and participation in public policy development and lobbying	0	54
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	N/A	
Product Responsibility			
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	0	35-36
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	0	37
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	0	12
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	N/A	

Application Level

Declaration of Application Level

In compiling the 2006 Sustainability Report, LG Chem used the Global Reporting Initiative's (GRI) G3 Sustainability Reporting Guidelines. Accordingly, LG Chem makes a self-declaration that the Report meets the requirements for the level A and a 3rd party review confirms this declaration.



Disclosure of Management Approach

Category	Sub-category	Page
Economy	Management Approach / Goals and Performance / Policy / Additional Contextual Information	19~25
Environment		43~46, 48, 55~57
Labor practices & decent work	Management Approach / Goals and Performance	65, 68~69
Human rights	Policy / Organizational Responsibility / Training and Awareness /	12, 59, 64~65
Society	Monitoring and Follow-up / Additional Contextual Information	10~12, 15, 31~32
Product responsibility		34~41

Explanation of Omitted Indicators

Index	Explanation
3.2, 3.10, 3.11	The 1 st report
3.3, EC7	Aim to report every year
3.9, 4.3, EN2, S01	Not available due to lack of the systems to generate the required information
4.4, 4.5, EN27, LA2, LA4, LA5	Aim to report on this Indicator in next report
EC3, EC4, EN28, HR4, S02, S08, PR9	No incident during this year
EN11, EN12	Do not impact on biodiversity of protected area
EN19, LA14	Protection by confidential data (aim to report on this Indicator in next report)

GRI Application Level Table

Report Application Level	C	C+	B	B+	A	A+
Standard Disclosures	 Report on: 1.1 2.1-2.10 3.1-3.8, 3.10-3.12 4.1-4.4, 4.14-4.15	Report Externally Assured	 Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5-4.13, 4.16-4.17	Report Externally Assured	Same as requirement for Level B	Report Externally Assured
	 Not Required		Management Approach Disclosures for each Indicator Category		Management Approach Disclosures for each Indicator Category	
	 Report on a minimum of 10 Performance Indicators, including at least one from each of: Economy, Society and Environment.		Report on a minimum of 20 Performance Indicators, at least one from each of Economy, Environment, Human rights, Labor, Society, Product responsibility.		Report on each core G3 and Sector Supplement* Indicator with due regard to the Materiality Principle by either: a) reporting on the Indicator or b) explaining the reason for its omission.	

* Sector supplement in final version

Reader Feedback Questionnaire

We, at LG Chem, welcome your opinions. Please fill in 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 (Management by principle)
 - Risk Management • Stakeholder Communication
- Economy
 - Management Vision & Strategy • Innovation Activities
 - Economic Performance
- Customer & Product
 - Customer Value Innovation • Customer First Policy & Program
 - Customer Cooperation Program • Customer Privacy Policy
 - Product Safety/Product Liability Actions • Eco-products
- Environment
 - Environmental Management • Energy
 - Response to the Convention on Climate Change
 - Environmental Performance
- Employee
 - Human Resources • Organizational Culture
 - Welfare • Labor-Management Cooperation • Safety & Health
- Society
 - Corporate Citizenship 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 & Product	(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)			
Design	(Very Poor)	1	2	3	4	5	(Very Good)			

5. If you have anything that you wish to be included in a future edition, 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 & Product	(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)			

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 the Sustainability Report, please complete the information below.

Address _____ Fax _____
 Tel _____ e-mail _____



History

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
- MAY 1991 Commissioned Iksan 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 Chemical 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

2000~2006

- 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 post-processing plants
 - NOV 2003 Established LG Chem Industrial Materials, Inc. in the USA
 - JAN 2004 Completed expansion of Ochang polarizer plant #1
 - 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
 - SEP 2005 Established LG Chem Poland Sp. z o.o. polarizer post-processing subsidiary in Poland
 - OCT 2005 Commissioned HI-MACS[®] solid acrylic surface plant in the USA
 - NOV 2005 Completed expansion of Ochang polarizer plant #2
 - JAN 2006 Merged with LG Daesan Petrochemicals
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