Solution*Partner*

2010

Sustainability Report

LG Chem

LG CHEM
ABOUT THIS REPORT

This report is the fifth sustainability report published by LG Chem. This report summarizes the efforts and results achieved by LG Chem which aims to be a global leader growing with customers by providing innovative materials and solutions. With this report, LG Chem shares with stakeholders its strong commitment to sustainable future and corporate social responsibility.

REPORTING PERIOD AND SCOPE

This report covers the period from January 1, 2010 to December 31, 2010, however, performance afterwards is contained for some matters which are judged as relevant, and four-year data starting from 2007 is also used to show the trends of quantitative performance. The report covers our head office in Seoul, eight plants in Korea (Yeosu, Cheongju, Ochang, Ulsan, Gimcheon, Naju, Iksan and Daesan), LG Chem Research Park (Daejeon), and major Chinese subsidiaries (LGCE NJ, LG YX, LG DAGU).

RECENT PUBLICATION

LG Chem has been issuing sustainability reports every year since 2007. This report, available in Korean, English and Chinese, can also be viewed from our website at http://lgchem.com. The last report published most recently is 2009 Sustainability Report in April 2010.

REPORTING CRITERIA AND VERIFICATION

This report has been prepared in accordance with the reporting guidelines of the Global Reporting Initiative (GRI) G3, the international standard for sustainability report. In addition, this report reflects ISO 26000 Core subjects, DJSI, EICC self-assessment. This report is verified by outside experts to enhance the reliability of contents in this report and to promote the understanding of status of our sustainability management. The details of the verification can be found in the section entitled Independent Assurance Statement (page 94~95).

KEY FEATURES

2010 Sustainability Report has made some progress in terms of structure and contents compared to the previous reports. A key performance of 2010 sustainability management is covered as a focus issue in the areas of the economy, the environment and society respectively with an intention to deliver the results of sustainability management more effectively. In addition, the substantial coverage of sustainability management activities and performance made by Chinese subsidiaries emphasizes LG Chem's commitment to global sustainability management.

For any inquiries or information concerning this report,

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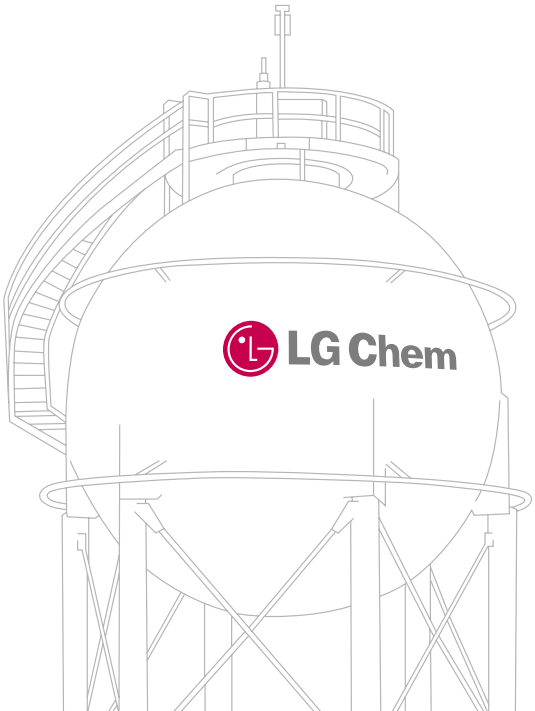
With innovative
materials and solutions,
LG Chem is carrying out
sustainability management
which balances
'Growth' and
'Responsibility'.

To ensure more convenience,
deeper impression and
a better future,
LG Chem will be always with you
as a sustainable solution partner.



LG CHEM AT A GLANCE

CUSTOMERS

Product Supply
22,000
companies

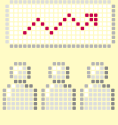
OUR IMPACT

- We deliver our products to 22,000 corporate customers.

OUR EFFORT

We seek higher customer satisfaction by innovating customer value and listening to their voice through solution partner programs.

SHAREHOLDERS



Sales
KRW **19.5**
trillion

OUR IMPACT

- We posted record-high sales of KRW 19.5 trillion.

OUR EFFORT

We deliver performance excellence through Speed Management, on the basis of transparency in corporate governance.

EMPLOYEES

Employees at Home & Abroad
16,173
persons

OUR IMPACT

- We employ 9,373 people in Korea and 6,800 overseas.

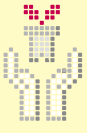
OUR EFFORT

We are always committed to enhancing competency and the quality of lives of our people, while ensuring safety and health at workplace.

LG Chem is carrying out diverse activities to preserve the earth environment while identifying economic, environmental, and social impacts of its business.

THE ENVIRONMENT

OUR IMPACT	OUR EFFORT
• We achieved a total 263,017 tCO_2-eq of certified GHG emission reductions.	We are dedicated to environmental preservation through EMS, eco-product development and ensuring compliance with environmental regulations.



Certified GHG Emission Reductions

263,017 tons

SOCIETY

• We donated KRW 12,285 million to better care for our communities.	We bring harmony in society through education, welfare, community outreach and overseas social contributions.

Social Contributions

KRW **12,285** million

SUPPLIERS

• We handled KRW 14.709 trillion in transactions with our suppliers.	We reinforce competitiveness of our suppliers and LG Chem by pursuing shared-growth management.

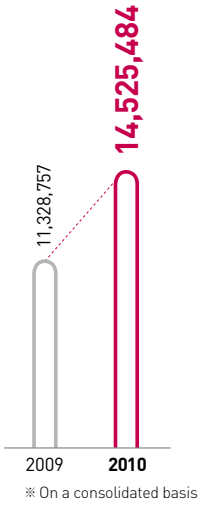
Supplier Transactions

KRW **14.7** trillion

KEY PRODUCTS

PETROCHEMICALS

Sales [Unit: KRW million]

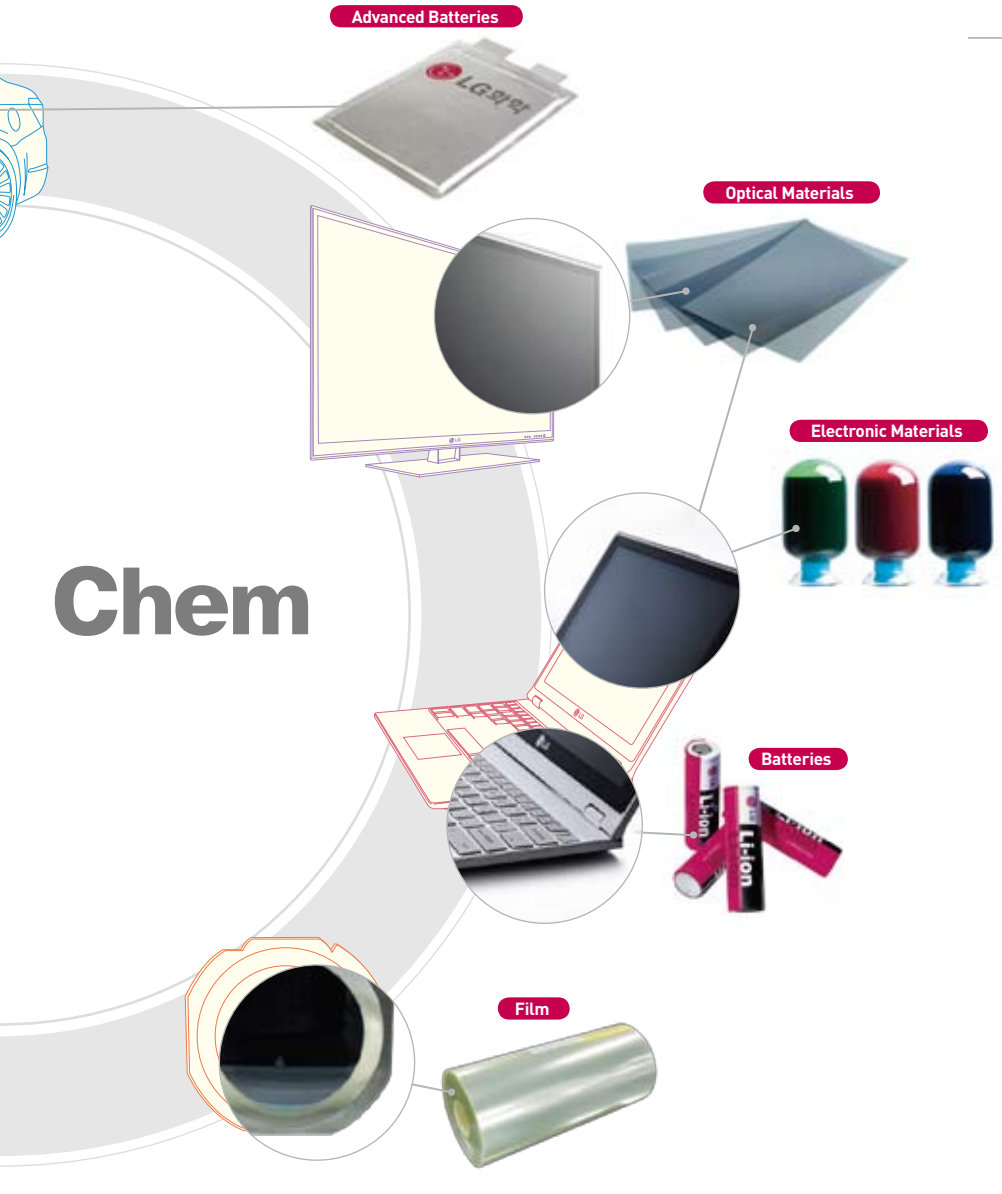


※ On a consolidated basis

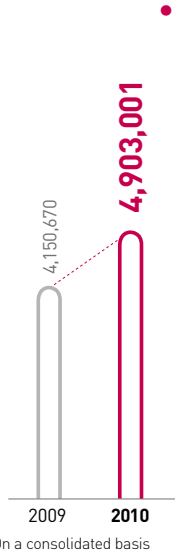
NCC/PO	Basic distillates (ethylene, propylene, etc.), polyolefin and other petrochemical products
Rubber/Specialty Polymers	Synthetic rubbers (SBR, BR), SBS as an asphalt modifier
PVC	Plastics widely used as materials for pipes, flexible and rigid sheets, chassis, floor-coverings
ABS/EP	Plastic materials used for electrical and electronic, automotive, industrial, residential application
Acrylates/Plasticizers	Acrylates and plasticizers used as feedstock to make super-absorbent polymers, paints and adhesives

LG Chem is aiming to be a global leader growing with customers by providing innovative materials and solutions.

IT&E MATERIALS



Sales [Unit: KRW million]



※ On a consolidated basis

Optical Materials	Display Polarizers, PDP filters
Electronic Materials	Photoresists, strippers for LCD, toners, OLED materials, electrolytes, cathode materials, printed circuit materials
Film	Light shaping films (LSF), DAF for semiconductor packaging application
Batteries	Lithium-ion batteries, lithium-ion polymer rechargeable batteries
Advanced Batteries	High-output and high-capacity batteries for robots, electric and hybrid vehicles

SolutionPartner

LG Chem

FOCUS ISSUE 1 Produce Electric Vehicle Batteries

FOCUS ISSUE 2 Establish a Chemical Substance Management System

2010 Sustainability Report LG Chem

COVER STORY

It shows all the business areas where LG Chem is involved while heading toward the global no. 1 in the areas of petrochemicals, IT&E materials and batteries. It depicts finished products made out of LG Chem products and at the same time 2010 Sustainability Report using simple lines.

FOCUS ISSUE 3 Build a Library of Hope

CONTENTS

CEO MESSAGE

Dear Stakeholders,

Amid fierce global competition last year, LG Chem posted KRW 19.471 trillion in sales and KRW 2.821 trillion in operating income, a record high in the history of LG Chem. In particular, we recorded a net income of KRW 2.199 trillion, exceeding the threshold of KRW 2 trillion for the first time in our history. It was made possible due to your support and encouragement toward LG Chem. I would like to take this opportunity to express sincere gratitude to you all. In days to come, LG Chem will stay committed to meeting your expectations.

The global financial crisis has led to a fluctuation in international oil and commodity prices as well as foreign exchange rates. Under such uncertainties, LG spared no effort to achieve challenging goals. Last year in the petrochemical business, we raised the portion of premium products in preparation against new and expanded lines in China and the Middle East, while keeping committed to saving energy to improve cost competitiveness. In the IT&E material business, we strengthened our market position with the help of supply expansion of key products such as small-size rechargeable batteries and LCD polarizers. In addition, we signed an electric vehicle battery purchase & supply agreement with global customers like Ford and Renault, following GM, Hyundai & Kia Motors, and broke the ground for an electric vehicle battery plant in Holland, Michigan, USA. Building on technologies and experience obtained so far, we laid a foundation for further growth in 2010.

LG Chem has been carrying out green management which pursues the balance between business activities and the environment. Last year, LG Chem established an integrated system to manage the chemical compositions of raw & sub-materials and products to ensure the environmental stewardship of our products and more stringent management of chemical substances. One step further, the system was extended to our suppliers so as to enable close cooperation between suppliers and LG Chem in response to environmental regulations on the use of chemicals. In an effort to meet greenhouse gas reduction requirements, we have been actively engaged in CDM projects to acquire carbon credits and disclosed information on carbon management internally and externally.

LG Chem will stay committed to growing into a global chemical company that plays the role of '*SolutionPartner*'.

LG Chem strongly believes that sustainability management improves stakeholder value, which ultimately contributes to sustainable development of the company.

As a corporate citizen, LG Chem highly values shared growth with local communities with a belief that our activities contribute to enriching the lives of our neighbors. From the perspective of 'creative capitalism', rather than one-time donation or charity, we have conducted social contribution activities in a systematic and constant manner in the four selected areas of education, welfare, local community support and overseas social contribution. For example, we held a 'Chemistry Frontier Festival' which was a chemistry contest for high school students and ran a 'Junior Science Class' for children in elementary schools or in daycare centers with an intention to contribute to cultivating talent in science and engineering for 21 century. We have also carried out a 'Build a Library of Hope' project in order to build a library which serves as a multi-purpose cultural venue, going beyond the traditional concept of library. Last year, we opened 11th library of hope, fulfilling our responsibility as a corporate partner of local communities.

This 2010 sustainability report contains the achievements made by LG Chem over the past year, which will help you understand our sustainability management activities. We hope that this report also helps us communicate with stakeholders in a more efficient manner. In this report, key sustainability management performances are effectively covered in the areas of economics, the environment and society. Sustainability management activities of our Chinese subsidiaries are included in this report in a bid to deliver global sustainability management significantly. Going forward, LG Chem will remain committed to being a global chemical company and a 'solution partner' who will enrich the lives of people and help customers create excellent performance. Furthermore, we will continue to strive to assume our social responsibility so as to become a respected and trusted company.

In closing, I would like to ask for your continuous support and encouragement toward LG Chem. Thank you.

April 2011

Peter Bahnsuk Kim, Vice Chairman & CEO

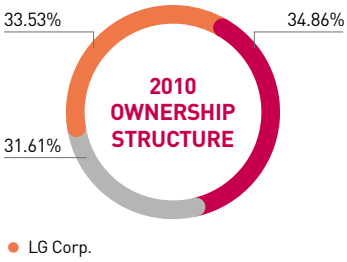
CORPORATE GOVERNANCE

DECISION-MAKING MECHANISM FOR SUSTAINABILITY MANAGEMENT

LG Chem makes a decision by taking into consideration various aspects of society such as the environment, human rights, work environment, ethics as well as economic aspects in order to fulfill its corporate social responsibility. We have separated CEO from chairmanship, and guaranteed the independency of outside directors and their voice in the decision-making process to ensure that a decision will be made in a reasonable and fair manner under the check and balance system.

For decisions made through the process, we take a look into the implementation of decisions on a continuous basis in order to determine accountability for the results of the decisions and to ensure efficient use of financial and human resources. In this way, we have established processes to keep track of management activities from decision-making to ex post management, based on which we strive to fulfill our corporate social responsibility.

Ownership Structure



BOARD OF DIRECTORS

There are total seven directors presently sitting on the board at LG Chem, with four outside directors representing more than the majority. Such composition, by design, prohibits an agenda item from being approved if and when all four outside directors voice opposition to that item. Outside directors come from various fields of expertise and experience, such as law, chemical science, battery and finance. They monitor and check the management on key issues of corporate operation and take on a vital role in decision-making by presenting impartial views. To embed accountability in the management, the Board reserves the right to hold the management accountable for any behavior that goes against shareholder interest as the directors retain the authority to appoint and dismiss executive managers.

To support the Board in undertaking their role as the highest decision-making body, we have placed the board secretariat directly under the legal team to improve operating efficiency of the BOD. The secretariat reports and informs the outside directors on mid- to long-term management and current business issues on a frequent basis. Prior to a Board meeting, the secretariat and concerned teams brief the outside directors on key management issues and meeting agenda so that the directors can make fully informed, detailed yet comprehensive analysis and reviews beforehand.

In addition, outside directors are provided as much information as possible to ensure the maximum level of work efficiency.

On the other hand, it is stipulated in our articles of incorporation and board regulations that any director who has special interest in a specific agenda is not allowed to vote on the agenda. Quarterly board meeting schedules for the following year are set at the end of each year and are announced to the Board, after considering individual schedule needs. Additionally ad-hoc meetings are convened to respond to any urgent management issues, when the need arises.

The board members pay a visit to our plants in Korea as well as in China to gain a hands-on perspective into company operations, and newly-appointed directors are given chances to attend professional external trainings and seminars on corporate governance and the status of major business projects in order to help them get settled in their position at the earliest date possible.

Meetings of the BOD and Audit Committee in 2010

Category	BOD	Audit Committee
No. of Meetings	10 times	Six times
No. of Agenda	24 approved, 9 reported	Five approved, 10 reported
Key Agenda	• Approval for business plans • Reporting of earnings performance and financial statement • Approval for investment plans	

Composition of the Board of Directors

Category	Name	Key Career Experience	Role
Non-Executive Directors	Yu-Sig Kang	• Vice-Chairman & CEO of LG Corp. • Director of LG Electronics Inc. • Director of LG International Corp.	• Chairperson of the BOD • Chairperson of the Nomination Committee for Outside Directors
Executive Directors	Peter Bahnsuk Kim	• Vice-Chairman & CEO	• CEO
	Suk-Jeh Cho	• President & CFO	• CFO
Independent Directors	Ho-Soo Oh	• Former chairman of Korea Securities Dealers Association • Outside director of LS Networks • Advisor at Shin & Kim	• A member of Audit Committee
	Il-Jin Park	• Former chairman of Dow Chemical Korea • Chairman of IJ International Corp.	• A member of the Nomination Committee for Outside Directors
	Ki-Myung Nam	• Former minister of Government Legislation • Visiting professor of the Law School, Chungnam National University	• Newly appointed as a chairperson of Audit Committee on March 19, 2010
	Seung-Mo Oh	• Former Head of Growth Engine Project for Next Generational Battery • Professor of the School of Chemical and Biological Engineering, Seoul National University	• Newly appointed as a member of Audit Committee on March 19, 2010
	Kon-Sik Kim	• Professor of the School of Law/Graduate School of Law, Seoul National University	• The term of office was expired on March 19, 2010
	Young-Moo Lee	• Professor of the Department of Applied Chemical Engineering, Hanyang University	• The term of office was expired on March 19, 2010

EXPERTISE OF OUTSIDE DIRECTORS

LG Chem appoints outside directors through the Nomination Committee for Outside Directors to guarantee their independence and autonomy. The Nomination Committee, which is comprised of one inside and one outside directors, unanimously decides to recommend qualified candidates with expertise and impartiality, who then get formally appointed with an approval from the general meeting of the shareholders. Incumbent outside directors are assured of their say in the nomination process for new outside directors.

In order to secure expertise of outside directors, candidates for outside directors recommended are finance/accounting experts, specialists in specific areas, and former CEOs, and are finally appointed to outside directors by considering comprehensively independence from other management, individual competence, and global capacity.

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LG Chem is aiming to be a global leader growing with customers by providing innovative materials and solutions.

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AUDIT COMMITTEE

Audit Committee is a decision-making body that independently plans, conducts and evaluates internal audits. It is composed of legal, financial & accounting experts and specialists in specific areas, and with a view to secure transparency and independence from majority shareholders and the management, all three of the committee seats are filled with outside directors, so as to ensure audits are conducted thoroughly across the management.

Apart from quarterly committee meetings, the Audit Committee deliberates on important issues in real time when they arise. Especially, the committee is briefed on quarterly earnings performance and internal audit plans beforehand and deliberates on significant points of contention, faithfully fulfilling its role as a supervisory and monitoring mechanism on the management. In addition, the committee receives a statement of accounts regularly or irregularly from external auditors who function as an independent advisor to the committee on internal monitoring. External auditors are appointed after taking into consideration their expertise, impartiality and social reputation comprehensively.

Audit Committee's Activities in 2010

Unit: KRW million

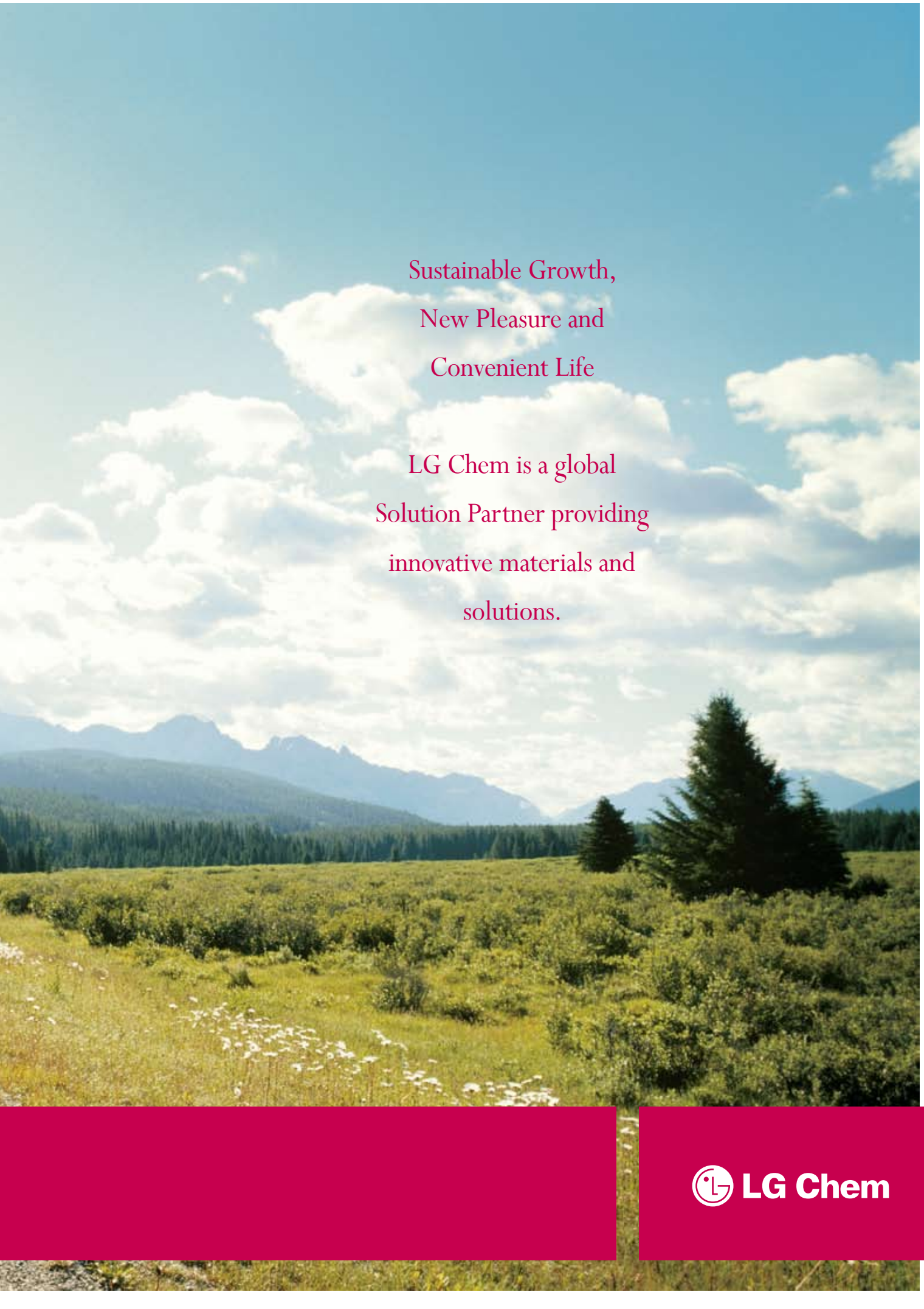
Category	Description	Remuneration	Remarks
Audit Service	• Audit and Review of 2010 Financial Statements and Consolidated Financial Statements	714	Total of 10,000 Hours Spent
Non-Audit Service	• Consulting Services Regarding Anti-Dumping, Trade and Acquisition • Support and Diagnosis for Tax Audit	565	

Track Records of Sustainability Management

With a strong commitment of top management, LG Chem has proactively carried out various activities based on environmental and social responsibility since 1990s. Backed by future-oriented decision-makings, we have achieved a remarkable progress in our business. Rather than a reactive response to social demands, we have been very aggressive in accepting social demands in attempts to secure a competitive advantage. As a result, we have hit a record high performance for four consecutive years and shared the economic performance with stakeholders. LG Chem will stay committed to decision-making that considers sustainability management first so as to transform into a global company growing with stakeholders.

	Sustainable Development	Major Sustainability Management Activities	Report Publication and Communication
2010~	• Announced LG Green Management 2020 • Broke the ground for an advanced battery plant in Holland, USA	• Included into DJSI[1] Asia-Pacific • Established an ERP[2]-based chemical substance management system • Completed the GHG inventory for Chinese plants • Winner of Korea CSR Award	• Published 2010 Sustainability Report in Korean, English & Chinese • Published 2009 Sustainability Report in Korean & English
2009	• Spinned off the industrial material division into LG Houses • Broke the ground for an electric vehicle battery plant (Ochang) and an advanced material complex (Paju)	• Included into DJSI Asia-Pacific • Got projects registered under the UN's Clean Development Mechanism(CDM[3]) and completed the GHG inventory for Korean plants • Winner of Korea's Most Admired Company Award · CEO Award	• Published 2008 Sustainability Report in Korean & English • Published the summary of 2008 Sustainability Report in Korean • Awarded a Grand Prize of Sustainability Report
2008	• Produced Elastomer	• Did pilot operation of internal credit trading • Did pilot disclosure of chemical emissions • Launched LG Chem Community Service Group and formed a social contribution dedicated team • Three Consecutive Year Winner of the Korea Management Awards -HR Management Category	• Published 2007 Sustainability Report in Korean & English • Conducted a Materiality Test for Sustainability Management
2007	• Acquired LG Petrochemicals • Launched the Building Integrated Photovoltaic (BIPV) business	• Deployed a web-based GHG management system and acquired a government certification on GHG reductions • Established a REACH[4] compliance system • Reduced pollutant emissions voluntarily at each plant • Launched a Build A Library of Hope campaign • Two Consecutive Year Winner of the Korea Management Awards -HR Management Category	• Firstly published 2007 Sustainability Report in Korean & English • Published 2006 Environment Report in Korean, English & Chinese • Conducted a stakeholder research of economic, environmental and social experts
2006	• Acquired LG Daesan Petrochemical	• Developed a rechargeable electric vehicle battery/high-efficiency battery/large-capacity solar battery • Approved as a CDM project and signed an agreement on internal credit trading system with KEMCO • Introduced SCM that reflects environmental regulations incl. RoHS[5] • Established the guidelines to practice Jeong-Do Management to ensure fair competition • Winner of the Korea Management Awards-HR Management Category	• Published 2005 Environment Report in Korean & English
2005		• Formed a Product Environment Task Force at a corporate level • Introduced an integrated risk management system (ERM) at a corporate level • Built the GHG inventory for Cheongju and Ulsan plants (for the first time) • Devised the guidelines to build eco-friendly supply chain and introduced an environmental performance evaluation system to Cheongju plant • Designated as an excellent company with new labor-management relations (by Ministry of Labor) • Launched a LG Chem Twin Engel Fund	• Published 2004 Environment Report in Korean & English
2004		• Launched an Employee Consultative Committee • Formed a Climate Change Task Force • Introduced a leak detection & repair system	• Firstly Published 2003 Environment Report in Korean & English
~2003	• Adopted a holding company system	• '03: Revised the regulations on privacy protection • '02: Introduced environmental accounting (Calculated environmental cost and investment at each location of operation) • '96: Rolled out a scholarship project to cultivate local talent in China • '95: Proclaimed a Jeong-Do Management, Declared Zero Pollutant Emissions • '93: Conducted Environment & Safety & Health Diagnosis under the initiative of HQs • '91: Launched an Environment & Safety Committee at a corporate level	

Underpinned by core values of 'Customer Value Creation', 'Execution', 'Mutual Respect', LG Chem set the vision of 'becoming a global leader growing with customers by providing innovative materials and solutions'. To realize the vision, we are working very hard in petrochemical and IT&E material businesses. At the same time, we are seeking balanced development of the economy, the environment, and society based on systematic and strategic sustainability management.


Sustainable Growth,
New Pleasure and
Convenient Life
LG Chem is a global
Solution Partner providing
innovative materials and
solutions.
LG Chem

SUSTAINABILITY MGT. STRATEGY& STAKEHOLDER ENGAGEMENT

Mechanism for Sustainability Management

LG Chem is heading toward a global leader growing with customers by providing innovative materials and solutions, while seeking sustainability management that considers stakeholders and performance significant in the entire business process.

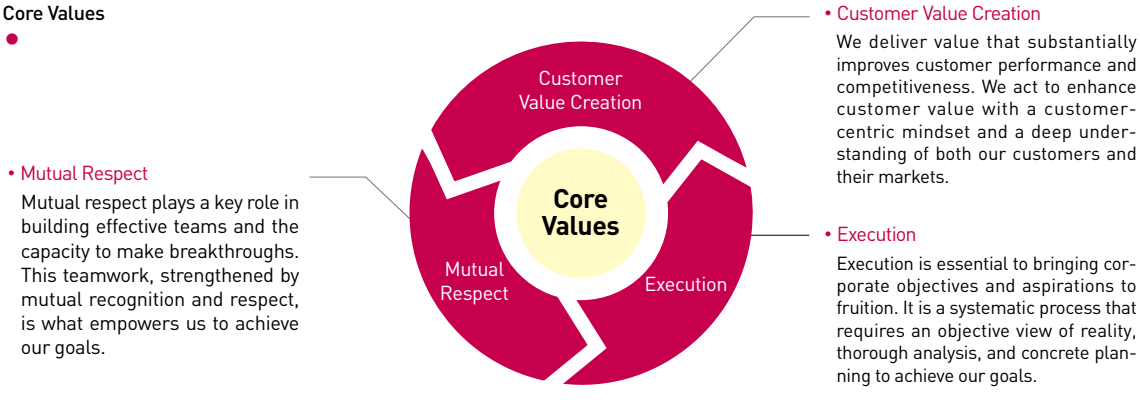
VISION FOR SUSTAINABILITY MANAGEMENT

Our vision is to become a global leader that grows with its customers through delivery of innovative materials and solutions. Achieving a shared growth with our customers through differentiated value offering is what defines the raison d'être of LG Chem and serves as a force that propels us to become a Global Leading Company. LG Chem will make dedicated endeavors to grow into a company that is trusted by customers, most favored by investors, preferred by the talented, and feared yet respected as a benchmark for competitors.

Core Values

Core values set the standards of conduct and judgment that every member of LG Chem must embrace to materialize the vision of the company. 'Customer Value Creation', 'Execution', and 'Mutual Respect' define the core values of LG Chem.

Core Values

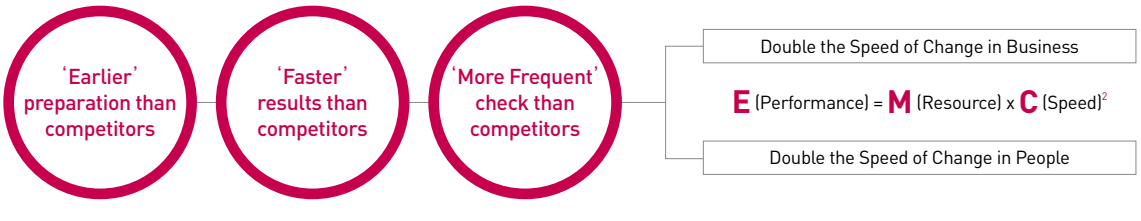


- **Customer Value Creation**
  We deliver value that substantially improves customer performance and competitiveness. We act to enhance customer value with a customer-centric mindset and a deep understanding of both our customers and their markets.
- **Execution**
  Execution is essential to bringing corporate objectives and aspirations to fruition. It is a systematic process that requires an objective view of reality, thorough analysis, and concrete planning to achieve our goals.
- **Mutual Respect**
  Mutual respect plays a key role in building effective teams and the capacity to make breakthroughs. This teamwork, strengthened by mutual recognition and respect, is what empowers us to achieve our goals.

Speed Management

Speed Management, a unique means to guiding implementation of LG Way in LG Chem, enables acceleration of strategy execution and organizational transformation with a focus on market and customer, to realize our vision as a Global Leading Company that delivers sustainable performance excellence. There are three core Speed Management initiatives- 'No.1 in Core Business', 'Customer Value Creation', and 'Global Organizational Capability'- of which are executed through an 'Earlier preparation than competitors', 'Faster results than competitors', and 'More Frequent check than competitors' approach. Speed Management requires us to concentrate on our core strengths to provide excellent performance. In business management, we are deploying the 'Core Focused Strategy' to focus our time and effort on our core, competitive business areas. In people management, we identify and further reinforce the strengths in our people. In addition, our people accumulate success experiences of achieving challenging goals with strong desire and through flow. By building up these success experiences, we are acquiring breakthrough capability that consistently creates excellent performance.

Speed Management



JEONG-DO MANAGEMENT

Jeong-Do Management is the way LG operates with an intention to create excellent performance by conducting ethical management and building up capacity.

Mechanism for Jeong-Do Management

History In 1995, LG officially declared Jeong-Do Management into which ethical management was materialized. Under a holding company regime launched in 2003, LG proclaimed LG Way in 2005, continuously implementing Jeong-Do Management.

CEO's Resolute Commitment Every employee at LG Chem shares the CEO s resolute commitment to Jeong-Do Management: "Don't be tempted to take shortcuts and play fair especially during tough times." "Build up global competitiveness in order to create sustainable performance by implementing ethical management and Speed Management which meet the standards of global company."

LG Code of Ethics LG established Code of Ethics as the principles that all employees use to guide their thinking and behavior.

Summary of Code of Ethics

Code of Ethics

- **Chapter 1 Responsibility and Duty to Customers** • Build customer trust by respecting customer opinions at all times and providing customer value continuously.
- **Chapter 2 Fair Competition** • Comply with laws and regulations at home and abroad, and secure competitive advantage in a fair manner.
- **Chapter 3 Fair trade** • Do every trade in a transparent and fair manner based on the principle of free competition which guarantees equal opportunity.
- **Chapter 4 Ethics of Employees** • Establish right values underpinned by integrity and fairness, and fulfill given responsibility through endless self-development and fair conduct of duty.
- **Chapter 5 Corporate Responsibility for Employees** • Respect and treat employees fairly based on abilities and performance, and encourage them to display their creativity.
- **Chapter 6 Responsibility to the Nation and Society** • Protect shareholders interest, and contribute to enriching the life of people and developing the society by growing into a sound company through reasonable execution of business.

Guidelines for LG Code of Ethics

- Explain about the principles for thinking and behavior for each item of Code of Ethics

Guidebook on Guidelines for LG Code of Ethics

- Describes the principles, action items, criteria for judgment and action principles which require detailed explanations

Jeong-Do Management

Ethical Management

Integrity We perform in a transparent manner in compliance with rules and principles.

Impartiality We are impartial and unbiased in our trade.

+

Capacity Building

Fair Competition We build capacity to play fair and win.

Jeong-Do Management Training in 2010
(Unit: person)

※ **Jeong-Do Management Training**
Online and offline trainings for Jeong-Do Management are available to all employees at home and abroad and suppliers in order for Jeong-Do Management to take root deep in our organization.

Organization

- **Ethics Office** Reporting directly to the CEO, the Ethics Office is mandated to prevent irregularities and wrongdoings, and to establish Jeong-Do Management fully as a corporate culture through a violation reporting system (ethics hotline, gift receipt reporting system), trainings, and promotional activities targeted at our employees and suppliers. Moreover, ethics offices which are set up at each plant and business division are working hard to practice Jeong-Do management in a customized manner.

- **Internal Audit Team** The Internal Audit Team is responsible for checking the implementation and the compliance of corporate policy, directives, regulations or management instructions so as to maintain a systematic management structure across the organization. With a mission to promote management rationalization, transparency and integrity, the team performs regular audits at every location of operation at home and abroad in accordance with a yearly plan.

- **Internal Audit Council** For ensuring impartiality in internal audit and investigation, LG Chem operates an Internal Audit Council as an independent deliberative body, comprising members with responsibilities for internal audits, legal affairs, HR (or labor-management relation) as well as the heads of ethics office at each location of operation.

Ethics Hotline The ethics hotline, a reporting system for violations against Jeong-Do Management, receives reports regarding those who take advantage of their position to engage in wrongful business conduct and bribery, along with any violations of the LG Code of Ethics. Informants can report the case on- and off-line, via telephone, fax, and post or visit in person. The confidentiality of the informants is strictly protected; however, if the informants suffer any disadvantage as a result, then actions are taken to reinstate their position or to offer due compensations.

Gift Receipt Reporting System No one at LG Chem is allowed to accept gifts or money from any stakeholders under any circumstances and is expected to politely refuse or return any gifts offered. If an employee finds it extremely rude or practically impossible to return the gift or money, then he or she must voluntarily report the case to the Ethics Office within three working days as per the reporting guidelines and submit the received gift or money to the company. Such reported goods are then converted into cash through internal auctions and donated to social welfare facilities for a worthy cause.

Jeong-Do Management Pledge Everyone at LG Chem and suppliers sign up to the Jeong-Do Management Pledge every year via online, to pledge their commitment to complying with the LG Code of Ethics and Jeong-Do Management.

Jeong-Do Management Survey We commission the LG Economic Research Institute, a specialized research institute, to conduct surveys on our executives and employees with a view to gauge the level of their awareness about Jeong-Do Management, and to identify areas for improvement. The outcomes of the survey are shared with everyone at LG Chem through our company newsletters. Similarly, the Institute also carries out an annual survey of our suppliers about their current practices of Jeong-Do Management and improvement plans to promote fair trade and build win-win partnership.

CHINA

Jeong-Do Management at Chinese Subsidiaries

Comics on Jeong-Do Management
Comics on mechanism for Jeong-Do Management are created and distributed to Chinese subsidiaries to help employees understand the concept of Jeong-Do Management.

Jeong-Do Management Card
All employees at Chinese subsidiaries are recommended to carry a Jeong-Do Management Card which is in the same size as a credit card with the description of concept of Jeong-Do Management on it.

Jeong-Do Management Pledge for Employees

Jeong-Do Management Pledge for Suppliers

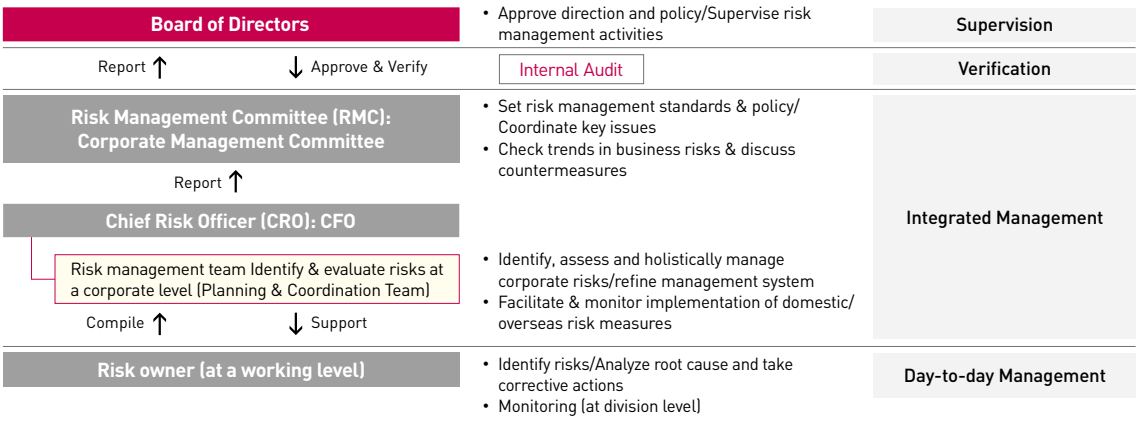
RISK MANAGEMENT

Risk Management System

Our risk management system has three tiers-routine management by the risk owners (1st tier); integrated management by the risk-managing organization (2nd tier); and the supervisory function of the Board of Directors (3rd tier). For integrated risk management, a dedicated risk management team provides necessary guidelines and forms for each risk, consolidates the results and reports to the Risk Management Committee (RMC). For those risks that are likely to affect our business, the team analyzes the risks in terms of size, duration and contingency scenarios if a need arises. Our Internet portal called Elian supports up-to-date information and data for our employees and executives. For example, daily business performance (e.g., sales, production, and working capital) is offered to the senior management through the Executive Information System (EIS) and market trends and reports through Global Market Intelligence (GMI[6]) to ensure a prompt response to predicted risks.

GMI (Global Market Intelligence)

Risk Management System



Follow-Up Activities for Risk Management

Internal Audit When a major risk occurs at a corporate level, we promptly conduct internal audits and take bold follow-up actions across organization when deemed necessary, to prevent recurrence of similar risks in the future.

Infrastructure Review We have realigned operational discretion of domestic companies and overseas subsidiaries to clarify their operational responsibilities and authorities, and raise efficiency.

CAPEX Auditing We check investment initiatives completed within the recent 3 years to gauge whether they are on track for revenue, income and CAPEX targets, and capture any deviating factors to enhance investment effectiveness. Such follow-up audits, targeting at those projects approved by the Corporate CAPEX Committee, are performed for three years regarding investment initiatives that come to completion in the last 3 years. Actual investment performance is measured against key factors (i.e., sales, operating income, investment cost and duration) and analyzed vis-à-vis initial plans. A project whose scores come below 80 (on a scale of 100) is deemed to be off-track and thus, a countermeasure for putting it back on track is discussed.

Insurance Risk Management

Stronger Insurance Risk Management (RM) LG Chem has strengthened insurance RM activities at every locations of operation since 2009 when a cross-functional team which involves Environment Safety Team and Finance & Accounting Team at a corporate or plant level and Marsh Risk Consulting was formed. Insurance RM divided into three levels - Basic, Enhanced, high - was mainly focused on processing lines in Ochang and Cheongju in 2010. In 2011, we plan to apply risk management guidelines to processing lines in Ochang plant and new & expanded LCD Glass lines and conduct RM activities for Yeosu and Daesan plants such as risk analysis, adequacy review of fire protection equipment and establishment of risk management guidelines.

Internal Control System

Need and Significance of Internal Controls An internal control system refers to a series of activities led by the board of directors, top management and concerned employees to assure reasonable confidence in achieving the following three objectives: ensuring corporate operational effectiveness and efficiency; financial data reliability; and legal and policy compliance. It provides assurance on corporate financial statements to remove public distrust and elevate management accountability to earn confidence from investors.

Operation of Internal Control System Our CEO/CFO certification project and internal control evaluation system launched in 2004 are utilized to raise the reliability of financial reporting and capture opportunities for improving our work process based on a constant emphasis on training and education. In line with the application of Korea International Financial Reporting Standards (K-IFRS[7]), we are strengthening internal control activities of overseas subsidiaries. As part of this effort, we have made an internal control system available both in English and Chinese to help local employees actively get involved in internal control activities. Evaluation results are then reported to the BOD and the Audit Committee, and get reviewed and certified by the Audit Committee and external auditors.

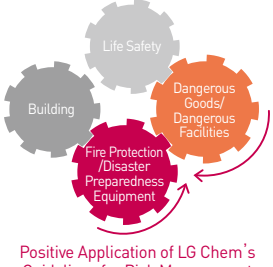
Organization

Category	Roles & Responsibilities
BOD/Audit Committee/ Management	Foster an environment conducive to control, review and approve evaluation results
Internal accounting controller	Appoint CFO as an internal accounting controller in 2004 to operate the internal accounting control system
Line departments	Conduct risk assessments in team activities, design control initiatives, and execute self-diagnosis and improvement initiatives
Internal control department	Design/operate the internal accounting control system, evaluation, documentation and testing

Ex Post Management

Category	Roles & Responsibilities
Reporting	Audit Committee/BOD (annual), external auditor/Jeong-Do Management Task Force (annual)
Feedback	Use the feedback from evaluation to facilitate improvement activities of line departments
Improvement	Improvement plans and initiatives taken to follow up on the evaluation results

Guidelines for Risk Management



Positive Application of LG Chem's Guidelines for Risk Management

Reduction in LG Chem's Total RM Cost

The Purpose of Internal Control System

Internal Accounting Control System

- Effectiveness and efficiency of corporate operation
- Financial data reliability
- Regulatory and policy compliance

History of Internal Control System

COMPLY (2004-2005)

- CEO/CFO certification projects
- Company-wide internal control assessments
- Revision of internal accounting control rules
- Key process diagnosis and improvement initiatives

IMPROVE (2006-2007)

- Systematic set-up of internal control assessment procedures
- Increasing efficiency in internal control assessment & improvement initiatives
- Key business diagnosis and process improvement
- Capacity building for internal controller

TRANSFORM (2008-2010)

- Online training
- Upgrading control specifications
- Strengthening internal controls at overseas subsidiaries
- Making an internal control system available both in English and Chinese

Major Risk Management Issues in 2010

Business Risks

- Sales & production risks

Category	Description
Issues	• Prolonged instability amid economic recovery across the board. • Launch of petrochemical products produced in new & expanded lines in the Middle East and China, and strong value of Won (KRW).
Monitoring Activities	• Check & respond to risks early, fast, and real-time based on Speed Management. • Analyze changes in business landscape when establishing mid-to long-term strategy (1H) and business plans (2H); discuss countermeasures; and develop contingency plans per scenario regarding key indicators like oil prices and exchange rate to minimize external risks. • Monitor short-term risks monthly when making a report on estimated P&L over the next three months. • Discuss product-specific issues and market prospects monthly when making a report on closing accounts. • Examine management performance quarterly; discuss issues at working capital meetings on a frequent basis.

Investment Risks

- Changes in the business climate for target investments, cash flow risks

Category	Description
Issues	• Push ahead with large-scale CAPEX in new business such as LCD glass substrate and advanced batteries.
Monitoring Activities	• Minimize investment risks through organizing investment Subcommittees for each business area, Corporate Capex Committee and corporate investment TFT if needed. • Report to the Corporate Management Committee on the investment progress once every 6 months Use green/yellow/red to evaluate key investments after 6 months from the approval of the Corporate Capex Committee based on investment cost and Key Risk Indicators (KRI)[3], and use the result as an input to interim decision making including adjustment of investment timing.

Indirect Risks

- Risks that need to be controlled at the staff-level, such as legal system, accounting & finance, and HR

Category	Description
Issues	• Realign our financial settlement and management accounting system with the introduction of IFRS in 2010. • Recruit and develop human resources to support new business development.
Monitoring Activities	• Through monthly corporate staff meetings, executives get together to formulate countermeasures to deal with exchange rate issues, interest rates, accounting standard changes as well as legal disputes. • In-depth discussions at monthly manager meetings chaired by the CFO (CRO), regarding management planning, accounting, finance and legal matters. • Discuss HR agendas in-depth monthly through HR Development Committee.

Non-Financial Risks

- Risks that need to be controlled at non-financial sectors

Category	Description
Major Action Plans	• Formulate a loss model for each location of operation based on the results of maximum foreseeable loss review and due diligence. • Verify the performance adequacy of fire protection equipment through document review, actual test, and hydro-dynamic calculation, computer simulation as part of fire protection adequacy review for a given location of operation, and identify areas for improvement and do a cause analysis to devise actions plans. • Compare the current status of RM with the global standards based on the risk analysis of a given location of operation and discuss a plan for standard procedure for RM so as to develop our own risk management guidelines and loss control guidelines.

CORPORATE CULTURE

The Direction for Corporate Culture Innovation

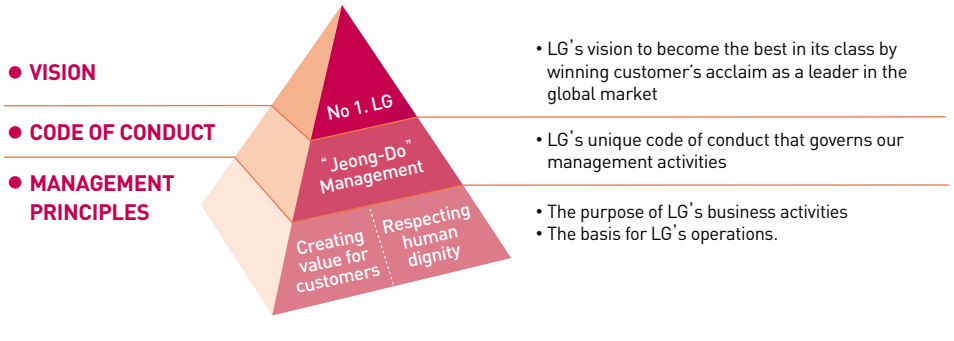
LG Chem is encouraging employees to create a creative and autonomous corporate culture based on LG Way, the principles on which LG employees base thinking and behavior. Such work environment helps employees at LG Chem to strengthen global organizational capacity and further to create excellent performance. With the belief that each and every employee is the source of differentiated competitiveness, we are intent on embeding Speed Management based on LG Way and core values into the organization so as to innovate corporate culture. To this end, we are attempting to look into the future and make preparations earlier, focus on core business and produce outcomes faster, and do check more real-timely so as to achieve goals. In order to ensure faster achievements, LG Chem has conducted an innovation campaign for Reporting/ Meeting/Leaving the Office Culture since 2006.

People change themselves when they experience achieving a challenging goal firsthand. To make it possible, LG Chem is supporting employees in identifying and developing their strengths based on trust among employees so that they can feel fun and get more engaged in their job. In this environment, employees are able to display their creativity and make an achievement repeatedly based on the rewarding experience.

Corporate Culture Innovation Activities

LG Chem keeps providing all employees with education & training to share and embed core values including concepts, significance and correlation of LG Way and Speed Management in the organization. A leadership Development Program has been continuously provided to team leaders with an intention to maintain and enhance high interest and commitment to corporate culture. In addition, leadership workshops are used as a venue for executives and team leaders to identify and share the progress and best practices of Speed Management and to enhance the capacity to get it done. In an effort to improve corporate culture innovation activities, diverse surveys of corporate culture (e.g. LG Ways Survey, Leadership Survey, and Survey of Reporting/ Meeting/Leaving the Office Culture) and interviews of employees have been conducted and analyzed, and action plans for improvement have been devised and executed under consultation with each division. Since 2006, we have operated the guidelines for drafting a report, sharing agenda and materials prior to meetings as part of the innovation campaign for Reporting/Meeting/Leaving the Office Culture, thereby creating a work environment where unproductive practices are eliminated and core activities are more focused. We also emphasize the importance of self-development and the work & life balance, encouraging employees to leave the office for the day on scheduled time to spend after-work time in refreshing and developing themselves.

The LG Way includes LG's core beliefs, values, and aspirations. It illustrates a vision that guides the thoughts and actions of LG employees in attaining the ultimate goal of becoming a "No. 1 LG." The LG Way is reached through the practice of "Jeong-Do" Management and LG's management principles, "Creating value for customers" and "Respecting human dignity."



Stakeholders Participation

LG Chem is implementing LG GREEN 2020 STRATEGY as a member of LG family. We conducted a stakeholder interview in efforts to review sustainability management performance made last year and then set a direction for long-term sustainability management.

STAKEHOLDER INTERVIEWS

Managing Director of LG Economic Research Institute
Oh Moon-Suk

"LG Chem's sustainability management performance is a valuable outcome based on balanced commitment to Business Activities and Social Responsibility."

Q1 LG announced LG GREEN 2020 STRATEGY which contains strong commitment to green management in April 2010. Would you briefly introduce LG GREEN 2020 STRATEGY?

● LG GREEN 2020 STRATEGY is a LG's management philosophy declared in April 2010, which contains its strong commitment to sustainability management by aggressively responding to climate change and pursuing green growth. The gist of LG GREEN 2020 STRATEGY is LG will invest a total of KRW 20 trillion in R&D for green projects and related facilities, and LG will focus on three major tasks: Create a Green Workplace, Expand New Green Products, and Strengthen New Green Business.

Q2 Then, what made LG adopt the strategy?

● The background behind the strategy can be explained from the two aspects: the first is the aspect of management principle Customer Value Creation. LG is striving to create customer value which reflects ever-increasing interests and needs that stakeholders have in the environment and energy. The second aspect is strategic acceptance of social demands. Since stakeholder value is directly connected with corporate value, companies cannot grow without accepting social demands and the society grants a more important role to companies which link profit generation with customer value. LG is well aware that responding to social demands reactively is not enough to become a top-tier company. In this sense, LG believes that it is very significant to find out a way to fulfill corporate social responsibility in the mid- to long-term.
LG GREEN 2020 STRATEGY is LG's commitment to pursuing corporate growth while fulfilling social responsibility. It also includes specific tasks such as resolving environmental issues, developing technology, reducing green house gas emissions, launching new green products and expanding new green business, which require LG to do more than reactive response.

Q3 What roles should LG Chem play in implementing LG GREEN 2020 STRATEGY?

● LG Chem is taking a significant role in implementing LG GREEN 2020 STRATEGY. When it comes to petrochemicals, in particular, LG Chem is requested to take more part in implementing the strategy because of the use of fossil fuel which are directly associated with GHG emissions. Therefore, LG Chem needs to conduct

LG Chem will strive to remain as a socially responsible corporate citizen by actively taking your opinions into consideration.

diverse innovation and technology development activities, and to change product portfolio.
To this end, LG Chem plans to invest in new manufacturing method and process innovation to reduce GHG emitted from its petrochemical plants. LG Chem is nurturing the IT&E material business such as rechargeable batteries and polarizers as a new business, producing remarkable results. Currently LG Chem is globally ranked no. 3 in the rechargeable battery and no. 1 in the polarizer. Especially in 2010, LG Chem broke the ground for an electric vehicle battery plant in Holland, Michigan, USA, and signed a purchase and supply agreement with global customers such as Ford and Renault, which implies that its electric vehicle battery technology is globally recognized. Likewise, its response to climate change and its drive for new renewable energy business are serving as a new growth opportunity, making it possible to realize LG GREEN 2020.

Q4 Just as LG Group is preparing for the future through sustainable growth, many companies around the world are pursuing sustainability management. How do you see the current trends of sustainability management and how should companies make preparations?

● The global trend of sustainability management is that companies should seek environmental soundness and social responsibility in harmony with economic profit. This means that companies can realize sustainability management only when they are committed to corporate social responsibility, not to mention business. In other words, companies can survive sustainably when creating performance according to business strategic directions is perfectly balanced with fulfilling corporate social responsibility.

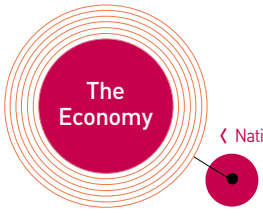
Q5 From the perspective of the balance between creating economic performance and fulfilling social responsibility, how do you evaluate sustainability management activities made by LG Chem so far?

● Last year, LG Chem achieved a record high of KRW 2 trillion in net income. It was made possible because LG Chem spared no effort to secure cost competitiveness in the petrochemical business through expansion of the portion of premium products and drive for energy saving. It was also because of its business commitment to strengthening its global market dominance in LCD polarizer and small battery businesses.

LG Chem is also recognized as a leader at home and abroad in terms of response to environmental issues. With mid- to long-term environmental strategies in place earlier than others, LG Chem has implemented environmental management. Last year LG Chem deployed an integrated system to manage chemical compositions of raw & sub-materials and products in order to secure environmental stewardship of products and control hazardous chemical substances more strictly. This system was extensively applied to suppliers, thereby establishing a close cooperative regime to deal with environmental issues. LG Chem is also making investment in innovating process and technology to reduce GHG emissions, with recognition that response to climate change is a significant challenge. At the same time, LG Chem is carrying out social contribution activities in four key areas: education, welfare, local community support, and overseas social contribution from the perspective of creative capitalism moving beyond one-time donation or charity. It is worthy to note that LG Chem is leveraging its expertise as a petrochemical company to redouble the impact of education projects and actively engaging in diverse programs to contribute to the development of host countries, not just considering them as a production or sales base.
LG Chem strongly believes that sustainability management is essential to corporate management and LG Chem's sustainability management performance is the valuable results of its balanced commitment to social responsibility and business activities. I wish that LG Chem's sustainability management activities will help create synergies not only in the LG Group but also across the industry.

FEEDBACK FROM STAKEHOLDERS

LG Chem has been always making efforts to communicate to diverse stakeholders sustainability management activities and performance in the areas of the economy, the environment and society in a transparent manner. As part of such efforts, we had the draft of 2010 Sustainability Report reviewed by outside stakeholders who have expertise in the areas of the economy, the environment and society. Based on their feedback, the contents of the report are supplemented and any feedback not reflected in the report will factor in the next sustainability report.



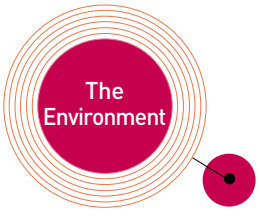
〈 National Information & Credit Evaluation, Inc. 〉
Mi-Kyung Song, Researcher

- **Business strategies presented in this sustainability report are well linked with sustainability management policy. Generally, business strategies such as diversified business portfolio, future-oriented product portfolio are in line with sustainability.**

Reasons behind key economic performances are specifically explained in the report, which make it easier to understand economic performance. However, given that the report can help paint a big picture of how the company operates, it is necessary to cover economic performance more significantly and visualize information such as market share and sales trends of key products in a catchy way in order to help understand economic performance.

As far as economic performance concerned, recent achievements are truly outstanding; however, it is worthy to note that LG Chem has been working intensively to strengthen its market leadership in the existing business and at the same time make its way into the future oriented business, not focusing on short-term performance which is vulnerable to industrial change.

At a time when the Chinese business is taking on more significance in the company, it is very encouraging to see that sustainability management of Chinese subsidiaries is more substantially addressed in the report. If the coverage of Chinese subsidiaries goes beyond the simple introduction of Chinese business to describe the overall situation of Chinese subsidiaries including economic performance, it will be very helpful to understand the sustainability management of LG Chem.



〈 Korean Federation for Environment 〉
Chang-jae Park, Director

- **Significant progress has been made in the 2010 Sustainability Report. LG Chem shows its strong commitment to global sustainability management by describing sustainability management performance made by Chinese subsidiaries, and key performances in areas of the economy, the environment and society are very well addressed. We are able to see remarkable sustainability management performance in the report.**

LG Chem established an advanced chemical substance management system. It was an epoch-making event which implies LG Chem's commitment to respond proactively to global environmental trends and regulations. Such commitment is also confirmed by the fact that LG Chem has continued to produce positive outcomes with high interest in energy consumption and climate change. LG Chem's effort to reduce energy consumption and increase energy efficiency will be highly evaluated.

In the 2010 report, environment & safety performance which has a significant impact on internal and external stakeholders also deserves attention. Presentation of environment & safety activities and performance as well as company policies declared helps raise the reliability of environment & safety performance in the report.

The world is around corner where no company grows into a global company without pursuing sustainability management. It is true that LG Chem is currently taking a leadership role in implementing sustainability management; however it is recommended to take environmental management verification in an effort to create better green management performance.

LG Chem will supplement the contents of the report based on feedback from outside stakeholders in economic, environmental and social areas. LG Chem will make further efforts to take stakeholder interests into account in a more systematic and faithful manner.

It won't be easy to volunteer to disclose most of the business information and have environmental management across the board verified in order to get consultations. However, independent verification on environmental management will bring more-than-expected benefits to the company. Because environmental management objectively verified and transparently disclosed to stakeholders will be a starting point for sustainability management. We hope LG Chem will become a more trusted and respected company.

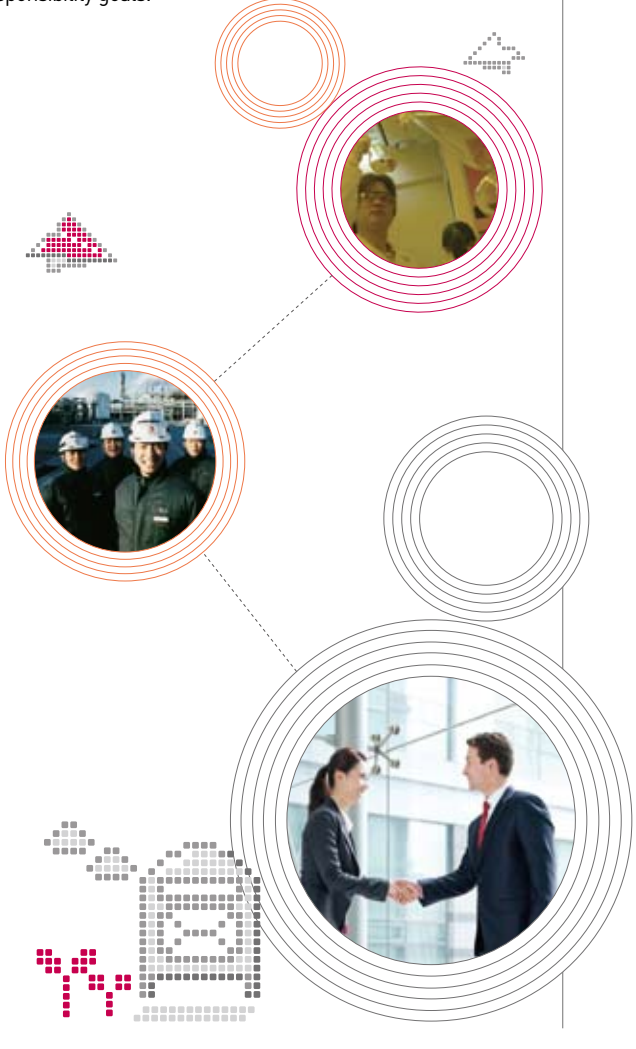
Society

〈 Center for Corporate Social Responsibility 〉
Yong-Goo Kim, Director

- **LG Chem 2010 Sustainability Report covers almost all issues raised in ISO 26000 Core Subjects excluding human rights in the sections of Governance, Green Management, Product Liability, Labor-Management Collaboration, Supplier Partnership, and Social Contribution.**

If human right issues mentioned in the section of Jeong-Do Management are addressed more specifically (e.g. human rights policy, geographical coverage, declaration of support to relevant initiatives, accountability, monitoring, and performance disclosure), the quality of this report will be much improved.

In the ISO 26000 Guidance on Social Responsibility published in November 2010, Organizational Governance is the most crucial factor to make and implement decisions based on defined structures and processes regarding six core subjects – human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development - and the participation of stakeholder is stressed in the process of dealing with above issues.
This LG Chem Sustainability Report covers the independence and transparency of governance structure, supportive organizations, and decision-making process. However, it is recommended the descriptions on how they work for each core issue be added in the next sustainability report. Examples are: the presence of board of directors or any organization under the BOD for internal stakeholder issues (training & education, health and safety) and for external stakeholder issues (customers, suppliers and local communities), accountability & remuneration, performance monitoring system. Additionally the participation of stakeholders in the process of formulating policies and monitoring performance for each core subject needs to be more elaborated to help understand corporate social responsibility that LG Chem has fulfilled in a more clear and accurate manner.
On the other hand, the substantial coverage of corporate social responsibility made by Chinese subsidiaries in the 2010 report shows LG Chem's commitment to practicing corporate social responsibility strategies and core subject issues equally at all locations of operation including suppliers and overseas subsidiaries even in developing countries. I hope that LG Chem will continue to extend the scope of reporting so as to facilitate the implementation of corporate social responsibility in suppliers and developing countries. Lastly, I believe that the process of checking the contents of the report with ISO 26000 Core Subject issues helps raise the awareness of social responsibility issues and encourage the participation of employees. I hope that building on this experience, LG Chem will establish a corporate culture to set and achieve higher social responsibility goals.



MATERIALITY TEST

LG Chem recognizes this sustainability report as one of the most important channels to communicate with stakeholders. With it in mind, we conducted materiality test in order to identify issues that are important to our stakeholders and the company, and to reflect the findings in the report. During the materiality test process, we performed an intensive review on key information that sustainability management consulting firms and financial institutions requested LG Chem to disclose. We also looked into the social & environmental impact of our business activities based on ISO 26000 Guidance on Social Responsibility and the outcomes of stakeholder communication undertaken by each of our business divisions.

Materiality Test Process

1. Collect Stakeholder Opinions	2. Review and Identify Issues	3. Materialize the Report	4. Review by Third Party Expert	5. Verify and Review
• Collect feedback on 2009 Sustainability Report • Analyze issues of interest to stakeholders	• Analyze key items of GRI index, DJSI, EICC, KRX SRI, ISO 26000 • Conduct a comparative analysis of strategic directions and management system • Identify issues to be addressed in the sustainability report	• Define the structure of the report • Confirm the scope of reporting • Materialize the contents of reporting.	• Collect and Reflect opinions on sustainability management and sustainability report from third party experts	• Have the report verified by an independent organization and reviewed by a sustainability management expert to secure accuracy and reliability of sustainability reporting

Collect Opinions from Stakeholders Our team responsible for publishing a sustainability report collected feedback on 2009 sustainability report to identify areas to be improved in the 2010 sustainability report. They also shared the findings of previous materiality tests and stakeholder activities with a task force composed of concerned people from each business division. Furthermore we benchmarked other companies sustainability report to identify issues of interest to stakeholders.

Review and Identify Issues We analyzed issues identified based on external guidelines and evaluation criteria to categorize them by the economy, the environment and society. Then we defined the scope of sustainability reporting via a comparative analysis against our business strategies, Jeong-Do Management, environmental management system, and human rights and labor regulations, and taking into consideration significant internal issues.

Materialize the Report Taken all together, we defined the structure of 2010 sustainability report and materialized the contents in the report in discussion with members of the task force.

Review by Third-Party Experts We collected and reflected opinions on our sustainability management and sustainability report from third party experts from the areas of the economy, the environment and society.

Verify and Review We had the report verified by an independent organization and reviewed by a sustainability management expert in an effort to secure reliability and transparency of sustainability reporting, thereby providing accurate information to stakeholders. After going through this process, issues which have a significant impact not only on corporate business but also on stakeholder interest were reflected and disclosed in the 2010 sustainability report in a systematic manner.

Key Stakeholder Communication Activities

Category	Activities
Shareholders & investors	Corporate IR, financial disclosure, credit evaluation
Employees	Labor-Management council, customer satisfaction survey
Customers	VOC process, customer satisfaction survey, PL monitoring
Local communities	Education, social service projects, community outreach
Citizens	Website, company newsletter
Suppliers	Presentations for suppliers, management/technical support programs

※ Six stakeholder groups are those groups that impact and are impacted by LG Chem, identified in the process of analyzing sustainability management issues in early 2009, with assistance from external research firms. Significance of each stakeholder group was taken into account from an internal perspective and equivalent weights were assigned to each group for evaluation and selection.

When it comes to sustainability management,
LG Chem identified three focus issues:
New engine for future growth,
Demand for eco-friendly management, and
Social trust and communication.

FOCUS ISSUE 1, 2, 3

The Economy
The Environment
Society

FOCUS 1 The Economy
Produce Electric Vehicle Batteries

FOCUS 2 The Environment
Establish a Chemical Substance Management System

FOCUS 3 Society
Build a Library of Hope

PRODUCE ELECTRIC VEHICLE BATTERIES

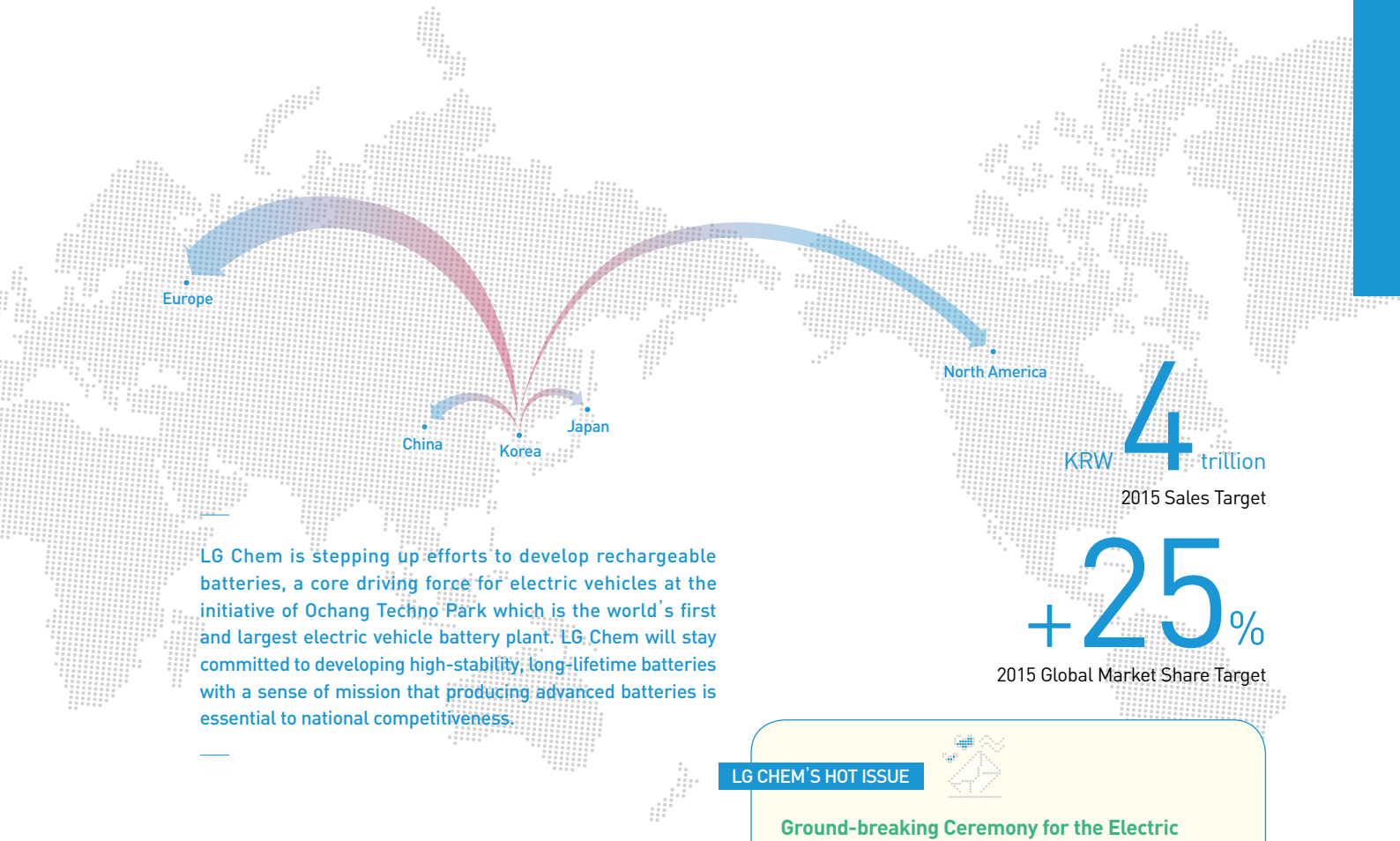
1 ECONOMIC ISSUE

The Electrical Vehicle Battery Business Contributing to Sustainable Development

Building on its rechargeable battery technology, LG Chem has developed advanced electric vehicle batteries which is a core part to realize the era of electric vehicles. Currently companies around the world are competitively preparing for the era of electric vehicles in response to reduction of GHG emissions and depletion of oil resource. We have been intent on developing advanced batteries since 2000 when we founded an overseas subsidiary called Compact Power Incorporate (CPI) in USA which is dedicated to R&D for electric vehicle batteries. Since 2004, we have won a project three times from the US Department of Energy (DOE) and the US Advanced Battery Consortium (USABC) which is made up of GM, Ford and Chrysler. As a result, our technology was highly valued and we built a close collaboration with the US government and automotive industry. The year 2010 was a meaningful year when our hard work produced a tangible result and our technology was globally recognized.

Thanks to our technological competitiveness which is characterized as high output, high energy, long lifetime as well as safety, we were honored to receive a presidential award at the 1st National Green Tech Award hosted by the Korean government. We signed a purchase & supply agreement with a total of 10 customer companies including Hyundai & Kia Motors, GM, Renault, and Ford. We are also speeding up the construction of plants at home and abroad to improve the supply responsiveness of the batteries. Battery cell production lines are under construction in Ochang Techno Park in Korea and in Holland, Michigan, USA, with a total investment of KRW 2 trillion by 2013. If the investment is completed in 2013, we will have the capacity to produce battery cells for more than 350,000 units of electrical vehicles.

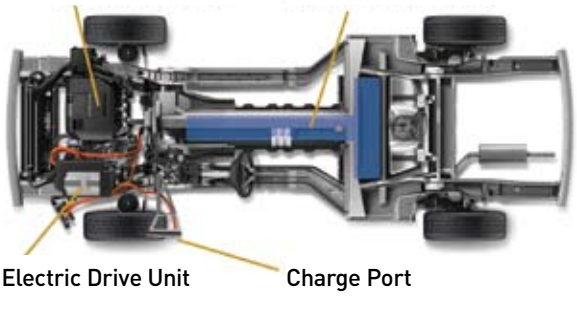
LG Chem is stepping up efforts to develop rechargeable batteries, a core driving force for electric vehicles at the



KRW 4 trillion
2015 Sales Target

+25%
2015 Global Market Share Target

LG Chem is stepping up efforts to develop rechargeable batteries, a core driving force for electric vehicles at the initiative of Ochang Techno Park which is the world's first and largest electric vehicle battery plant. LG Chem will stay committed to developing high-stability, long-lifetime batteries with a sense of mission that producing advanced batteries is essential to national competitiveness.



initiative of Ochang Techno Park which is the world's first and largest electric vehicle battery plant. LG Chem will stay committed to developing high-stability, long-lifetime batteries with a sense of mission that producing advanced batteries is essential to national competitiveness.
On top of the establishment of stable production system, we continue to make R&D investment and secure additional customer base in order to widen the gap with our competitors so as to strengthen our no. 1 position in the global market. At the same time, we set a goal of KRW 4 trillion of sales and 25% of global market share by 2015. We currently focus on automotive companies in Europe, North America and Japan where the electric vehicle industry is expected to grow fast, while aggressively making our way into the Chinese market. In days to come, we will remain committed to eco-friendly demands of the market based on innovative materials and strong production capacity so as to become a company spearheading the realization of the era of low carbon green vehicles.

LG CHEM'S HOT ISSUE

Ground-breaking Ceremony for the Electric Vehicle Battery Plant in USA

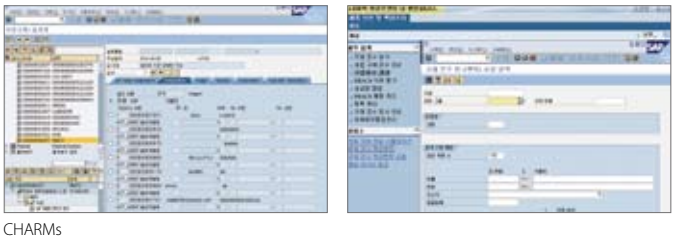
LG Chem held a ground-breaking ceremony for the electric vehicle battery plant in Holland, Michigan, USA with the attendance of U.S. president Barack Obama, Michigan governor Jennifer Granholm, LG Group chairman Koo Bon-Moo, LG Group vice-chairman Kim Bahn-Suk on July 16, 2010.

A total of US$ 300 million will be invested in phases for the construction of electric vehicle battery plant in the area of 120 acres (app. 500,000m^2) in Holland, Michigan by 2013 and it is expected to bring about 500 new jobs.

The Holland plant will serve as a milestone for LG Chem growing into a global leader in the electric vehicle industry, backed by excellent technology and be developed into a great workplace where all employees feel proud and confident, and have fun.
The participation of US president Barack Obama in the ground-breaking ceremony of foreign company, not US company was very unusual, which implied that the LG Chem's technology was globally recognized and how significant the US government considered the eco-friendly electric vehicle battery industry.

2 ENVIRONMENTAL ISSUE

ESTABLISH A CHEMICAL SUBSTANCE MANAGEMENT SYSTEM



CHARMs

LG Chem deployed a more advanced, ERP-based chemical substance management system to ensure environmental stewardship of products and more stringent management of hazardous chemical substances. With the integrated system in place, LG Chem is able to control the chemical compositions of all raw and sub-materials and products.

An ERP-Based Chemical Substance Management System

LG Chem deployed a Chemical Assurance and Regulation Management System (CHARMs[9]) in 2010. Since then the ERP-based system has been intensively utilized to guarantee the compliance of environmental regulations such as REACH and RoHS, and to check the contents of hazardous substances.

CHARMs is closely interfaced with a corporate ERP system, which makes it possible to integrate chemicals management spanning across the entire business process from procurement, receipt of goods, production to shipment. In other words, the supportive work for chemical substance management and environmental regulation compliance is added into each module of enterprise resource planning (ERP), which allows various departments, not to mention departments in charge of environment and safety to work together in an organic manner.

With CHARMs in operation, LG Chem is armed with one of the strongest tools to collect in real time the details of all chemicals to be received and the compositions of all products to be shipped, and to process and search statistics in a speedy and quantitative manner. Backed by the system, LG Chem is capable of responding to environmental demands of diverse markets strategically and promptly.

Mechanism for Chemical Substance Management and Collaboration within the Supply Chain

LG Chem conducted a material composition survey in 2010 to manage materials strictly and to ensure environmental stewardship of products across the entire production process. It was intended to establish a collaborative mechanism which extended to suppliers in the supply chain to build a close cooperation in response to environmental regulations. The material composition survey was proceeded with linkage to CHARMs.

LG Chem successfully introduced PDF form and web-based service to ensure more efficient exchange of information with suppliers without undermining accessibility and security of suppliers, and at the same time provided training and coaching on environmental regulations to enhance collaboration in the supply chain.

These efforts enabled LG Chem to raise awareness of environmental regulations and chemicals management not only in the company but also in the suppliers. Furthermore, another module to issue a written guarantee and to search chemicals management data in real time was added to CHARMs in an effort to improve the environmental competitiveness of our supply chain across the board.

LG Chem's Material Composition Survey

BUILD A LIBRARY OF HOPE

3 SOCIAL ISSUE

The Build a Library of Hope project provides a venue for the youth to build up their dreams and for local residents to exchange information and culture. LG Chem is preparing for a better future with continuous interest and affection toward the youth and local communities.

11

Libraries of Hope across the nation

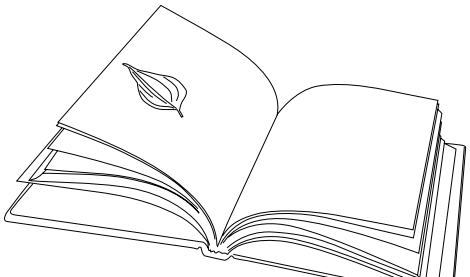
The Progress of Build a Library of Hope Project

Year	School	Area	Beneficiary Students (Persons)
2007	Mipyong Elementary School	Yeosu, Jeonnam	1,240
	Hwayang Elementary School	Yeosu, Jeonnam	83
2008	Daejin Elementary School	Seosan, Chungnam	473
	Seokam Elementary School	Iksan, Jeonbuk	81
	Naju Elementary School	Naju, Jeonnam	1,579
2009	Oksan Middle School	Cheongwon, Chungbuk	367
	Bongjeong Elementary School	Chungju, Chungbuk	1,570
	Wadong Elementary School	Daeduk, Daejeon	728
2010	Dongshin Elementary School	Gimcheon, Gyeongbuk	1,255
	Wolrung Elementary School	Paju, Gyeonggi	80
	Don Bosco Youth Center	Yeongdeungpo, Seoul	300
11 Schools in 10 Areas			7,756

Partnership with Local Communities through a Build a Library of Hope Project

LG Chem has implemented a project to build a library of hope with a total budget of KRW 360 million a year since 2007 with a goal of developing a reading culture for the youth who will play a leading role in the future, and providing a cultural venue to local residents who are culturally marginalized. In 2010 we opened a library in Dong-Shin Elementary School in Gimcheon, Wolrung Elementary School in Paju, and Don Bosco Youth Center in Yeongdeungpo. In particular we have extended the scope of this project to middle schools to reach out to the youth in wider age groups since 2009.

This project has been conducted in collaboration with the Book Culture Foundation with a goal of building a library as a multi-purpose cultural venue, moving beyond the traditional concept of library as a place for reading. To this end, we designed the library to be equipped with playing facilities of variety and audio & visual equipment from the beginning with a focus to make children and local residents feel comfortable in the library. Additionally we used eco-friendly finishing materials for the health of students who will visit the library. All 11 libraries which we have built so far have served as a cultural venue in the local communities, becoming a pride and joy to local residents.



LG Chem believes that the daily activities of business is performed through communication and participation of stakeholders. With it in mid, we are striving to provide a sincere service to customers, a strong trust to employees and a better future to suppliers based on Jeong-Do Management which pursues customer value creation and human respect management. At the same time, we are implementing green management with a thought of treating the earth like our customers. In order to enrich the future of stakeholders further, LG Chem will continue to implement sustainability management which considers stakeholders significant in the entire business process.


LG Chem pursues
sustainable growth
which considers
stakeholders significant.

LG Chem

SUSTAINABILITY MGT. ACTIVITIES & PERFORMANCE

Economic Performance

LG Chem is growing into a global solution partner by displaying leadership in the core business of petrochemicals and IT&E materials, and developing future growth engines in the areas of green energy and eco-friendly materials.

ECONOMIC PERFORMANCE

Despite high uncertainties remaining in the business environment such as financial crisis in Europe and a delayed recovery in the global economy, LG Chem has reinforced the foundation to grow into a global leading company with the help of a strong demand recovery in the emerging markets, diversified business portfolio and excellent capacity of profit creation. We endeavor to become an all-around player in the global petrochemical market. Building on various product lines and the world-best operating capability, we are strengthening the already highly profitable petrochemical business and maintaining a leadership position in the global IT&E material business. At the same time we are expanding our market dominance in the electrical vehicle battery business which is expected to serve as a growth engine in the future.

We delivered highest ever bottom-line and top-line performance in our history. We recorded a 25.5% increase in sales (on a K-IRFS consolidated basis) to KRW 19.471 trillion and a 34.5% rise in operating income to KRW 2.821 trillion compared to the previous year. At the same time, we posted KRW 2.199 trillion in net income which was a 42.9% growth year on year.

Petrochemicals Despite a challenging business environment such as a prolonged economic recession in 2010, we recorded a remarkable year-on-year growth in operating income for downstream products such as acryl, synthetic rubber and ABS, due to a strong demand in emerging markets and our diversified product portfolio. Our NCC/PO business has secured cost competitiveness, mainly attributable to our cost saving drive and stronger bargaining power gained from bulk purchasing of raw materials. The oxoalcohol business continues to generate high profits against a supply shortage in the market, and the synthetic rubber business enjoys higher earnings from a rising demand in the automotive market such as China and India, and strong prices in natural rubbers. In 2011, we will expand highly profitable synthetic rubber and SAP (Super Absorbent Polymer) in order to enhance our competitiveness further.

IT&E Materials Backed by our no. 1 position in global top customers, we bridged the gap with global leading companies in the battery business. Our market dominance was strengthened in the electric vehicle battery business due to supply to GM Volt and our drive for supply to global automotive companies such as Renault, Ford and Volvo. As a result, we reinforced our standing to enjoy a first mover's advantage further in 2010. In addition, with strong cost competitiveness mainly generated from the super-wide line, we outperformed other competitors in terms of sales and profits in the polarizer business. For a small-size battery, we set the target of a 20% growth in volume in 2011, given a stable customer base and polymer battery expansion resulting from a growing demand for tablet PCs. We are also expecting to see tangible sales from automotive companies such as GM, Renault, Hundai/Kia Motors in the advanced battery business.

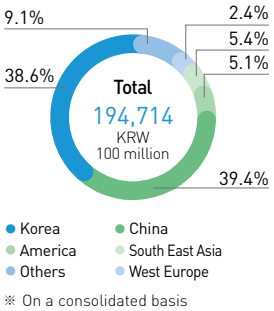
In the optical material business, we will continue our drive for cost saving activities such as operating 3D retarder[11] and super-wide polarizer line, producing raw materials in-house, and improving productivity in order to solidify no. 1 position in the global market. For the LCD glass business, we will be fully prepared for commercial production in early 2012 to bring about tangible results as early as possible. In the future we will continue to create profits by pursuing innovation continuously.

Summary of Economic Performance
(Unit: KRW 100 million)

Item	'09	'10
Sales	155,208	194,714
Operating Income	20,977	28,213
Net income	15,392	21,998

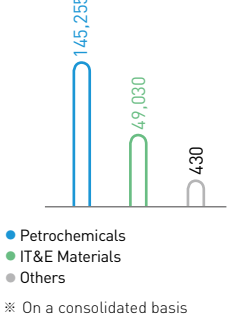
※ On a consolidated basis

Sales by Country



※ On a consolidated basis

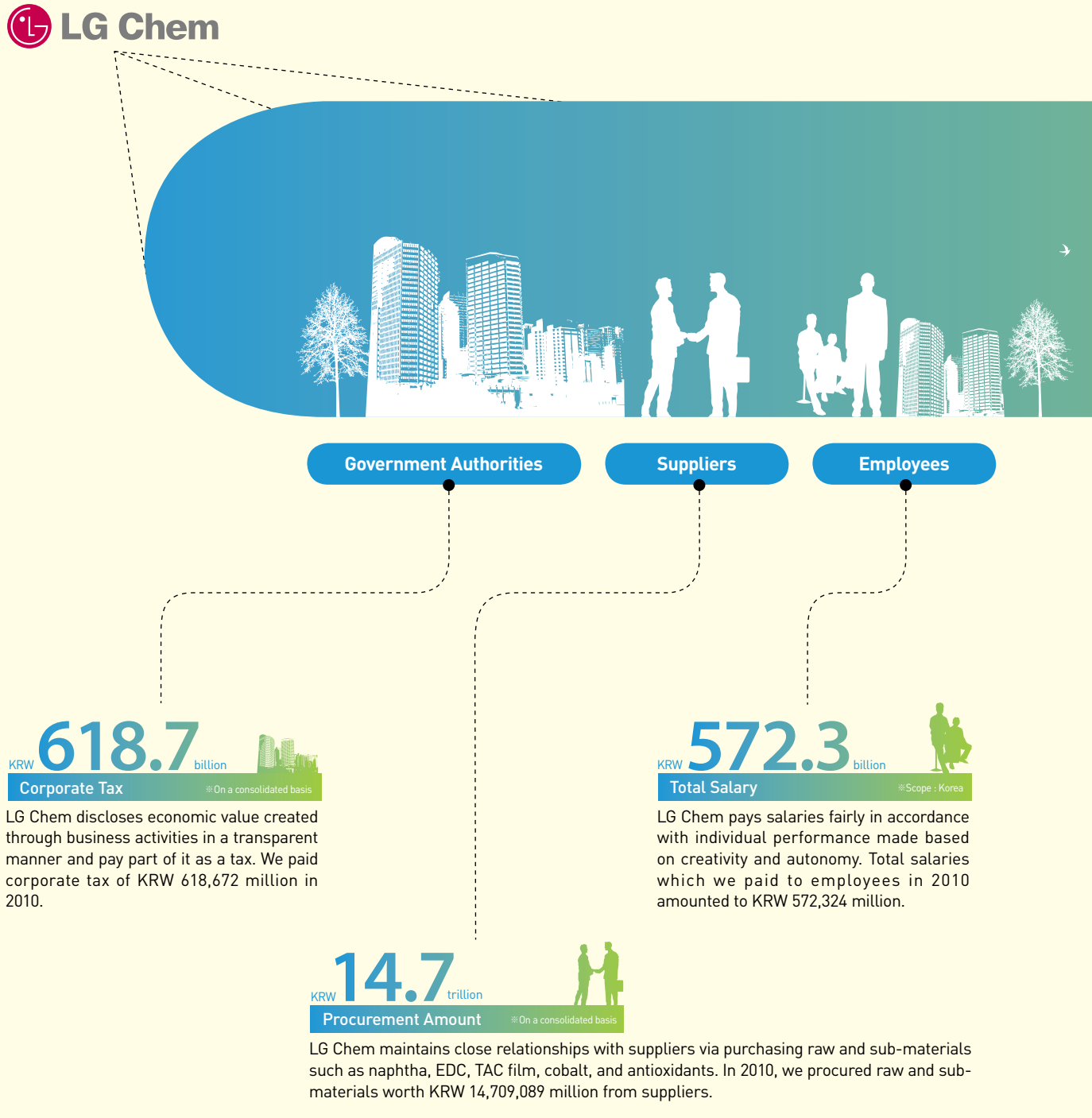
Sales by Business Area in 2010
(Unit: KRW 100 million)



※ On a consolidated basis

Distribution of Economic Value

LG Chem is working very hard to raise stakeholder value and distribute economic value to government authorities, suppliers, employees, local communities, creditors and shareholders.



LG Chem discloses economic value created through business activities in a transparent manner and pay part of it as a tax. We paid corporate tax of KRW 618,672 million in 2010.

LG Chem pays salaries fairly in accordance with individual performance made based on creativity and autonomy. Total salaries which we paid to employees in 2010 amounted to KRW 572,324 million.

LG Chem maintains close relationships with suppliers via purchasing raw and sub-materials such as naphtha, EDC, TAC film, cobalt, and antioxidants. In 2010, we procured raw and sub-materials worth KRW 14,709,089 million from suppliers.

Local Communities

KRW **12.3** billion

Donations ※Scope : Korea

LG Chem carries out donation activities in an attempt to give economic value back to local communities. In 2010 we made donations of KRW 12,285 million to local communities and NGOs.

Creditors

KRW **61.3** billion

Interest Expense ※On a consolidated basis

LG Chem spent interest expense of KRW 61.3 billion, a drop of KRW 42.6 billion from KRW 103.9 billion recorded in 2009. Such reduction in expense was brought about by our low dependency on borrowings, from 40.7% to 26.8%, due to improved business performance.

Shareholders

KRW **4,000**

Dividend per share ※On a consolidated basis

LG Chem takes into consideration the size of profit, funding plans for future growth, and soundness in the financial structure comprehensively in order to determine dividend payout, recognizing dividend as a basic form of returning profit to the shareholders. For fiscal year 2010, we declared a dividend of KRW 4,000 per common stock (80% of face value), up KRW 500 from 2009 (14.3% increase year-on-year) and KRW 4,050 per preferred stock (81% of face value), also up KRW 500 from 2008 (14.1% increase year-on-year). Dividend payouts were determined after considering 2010 business performance as well as future CAPEX needs for building business competitiveness and further growth in the future. With a commitment to delivering sustained shareholder value, we will maintain a dividend policy that can bring improvement to internal financial structure yet meet shareholder demands for dividend, through honing our competitive edge in core businesses and creating a stable stream of profit.

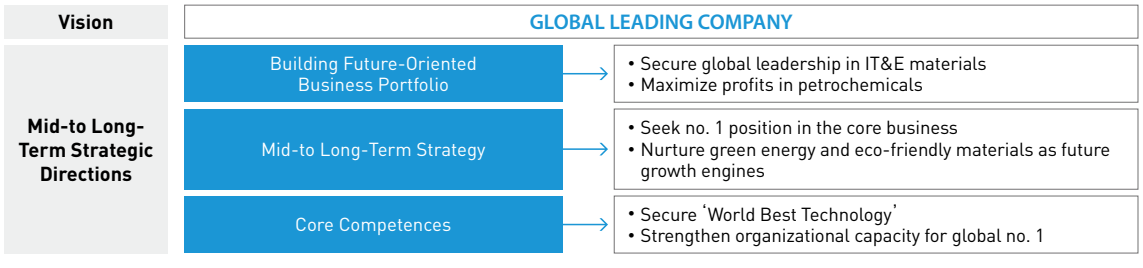
Business Strategy

LG Chem aspires to become a 'Global Leading Company' by following three strategic directions- building future-oriented business portfolio, deepening growth potential through nurturing future growth drivers, and reinforcing core competency to secure No. 1 competitiveness.

MID-TO LONG-TERM STRATEGY

LG Chem is seeking global no. 1 in the core business of petrochemicals and IT&E materials, and nurturing green energy and eco-friendly materials as future growth engines in order to build a future-oriented business portfolio which will deliver sustainable profit growth.

LG Chem's Mid-to Long-Term Strategy



In the petrochemical business, we plan to expand investment at home and abroad with a focus on globally competitive strategic projects, and to strengthen cost competitive and high value-added product projects in order to maximize profits. For the IT&E material business we will solidify no. 1 position in the global display sector and strive to secure competitiveness in the next generational display material and glass sector at the earliest date possible in order to ensure growth in the future. Especially for the battery business, we will raise product competitiveness further by enhancing equipment productivity, innovating materials, improving product portfolio, and strengthening leadership intensively in the next generational product market, which will, we believe, enable us to lay a foundation to become a global no. 1. Furthermore, we are intending to nurture green energy and eco-friendly materials aggressively to ensure the growth of business portfolio in the future. Our innovative commercialization process and next generational battery technology will give us a push to expand the battery business for vehicle and electricity storage application, and leverage our material technology to expand new material business such as next generational OLED lighting panel, and solar cell.

LG Chem will remain committed to improving core competences to secure global competitiveness to achieve No.1 LG. To this end, we will attempt to secure 'World Best Technology' which combines process technology and R&D capacity so as to enable us to produce the best quality product at a lower cost than competitors do. We will raise energy efficiency and cost competitiveness to the world best level in the petrochemical business, and spearhead the development of innovative premium products. Steps will also be taken to possess core technology for future business such as next generational innovative battery and eco-friendly high-functioning materials. At the same time, we will continue to attract and cultivate talent who will be responsible for future projects, while creating corporate culture based on creativity and autonomy, Such efforts will help each employee have fun in the workplace, get engaged in the company, and display their creativity so as to lay a foundation to become No. 1 LG.

With a common goal, strategies, and culture under the principle of 'One Company, One Vision' aiming to be a 'Global Leading Company', we will stay in pursuit of balanced and sustainable growth in the areas of society, the environment and the economy by concentrating our capacity on core business to create excellent performance continuously.

Michigan State's Declaration of 'LG Chem Day'

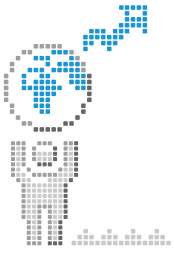
ICE China 2010

CHINA

STRATEGIES FOR CHINESE SUBSIDIARIES

Mid-to Long-Term Strategic Directions

LG Chem's subsidiaries in China endeavor to hold a firm standing in the market and become a company growing with China. Accordingly, we set mid-to long-term strategies after taking into consideration economic and social impact on China.



Mid-to Long-Term Strategies for LG Chem's Chinese Subsidiaries

- **Vision**
  - A Model Company Leading The Chinese Market
  - A Company Growing With China
- **Mid-to Long-Term Strategic Directions**
  - Expand the premium market continuously
  - Possess a future growth engine at an earliest date possible
  - Cultivate global talent to build a business model with a total service package

Strategic Directions in 2011

It is expected that the Chinese market will go through various changes such as tilting toward the domestic market, advancing industrial structure and nurturing new strategic industries intensively. In this situation, our Chinese subsidiaries will leverage the best technology in each business area to provide the best quality and cost competitiveness so as to maximize customer value.

Business Strategies for LG Chem's Chinese Subsidiaries

- **Petro-chemicals**
  - Continue to strengthen marketing capacity while expanding high value-added new markets & products
  - Speed up the localization of highly profitable business
  - Secure a stable customer base through solution activities
- **IT&E Materials**
  - Establish a leading position in the hi-end market
  - Expand the portion of clean energy business
- **Batteries**
  - Continue to expand fast-growing market share
  - Step up efforts to advance into new markets
  - Secure strategic customers in the future new energy business

LG YX

LGCE NJ

Technology Innovation

Innovative Materials and New Eco-Friendly Energy Technology – Technology innovation that LG Chem is actively driving serves as a foundation to grow into a global company and an engine for sustainable growth in the future.

VALUE CREATION THROUGH TECHNOLOGICAL PROWESS

LG Chem is actively intent on R&D activities to secure the competitiveness of existing business areas based on innovative materials and technology, while building on that platform, to realize the vision of creating new business for the future. Our business structure, which was previously centered on petrochemicals and industrial materials, has diversified to IT&E materials, such as polarizers and rechargeable batteries, where R&D provided a needed thrust for the business from the late 1990s.

In 2010, we were globally acknowledged as an eco-friendly energy storage material leader for successfully developing advanced rechargeable batteries for electric vehicle application, capitalizing on our technology in rechargeable batteries. Through our consistent drive in R&D, we are bringing about tangible results in environmental and bio-engineering as well as green energy.

As of the end of 2010, there are total 2,131 researchers and developers, with KRW 279.7 billion in investment spent for R&D during that year alone. We also conducted industry-academia-research collaboration projects to double the results of R&D efforts. LG Chem plans to allocate a large pool of R&D personnel to our growth driver businesses, mainly, rechargeable and advanced batteries, to secure a World Best Technology in the battery material and manufacturing process.

NEW ENGINE FOR FUTURE GROWTH

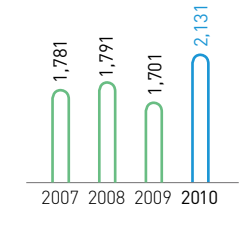
To drive sustainable growth, LG Chem has intensively channeled R&D resource into the green energy and display material sectors which have potential to grow further in the future. In 2010, the advanced electrical vehicle battery business, and the LCD glass substrate business went into full swing. In particular, the advanced battery business built on our rechargeable battery business, has been recognized for its superiority by local and foreign automotive makers, and thus has undergone joint-development. In addition, our R&D efforts started to pay off in the new areas of solar cell materials and next generational OLED & LED display materials.

In the new business areas, we have pursued strategic alliance, joint ventures(J/V)[12] as well as outsourcing as part of open innovation. Since 2008, we have been running a 'Pioneer Research Group', comprising senior researchers from the Research Park, to identify new R&D projects for the future. Diverse projects in different fields were identified and initiated by researchers who initially proposed project ideas.

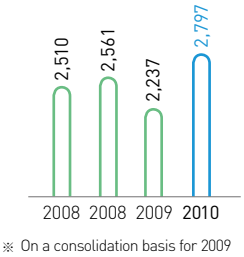
Advanced Batteries

Our drive for advanced batteries set sail from 2005, built on our technical expertise in rechargeable batteries, and was duly recognized by our customers at home and abroad for excellence in performance. LG Chem is focusing on improving capacity to develop advanced batteries, while identifying new customers and market opportunities through pulling in research, production and sales as a one team.

R&D Personnel
(Unit: person)



R&D Investment
(Unit: KRW 100 million)



※ On a consolidation basis for 2009 and 2010

LCD Glass Substrate

Our polarizers and photoresists which are core materials for TFT LCD[13] have become globally competitive through consistent R&D efforts. We are now aiming to capitalize on our core technology to develop LCD glass substrate in order to offer total solutions to the customers. TFT LCD glass substrate which is assembled into TVs or computers is one of the most state-of-the-art products because it requires surface quality with ultra high flatness and high heat resistance to go through a thin filming process. Backed by the development of IT&E materials and advanced process technology, we have been devoted to R&D activities and constructing production lines with a target of operation in the 1st half of 2011. Through partnering with our customers in the development process, we aim to secure a global competitive edge in LCD glass business, there by leading the LCD industry in the future.

Tech Innovation by Optical Materials

LG CHEM'S TECHNOLOGICAL INNOVATION NEW

Lithium Polymer Battery Technology, a Presidential Award at the 1st 'National Green Tech Award'

Our lithium polymer battery technology was selected as one of the best green technology in Korea in 2010, honored to receive a presidential award at the 1st National Green Tech Award. The National Green Tech Award was an event to recognize excellent green technologies and lead them into a new growth engine. The presidential award was given by President Lee Myung-Bak personally to Vice Chairman Kim Ban-Seok at the meeting of Presidential Committee on Green Growth which was held at the State Reception House of The Blue House (or Cheongwadae) on Feb. 3 2010.

The high-output high-energy lithium polymer battery technology was developed and commercialized from a lithium polymer battery system which is a core part of electric hybrid vehicles. The presidential award was given in recognition that the battery technology is highly rated by global automotive companies, due to not only high output, high energy, and long lifetime, but also safety.

Based on this technology, LG Chem has produced a lithium polymer vehicle battery for electrical vehicle application for the first time in the world.

Green Management

The green management goal which LG Chem has always pursued is to contribute to creating a cleaner world where current and future generations prosper together.

MECHANISM FOR GREEN MANAGEMENT

The vision for green management is to grow into a global leader creating differentiated customer value by providing eco-friendly materials and solutions, and contributing to the sustainable development of our society.

The Principle of Green Management

[Article 1.4 of LG Management Charter]

- LG strives to maintain and advance the free market economy, make a contribution to local communities, and preserve the environment through performing business activities with a strong sense of responsibility and self-awareness as a corporate citizen.

[Article 6.4 of LG Code of Ethics]

- LG strives to prevent environmental pollution and protect the nature in order to preserve the clean environment.

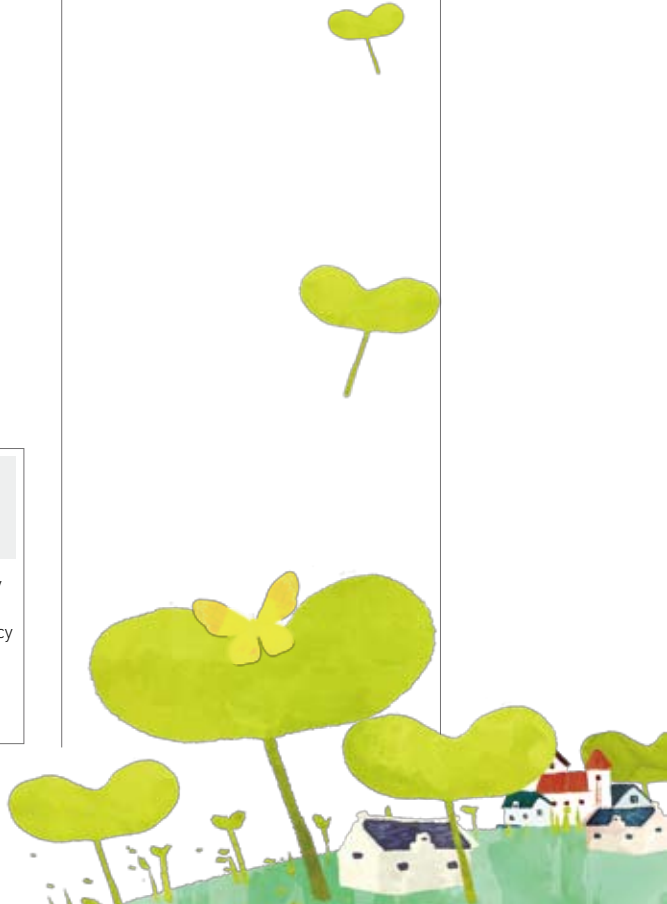
The Direction for Green Management

We set visions and strategies designed to address concerns about the environment, safety, product environment, conventions on energy and climate change. A top priority is placed on the balance between business activities and the environment. We have product-specific countermeasures in place to ensure the compliance with REACH, the European Community Regulation on chemicals and their safe use, and other regulatory requirements in the developed markets. Recognizing the serious nature of global warming caused by greenhouse gas, with a consequent increase in extreme weather, we have formulated strategic initiatives and action plans to respond to the challenge in phases.

Mechanism for Green Management Strategy

Global Leader Creating Differentiated Customer Value by Providing Eco-Friendly Materials and Solutions

Environment & Safety	Environmental stewardship of product	Response to conventions on energy and climate change
Strengthen competitiveness and execution power of environment & safety	A solution partner for eco-products	Energy and response to convention on climate change
• Secure absolute safety • Management environment & safety risks • Keep improving environment & safety	• Product stewardship • Product safety • Advocacy • Effective response to regulations	• Convert into a low energy consuming structure • Maximize energy efficiency • Improve energy management technology



ENVIRONMENT & SAFETY

Environment & Safety Vision

LG Chem established a vision to manage the environment and safety in the workplace and to seek the balance between business activities and the environment & safety continuously.

Environment & Safety Vision

Seek the balance between business activities and the environment & safety continuously

Vision: Strengthen Competitiveness and Execution Power of Environment & Safety

Core Tasks

Continue to Improve the Environment	Manage Environment & Safety Risks	Establish Absolute Safety
• Reduce pollutant emissions • Respond to regulatory trends proactively • Improve work environment continuously	• Expand a monitoring system • Examine and improve risks for each process • Build capacity to respond proactively	• Innovate safety awareness • Secure safety of process equipment • Secure worker safety

Missions: Customer Value Creation, Human Respect Management, Environment Preservation

Environment & Safety Management System

Based on management principles, corporate environmental management regulations and safety health management regulations, the guidelines for environment and safety are prepared at every location of operation. Environmental & safety issues such as environmental management, risk assessment, environment & safety training, and emergency response are taken into consideration in the entire management process, and environment & safety management systems such as ISO 14001[14], OHSAS 18001[15], and KOSHA 18001[16] are introduced and in operation to ensure continuous improvement. For more efficient and better performance, we are operating an integrated environment & safety system based on Responsible Care (RC) which is a voluntary sustainability program for petrochemical companies. One step further, environmental performance index (EPI) and a specific annual plan for internal & external audits on environment & safety are put in place at each location of operation in an effort to complete the mechanism for environmental management in a more systematic way.

Environment & Safety Management System

Management Principles
- Customer Value Creation
- Human Respect Management

Corporate Regulations
- Safety & Health First
  - Secure worker safety and health first
- Responsibility and Duty of Accident Prevention
  - Get all employees actively involved in accident prevention

→
- Safety & Health Policy at each location of operation
- Responsible Care
- OHSAS, KOSHA
- PSM[17]

Flow of Environment & Safety Management System

RESPONSIBLE CARE

- ISO 14001
- OHSAS 18001
- KOSHA 18001
- Green Company
- Voluntary Agreement

Environmental Performance Index (Yeosu Plant)

Reduce Pollutant Emission
- TRI[18] Intensity
- Wastewater Intensity
- Wastes Intensity
- Air Emission Concentration
- CO_2 Intensity

• Same Standards as in the previous year

Improve Environmental Management System
- Results of internal audit

• History of Internal Audit (Environment + Common) Results

Proactive Response to Regulations
- Progress of environment improvement plan

• Actuals vs. Plans

Legal Compliance
- Results of Self-Audit

• Actuals vs. Plans

- Results of Internal audit

• No. of findings/No. of Improvements

- No. of Findings by related government authorities
- Reduction in No. of Findings

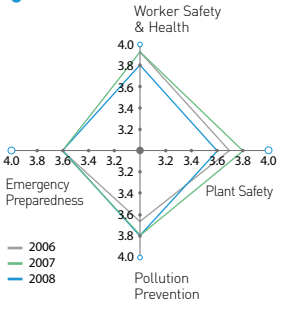
Responsible Care (RC)

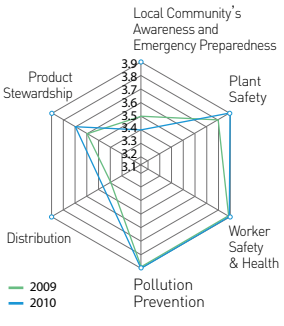
LG Chem has 'Corporate RC[19] Committee' in operation which is an environment safety management consultative body to fully implement RC at a company-wide level and raise the awareness of employees on the environment and safety. The RC committee is involved in deciding major policies regarding the environment, safety, heath and energy, analyzing and evaluating RC activities and performance, sharing major issues and information, and distributing best practices in an attempt to proactively respond to demands for improving the environment, safety and energy. By doing so, the committee plays a critical role in environment and safety management of LG Chem.

Responsible Care Activities

Committee	Roles & Responsibilities
Plant RC Committee	Discuss key issues in E&S, review and approve preventive actions, finalize action plans for commonly-applicable E&S
Unit Plant RC Committee	Discuss plant-specific issues in E&S (goals and direction, performance and plans, events/safe work procedures/voluntary controls)
	Discuss problems and improvement areas for facilities, share information and implement practices confirmed by RC Committee
RC Working Committee	Develop action plans for common issues, collect input on E&S, discuss support for E&S including accident prevention, trends analysis

Self-Assessment on RC





Environment & Safety Training

A yearly training plan both for employees and suppliers are prepared and implemented at every location of operation.

Ochang Techno Park

Course	Trainees	Period	Description
Induction	New Employees	8 hrs/upon recruitment	Importance of environmental preservation, Ochang site's environmental policy
Basic	All Employees	2 hrs/month	Customized departmental education
Job Rotation	Newly-Transferred	Before undertaking a new job	Environmental training it related to the given job
Advanced	Field Managers	When needed	Instructions on optimal operation of preventive equipment, prevention and management of environmental accidents

Yeosu Plant

Category	Course	Trainees	Period	Description
In-house Training	Sift/Day Service	Shift/Day Service	2 hrs/month	Pre-job briefing on risks and safety
	Job Rotation	Newly Transferred	2 hrs/each	Work standards & MSDS
	E&S new employees	New Employees	8 hrs/each	Understanding of E&S and management system
	Safety engineer Advanced	Safety Engineer	4 hrs/each	Specialized/common PSM instructions
Collective Training	Employee safety & health training	Supervisors	2 hrs/each	Annual E&S activity plan, knowledge building, accident cases
Supplier	Safety training for regular training support	New Supplier Employees	Daily & Quarterly	Safety management regulations, evacuation tips, safety measures by work type
Drills	Comprehensive Emergency Drills	All Employees	Yearly	Evaluation of comprehensive emergency preparedness

CHINA

LG DAGU

LG DAGU provided environment training to all employees in 2010. Internal and external training was given one time respectively. The internal training was delivered to field workers by our Environment Team focusing on work-related risks and cautions, and environment & safety management and response regarding toxic gas. In the meantime, the external training was delivered to all employees of LG DAGU by a government official in charge of environmental management.

Environment & Safety Management Activities

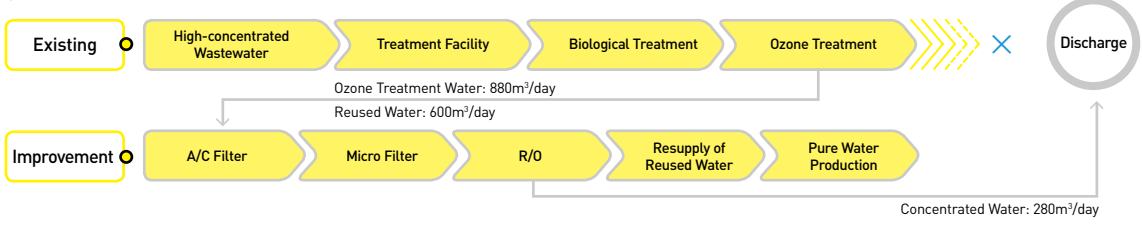
LG Chem is carrying out diverse activities to prevent environment & safety accidents and minimize pollutant emissions at every location of operation.

Continuous Environmental Improvement

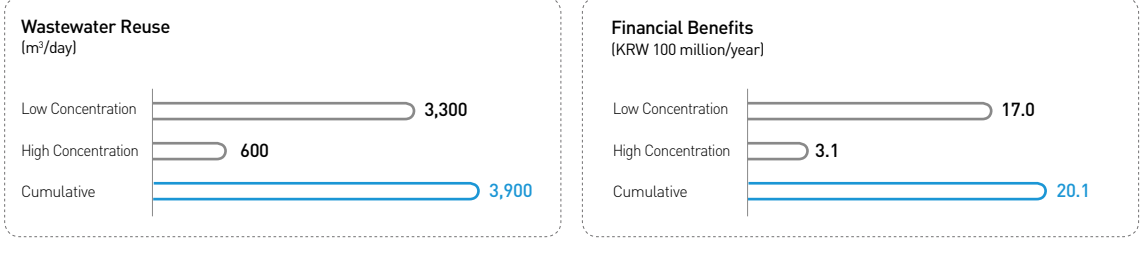
High-concentrated Wastewater Reuse System — Ochang Techno Park

We established a process to treat hardly-decomposable organic or ion compounds in high-concentrated wastewater so that we reduced wastewater discharged significantly.

OVERVIEW



BENEFITS



A Reduction in NOx Emissions from Wastewater Incinerator — Naju Plant

We developed a NOx reduction technology earlier and applied it in the field faster in order to proactively respond to stricter environmental regulations, expecting that NOx emissions can be reduced by 45% at maximum.

OVERVIEW

Identified a NOx source of wastewater incinerator
- Analyzed Fuel and thermal NOx
- Limited NOx reductions resulting from a change in operating condition
- A NOx reduction system was required

Selected and developed a NOx reduction technology
- Studied SNCR[20] (Selective Non-Catalyst Reduction) technology which was possible to apply during the short period of time

Did pilot test of NOx reduction technology
- Manufactured a spray and restructure idle equipment to test SNCR technology
- Selected a high efficiency Urea input point after field test
- Calculated optimal Urea input amount (7.0L/hr)

BENEFITS
- The proactive development and operation of the technology to respond to stricter environment regulations helps reduce NOx emissions by 45% at maximum. (NOx70 → 38ppm)
- App. KRW 800 million of investment cost was saved compared to existing De-NOx Catalyst system.
- The new reduction technology will be shared with other plants to respond to environmental regulations.

Air and Water Pollutant Management — LG YX

(Optimized Wastewater Treatment Process)

We optimized a wastewater treatment process in order to meet legal COD and NH_3-N requirements stably.

OVERVIEW

- Converted the combination of adsorption and AO[21] process into a A2O[22] process
- Established a 24-hour online monitoring system
- Replaced an outdated cooling tower with a panel-type heat exchanger
- Improved a process to minimize water input, wastewater generation and pollutant emissions

BENEFITS

- Improve pollutant treatment efficiency
- Reduce the use of cooling water and control the temperature of discharged water effectively

(Effective Management of waste gas)

We diagnosed and analyzed waste gas generation points and based on results, improved the pipelines so as to treat waste gas being generated irregularly.

OVERVIEW

- Diagnosis Analyzed waste gas generation points
- Expanded a RTO[23] (Regenerative Thermal Oxidizer) gas chamber
- Connected a pipeline to send waste gas irregularly generating from the workplace to RTOs
- Installed a 24-hour online monitoring system for some RTOs

BENEFITS

- Improve waste gas treatment capacity
- Resolve an odor issue and reduce air pollutant emissions

Environmental & Safety Risk Management

Successful Safety Management for TA — Yeosu Plant

For the success of TA[24] in 2010, we conducted environment & safety activities in a thorough and systematic manner from the planning to completion stage of TA in order to prevent environment & safety accidents during the period of TA.

OVERVIEW

Made thorough preparations from the planning to completion stage of TA to prevent environment & safety accidents during the period of TA

TA Preparations (January to February 2010)

- Prepared a environment & safety plan for the period of TA (Environment & Safety Team/Concerned Teams)
- Evaluated the history of accidents and high-risk works during the TA
- Provided training to employees and suppliers systematically and conducted a drill to cope with emergent situations

TA Execution (March 2010)

- Introduced process ownership
- Ran a TA control room and a daily consultative committee
- Encouraged safe work practices through focused environment & safety inspections
- Conducted statutory equipment inspection in a timely manner due to the presence of certified inspector (Four from Korea Gas Safety Corporation from Mar. 4 to 31)

TA Completion (April 2010)

- Conducted safety inspections prior to operation and took follow-up actions
- Reviewed environment & safety activities and collected feedback to make improvements

BENEFITS

Last year, Yeosu Plant achieved successful safety management with the records of 'zero' environmental accident and civil appeal, 'zero' administrative measure regarding statutory inspection and license, 'zero' fire accident, and only 3 minor injury accidents. For the minor injury accidents, a cause analysis was thoroughly conducted by an accident investigation committee and a recurrent prevention plan was formulated and executed.


CHINA

Environmental Performance Report as Part of Proactive Response

LG DAGU

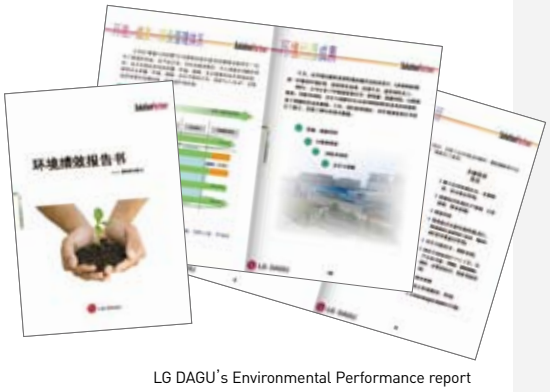
LG DAGU publishes an Environmental Performance Report.

OVERVIEW

- Published every year since 2008
- 2010 EPE Report is the 3rd report

BENEFITS

- Respond to government concerns about environmental issues caused by petrochemical companies
- Submitted to the Chinese Environment Protection Agency and used internally



LG DAGU's Environmental Performance report

Absolute Safety

Zero Accident in normal operation

Cheongju Plant

Solutions are provided and applied to fundamentally prevent accidents occurring, while actions to address equipment and quality issues are taken in normal operation.

OVERVIEW

Direction

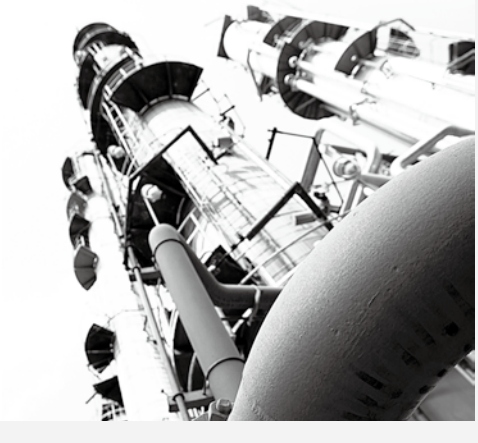
- Fundamentally prevent accidents occurring in normal operation
- Prevent any human error or violation being lead to an accident
- Line stop for safety → safety production
- Eliminate root causes behind repetitive troubles so as to increase operating rate

Summary

- Prepared regulations on blocking system (by Dec. 2009)
- Completed designation of people in charge and training to all employees (by Jan. 2010)
- Checked and distributed the blocking system (by Jan. 2010)
- Provided solutions to root out accidents/94 accidents fundamentally eliminated (by Sep. 2010)
- Revised the process safety (One line per team) (in Sep. 2010)

BENEFITS

Cheongju plant recorded a 'zero' accident during a normal operation. Going forward, we will encourage employees in the field to participate in this effort and revise the process safety procedures for all lines. In addition we will keep checking the blocking system.

Environmental Performance

Resource/Recycling

LG Chem continues to reduce its resource use by preventing pollutions throughout the entire lifecycle, from raw material input to production, and reusing or recycling the wastes generated.

Wastes

Our waste management policy is intended to secure cost leadership through continued activities to add value to the waste generated with an emphasis on treatment safety. Actions to reduce waste generation from the generation source are taken at each location of operation.

Water Quality

With a goal to reduce water pollutant emissions, we apply control targets for water quality at our location of operation and reinforce our monitoring efforts on increasingly stringent regulations. A process to reuse wastewater has been introduced at each plant, helping reduce the amount of water used, thereby generating less wastewater and water pollutants.

Air Quality

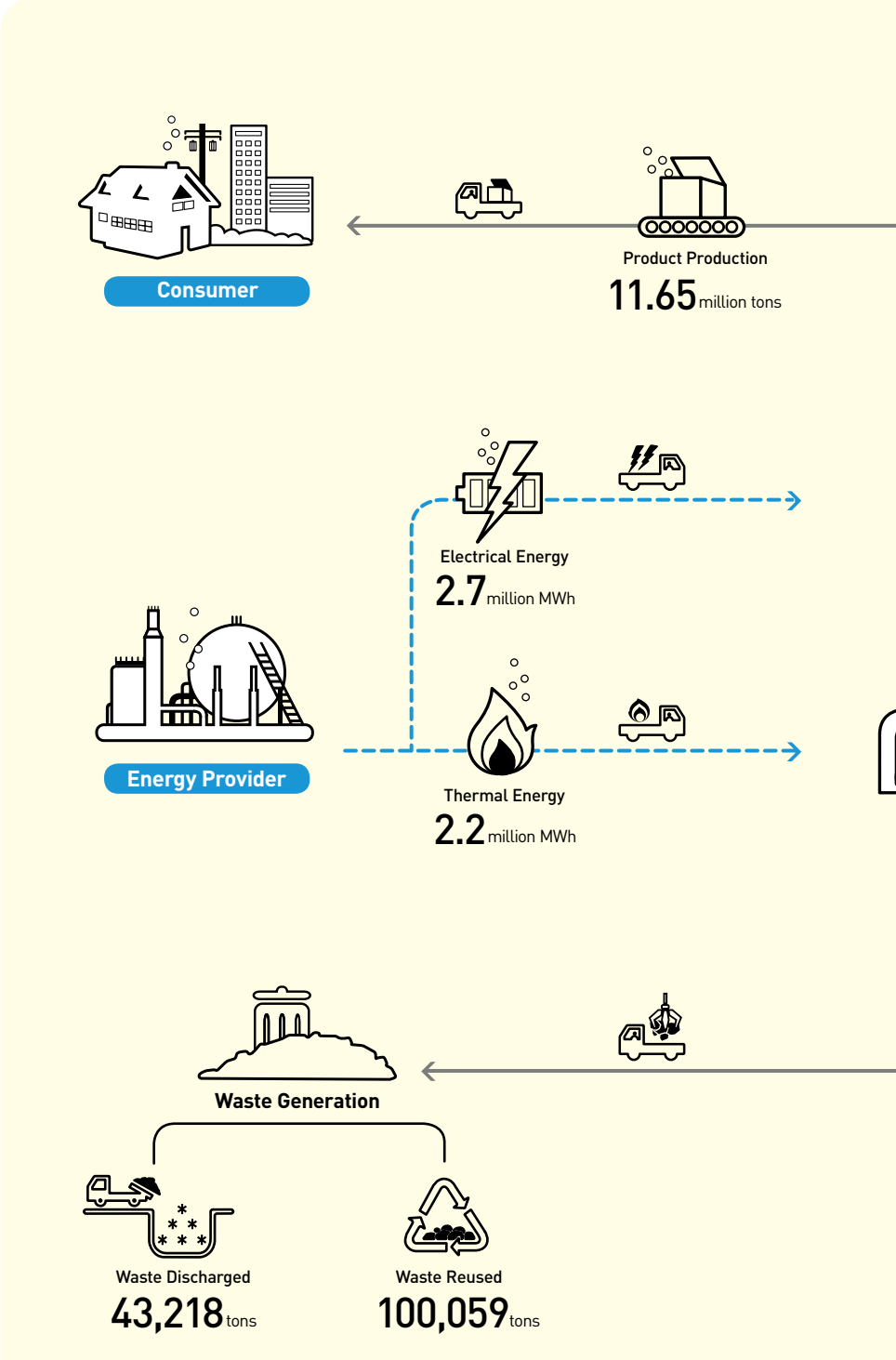
We have reduced air pollutants from the generation source through changing a process, replacing raw and sub-materials, and making air pollutants generated be treated at a prevention facility.

Soil Quality

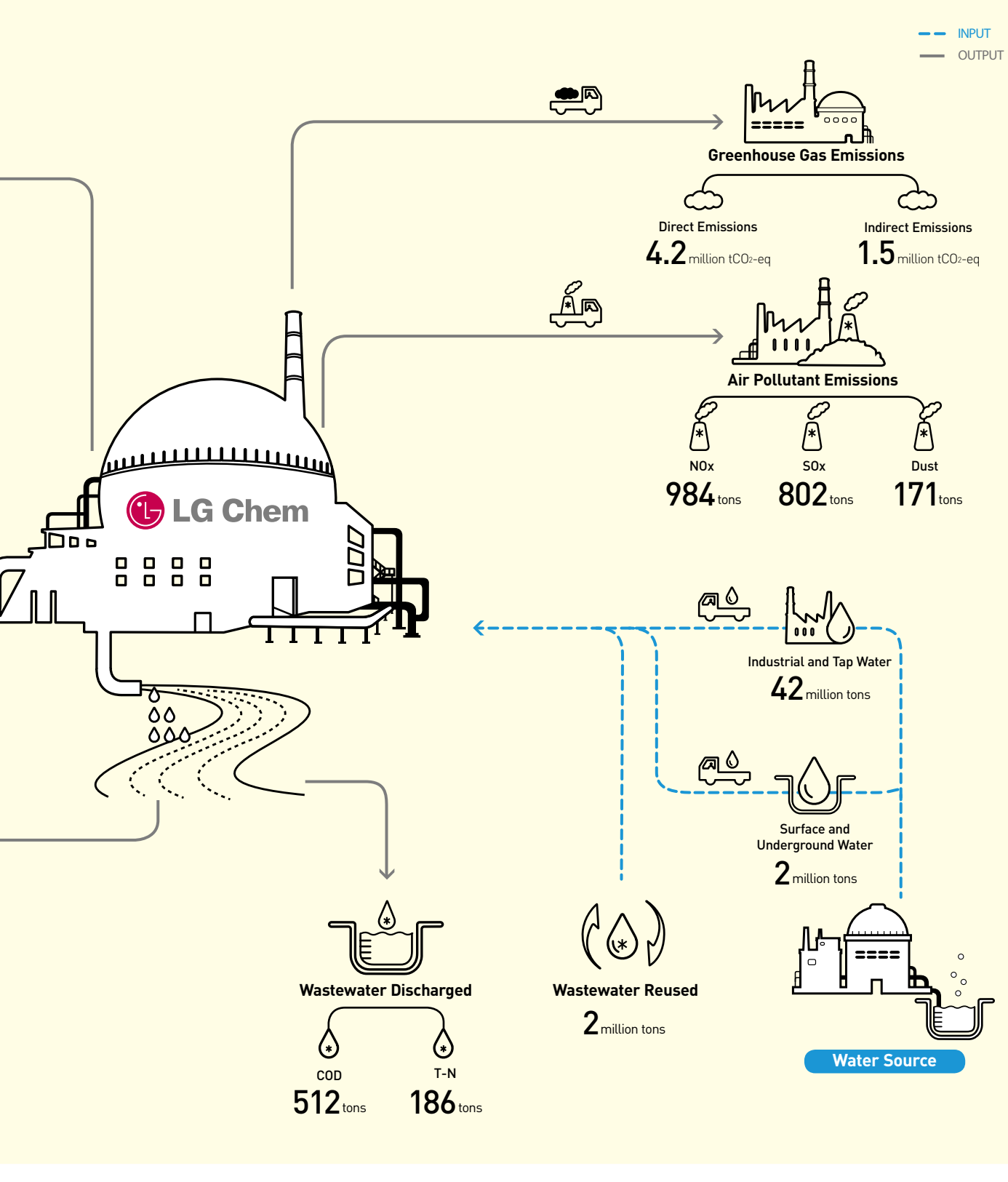
LG Chem has maintained soil-contaminating facilities strictly from its installation to decommissioning in line with our internal guidelines on soil pollution control.

Hazardous Chemicals

LG Chem has thoroughly controlled hazardous chemicals from the receipt to use and disposal. Thanks to scientific discharge management based on Toxics Release Inventory (TRI), we have reduced hazardous chemicals and toxic materials every year.



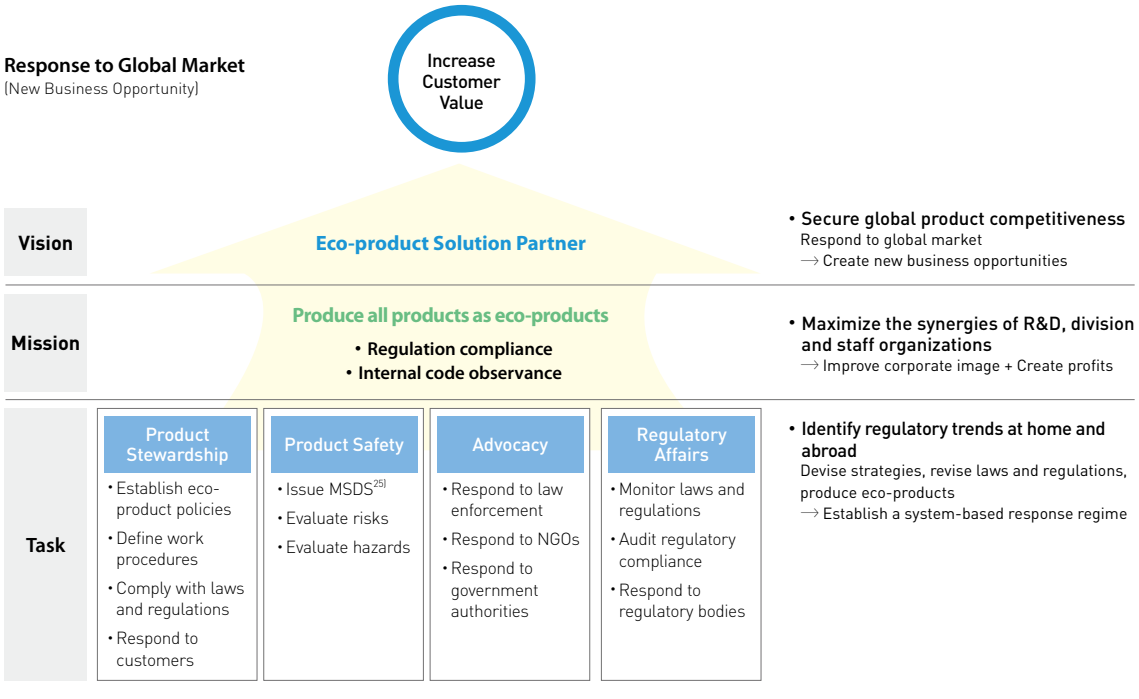
※ Based on Korean locations of operation (in 2010)


INPUT
OUTPUT
Greenhouse Gas Emissions
Direct Emissions
4.2 million tCO2-eq
Indirect Emissions
1.5 million tCO2-eq
Air Pollutant Emissions
NOx
984 tons
SOx
802 tons
Dust
171 tons
LG Chem
Industrial and Tap Water
42 million tons
Surface and Underground Water
2 million tons
Wastewater Discharged
COD
512 tons
T-N
186 tons
Wastewater Reused
2 million tons
Water Source

ENVIRONMENTAL STEWARDSHIP OF PRODUCTS

Environmental Vision for Products

We provide our business divisions and stakeholders with effective and valuable solutions from the environmental and economic aspects of the entire production process from R&D to disposal so as to contribute to increasing customer value.



※ Eco-Product Solution Partner (Eco=Ecology+Economy): A partner who provides divisions and stakeholders with solutions which are effective and valuable from the aspect of environmental economics across the entire product lifecycle from R&D to disposal

Eco-Product Development

LG Chem factors environmental friendliness into our entire product lifecycle to deliver greener products for customers.

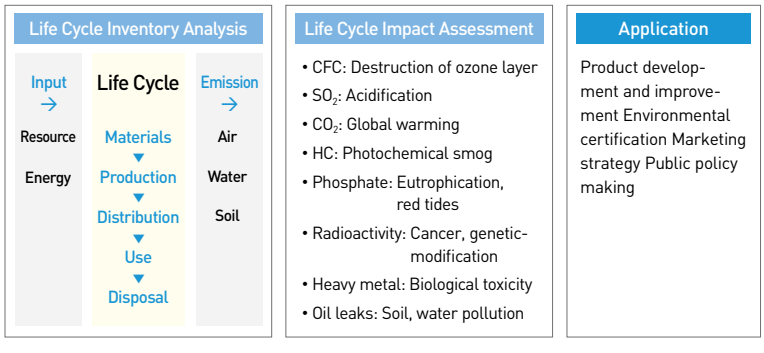
Eco-Design Process Our eco-design process enables us to analyze and understand environmental impacts of our products throughout its entire lifecycle from development, raw material purchase to production, use and disposal.

Eco-Friendly Certification System Since 2006, we have established the guidelines for LG Chem eco-friendly certification system and operated an eco-friendly certification system to proactively respond to product and environmental regulations at home and abroad including Restriction of Hazardous Substances Directive (RoHS) and Registration, Evaluation, Authorization and restriction of Chemicals (REACH). (You can download the guidelines for LG Chem eco-friendly certification from open.lgchem.com) Moreover, we have trained and audited our suppliers to minimize risks of hazardous materials getting into the products in the supply chain.

Assessment on Environmental Sustainability in Products

Life Cycle Assessment (LCA[26]) With a view to improve environmental sustainability of our products, we quantify the input of resources and energy, and the emission of pollutants in the lifecycle of a product through LCA and analyze and evaluate their impact on the environment.

Life Cycle Assessment



Products within the Scope of LCA in 2010

- LDPE
- HDPE
- Polypropylene
- Ethylene Oxide
- Ethylene Glycol
- Acrylate
- CUMENE

Hazardous Material Test & Analysis The Corporate R&D center at the LG Chem Research Park takes charge of analyzing hazardous materials in our raw materials and finished products to gauge the level of environmental soundness of our products. Our analysis and assessment activities are as follows:

Introduction of eco-friendly Test & Analysis

Category	Description
Operation of an ISO 17025 authorized testing laboratory	• Analysis on six RoHS regulated materials (Cd, Pb, Hg, Cr(VI), PBBs/PBDEs) • Analysis on halogen free (Br, Cl) • HBCDD, 3 types of phthalates (DBP/BBP/DEHP) • Additional analysis on regulated materials if requested by clients (non-RoHS heavy materials) • Number of certificates of analysis: 995 reports issued
TVOC assessments	• Assessment on TVOC and FA in materials, processes and products. Individual VOC study (P&T, headspace, TD) -Eco-product/material assessment: IT&E materials/automobiles/building materials
Accreditation as an authorized testing body	• Dec. 20, 2005 Accredited as KOLAS international testing facility-TVOC/FA, Cd(EN1122) standard • April 25, 2007 TÜV RoHS recognized lab- Six hazardous RoHS materials (Cd, Pb, Hg, Cr(VI), PBBs/PBDEs) • May 1, 2008 TÜV scope extension-Halogen free (Br, Cl) • Sept. 2, 2009 KOLAS scope extension- Six hazardous RoHS materials • Jun. 25, 2009 TÜV scope extension– Six hazardous RoHS materials (IEC62321:2008), HBCDD, 3 types of phthalates (DBP/BBP/DEHP) • Aug. 1, 2009 TÜV scope extension-IEC62321_IS, HBCDD, 3 types of phthalates (DBP/BBP/DEHP) • Jun. 9, 2010 KOLAS scope extension – IEC62312, 2008

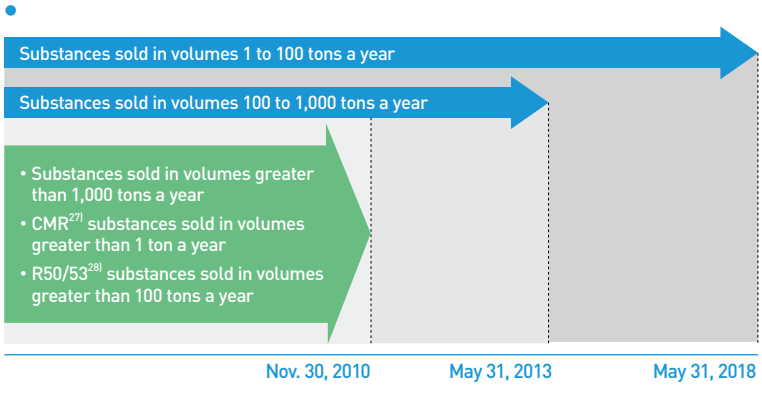
REACH Compliance

Completion of the First REACH Registration LG Chem has quickly proceeded with REACH registration in response to the legislation of REACH in the European Union. Substances sold in the EU in volumes greater than 1,000 tons a year should be registered under the EU's Reach chemicals regulation by the deadline of November

30, 2010 and for the first time in Korea, we completed the first REACH registration for existing substances by August 2010. To this end, we checked the REACH compliance of all products exported or to be exported to EU ranging from petrochemical product groups to IT&E product group. To assure REACH compliance thoroughly, we took an overall look into substances of overseas subsidiaries as well as Korean subsidiaries.
In the REACH registration process, we took significant part in multinational corporate consultative bodies such as Acrylate REACH task force and BPA REACH Consortium. This participation allowed us to obtain accurate and clear safety data for each chemical substance so as to respond to REACH regulations more aggressively, not just spending in taking administrative steps for REACH registration. Furthermore, such international cooperation served as an opportunity for LG Chem as a non-EU and Asian chemical manufacturer to understand considerations to be taken into in response to environmental regulations and take part in sharing the understating with the rest of companies.

Kick-off Meeting for IT-Based Chemicals Management Project

Schedule for REACH Registration



REACH Compliance System For REACH compliance, it is necessary to understand sales materials regarding export records & forecasts to identify substances to be registered under REACH, and technical knowledge to grasp the properties and characteristics of substances spent for each product. In order to execute a compliance plan devised based on the understanding, a close cooperation in the supply chain is required. Against this backdrop, LG Chem has made an chemical substance management system and raised the understanding of responsible people of concerned teams to get cooperation promptly. Our Environment/Climate Change Team provided training and education to purchasing personnel to ensure strategic cooperation. Furthermore, we improved the integrity and accuracy of chemical data which we possessed for each material or product to the level of international standards. During the process, our response to REACH regulations was taken as an opportunity to expand the chemical substance management system to the entire company and collaborate with suppliers in the supply chain. It is known that the REACH regulation is one of the most challenging regulations on the use of chemicals. The fact that we established a compliance system and built up experience to respond to it implies that we have the capacity to cope with diverse next generational environmental regulations at home and abroad in the long run. Now we are working to organize and integrate experience and expertise acquired in the REACH registration process into our daily activities. By doing so, we are turning a crisis of REACH serving as a trading barrier against non-EU companies into an opportunity to reinforce and integrate chemical management capability into the daily activities of business.

Presentation of the Progress of REACH Compliance

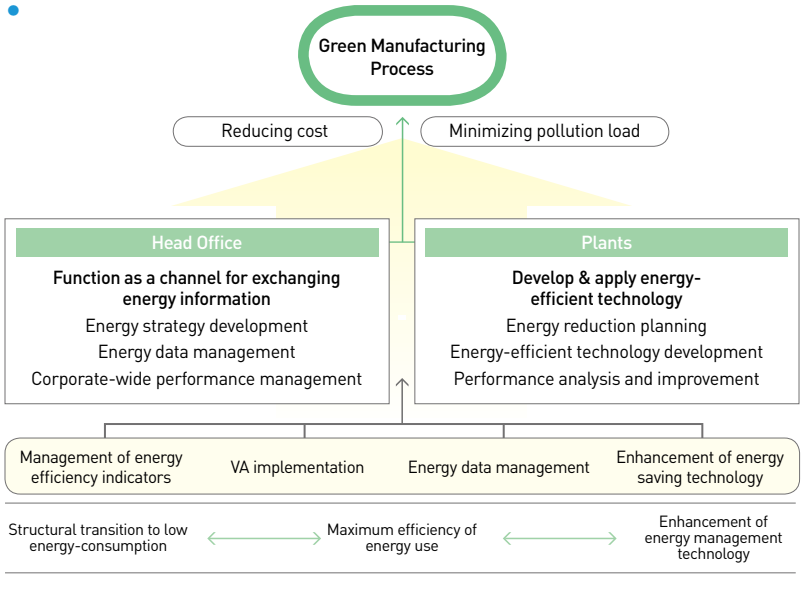
ENERGY AND RESPONSE TO CONVENTION ON CLIMATE CHANGE

Green management is a way forward to proactively address climate change and minimize business impact from a changing energy landscape. That is why we are pressing ahead with greenhouse gas reduction and energy consumption reduction as our top management priority at LG Chem.

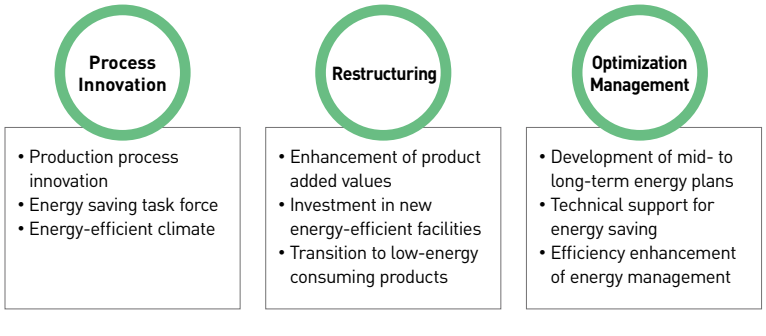
Energy Vision

Our energy strategy is designed to build an environmentally sound production process through energy innovation with a focus on the following three strategies - structural transition to low-energy consumption; maximization of energy efficiency; and enhancement of energy management technologies. LG Chem is going all out to develop energy saving technology and facilitate information exchange with clear role sharing between the head office and the plants. To drive energy innovation, we developed mid-to long-term plans by phase (the first phase for 2000-2005 and the second phase for 2006-2010). The first-phase plan resulted in overall energy reduction of KRW 75.4 billion, exceeding the target of KRW 63.7 billion by KRW 11.7 billion.

Energy Management System



Energy Reduction Programs



Under the second-phase plan, we have cut our energy bill by KRW 316.6 billion by 2010. These energy savings were calculated based on the actual amount of savings achieved from energy reduction projects in a given year. As part of energy saving programs, all our employees are engaged in an energy reduction campaign aimed at bringing process innovation at business sites, energy restructuring of business divisions and optimization through drawing involvement of support functions.

Responding to the Convention on Climate Change

We are phasing in measures to respond to the UN Framework Convention on Climate Change (UNFCCC) and implementing greenhouse gas mitigation projects continuously to tackle the dual challenges of global warming and sustainability management.

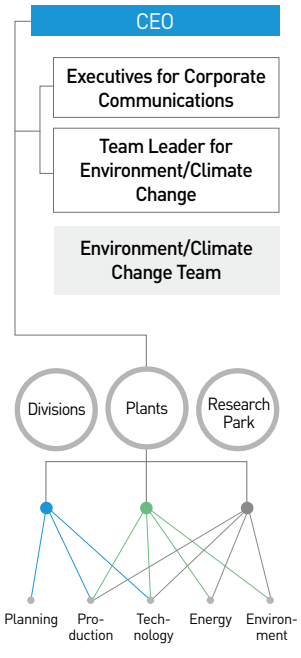
Organizational Structure Environment/Climate Change Team directly reporting to the CEO at head office has been in operation to cope with climate change in a systematic manner. Climate change managers are also designated at each plant to ensure climate change cooperation with HQs.
The climate change managers are charged with collecting, compiling and reporting information and data on GHG emission sources and emission activities along with developing greenhouse gas reduction projects, while the head office takes responsibilities for global trend analysis, training and mid-to long-term strategy development.

Energy Saving Innovation Projects in 2010

Plant	Project
Daesan PVC	Integrated operation of EDC refinery column
Optical Team, Ochang	Energy saving through the application of water humidifying air-conditioning system
Technology Team, Yeosu	Optimized operation of deaerator for the NCC process
Oxoalcohol, Yeosu	Energy saving through installing DWC for distillation tower
Technology Team, Daesan	Minimized heat loss through insulation coating
Energy Team, Yeosu	Cost reduction through increased the operating days of coal-fired boiler

Greenhouse Gas Management To lay a platform for responding to the Convention on Climate Change, LG Chem has phased in greenhouse gas inventory development, inventory verification and greenhouse gas management system. We finished our first phase of developing greenhouse gas inventory in 2005 and developed the inventories for the former LG Daesan Petrochemical and LG Petrochemical in 2006 and 2007 after merger.
Greenhouse gas inventory contains direct emissions from fixed combustions facilities, transportation, manufacturing process and fugitive sources as well as indirect emissions from power and steam. The inventory is built on and managed with internationally credible data source such as the guidelines put forth by the Intergovernmental Panel on Climate Change (IPCC[29])and GHG[30]protocol of the World Resource Institute (WRI).
We underwent independent, third-party verification and certification on our GHG inventories in phases from 2006 to 2009. Inventory verification and certification was completed for Cheongju and Ulsan plants in 2006, with Ochang Techno Park

Organizational Chart to Respond to Convention on Climate Change



※ One Climate Change Manager for each division and plant

and Yeosu (VCM) plant following in 2007, by the GHG Certification Office under Korea Energy Management Corporation (KEMCO). By 2009, all of our plants in Korea have received inventory verification and certification from KEMCO and DNV[31].

Based on our experience, LG Chem has built a web-based GHG management system and performed trial tests in 2007 and 2008. The web-based system is configured with three modules - energy management, inventory, and reduction project management. All historical process data verified for their GHG inventories, and completed inventory has been entered into the system. In the days to come, we will continue to manage GHG emissions based on the system.

Greenhouse Gas Reduction Projects and Performance We have carried out GHG reduction projects and registered resulting emission reductions with National Center for Greenhouse Gas Inventory & Research. The registered projects then get annually monitored and independently verified to be managed as certified emission reductions (CER). The Environment/Climate Change Team at the head office works as a training and administrative secretariat for developing project design documents (PDD[32]). Project managers at each plant are responsible for PDD development, feasibility evaluation, monitoring report documentation and verification.

Green Management LG Chem has implemented green management which is in line with Green Strategy pursued by a holding company LG. Accordingly we made a forecast for GHG emissions and water usage by 2010 and analyzed potential reductions. Based on them, we set a reduction target and put in place a reduction plan for low carbon management, and monitor actual GHG emissions and water used every year in an effort to implement green management continuously.

CDM Project Registration LG Chem has implemented a Clean Development Mechanism (CDM) project, a registered greenhouse gas reduction project with the UN. We obtained national authorization for the 'Naju plant fuel switching project', pursued as Korea's first fuel switching project in the industrial sector and completed registration with the UN as of June 4, 2009.

Carbon Disclosure Project We made public information on CO_2 emissions, climate change-related investment risks and opportunities, and low carbon management in the 2010 CDP[33] (Carbon Disclosure Project) report in an attempt to address green investment demands made by customers and financial & investment institutions.

In-house Emissions Trading The global emissions trading market is growing at a rapid pace every year. Acknowledging a need to take internal measures to prepare LG Chem for the emerging low-carbon era, we signed a memorandum of understanding (MOU[34]) with the Ministry of Knowledge Economy in February 2006 to set up an internal emissions trading system, and have since run an in-house emissions trading system over the last three years till 2009. Backed by operating experience and expertise obtained in 2009, we made a plan to operate an integrated emission trading system which includes overseas plants in 2010. Accordingly we established the GHG inventory at five plants in China and conducted third-party verification and certification. In 2011 we plan to start emission trading between Korean and Chinese plants.

Energy Saving Activities

- **Installing a Dividing Wall Column for the Alcohol Distillation Tower**

Yeosu Plant

OVERVIEW

- Studied a technology to control remix of substances in the distillation tower
- Identified an optimal wall space through the detailed design modeling of a divided wall column
- Analyzed energy efficiency improvement through a heat-integrated process

BENEFITS

- Reduced steam amount used by the distillation tower: 16,800 tons/year (KRW 1.01 billion/year)

CHINA

- **An Improved Polarizer Cooling Water System**

LGCE NJ

OVERVIEW

- Analyzed a cooling water usage system for polarizer plant
- Studied a method for using low temperature of outdoor cooling water during the winter period
- Studied the possibility of reducing steam amount used by a chiller during the winter period
- Identified temperature conditions for stable air vent and conditioning by measuring outdoor temperature and the temperature of cooling and freezing water

BENEFITS

- Saving of electricity use resulting from non-operation of chiller during the winter time: 574 MWh → 0 MWh (RMB 407,000/year)
- Saving of steam necessary for maintain cooling water temperature: 1,300 tons/year (RMB 294,000/year)
- Saving of water use resulting from lower cooling load: 2,700 tons/year (RMB 9,100/year)

Information Security

LG Chem is carrying out software compliance activities for internal information protection and copyrights to protect key information safely and detect and defend security threats proactively.

INFORMATION PROTECTION AND SOFTWARE COMPLIANCE

In 2010, we revised information protection regulations which were enacted in 2003 after taking into consideration recent requirements in a bid to abide by and respond to new or revised laws and regulations systematically. To ensure efficient distribution of the revised regulations, we reorganized information protection organizations at a corporate level and running an information protection consultative committee to strengthen execution power.

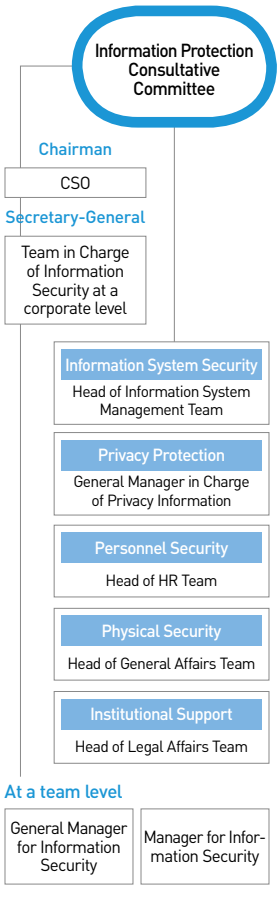
On top of them, we acquired an AEO[35] (Authorized Economic Operator) certificate by meeting the AEO requirements to prevent information leakage which may occur at the entry and exit of personnel, vehicles and goods at each location of operation. Education on privacy protection was also provided. Likewise we are making efforts to protect key company and customer information. In addition, we applied DB encoding, DB Access authority and DB Access logging system to eliminate the possibility of a customer information leak accident which is emerged as one of major social issues and conducted information production diagnosis activities on a regular basis.

Besides internal information protection activities, LG Chem introduced a company-wide software check system as part of software compliance activities for ever-intensifying copyright. We also encouraged employees to check software installed in their office computer on a regular basis while raising their awareness of copyright.

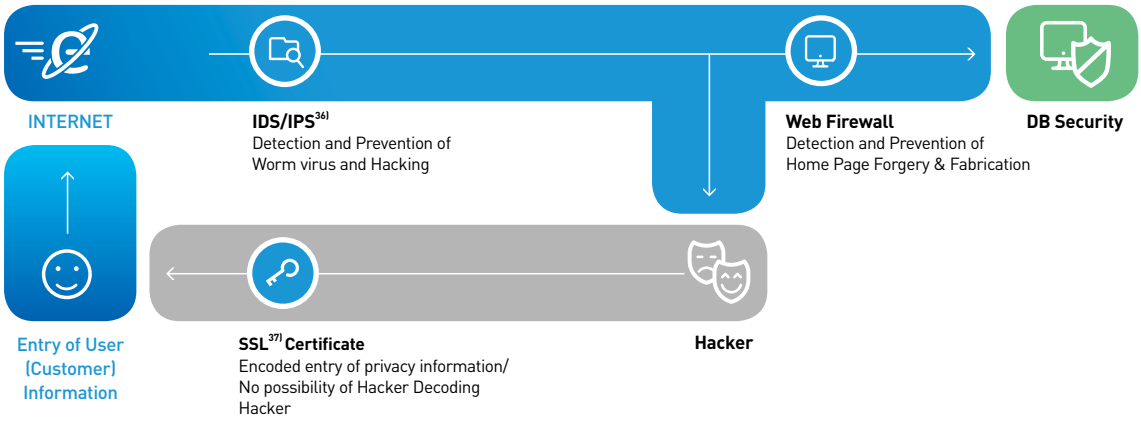
Information Security Training

Type	Scope	Description	Period
Online Training	All Employees	Information Security Policy, Control Scope, Accident Cases	Annually
Classroom Training	New Employees	Information Security Policy, System, Control Scope	As Needed
	Key System Operators	Weakness Analysis & Countermeasures	Biannually
	Each Location of Operation	Information Security Issues and Accident Cases	Annually

Composition of Information Protection Consultative Committee



Security System



Innovation Activities

Innovation drives competitiveness and sustainable growth. LG Chem focuses on Management Innovation, Customer Value Innovation, and Product Liability to grow into a Global Leading Company.

MANAGEMENT INNOVATION

Speed Management to Create Excellent Performance

Speed Management is to double the speed of change in business and people to become No. 1 LG creating excellent performance. To that end, we will maintain a thorough focus in implementing Speed Management initiatives-'No.1 in Core Business', 'Customer Value Creation' and 'Global Organizational Capability'. (Please see page 17 for detailed information on Speed Management)

Innovation Initiatives to Grow into a No. 1 Company

Our on-site innovation initiatives, such as Quality Control (QC[38]) and Total Productive Maintenance (TPM[39]), have helped build a systematic facility management mechanism across our plants, resulting in maximum productivity and minimum defects to deliver products with world-class quality. We deployed Six Sigma[40] across organization to secure cost and product leadership in 1999, so that we could proactively and flexibly adapt to increasingly sophisticated and evolving customer needs. Our Six Sigma program brings in the best and the brightest from different areas of the company to solve problems. To further facilitate such innovation programs, we hold Best Practice Contest every year to share our innovation performance and recognize people for their efforts.

CUSTOMER VALUE INNOVATION

Our vision of 'Growing with Customers' guides our actions in delivering innovative materials and solutions for our customers.

Defining the Way We Work- a Focus on Market and Customer

We strive to bring a customer and market focus in the way we think and work. That is why we first try to identify what value it is that our customers desire to have. In other words, our technology and product solutions may not necessarily guarantee the right value proposition if customer needs are not fully captured from the outset. Indeed, customer value enhancement begins with understanding the customers- the environment they are in, the issues they find difficult to solve by themselves and the value they seek to attain. Such customer insights can clearly direct us in developing and delivering differentiated materials and solutions that reflect customer value. This customer-oriented approach helps us bring success in customer business and gain their trust for our value offerings.

Our Unique Value Proposition

Various function units at LG Chem, from sales, R&D and manufacturing to technical service, are brought together as a one team to create greater value for customers. Such a consolidated team structure enables a broad and in-depth understanding of customer issues and needs, and thus ensures effective and timely solutions for customer value creation.

Moreover, a wide variety of services and troubleshooting solutions to meet diverse business needs of our customers are available. Our business companies interact directly with the customers to identify their current requirements as well as to explore potential needs.

Solution Partner Activities

Our customer value innovation is driven by our strong pursuit of 'Solution Partner Activities'. They are designed to capture current business needs of the customers and combine products, service and knowledge together as an integrated value offering. The Solution Partner Activities are targeted at discovering solutions for our customers, enhancing their performance, and promoting growth for both LG Chem and the customers. As part of such Solution Partner Activities in 2010, we embarked on 43 projects for our key customers by each business division. The projects contributed to product development, productivity enhancement and cost innovation of our customers, resulting in their revenue growth of KRW 73 billion.

CASES OF SOLUTION PARTNER ACTIVITIES

Case 1. Leading IT Material Market with Development of Eco-Friendly Plastic Material

CUSTOMER NEED

An eco-friendly need for PCR (Post Consumer Recycled) plastic material which enables to reduce CO_2 emissions was raised by Global IT companies. They desired a new material with 30% of reused plastics and the same quality as a conventional material be developed quickly.

SOLUTION ACTIVITIES

LG Chem developed PCR material which overcame the quality constraint of reused materials in terms of property and flammability and provided specifications to customer company (Apple) 'faster' than competitors, winning an eco-friendly certification medal and improving the eco-friendly image of our company.

Case 2. Development of Photoresist for LED light source

CUSTOMER NEED

Although the LED TV market was expected to grow sharply due to lower power consumption and innovative slimmer design, our customer's LED source had lower luminance and a yellowish issue compared to that of competitors.

SOLUTION ACTIVITIES

After several trials and errors, LG Chem successfully developed photoresist for LED light source, improving the color gamut and luminance, core functions of photoresist without any change in process condition. Additionally, we analyzed causes behind chronic loss generated in the production lines of our customer and helped optimize the production lines which resulted in a 66% drop in idle time.

Case 3. Chinese Subsidiary (LGCC TJ) Support for Customer Company to Advance into the BLU Market

CUSTOMER NEED

Our customer who is one of the largest molder for Hisense, no. 2 LCD TV manufacturer in China hoped to make its way into the BLU module business. However due to the lack of IT experience and quality control capacity, our customer had high defect ratio to be fixed at an earliest date possible.

SOLUTION ACTIVITIES

With the help of its IT design and processing technology, Chinese subsidiary helped the customer optimize injection condition and BLU structure design, which resulted in lowering defect ratio from 10% to 4%. The subsidiary also provided support for the customer to control raw material quality and set up QA system so that the customer successfully maintained quality improved enough to supply Hisense.

Customer Satisfaction Survey

LG Chem annually surveys our customers on their satisfaction with our customer interface activities and reflects their voice into our business strategy and customer policy-making. Customer seminars and other activities are carried out as well. The customer satisfaction survey is commissioned to a specialized research firm to ensure the objectivity and impartiality in the process.

PRODUCT LIABILITY

Product Liability System

We conduct internal and external audits one to two times a year in accordance with quality management system such as ISO 9001 and TS 16949. We provide material safety data sheet (MSDS) which contains characteristics, handling and storage of chemical substances, and actions to be taken against fire and explosion. With the introduction of GHS (Globally Harmonized System of Classification and Labeling of Chemicals) on July 1, 2010, we prepared and distributed MSDS in which risks and hazards are classified based on global standards.

When it comes to labeling and warning, we abide by the Standard for Classification and Labeling of Chemical Substance and Material Safety Data Sheet at home, and international regulations for the transport and package of dangerous goods abroad.

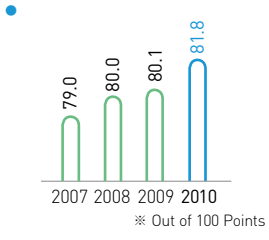
Product Liability Insurance

In principle, any VOCs received via LG Chem's general phone or the internet should be answered within 10 hours. Any bodily or property damage resulting from the defect of our product is covered and effectively addressed by product liability insurance.

Technical Training and Support

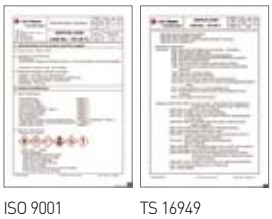
We provide technology and human resource necessary for customer companies and suppliers to implement product development and quality improvement activities. Building on technologies and experience accumulated so far, we run a Polymer Process School to introduce processing & design technologies and troubleshooting cases 10 times a year.

Customer Satisfaction Survey



※ Conducted by Hankook Research (2010): Thanks to innovative products and solution partner activities, the level of customer satisfaction has been on the increase since 2006.

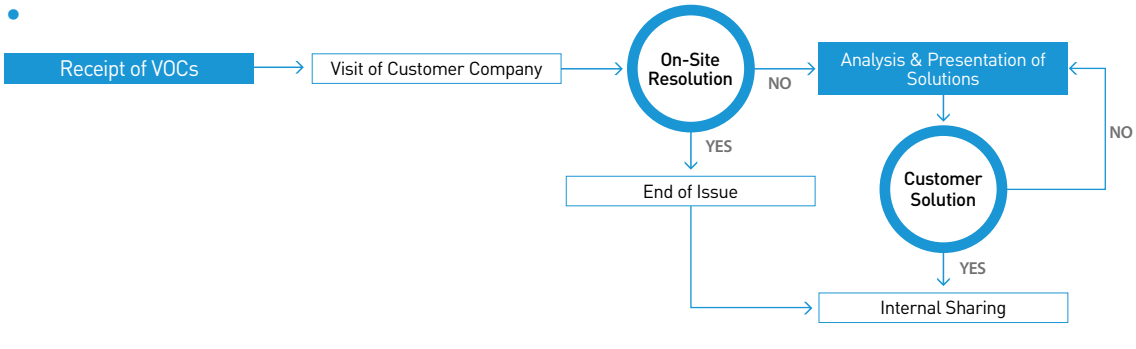
MSDS based on GHS



ISO 9001 TS 16949

Invitation to 2011 Polymer Process School

Work Flow for Quality Issues

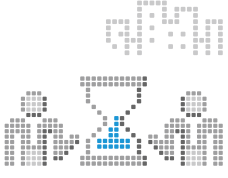


Business Partnership

We endeavor to establish a collaborative business partnership based on mutual trust in order to promote shared growth and fair trade.

FAIR TRADE

LG Chem rules out all possible expedient means for pursuing short-term results only, such as unfair business practices and violation of competition rules. We engage in fair trade to foster longer-term, sustainable competitiveness. To this end, we are operating a compliance program based on strong commitment of top management. Recently we are carrying out activities to establish and spread fair trade and shared growth culture with customers and suppliers as well as fair trade with competitors.



COMPLIANCE PROGRAM

The Compliance Program (CP) for fair trade is our internal system to ensure organizational compliance with fair trade laws. The program takes a proactive approach to prevent legal violation through employee trainings on guidelines for conduct and relevant laws and regulations, while detecting and redressing the problems early on through periodic internal audits.

LG Chem has been running its own compliance program since 1995, and after entrenching all 7 elements of the compliance program recommended by the Fair Trade Commission, along with our CEO's declaration of his commitment to compliance, we became formally registered with the Korea Fair Competition Federation in 2002 as a company that operates a compliance program. Additionally, with the declaration of 'Fair Competition Practical Guideline' in 2006, for the first time in Korea, specific behavioral guidelines were presented to abide by fair trade laws and regulations. At the same time disciplinary measures against employees who commit violation were put in place in order to put teeth into the internal system to prevent violations.

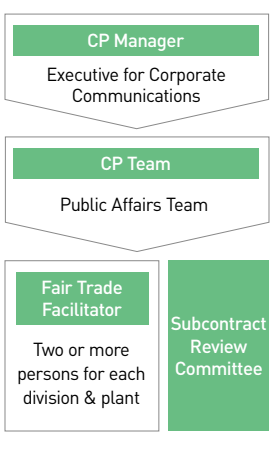
Organization

To operate the Compliance Program most efficiently and effectively, we have placed a compliance team under an executive-level CP Manager to take on the responsibility of planning and implementing the program and reporting to the BOD. In addition, two or more fair trade facilitators are designated at each division & plant, which means more than 40 fair trade facilitators are rigorously making sure no violation of fair trade takes place at LG Chem. Moreover, to promote fairness in subcontracting with small- and middle-sized suppliers, we run an internal subcontract review committee to preliminarily screen any subcontract transaction over a certain amount to check for legitimacy.

Performance of the Compliance Program

In 2010, internal audits and trainings pertaining to the Fair Trade Act and the Fair Subcontract Act were carried out across four petrochemical divisions and two IT&E divisions, Ochang plant including overseas subsidiaries and offices.
A special focus was placed on the prevention of cartel[41] in the sales area. Especially trainings on the prevention of international cartel were given to overseas subsidiaries & offices and overseas sales departments. On the purchasing front, audits were conducted to identify any violation of the Fair Subcontract Act, such as 'Determining Unreasonable Subcontracting Prices' and to monitor effective implementation of 'The Fair Subcontract Agreement' reached with small-and middle-sized suppliers.

LG Chem Compliance Organization



Compliance Program

Internal Audit

We conduct internal audit for major business divisions and plants every year. The regular audits allow us to monitor any violation of laws and regulations, and if any detected, to take corrective actions quickly so as to minimize damage.

Trainings on Laws and Regulations

Manuals and textbooks on fair trade are distributed to raise fair trade awareness and promote fair trade culture. Internal & external experts are regularly invited to deliver a lecture on competition laws. Usually, trainings on related laws are provided after internal audits and in this training, audit results are shared together to identify points for improvement.

Advance Review

Business projects should go through review by internal fair trade experts prior to execution to ensure no violation in the entire areas including planning, sales, marketing, procurement and finance.

Subcontract Review Committee

We have a subcontract review committee in operation to prevent and monitor effectively unfair subcontract behaviors with suppliers. The committee is attended by executives in charge of subcontract. In the committee, any subcontract worth more than KRW 3 billion should be reviewed if pricing, terms and conditions are reasonable and fair before it is signed.

Furthermore, classroom trainings are provided to fair trade facilitators from all business division and plants. For the trainings, external experts especially from Korea Fair Trade Commission are invited to deliver a lecture on related laws and regulations, and LG Chem's fair trade policy and direction are shared together in an effort to promote fair trade culture, detect early and take a voluntary action against unfair trade behaviors.

Performance in Compliance Program

Year	Frequency	Description
2007	10 times	• Focused on audits and trainings on the prevention of cartel
2008	13 times	• Audits of overseas sales team and trainings given at Chinese and Japanese locations of operation with the focus on the prevention of international cartel • Signed with a Fair Subcontract Agreement with 280 SMEs
2009	7 times	• Designated fair trade facilitator at each division or plant • Checked the compliance of Fair Subcontract Agreement
2010	10 times	• Trainings on the prevention of international cartel • Laid the foundation for win-win and shared growth with SMEs • Classroom education for fair trade facilitators

※ Counted based on the number of divisions given audits and trainings; however, classroom educations attended by multiple divisions are counted as one time.

PARTNERSHIP WITH SUPPLIERS

In an effort to become the best partner for suppliers, LG Chem strives to select suppliers in a fair and transparent process, and identify and implement five supportive projects faithfully to ensure shared growth with SMEs.

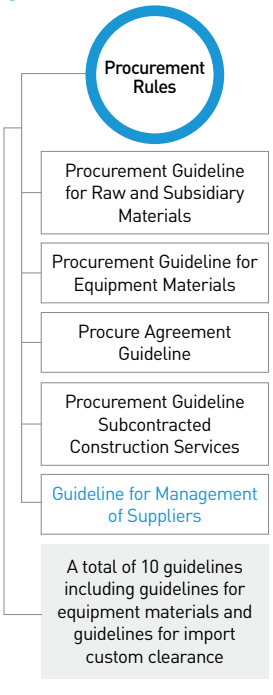
Selection and Evaluation of Suppliers

Registration and Selection of Suppliers via OPEN LG Chem opens contracts to all suppliers, selects new suppliers transparently, evaluates existing suppliers fairly, and differentiates the operation of suppliers based on evaluation results. To this end, we have operated an Open Procurement Electronic Network (OPEN)[42] which was upgraded in November 2010. In order to improve accessibility and openness of new suppliers, any suppliers who want to start trade with LG Chem are allowed to apply for registration in the LG Chem's main homepage (www.lgchem.com). The application for new registration is determined based on the results of self-evaluation by applicants for the convenience of suppliers.

Management and Operation of Suppliers via Fair Evaluation System On top of technical and financial status, applicants are evaluated in terms of compliance of environmental, safety and labor laws and regulations, and execution of ethical management, and then finally registered as a supplier when they meet our requirements. Afterwards, we conduct evaluation periodically to support, nurture or discontinue suppliers. It is clearly specified in the Procurement Guideline for Raw and Subsidiary Materials will be discontinued in any violation of environmental, safety and labor laws and regulations. Additionally the risk of new and existing suppliers is proactively managed in connection with a credit rating system in a bid to secure supply stability. Supplier evaluation is fairly conducted after prior notification via a Supplier Evaluation System, which is a part of OPEN and evaluation results are provided to suppliers in order to induce them to make a voluntary effort to improve competitiveness.

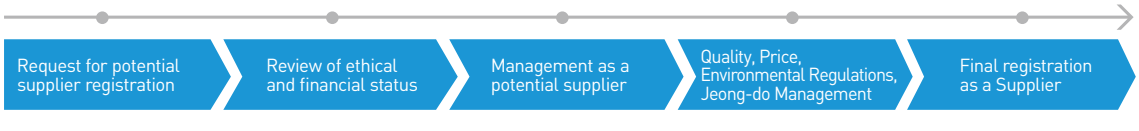
OPEN System LG Chem is operating an Open Procurement Electronic Network (OPEN) which is an integrated procurement system designed to secure the transparency of trade, promote communication with suppliers and provide efficient service. Currently the system is enhanced from the previous outdated OPEN system. In Particular, convenience and impartiality of registration of new suppliers and evaluation of existing suppliers are improved significantly. The system is planned to be rolled out to Chinese subsidiaries in 2012. We continue to step up efforts to support suppliers through system-based management and operation of suppliers.

Procurement Rules



※Compliance of environmental, safety and labor laws and regulations is described in Article 9 (Audit on Suppliers) and Article 16 (Suspension and discontinuation of trading) of guideline for management of suppliers.

Flow for Selection and Evaluation of Suppliers



SHARED GROWTH WITH SUPPLIERS

LG Chem is building a business environment where we grow with suppliers with recognition that stable and long-term relations with suppliers are essential for stronger competitiveness and sustainable growth.

Shared Growth Initiative Committee LG Chem recognizes that for further growth, it is essential to help suppliers secure competitiveness. With it in mind, we have a Shared Growth Initiative Committee in place to pursue shared growth with supplier in an effective and substantial manner. The committee is chaired by the CFO and composed of concerned executives. The committee is convened on a regular basis to select, monitor and take follow-up actions regarding five tasks for shared growth.

Agreement on Shared Growth and Fair Trade LG Chem signed an Agreement on Shared Growth and Fair Trade for Large and Small-and Middle sized Enterprises in November 2008. We pledged to support suppliers in various ways, comply with subcontract laws and other related laws, and take a evaluation from Korea Fair Trade Commission (KFTC). As a result of the evaluation in 2010, KFTC gave LG Chem an 'Excellent' grade, confirming our efforts for shared growth. In 2010 we signed the same type of agreement with subcontractors. By doing so, we declared that our shared growth effort is not one-time event, but will be pursued continuously. Furthermore, we are making shared growth more effective and substantial by letting shared growth activities be checked and evaluated by authoritative institutions like KFTC.

Signing ceremony for Agreement on Shared Growth & Fair Trade

Five Tasks for Shared Growth

1 Declaration of Top Management's Commitment

- Operation of Shared Growth Dedicated Team
- Expansion of Visit to Supplier Sites

2 Expansion of Financial Support and Improvement of Payment Term

- Running LG win-win Fund, Network Loan and Family Loan(Creation of KRW 17.5billion of new fund)
- 100% cash payment to subcontractors and logistics suppliers
- Improvement of payment term for non-subcontract SMEs: Payment within 60 days
- Encouragement of primary suppliers to apply same payment term to secondary suppliers

3 Technical Support for Strengthening Technology

- Suppliers' involvement in new green projects
- Support to suppliers for problem resolution
- Technology & quality improvement activities, and free support for analysis and test

4 Training Support in Cultivating Human Resources

- Support to suppliers for technical training including operation of Polymer Processing School
- Foundation of Supplier HR Development Center under LG Academy

5 Establishment of Partnership for Shared Growth

- Expansion of localization of part materials & equipment, joint advance into overseas markets
- Prior notification of raw materials price to plastic customers
- Compliance of subcontracting laws: prohibition of unfair discounting and verbal PO, Stricter procedures to request technical documents incl. cost calculation sheet and unilateral on-site audit
- Regular meetings with or between suppliers

Stronger Environmental Management of Suppliers With green procurement policy in place, we guide suppliers to prevent possible environmental issue at their site and cope with global environmental regulations as an eco-friendly company. As part of this effort, we completed 100% the REACH registration of substances which we purchased from suppliers in 2010. Furthermore, in order to respond to customer demand more systematically, CHARMs was extended to suppliers, making it possible to identify the chemical compositions of materials purchased and obtain basic information necessary for dealing with environmental regulations. Additionally, we plan to provide training and education to suppliers on a regular basis given that partnership with suppliers is necessary to proactively cope with global environmental regulations.

Talent Management

LG Chem guarantees fair evaluation & compensation, and diverse welfare benefits in accordance with the Human Resource principles respecting individual creativity and autonomy, while striving to cultivate global talent.

We implement human resource (HR) management which respects individual creativity and autonomy based on strengths of employees who are the source of value creation. In particular we are intent on cultivating talent who follow LG Way and meet global standards in project execution in an effort to build up capacity in new future business and core business.

OUR PEOPLE

LG Chem defined the ideal employee as those who have commitment to LG Way and capability to get it done, based on which, we are employing and cultivating human resources.

HUMAN RESOURCE PRINCIPLES

For realizing human respect management, one of the philosophies of LG Way, we set up the principles of human resource which guide us to respect diversity of employees, value creativity and autonomy based on individual strengths, and encourage individuals to develop their potential and create performance to the fullest possible.
We employee best talent around the world regardless of race, nationality and gender and offer a fair opportunity regardless of religion, disability, geography, and association.
The highest compensation is provided to the highest performer through fair evaluation.
With compliance to Labor Standards Law, we abide by the ban on child labor, prohibiting children working under the age of 15 and the ban on forced labor that forbids the employer from forcing labor against the free will of the workers.

Our People

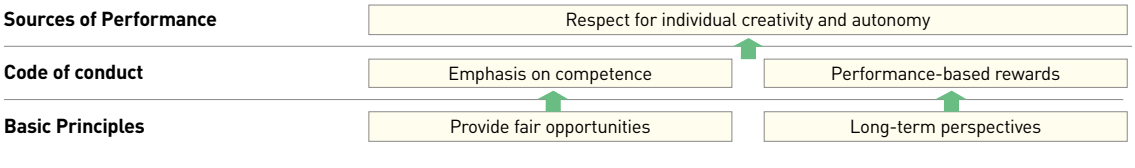
Employees who have both conviction and execution of LG Way

- Challenging the world best with dream and passion
- Building teamwork and working on creativity and autonomy
- Giving first priority to customers and innovating for value creation continuously
- Competing with fairness based on sustainable competitive edge

Highest Capability, Highest Performance and Highest Compensation

Highest Capability	Highest Performance	Highest Compensation
We hire top talent from all around the world, regardless of race, nationality and gender.	We present top talent with challenging tasks and broader training opportunities to develop them into core human resources, based on fair and objective evaluation.	We provide the highest compensation to top talent regardless of race, nationality, gender, religion, disability, geography and association.
• Recruit people with creativity and unique individuality • Job placement with consideration for individual preference and aptitude • Offer incentives to core talent, based on their market value and business impact	• Objective and impartial evaluation system • Systematic training opportunities for each level and skill • One-on-one career development session/ Well-devised career development system	• Annual salary system linked to individual skills and performance • Substantial rewards on performance, e.g., profit sharing • Fast track promotion system

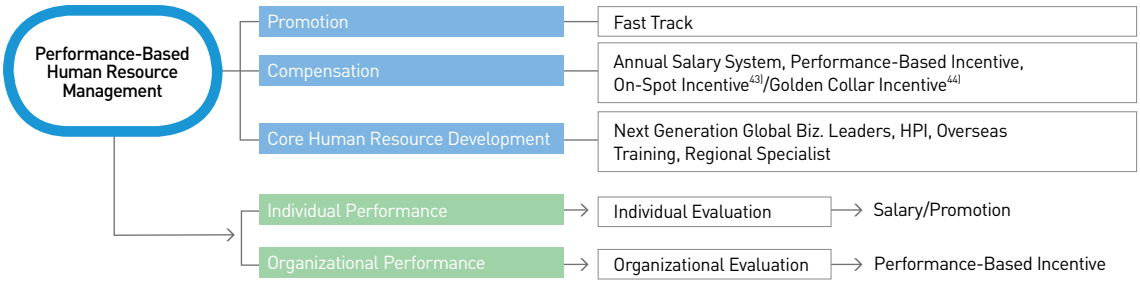
HR Principle



PERFORMANCE-BASED REWARDS

LG Chem guarantees fair opportunities to all employees so that they can generate performance based on their individual creativity and autonomy. We provide competitive pay and benefits on the basis of performance under the principles of HR management. In addition, we are in pursuit of performance system valuing the quality of performance, in other words, financial outcome and the way to create performance.

Performance-Based Human Resource Management



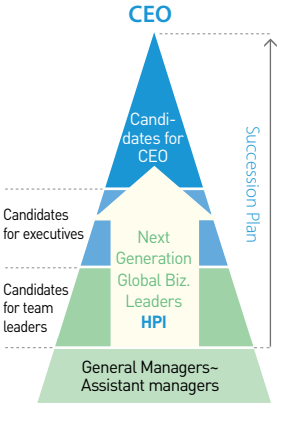
HR DEVELOPMENT PROGRAM

LG Chem announces major directions for training and development, and draw up an annual plan and budget every year. Diverse training programs necessary for improving job skills and self-development are contributing to maximizing the capability of employees.

Developing Core Talent for Business Success We attempt to discover High Potential Individuals (HPI[45]) and Next Generation Global Biz. Leaders as early as possible to nurture them into core human resources. They are given opportunities to develop management skill, foreign language ability, and leadership as well as job skills under a Career Development Program (CDP[46]) which is customized to individuals.

Developing Talent for Global Operation We focus on deepening global organizational competence to remain competitive through adopting a global perspective to our training program. We have developed targeted training programs for those who contact directly with our global customers so that they can familiarize themselves with work process and business etiquettes that are aligned with global standards. With a view to promote the use of English as our official language at LG Chem, we are expanding the use of English during business meetings. In particular, our intensive and advanced business English programs allow our employees to improve their global business competency. In addition, our employees are given an opportunity to study in global top 30 MBA programs and to participate in the 'Regional Specialist Programs' (centering on strategic areas such as China, India, Brazil, Russia and the Middle East).

Core Talent Development System (HPI, Next Generation Global Biz. Leaders, Succession plan)

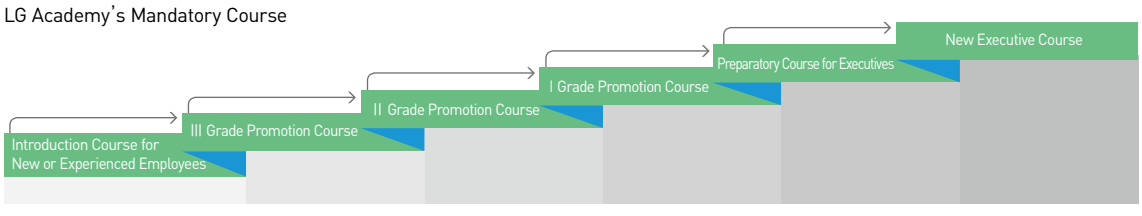


※ 3 candidates for one position at a level of head of business division
※ 2 candidates for one position at a level of team leader or key overseas position

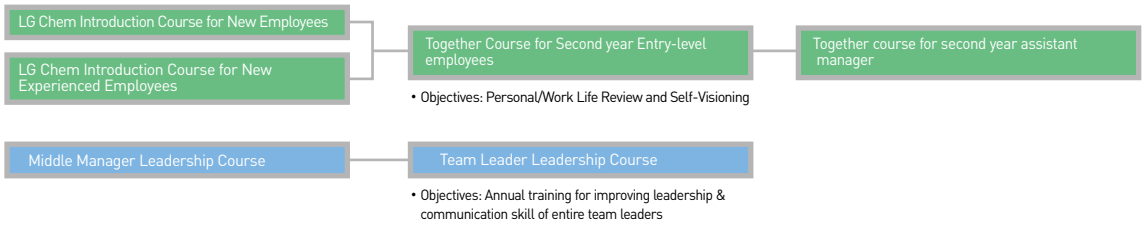
HR Development Program

• Mandatory Program •

LG Academy's Mandatory Course



LG Chem's Mandatory Course



• Job Skills •

Sales/ Marketing
- Basic Skills (6 courses)
- Global Business Skills (5 courses)
- Understanding of Business / Products (by division)

Finance
- Accounting School (LG Academy)

IT
- Special Course at LG CNS
- IT-related Certificate Course (Outside Training)

Production
- Production (Technology) Quality Programs (by division)
  - Battery Academy (45 courses)
  - Optical Academy (22 courses)
  - Petrochemical Engineer Programs (14 courses)

HR
- HR School (LG Academy)

R&D
- R&D Special Skills
- R&D Management Skills

Procurement
- Purchasing Expert Course (LG Academy)

• Individual Skills •

Globali -zation
- Regional Specialist: Emerging Markets such as India, Russia, Brazil, Africa
- China Biz. Leader
- Intensive Course for English, Japanese and Chinese

E-Learning
- Management, Specialty Tasks, IT, Foreign Language

※ E-Learning course

LG Way-Based Training Programs LG Chem offers training programs based on LG Way. We continue running 'Team Leader Leadership Program' to cultivate leaders who are aligned with LG Way. Also, we have implemented 'Together Course', 'Professional Leader Course' and 'Middle Manager Course' with an aim to sharpen organizational competitiveness through systematical developing those who from entry-level to assistant manager level, as they are the next generation engine for sustainable growth.

Expert Development A technical expert development program is in place for each business division to ensure that employees can take trainings in a systematic way from the beginning to grow into an expert who possesses the best technology in the areas where they belong. Currently Battery Academy for the battery division, Optical Academy for the optical material division and Engineer Development Program for the petrochemical division are opened. These programs allow employees to learn expertise and technology which are accumulated in our organization and strengthen specialized capabilities, which in turn, lead to stronger business competitiveness and core competences.

WORKFORCE STATUS

As of 2010 yearend, we employ 9,373 people (full-time basis) of which 87% are working at locations of operation other than the head office. By gender, there are 8,509 males and 864 females and out of those in office work, there are 3,736 males and 732 females. In 2010, we newly hired 1,331 people, with male and female workers representing 87.5% and 12.5%, respectively. During the year, a total 295 people retired, with a male-to-female ratio at 84.7%:15.3%. The retirement ratio standing at the end of the year is 3.2%.

Overall Employee Status

Unit: person

Category	2010
Plant	6,891 (73.5%)
Research Park	1,271 (13.6%)
HQs	1,211 (12.9%)
Total	9,373 (100%)

Employee Status by Age

Unit: person

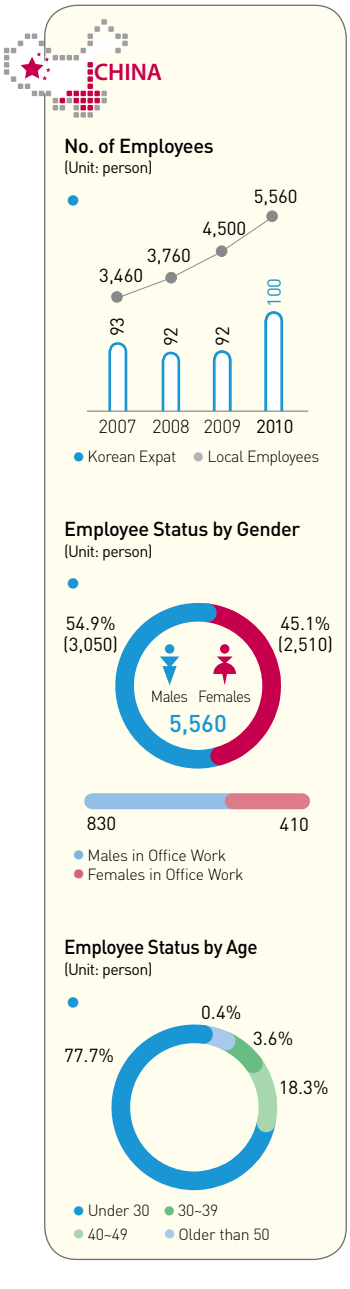
Category	2010
Older than 50	930 (9.9%)
40-49	2,666 (28.4%)
30-39	3,766 (40.2%)
Under 30	2,011 (21.5%)

GLOBAL TALENT RECRUITMENT & DEVELOPMENT FOR LOCALIZATION OF OVERSEAS BUSINESS

We are working intensively on securing and cultivating local talent in attempts to accelerate the localization of overseas business. Mainly in China, we are seeking the localization of overseas subsidiaries through management led by local employees.

Hiring and Cultivating Local Workforce As of the end of 2010, LG Chem has presence in 14 countries across the world (China, Taiwan, India, Vietnam, Thailand, Indonesia, Singapore, Japan, USA, Brazil, Germany, Poland, Turkey and Russia), operating total 28 overseas subsidiaries and branch offices. We employ 6,800 people abroad, of which 6,650 are local hires (97%). Among them, 5,660 people are based in China, accounting for 83% of total overseas workforce, including 5,560 that are locally hired. The ratio of local workforce in the Chinese subsidiaries has kept rising since 2005 and in 2010, 98% of total employees was local workforce.

Status of New/Retired Employees in 2010
(Unit: person)



In China, we organize on-campus recruiting tours twice a year at major Chinese universities around our local subsidiaries to secure entry-level workers. We also carry out unscheduled recruiting throughout the year to bring experienced human capital on board with a required set of business skills for successful local operation.

For a manager-level or higher position in American and European region, we rely on local recruiting firms to bring in highly qualified human resources. Furthermore we carry on with our initiatives to cultivate local workers who can competently lead local operations in place of Korean expatriates such as HPI(High Potential Individual) programs, HQ trainings, HR/finance workshops and other function-specific workshops as well as LG Way dissemination & internalization trainings.

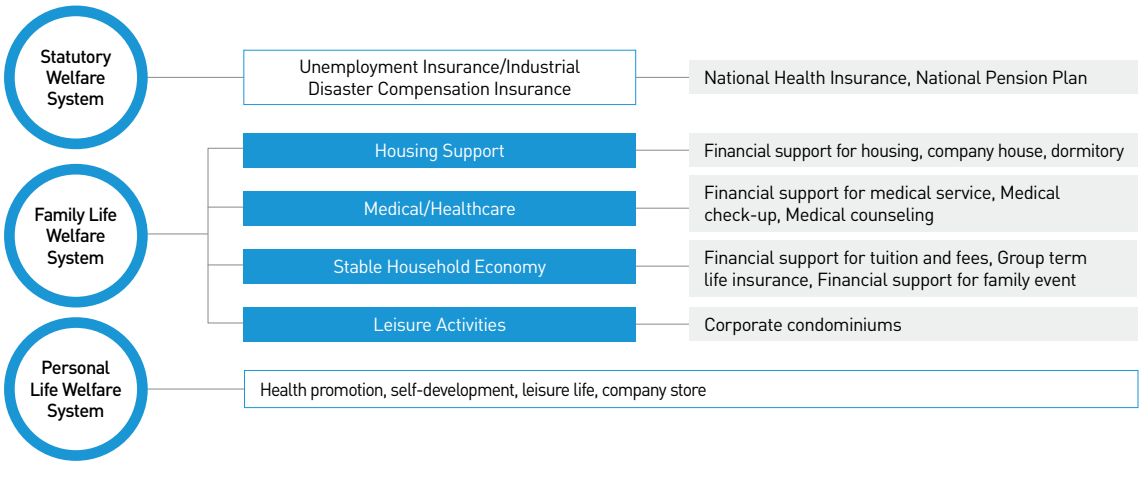
WELFARE BENEFITS

Welfare System We provide diverse welfare benefits for employees to have more stable and healthy life so as to get more engaged in the company. Our welfare system is also conducive to instilling a stronger sense of pride in our employees and creating a good work atmosphere.

On top of statutory welfare benefits, our welfare system is composed of a family life welfare system designed to ensure the stable life of employees, such as supports for housing, medical/healthcare, stable household economy, and leisure activities, and a personal life welfare system in which optional benefits are offered based on individual's preference and life style. The personal life welfare system was introduced in 2006 to promote the work & life balance (WLB) of employees. Employees are free to select benefits to enjoy leisure activities and do self-development. Every year, we have published a Welfare Guidebook and collected feedback from employees on a regular basis to improve our welfare system and raise employee satisfaction.

Welfare Facilities in the Work Place

LG Chem's Welfare System



Health Promotion Activities LG Chem has in place various health care programs, such as on-site medical visits to prevent general and occupational illnesses; delivery of health information; physical therapies to prevent musculoskeletal diseases; and preventive activities jointly organized with external expert groups targeted at noise-induced hearing loss which is commonly found in manufacturing plants but difficult to treat.
Every year medical check-up is provided to promote the health of employees and the checkup results are used for medical counseling. Especially we run a health promotion program in connection with hospitals to provide healthcare solutions customized to individual employees. We also carry out diverse campaigns for non-smoking, alcohol-in moderation, and body fat control. Additionally a health promotion center equipped with a blood pressure monitor and a body fat analyzer is in operation at each location of operation for employees to check regularly and manage health condition on their own.

Opening of Health Promotion Center (Daesan Plant)

Psychological Counseling We operate a psychological counseling center to help employees maintain a sound mind. With the help of counselors, employees are able to resolve issues in their personal life and if necessary get professional assistance. We also offer a psychological test and a clinical interview to diagnose the mental condition and psychological status of employees and organization, and based on the results, individual or organizational solutions are provided.

Types and Methods of Psychological Counseling

Types		Methods
Personal Counseling	Face-to-Face	50-minnute counseling at a counseling center one to two times a week
	E-mail	E-mail and reply within 48 hours
	Messenger	30-minute counseling via i-messenger
Collective Counseling		A small group of 6 to 10 members with a similar interest or problem works together to resolve an issue under the guidance of a professional counselor

CHINA

Welfare Activities of Chinese Subsidiaries Our Chinese subsidiaries are promoting the work and life balance and self-development of employees under the goal of Great Work Place (GWP).

• 4th English Festival

In September 2010, the 4th English Festival hosted by LGCCI was held in Beijing. During the festival attended by all Chinese subsidiaries, employees participated in an English speech contest, a team idea performance and a singing contest, and winner teams or employees took overseas trip as a prize. This festival served as an opportunity to improve English skill and contributed significantly to fostering friendship between subsidiaries.

• Employee Welfare Center

In December 2010, LGCE NJ completed the construction of Employee Welfare Center. The two-story building houses a cafeteria with the capacity of 600 people, company store and lounge in the 1st floor and a fitness center, a table tennis room, a sauna room and a conference room in the 2nd floor. Now that the welfare center is opened, employees are able to enjoy leisure activities and take care of their health in a comfortable place.

CHINA

Chinese Subsidiaries' Welfare Benefits

Welfare

Internal Sports and entertainment associations are internally established to help get the work and life balance. Physical exercise facilities are provided.

Health Promotion

Medical check-up every year
Financial support for medical service.

Self-development

Free English Class after work.

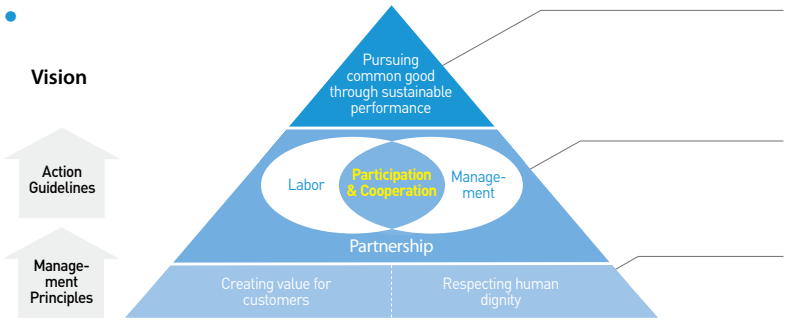
Labor-Management Collaboration

We believe in a horizontal relation between labor and management, not a vertical structure that has often defined the dynamics between union and management. We seek to establish a labor-management collaboration underpinned by mutual respect and equality.

THE VISION FOR LABOR-MANAGEMENT COLLABORATION

Embracing our management principles of 'customer value creation' and 'human respect management', LG Chem envisions a labor-management partnership for participation and cooperation. We aspire to materialize community-type labor-management collaboration that help build global competitiveness in our business, enrich the lives of our employees, and contribute to social development through sustainable performance.

The Vision for Labor-Management Collaboration

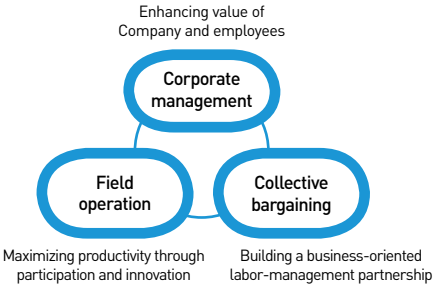


- **Vision of LG community-type labor-management collaboration**
  - Building global business competitiveness
  - Enriching the lives of employees
  - Contributing to social development
- **Unique action guidelines of LG labor-management to realize the vision of LG community-type labor-management collaboration**
- **The goals of business activities and the principles of corporate operation**
- **The basic philosophy of LG community-type labor-management collaboration**

THREE-DIMENSIONAL MODEL FOR LABOR-MANAGEMENT COLLABORATION

LG Chem aims to build community-type labor-management collaboration. We have therefore put in place a unique model for collaboration that facilitates interactive participation and cooperation in three different dimensions interlinked with labor-management collaboration, namely, corporate management, field operation and collective bargaining. The direction of cooperation between labor and management is defined as follows: to enhance the value of the company and the employees through transparent and open management in the corporate management dimension; to maximize productivity through strong teamwork and innovation in the field operation dimension; and to establish a business-oriented labor-management collaboration on the basis of rational industrial practices and a productive negotiation culture in the collective bargaining dimension. In addition, the collective bargaining agreement signed between the union and the management applies to all our employees as per relevant labor laws. The agreement was conducive to further solidifying the platform for collaboration, by specifically mandating the management to hold consultation with the union in advance and in good faith to implement major changes in business.

Three-dimensional Model for Labor-Management Collaboration



Corporate management	• Trust in management activities • Vision for the company and employees
Field operation	• Leadership setting an example and strong teamwork • Higher performance through innovation
Collective bargaining	• Productive negotiation culture • Reasonable labor-management practices

MAJOR INITIATIVES OF LABOR-MANAGEMENT COLLABORATION

Corporate Management LG Chem strengthens field management of top managers through the CEO's "Dialogues with Employees" and the CHO's "HR sharing meetings". We also facilitate effective communication with the management team based on 11 Junior Boards from each business division. In addition, we measure how much trust our employees have in management activities and identify any opportunities for improvement through annual satisfaction surveys.

Field Operation We run a wide range of team building programs and empower line managers in handling complaints and grievances to ensure field-driven personnel management. We are dedicated to promoting a more decent workplace through operating a joint labor-management committee on occupational safety and health. We also provide our employees with overseas industrial training opportunities to broaden their horizons on the global market and competitive landscape.

Collective Bargaining Business performance is shared, and key pertinent agendas are discussed through a labor-management council held on a quarterly basis. We run a joint labor-management task force when there is a need to improve our HR/welfare system. In addition, we discuss ways to seek mutual growth between labor and management via joint workshops prior to annual collective wage bargaining negotiations, and form a working-level committee during such negotiations to promote a productive culture for negotiation.

HR Sharing Meeting

Organizational Revitalization Program

TANGIBLE OUTCOMES FROM LABOR-MANAGEMENT COLLABORATION

LG Chem has successfully carried out collective wage bargaining negotiations in the last seven years without a single labor dispute to date. It was made possible mainly due to our 'three dimensional model for labor-management cooperation' which is built on the spirit of engagement and collaboration. During the collective wage bargaining negotiation in 2010, the paid time-off system was introduced in line with the revised labor relation law. These outcomes have not only become the source of corporate competitiveness for the company, but also helped provide a best-in-class working environment and welfare benefits to our employees. LG Chem, as a result, has earned recognition for its significant contribution to labor-management collaboration stability in the industrial workplace in Korea.

Joint Labor-Management Workshop in 2010

Key Issues of the Labor-Management Council in 2010

Category	Description
Incentives	• Sharing the criteria and the scale of incentive payments
Welfare Facilities	• Maintenance for outdated welfare facilities at locations of operation • Operation and maintenance for company house and dormitory • Routes of commuting buses • Improvement of Parking Lot • Operation of cafeteria facilities
Others	• Sharing of major company schedules • Coordination of Joint Labor-Management Schedules

Social Partnership

LG Chem adopts a 'Creative Capitalist' approach to social contribution, going beyond short-term, one-off donations or charities. We focus on education, welfare, local community support, and global social contribution in fulfilling our social responsibilities.

CORPORATE CITIZENSHIP

One step further from 'market economy capitalism' based on which we contributed to the development of national economy as a leading petrochemical company, we are now pursuing 'creative capitalism' which requires us to fulfill corporate social responsibility to improve the lives of the socially vulnerable neighbors.

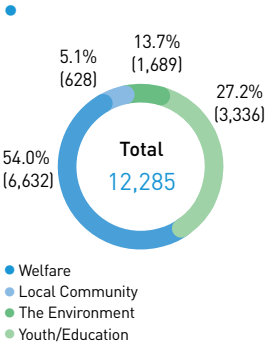
DIRECTIONS FOR SOCIAL CONTRIBUTION

Social contribution activities are systematically carried out in four major selected areas: education, welfare, local community support, and overseas social contribution. In the education area, we leverage our expertise as a petrochemical company to raise the interest of youth in science and technology and contribute to nurturing young talent. We actively engage in education projects to improve the welfare of youth in a belief that the youth is a hope for the future of Korea. At the same time, we implement welfare projects for the economically marginalized as one of four major social contribution areas to help ease an ever-deepening income gap and create a better world for all.

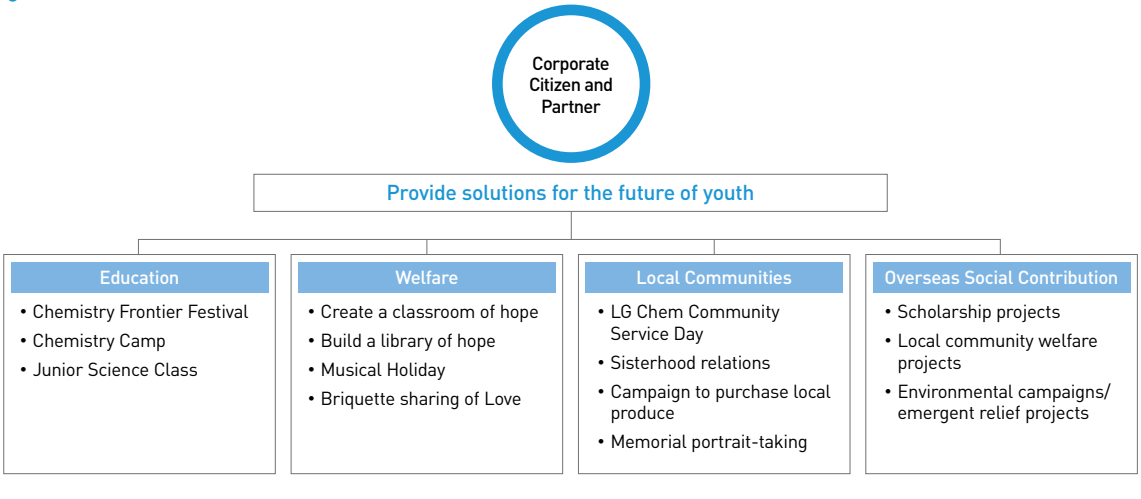
With a strong belief that LG Chem grows sustainably with local communities, we carry out diverse social contribution activities in connection with local communities. In addition, we look for a way to contribute to the development of host countries where our subsidiaries are operating, shedding away from the outdated thought that they are a production or sales base.

Social Contribution Amount in 2010

(Unit: KRW million)



Social Contribution Vision and Activities



[Creative capitalism]

A term first coined and popularized by the founder of Microsoft Bill Gates in his acceptance speech, receiving an honorary diploma from Harvard University in 2007 and again, during his speech at the World Economic Forum in Davos in 2008. The ideology calls for a new and stronger form of capitalism that goes beyond traditional giving and charity, to address the needs of people in poverty and inequity leveraging market forces and principles. In other words, it works to generate profits and solve the world's inequities while not undermining the fundamental spirit of capitalism.

ORGANIZATION FOR SOCIAL CONTRIBUTION

The commitment to social contribution has always stayed with LG Chem throughout its history, directed by a corporate culture that stresses autonomy and creativity, LG Chem embarked on a journey towards corporate citizenship, first providing support to the employees for their self-initiated group gatherings and community service. Our journey came to make a significant progress in 2004 when a matching grant[47] system for donation was introduced at LG Chem.
In May 2008, we set up a dedicated team for planning and managing social contribution activities, and staffed new full-time hires to make our activities more organized and systematic. Following in July, we officially launched the LG Chem Community Service Group (CSG) comprising 4 thousand employees with our CEO at the helm, after integrating individual social community groups at 10 locations of operations in Korea. In March 2010, a social contribution workshop was held for the relevant, responsible managers to share our strategy and best practices.

Activities of Community Service Groups

Year	No. of Community Service Groups	No. of Community Services	Total Hours of Community Services	No. of Participants
2007	82	782	4,306	7,423
2008	82	1,175	5,056	9,511
2009	69	1,085	4,424	7,398
2010	94	1,077	6,501	8,272

※ The figures went down as the number of community services carried out by LG Hausys, a spin-off from LG Chem in April 2009, was excluded.

Organization for Community Service Group

LG Chem Community Service Group

• Leader: Vice Chairman & CEO **Peter Bahnsuk Kim**

Secretariat

Community Service Groups

HQs	Naju plant
Yeosu plant	Iksan plant
Cheongju plant	Gimcheon plant
Daesan plant	Ulsan plant
Ochang Techno Park	Research Park

SOCIAL CONTRIBUTION ACTIVITIES

LG Chem's social contribution activities include 'LG Chem Social Contribution Project' run directly by a dedicated team; 'Designated Donation Project' financed by donations; and 'Community Service Group' financed by Twin Angel Fund.

LG Chem Social Contribution Projects LG Chem social contribution projects are directly planned and run by LG Chem mainly for youth education and welfare support. Chemistry Frontier Festival and LG Chem Chemistry Camp are our outreach[48] programs that reflect our identity as a petrochemical company. Through these projects, we provide talented yet underprivileged young students with unique learning opportunities in science, along with welfare programs to discover and deepen their potential to become the leaders of tomorrow while promoting science and technology advancement.

Designated Donation Projects To build a social safety net for a wider group of underprivileged people in society, LG Chem designates a portion of donations it makes to the Community Chest of Korea for designated donation projects. In 2010, 50% of a total KRW 2.3 billion donated was used for designated donations such as 'Build a Library of Hope', 'Musical Holidays', and 'LG Chem Chemistry Camp'. The projects are conducted by carefully-selected organizations who can deliver real benefits to the underprivileged in order to maximize the impact of donations.

Activities of Community Service Group Voluntary fund-raising and community service activities are operated at the initiative of LG Chem Community Service Group with the membership of around 4,000 employees. Apart from various social contribution and donation projects at a corporate level, the 'LG Chem Twin Angel Fund' has been voluntarily raised since 2005. As of 2010, 3,980 employees or roughly a 45% of our employees in Korea made a donation into the Fund, accumulating KRW 500 million every year to be spent for different community services.

Status of Fund-Raising

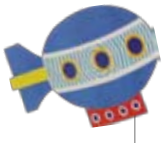
Unit: KRW 1,000

Year	Yeosu	Cheongju	Ochang	Naju	Iksan	Research Park	Total
Began in	2005. 5	2005. 7	2005. 4	2007. 5	2005. 10	2005. 5	
2007	99,715	48,676	38,240	7,347	12,500	34,285	240,763
2008	117,068	42,000	39,964	4,457	13,325	37,000	253,814
2009	120,464	Integrated into Ochang	54,834	5,490	12,988	37,102	230,878
2010	127,673	-	61,187	10,208	12,884	40,690	252,642
Participation Rate (Persons)	100% (1,997)	-	42% (1,263)	100% (220)	61% (153)	31% (347)	3,980

※ Due to LG Hausys' spin-off from LG Chem in April 2009, the total number of participants and the amount raised were down slightly, and the fund from Cheongju battery plant was integrated into Ochang plant.

A total of 94 community service groups at the head office, eight plants and one research park have engaged in more than 1,000 community service activities for 6,500 hours combined a year. Projects entitled 'Create a Classroom of Hope', 'Junior Science School', and 'LG Chem Community Service Day' are major community services provided by our CSGs.

Community Service Group



EDUCATION PROJECTS

Chemistry Frontier Festival LG Chem organizes 'Chemistry Frontier Festival' in Korea every year - a chemistry contest targeted at high school students to cultivate future talent in science and technology and raise their interest in chemistry. This program is jointly sponsored by LG Chem, Hanwha Chemical, Samsung Total Petrochemicals Co., SK Energy and Honam Petrochemical Corp, and is organized by Korea Petrochemical Industry Association. A total of 5,138 teams (of 10,276 students) so far have participated in this program during the past 7 years starting with the first contest in 2004, and the number keeps growing. Indeed, the festival now takes hold as the best and biggest contest for the high school students in Korea. The winners in the top rank are given various benefits including a chance to get overseas training as well as special employment privileges if they join one of the co-sponsoring companies.

Fascinating Chemistry! LG Chem Chemistry Camp Our annual chemistry camps are targeted at middle school students to increase relevance and familiarity of chemistry through various chemistry experiments and camp activities during school vacations. 'Fascinating chemistry-LG Chem Chemistry Camp' was first introduced in 2005 through our outreach programs that reflect our identity as a petrochemical company. The camps are held four to five times a year, attended by some 700 middle school students. This 3-day event is fun and educational at the same time. There are exciting chemistry experiments and spectacular magic shows for educational purposes, as well as other programs such as UCC contests and the King of Study to help the students do better at school. Such colorful combination of programs has indeed fascinated the participants in the chemistry camps.

LG Chem Chemistry Camp

Junior Science Class The Junior Science Class is a program launched in 2004 for elementary schools and childcare centers in the Daejeon area to help the students experience what science is really like through experiments and practice sessions, capitalizing on scientific knowledge of our researchers at Daejeon Research Park. From 2007, we have been offering over 20 classes every year specifically targeting students who belong to orphanages as they have limited access to various learning opportunities. In May 2010, the science class was held on the sideline of Children's Day events in Daejeon City where some 200 people took part to discover fun in science and experience it through experiments. The program, planned and run by our researchers through their voluntary involvement, is increasingly being perceived as a professional social contribution activity as it draws on expertise and competence of our highly qualified researchers who hold advanced degrees.

Community Service Activities

Year	Public Facilities	Frequency
2007	Orphanages (Daejeon Jahyewon, Seongsim etc.)	29
2008	Orphanages, Elderly Nursing Homes (Daejeon Jahyewon, Peacevilliage etc.)	26
2009	Orphanages (Cheonyangwon, Daejeon Hyesangwon etc.)	24
2010	Public Child Care Center (Daejeon Hyesangwon, Lovelight etc.)	27

WELFARE PROJECTS

Create a Classroom of Hope In July 2008, we formally launched a corporate-level community service group that integrates and coordinates our community service spread out across the head office and local plants. The LG Community Service Group (CSG) searched for what they could do best as employees of LG Chem. The systematic community service culminated in a program called 'Create a Classroom of Hope' for repairing and renovating youth and children facilities within community welfare centers. The idea for 'Create a Classroom of Hope' comes from the fact that social protection arrangements for the youth, who are socially marginalized, are relatively inferior to those set up for the elderly or the disabled. Members of the community service group tapped into their individual job skills to draw wall paintings to inspire the youth and renovate the youth facilities into a better learning environment. For the 2010 'Create a Classroom of Hope' program, community services we could do with the youth were developed and conducted to instill dreams and hopes in the youth.

This community service has received positive feedback from participants and even greater response from the beneficiaries, as our employees can utilize their unique job competency. Starting with a community center in Yeongdeung-po, Seoul, in July 2008, currently we pick two community welfare centers every year from applicants to continue the spirit of this project.

Create a Classroom of Hope

INTERVIEW

A rewarding day in the 'Create a Classroom of Hope' program

Kim Sung-Hee, Student Volunteer

I participated in the 'Create a Classroom of Hope' program at the Seodaemoon Community Welfare Center on June 25, 2010. The community welfare center ran a classroom after school for children from low income households. The 'Create a Classroom of Hope' program was to renovate a classroom in the center to provide a better learning environment to children.
I helped clean up and put in order the classroom after the renovation work. It was not easy to carry heavy desks, chairs and books. However, I found pleasure in working with other volunteers. I felt very rewarded when I saw children being delighted with the renovated classroom, and thought that they could study in a better environment. It came to my mind again that community service is not doing something grand, but starts from something trivial. I sincerely hope that companies will continue social contribution activities so that more people can get involved in those activities. Someday I hope to see children studying pleasantly in the classroom again.

※Excerpt from Company Magazine July 2010 Issue

Musical Holiday and Mecenat Programs LG Chem is engaged in a variety of Mecenat programs to broaden access to high arts and culture for the underprivileged people. We reach out to military servicemen with a limited access to cultural events as they often get overlooked in social contribution activities. We have been organizing 'Musical Holiday' programs with fusion musical troupe 'Taru' since 2007 to present musical performances for soldiers at the militaries. Total 2,000 soldiers and local residents came to watch 4 to 7 musical performances in the remote areas of Ul-leung Island, Baengnyeong Island and Gangwon Province.

Moreover, 'Fun Ticket Sharing' project started across the country in 2006 to give the less fortunate a chance to come to concerts and performances. Every year, we offer cultural and artistic opportunities to around 10,000 young students from low-income families to enrich their lives and help them pursue their dreams as artists. Our 'School Concert' is especially popular among students as we go to the schools to hold cultural performances for them. Our devoted endeavors towards promoting cultural enrichment of our communities was given the company an honor of winning a 'cultural management award' at Mecenat Awards 2009, despite a short history of only 3 years.

Sharing Briquette for Love To lend a helping hand to our neighbors whose lives have been severely impacted by recession and inflation, our Yeosu plant draws into an employee fund to buy 20,000 sheets of briquettes (worth KRW 14 million) every December and take their personal time to deliver them to low-income families, especially starting with families on welfare. This community service was given a name 'Sharing Briquette for Love' in 2008 and was undertaken by 200 people from 13 community service groups at the Yeosu plant. LG Chem's labor union also donated 15 sacks of rice, make the community service more meaningful.

Sharing Briquette for Love

Musical Holiday and Mecenat Programs

LOCAL COMMUNITY SUPPORT PROJECT

LG Chem Community Service Day With the third Saturday of September designated as the 'LG Chem Community Service Day', Yeosu plant has provided 'customized community service' since 2008. Our CSG members visit the communities with poor social infrastructure, e.g., remote islands or neighborhoods with a high concentration of low-income families, to identify in advance what community support would be practically needed for the local residents to provide tailored community services that cater to the needs of the beneficiaries.
During the Community Service Day on September 16, 2010, some 80 members from community service groups at Yeosu plant took part in helping out 124 households in need in Yeosu city. Different community groups leveraged their diverse skills in home repairs, electrical work, flooring and wallpaper replacements, photo-taking for the elders for portrait scrolls, beach clean-up and pest control. In addition, our Naju plant celebrates Thursday of the third week every month as 'I Love NAJU Day' to render service that meets the local needs. They include environmental campaigns for local mountains and rivers, Kimchi-making service, road clean-up and pear harvesting.

One Plant One Village Sisterhood Relation or One Plant Clean Up One Stream Campaign LG Chem is involved in a variety of community services with keen interest in protecting our natural environment and biodiversity. In particular, our Cheongju plant has reached a sisterhood relation with the Hwagye Village (Gangseo 2-dong, Heungduk-gu, Cheongju City) in an effort to provide community service on a continuous basis. The plant assists the village during annual rice-seeding season, builds community shelters and organizes village picnics. The Iksan plant has taken care of the local stream called the Shinheung stream as part of One Plant Clean Up One Stream Campaign. The plant has conducted water quality test and cleaned up the stream continuously, taking the lead in environmental protection activities in the local community.

Support for Poorly-Fed Children and Child Breadwinners Yeosu plant continues to subsidize meals for poorly-fed children in Yeosu. Since 2008, Yeosu plant has assigned KRW 36 million a year to subsidize meals for 100 children. Ochang Techno Park and Cheongju Plant have also spent KRW 27 million a year to sponsor 50 children who are a breadwinner for their family. The sponsorship is more meaningful because it is financed by a fund directly raised by employees. Around the end of every year, they hold a Christmas Party with children they sponsor, not confining their support to financial one.

2010 Love Sharing Festival

Community Service at an Elderly Nursing Home

Children's Day Festival & School Uniform Support Every year, the Daejeon Research Park celebrates Children's Day with children who are the breadwinners of their family or live in welfare facilities. Some 300 underprivileged children were invited to the Expo Science Park and received gifts. Around KRW 22 million from Twin Angel Fund was used to buy school uniforms for 168 students from low income families. Our Research Park was given the honor of receiving the President's citation for 2009 Children's Day in recognition for its endeavors to social contribution for the local youth.

Other Local Community Contributions We provide a range of community services based on sisterhood relations. For example, 'community service groups in the Ochang Techno Park rendered community services to public welfare facilities which they have a sisterhood relation respectively such as making Kimchi, sponsoring goods, and renovating and repairing a living environment. All the departments at the Naju plant have sisterhood ties with the needy neighbors in the community to give them basic commodities and living expenses on a regular basis. In addition, the Iksan plant grants scholarship to high-performing students from low-income brackets and the employees volunteer their time to climb mountains with the disabled. Our plants across Korea are actively engaged with the local communities to grow and prosper together through understanding the needs and communicating actively with the local residents.

Community Service at Each Location of Operation

Location of Operation	Type	Description
Research Park	No. of Services Total Service Hours/year No. of Participants (incl. Family Members)/year No. of Service Groups (Teams)	58 times 127 hours 400 persons 21 teams
Naju Plant	No. of Services Total Service Hours/year No. of Participants (incl. Family Members)/year No. of Service Groups (Teams)	50 times 2000 hours 1000 persons 4 groups
Daesan Plant	No. of Services Total Service Hours/year No. of Participants (incl. Family Members)/year No. of Service Groups (Teams)	135 times 2,077 hours 961 persons 3 groups and 12 sub-groups
Ochang Techno Park	No. of Services Total Service Hours/year No. of Participants (incl. Family Members)/year No. of Service Groups (Teams)	61 times 244 hours 38 persons 3 groups
Iksan Plant	No. of Services Total Service Hours/year No. of Participants (incl. Family Members)/year No. of Service Groups (Teams)	38 times 72 hours 720 persons 5 groups
Cheongju Plant	No. of Services Total Service Hours/year No. of Participants (incl. Family Members)/year No. of Service Groups (Teams)	96 times 183 hours 620 persons 11 groups
Yeosu Plant	No. of Services Total Service Hours/year No. of Participants (incl. Family Members)/year No. of Service Groups (Teams)	639 times 1,798 hours 3,933 persons 38 groups

CHINA

OVERSEAS SOCIAL CONTRIBUTION

For social contribution activities in 2010, LG Chem's Chinese subsidiaries set two directions: Affection for Youth and Social Welfare. Under the slogan of 'Dream and Hope Go Together', our subsidiaries in China engaged in social contribution activities.

Affection for Youth With Affection for Youth set as one of significant social contribution directions, we conducted education projects to provide scholarships and support schools in poor communities. We deployed scholarship programs at Beijing University, Nanjing University, Tianjin University, Nankai University, Sun Yat-Sen University, and South China University of Technology. Every year, around 150 students are awarded with scholarship of RMB 500,000 (equivalent to approximately KRW 100 million). Starting 2008, our subsidiary LGCE TP in Taiwan has given out KRW 25 million in scholarship assistance to 20 low-income, honor students from high schools as part of 'LG Love' drive. We plan to further broaden the scope of the recipients in the future.
In 2010, we rolled out a new campaign to improve hygiene environment and replace drinking water pipes of schools in poor communities under the name of 'Helping Youth Grow up Healthy'. As part of this campaign, LG CCI built a toilet facility at an elementary school in Zhonglou, Hebei Province in September 2010 and replaced drinking water pipes of an elementary school in Tianjin in March 2011.

Social Welfare Social welfare activities are to help the socially vulnerable such as the elderly, the physically disabled, and the mentally retarded children with affection so as to make them feel warm and happy. In April 2010, LG CCI built a floor heating system (Ondol in Korean) to an elderly nursing home in Beijing. In September 2010, LG DAGU, LG BOHAI, and LG CC TJ donated a total of RMB 200,000 to the Tianjin Disability Child Welfare Fund which was financed to purchase artificial arms and legs. In August 2010, LG YX donated RMB 300,000 to the Red Cross of Ningbo Zhejiang to create a 'Philanthropic Angel Fund' to be financed for the treatment of children from low income households, suffering from a congenital heart disease.

Local Community Support In addition to Affection for Youth and Social Welfare, our Chinese subsidiaries are involved with many meaningful social contribution activities for different causes such as environmental protection, relief, cultural property protection, ad local community contribution. Since 2006, LG DAGU has conducted a tree-planting campaign at a forest park in Tianjin, and LGCE BJ located in Beijing has engaged in a tree planting campaign and a campaign for the beautification of urban environment every year. Furthermore when an earthquake hit the Sichuan region, employees at Chinese subsidiary made a voluntary donation through an employee cooperative body on top of donation at a corporate level, and participated in relief activities.
LG YX donated RMB 1.5 million for the reconstruction of a maritime trade history museum called 'Hang Ji Ting' in Zhenhai District, Ningbo. As part of 'I Love Ningbo' campaign to contribute to the development of local community, LG YX was also actively involved in activities organized by the Council of Zhenhai District Charity such as operation of a tower to count D-Day left for the Beijing Olympics.

CHINA

- Project Name: Helping Youth Grow up Healthy
- Objective: Improve school hygiene and drinking water condition
- Period: Since 2010
- Activities: built a toilet facility at an elementary school in Tiexi replaced drinking water pipes of an elementary school in Pai

- Project Name: Installation of Floor Heating System (Ondol) for an elderly nursing home
- Period: Since 2010
- Activities: Installed a floor heating system and one high-efficiency, low energy consuming boiler in an elderly nursing home in Long Wan Tun

- Project Name: Environmental Campaign
- Period: Since 2005
- Activities: Volunteers from each Chinese subsidiaries participated in environmental campaigns such as tree-planting, and park & beach clean-up

CHINA

History of Overseas Social Contribution

Year	Activities
1996	Global talent development/ scholarship project (Beijing and Tsinghua University)
2003	'I Love Ningbo' campaign
2004	Expansion of scholarship programs in line with the launch of a holding company
2006	A tree-planting campaign at a forest park in Tanggu District
2009	Expansion of youth education support
2010	Determination of Directions and Slogan for Joint Activities/Projects for Improving school hygiene and drinking water environment/Project for building a floor heating system at a elderly nursing home

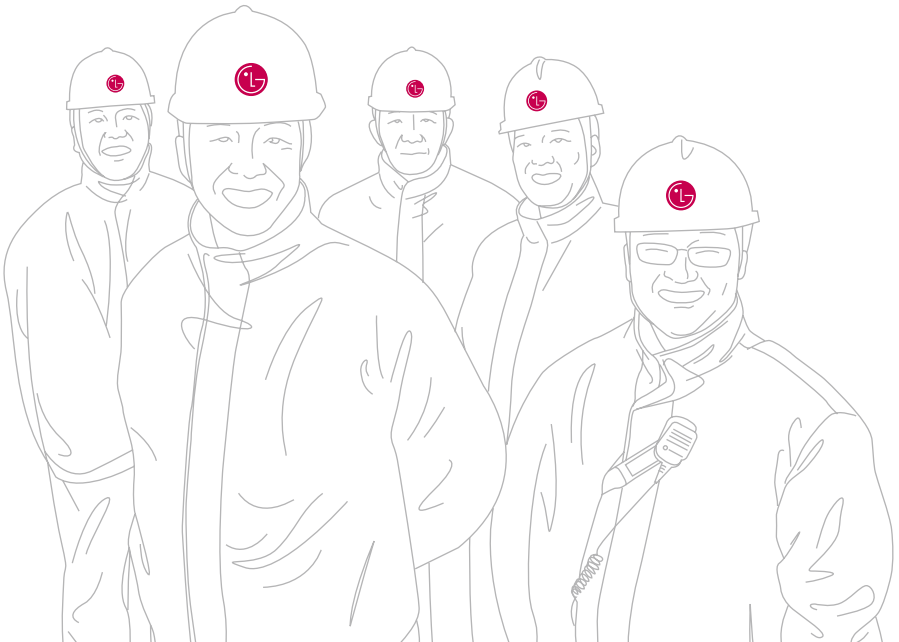
Main Social Contribution Activities by Overseas Subsidiaries

Overseas Subsidiary	Activities
LG DAGU (Tianjin, China)	• Scholarship (Tianjin and Nankai University) • Affection for Youth (Book donation) • Social Welfare (Tianjin SOS Welfare Center, Elderly community halls) • Environmental Campaign (Tanggu Districts' Environment Day) • Charitable Donation (Tianjin Fund for Children with Disability)
LG BOHAI (Tianjin, China)	• Social Welfare (Visit to special education institution, Visit to elderly community halls in Tanggu) • Charitable Donation (Yu Shu, Tianjin Fund for Children with Disability)
LG YX (Ningbo, China)	• Affection for Youth (Support for university students from low income households, Children's Art Contest in Zhenhai District) • Cultural property protection (Reconstruction of Hang Ji Ting) • Environmental Campaign (Clean-up of People's Park in Zhenhai) • Local Community Support (Replacement of Mailbox in Bai Lomg community) • Charitable Donation (Yu Shu, Zhou Qu, Philanthropic Angel Fund) • Social Welfare (Child daycare center in Ningbo)
LG NJ (Nanjing, China)	• Affection for Youth (Donation of color printers & books, Support for repair of desks & Chairs, Support for building a reading room) • Social Welfare (Elderly community halls) • Environmental Campaign (Tree-Planting)
LGCC GZ (Guangzhou, China))	• Scholarship (Sun Yat-Sen University) • Affection for the Youth (Donation of books, and cultural & sports supplies to an elementary school in Jiu Long Yi, Support for children in JiaShan in visiting a museum in Guangzhou) • Charitable Donation (Yu Shu)
LGCI TJ (Tianjin, China)	• Charitable Donation (Tianjin Fund for Children with Disability) • Social Welfare (Visit to mental disability children school in Tianjin, Visit to special education school in Wu Qing)
LGCE BJ (Beijing, China)	• Environmental Campaign (Tree-Planting) • Social Welfare (Visit and clean-up of elderly community halls) • Charitable Donation (Yu Shu)
LGCE TP (Taipei, Taiwan)	• "LG Love" Campaign at an orphanage in Mu Xiang (Donation of computers, Sponsorship for financially stricken students)
LGCCI (Beijing, China)	• Affection for Youth (Construction of toilet facility in an elementary school, Support of children in rural areas in visiting a zoo in Beijing, Support of children in remote areas in visiting a museum in Guangzhou) • Social Welfare (Installation of floor heating system at elderly nursing home in Long Wan Tun, Visit to a child welfare center in Shanghai) • Environmental Campaign (Beach clean-up)

LG Chem will Stay committed

to Sustainable Development of our society,

while growing together with stakeholders.



APPENDIX

PERFORMANCE DATA

ECONOMIC PERFORMANCE

• Data for 2009 and 2010 only is displayed due to early application of K-IFRS in 2010. For data prior to 2009, please see 2009 Sustainability Report.

KEY MANAGEMENT INDICATORS

Stability

Unit: %

Category	2010
Current Ratio	147.0
Debt-to-Equity Ratio	61.6
Dependency on Borrowings	26.8

Profitability

Unit: %

Category	2010
Operating Income Margin	14.5
Net Income Margin	11.3
ROA	19.0
ROE	31.9

Growth

Unit: %

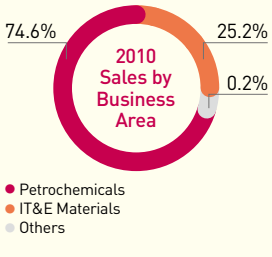
Category	2010
Sales Growth	25.5
Operating Income Growth	34.5
Net Income Growth	42.9
Total Assets Growth	20.3

ECONOMIC PERFORMANCE BY BUSINESS AREA

Sales by Business Area

Unit: KRW 100 million

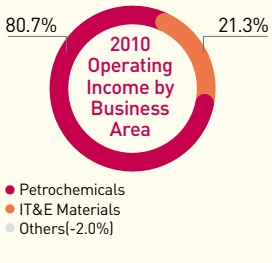
Category	2009	2010
Petrochemicals	113,288	145,255
IT&E Materials	41,507	49,030
Others	413	430



Operating Income by Business Area

Unit: KRW 100 million

Category	2009	2010
Petrochemicals	16,082	22,789
IT&E Materials	5,068	6,001
Others	-173	-576



DISTRIBUTION OF ECONOMIC VALUE

Dividend

Category	2009	2010
Net Income (KRW 100 million)	15,392	21,998
Primary & Diluted Earnings per Share (KRW)	19,846	29,345
Dividend Ratio (Par value, %)	70	80
Total Dividend (KRW 100 million)	2,578	2,945
Dividend Payout (%)	16.7	13.4
Dividend Yield (%)	1.5	1.0

Procurement

Unit: KRW million

Area	Type	Items	Usage	Amount ('10)	Ratio (%)	Supplier
Petrochemicals	Raw Materials	Naphtha, EDC	PE/PVC	10,497,921	71.4	GS Caltex / OXY /Dow Chem
IT&E Materials	Raw Materials	TAC, Film, Cobalt	Polarizers, Batteries	4,149,318	28.2	Fuji
Common	Sub-Materials	Antioxidants	To improve the physical properties of products	61,850	0.4	Other
Total				14,709,089	100.0	

Corporate Tax

Unit: KRW million

Category	2009	2010
Income tax expenses from continuing operations	443,179	618,672

Labor Cost

Unit: KRW million

2007		2008		2009		2010	
Total Annual Payroll	Total Payroll per Capita	Total Annual Payroll	Total Payroll per Capita	Total Annual Payroll	Total Payroll per Capita	Total Annual Payroll	Total Payroll per Capita
616,665	57	688,020	64	512,233	62	572,324	62

※ No gender discrimination on wage, Excluder executives
※ Total annual payroll excluding fringe benefit and appropriation for retirement
※ Based on Korean locations of operation (excl. overseas subsidiaries)

Donation

Unit: KRW million

Category	2007	2008	2009	2010
Charitable Donation	2,015	2,112	23	2,058
LG Foundation	4,800	2,935	183	1,640
Scholarship in Yeodo area	828	1,111	483	981
Smile Micro Bank	-	-	4,580	4,125
Others	558	2,603	5,876	3,482
Total	8,201	8,761	11,145	12,285

※ Based on Korean locations of operation

PERFORMANCE DATA

ENVIRONMENT & SAFETY PERFORMANCE

ENVIRONMENTAL INVESTMENT

Environmental Investment Amount

Unit: KRW million

2007	2008	2009	2010
43,382	37,436	42,101	46,024

※ Scope: All locations of operation in Korea

FEEDSTOCK & WATER USAGE

Intensity of Feedstock & Water Usage

Category	2007	2008	2009	2010
Feedstock (ton/product ton)	0.97	0.96	1.16	1.11
Water (m3/product ton)	4.51	4.36	3.83	3.70

※ Scope: All locations of operation in Korea and Nanjing, Yongxing, Dagu in China

ENERGY

Energy Consumption

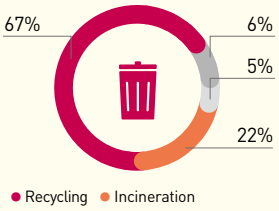
Unit: TOE

Category	2007	2008	2009	2010
Indirect Energy Source	1,403,871	1,482,113	1,476,803	1,509,545
Direct Energy Source	673,143	684,817	744,386	765,040
Total	2,077,014	2,166,930	2,221,189	2,274,585

※ Scope: All locations of operation in Korea and Nanjing, Yongxing, Dagu in China

WASTE

Waste Disposal in 2010



※ Scope: All locations of operation in Korea and Nanjing, Yongxing, Dagu in China

Intensity of Waste Generated

Unit: kg/product ton

Category	2007	2008	2009	2010
General Wastes	11.8	11.3	8.6	10.8
Designated Wastes	2.6	2.5	2.2	2.5

※ Scope: All locations of operation in Korea

Waste Recycling

Unit: %

Category	2007	2008	2009	2010
General Recycling	66	70	67	67

※ Scope: All locations of operation in Korea and Nanjing, Yongxing, Dagu in China

Wastewater

Unit: cm^3/product ton

Category	2007	2008	2009	2010
Intensity of wastewater	1,221	1,146	1,056	1,004

※ Scope: All locations of operation in Korea and Nanjing, Yongxing, Dagu in China

WATER QUALITY

Wastewater Generation by Type

Unit: kg/product ton

Category	2007	2008	2009	2010
COD	0.058	0.055	0.050	0.049
Intensity of T-N	0.011	0.012	0.013	0.016
Intensity of NH_2-N	0.049	0.055	0.060	0.025

※ Scope for COD: All locations of operation in Korea and Nanjing, Yongxing, Dagu in China
※ Scope for Intensity of T-N: All locations of operation in Korea ※ Scope for Intensity of NH2-N: Nanjing, Yongxing, Dagu in China
※ Scope for Intensity of Wastewater Generated: All locations of operation in Korea and Nanjing, Yongxing, Dagu in China

AIR QUALITY

Intensity of SOx/NOx Emissions

Unit: kg/product ton

Category	2007	2008	2009	2010
Dust	0.018	0.024	0.018	0.020
SOx	0.071	0.066	0.054	0.063
NOx	0.115	0.111	0.104	0.077

※ Scope: All locations of operation in Korea and Nanjing, Yongxing, Dagu in China

CLIMATE CHANGE

Greenhouse Gas Emissions

Unit: tCO_2-eq

Category	2007	2008	2009	2010
Direct Emissions	4,596,186	4,136,957	4,200,350	4,212,269
Indirect Emissions	2,018,154	1,610,563	2,042,407	1,987,535
Total	6,614,340	5,747,521	6,242,758	6,199,803

※ Scope: All locations of operation in Korea and Nanjing, Yongxing, Dagu in China

Certified Greenhouse Gas Reductions

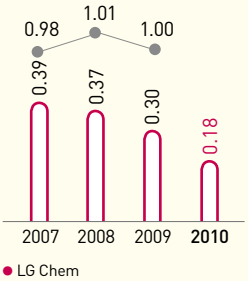
Unit: tCO_2-eq

Category	2008	2009	2010
Certified Reductions	156,677	193,157	263,017

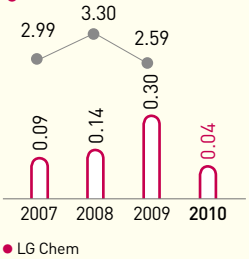
※ Scope: Korean locations of operation

SAFETY

Accident Rate (Unit: %)



Intensity ratio of labor accident (Unit: %)



※ Scope: Korean locations of operation

HAZARDOUS CHEMICALS MANAGEMENT

Intensity of Toxic Material Use

Unit: kg/product ton

2007	2008	2009	2010
191	201	234	201

※ Scope: Korean locations of operation

Intensity of Dangerous Good Use

Unit: kg/product ton

2007	2008	2009	2010
534	582	556	542

※ Scope: Nanjing, Yongxing, Dagu in China

PERFORMANCE DATA

SUMMARY OF ENVIRONMENTAL PERFORMANCE OF KOREAN LOCATIONS OF OPERATION

Environmental Performance of Korean Locations of Operation

Category	2007	2008	2009	2010
Direct GHG Emissions (tCO_2-eq)	4,065,412	3,826,332	(3,626,721)	(4,192,883)
Indirect GHG Emissions (tCO_2-eq)	1,463,215	1,495,769	(1,414,383)	(1,508,988)
Electricity Expense (MWh)	2,333,169	2,394,598	2,712,048	2,731,772
Thermal Energy Expense (MWh)	928,758	1,414,162	2,092,426	2,206,429
Total Water Consumption (million ton)	50	46	44	44
Industrial Water and Tap Water (million ton)	48	44	42	42
Surface and Underground Water (million ton)	2	2	2	2
Wastewater Recycling (million ton)	2	1	2	2
Product Productions (ton)	10,852,338	10,488,603	11,472,189	11,647,146
Total Waste Emissions (ton)	45,777	37,977	36,952	43,218
VOC Emissions (ton)	418	386	307	( )
NOx Emissions (ton)	1,353	1,257	1,302	984
Sox Emissions (ton)	839	747	672	802
COD Emissions (ton)	461	482	476	512

※ Data in ( ) will be confirmed in May 2011

ENVIRONMENT & SAFETY-RELATED CERTIFICATION

Status of Environment & Safety-Related Certification

Category	Certificate	Date
Yeosu	ISO 14001 OHSAS18001 Green Company	1996. 12 2000. 12 1995. 12
Cheongju	ISO 14001 OHSAS 18001 Green Company	1999. 11 1999. 12 1995. 12
Ochang	ISO 14001 OHSAS 18001 Green Company	2004. 11 2004. 11 2006. 12
Ulsan	ISO 14001 Green Company	1996. 12 1995. 12
Naju	ISO 14001 KOSHA 18001 Green Company	1997. 08 2000. 09 1998. 04

Category	Certificate	Date
Iksan	ISO 14001 KOSHA 18001 Green Company	2004. 12 2001. 11 1996. 05
Daesan	ISO 14001 KOSHA 18001 OHSAS 18001	2006. 05 2010. 06 2010. 06
Daejeon (Research Park)	ISO 14001 K-OHSMS 18001	2005. 09 2006. 11
Gimcheon	ISO 14001 OHSAS 18001	2008. 10 2008. 10
LGCE NJ	ISO 14001 OHSAS 18001	2009. 11 2009. 11
LG YX	ISO 14001 OHSAS 18001	2004. 10 2006. 01
LG DAGU	ISO 14001 OHSAS 18001	2004. 09 2006. 07

SOCIAL PERFORMANCE

EMPLOYMENT

Overall

Unit: person

Category	2007	2008	2009	2010
Plant	7,701 71.5%	7,623 71.0%	6,096 73.1%	6,891 73.5%
Research Park	1,140 10.6%	1,057 9.8%	1,057 12.7%	1,271 13.6%
HQs	1,923 17.9%	2,057 19.2%	1,184 14.2%	1,211 12.9%
Total	10,764 100%	10,737 100%	8,337 100%	9,373 100%

Age

Unit: person

Category	2007	2008	2009	2010
Older than 50	985 9.2%	1,125 10.5%	766 9.2%	930 9.9%
40~49	3,219 29.9%	3,282 30.6%	2,554 30.6%	2,666 28.4%
30~39	4,737 44.0%	4,792 44.6%	3,682 44.2%	3,766 40.2%
Younger than 30	1,823 16.9%	1,538 14.3%	1,335 16.0%	2,011 21.5%

New Employment and Retirement

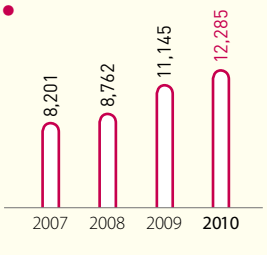
Category	2007	2008	2009	2010
Retirement (person)	581	490	214	295
Retirement Rate	5.4	4.6	2.6	3.2
New Employment (person)	739	463	592	1,331
New Employment Rate	6.9	4.3	7.1	14.2
Total (person)	10,764	10,737	8,337	9,373

※ Includes LG Petrochemical acquired in 2007
※ Excludes the industrial material division which was spin off into LGHouses in 2009 (2,778 persons)

SOCIAL CONTRIBUTION

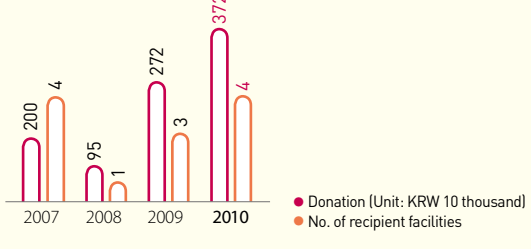
Social Contribution Amount

(Unit: KRW million)



REPORTED GIFT AND DONATION

Amount of Reported Gift and Donation



INDEPENDENT ASSURANCE STATEMENT

Dear Readers of LG Chem 2010 Sustainability Report

Foreword

The Korea Management Association Registration and Assessments (KMAR) had been engaged by LG Chem to verify the contents of its 2010 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 section: Review whether financial performance data has been extracted appropriately from LG Chem's 2010 Financial Statements Audit Report and Annual Report as defined in the Report's performances and conclusion sectors
- Verification of environmental and social section: Review whether environmental and social information included in the Report is presented appropriately.

"Appropriately Presented" means that the actual data and the original information are appropriately reflected in the contents of the Report with consistency and reliability. 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 own verification. 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 the 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 2010 Financial Statements and found that the financial data presented in the Report has been appropriately derived from 2010 Financial Statements.

- **Environmental and social performance**
  We observed that the 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 publication of the Report is actively used as a communication tool with stakeholders and recommend the following for improvements.

- Enhance the internal communication to improve the sustainability performance and the reporting quality
- Represent the sustainability performance against the strategic objectives/action plans and the analytic review results more concretely

KMAR

April 6, 2011

CEO **Ki Ho Park**

K. H. Park

THIRD PARTY REVIEW

Kim Jong-Dae

- Professor of Economics, Inha University
- Head Professor of MBA for Sustainability Management
- President of Sustainability Management Research Institute
- Former Chairman of Korea Environmental Management Association

LG Chem is a company evolving into a global leader in the petrochemical and IT&E material industry, backed by an excellent economic performance. With strong leadership of top management and excellent capacity and passion of employees, LG Chem has created economic value and new jobs, fulfilling responsibility as a sustainable company. The economic value has been properly distributed to stakeholders, through which LG Chem has carried out social responsibility as a corporate citizen in a faithful manner.

A leader in sustainability management is required to take a leadership role in environmental and social areas. To this end, environment management and corporate responsibility management, should be implemented across the company and communicated transparently to stakeholders. In this sense, LG Chem has been committed to reducing environmental impact from the source and minimizing its environmental footprint. Furthermore, LG Chem has extended its environmental effort to the entire supply chain in order to improve the environmental management of suppliers. Additionally, LG Chem has put a great effort for social contribution, generating remarkable outcomes. I think that such performance and outcomes are well described in this sustainability report.

When it comes to management of suppliers, one of important stakeholders, LG Chem has promoted information exchange and provided technical support based on systems to ensure efficient management of supply chain. At the same time, LG Chem has pursued shared growth with suppliers from the perspective of sustainability management. LG Chem has established fair and legitimate procurement practices which are in line with Jeong-Do management. Such efforts are properly addressed in this report.

This report covers economic, environmental and social performances adequately in accordance with a global reporting standard such as GRI, however for better sustainability management and reporting, I would like to make suggestions as follows:

First, the distribution of economic value should be described from the perspective of the adequacy of distribution. For example, it is necessary to specify the distribution of added value excluding procurement amount from suppliers. As interest expense and dividend is to the distribution to capital providers, environmental cost is to the distribution to the environment, an environmental capital provider. However, there is no specific description on environmental cost in this report. Environmental investment is the distribution of added value to our future generations.

Second, it is organizational governance that affects significantly every aspect of sustainability management as you can see in the ISO 26000 standard on social responsibility. At LG Chem, the board of directors has an independent structure composed of inside and outside directors, and CEO-or CFO-led committees or teams are put in place to respond actively to environmental and social responsibility. However additional efforts are needed in order to secure sustainable gover-

nance. Recommendable are the nomination of Chief Sustainability Officer (CSO) or appointment of sustainability management expert to the position of outside director.

Third, LG Chem has been proactively and efficiently responding to Korean and international regulations on work environment, product environment and climate change. As a leading company in the future clean technology, LG Chem has successfully developed advanced electric vehicle batteries, which is considered a strategic success capitalizing on product innovation, and conducive to the economic growth of corporate and the resolution of environmental issues alike. However, global companies are required to forecast how stakeholders will move regarding environmental and social responsibility and respond proactively to or take lead in their movement. Against this backdrop, it is recommended to form a CSO-led committee tasked with making a forecast and identifying projects. For example, information on environmental impact, stakeholders' response and corporate countermeasure regarding PVC, one of LG Chem's products can be disclosed through the new organization.

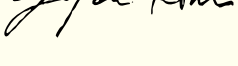
Fourth, LG Chem should continue to seek competitive advantage as a leader and first mover in the IT&E material industry. First mover's advantages in terms of regulation, technology and market share always accompany risk-taking. Therefore, a first mover should be prepared against sustainability risks raised when a stakeholder demand for sustainability is not met, not to mention traditional risks of technology, market and finance. In order to address such sustainability risks, a sustainability report should cover both the positive and negative aspects of sustainability management and serves as a two-way communication channel working in a transparent and fair manner.

Fifth, the contents of this report are faithfully prepared based on the GRI guidelines. However it is necessary to present information in the way stakeholders can easily understand, rather than making it complicated using difficult language. Given that most of stakeholders are neither familiar to professional language and contents nor able to analyze them, more efforts should be made to deliver information in a easy-to-understand manner such as by visualizing them with eye-catching indicators.

Sixth, efforts and results made for labor-management collaboration are also included in this report. It is concluded that serious efforts made by LG Chem for performance-based compensation, human resource development and welfare benefits have led to better employee welfare and higher productivity. However in the next sustainability report, I look forward to seeing more information on LG Chem's efforts to improve female worker's standing and human rights.

Lastly I hope LG will become a true global leader creating world best practices in the sustainability management as it made an epoch in the history of IT&E industry by growing into a global company.

Kim Jong-Dae Professor of Economics, Inha University



GRI INDEX

● Fully ◐ Partially ○ Not reported

STANDARD DISCLOSURES PART I: Profile Disclosures

	Description	Page	Reporting	Reason for Omission	Further Explanation
1. Strategy and Analysis					
1.1	Statement from the most senior decision-maker of the organization	8, 9	●		
1.2	Description of key impacts, risks, and opportunities	8, 9	●		
2. Organizational Profile					
2.1	Name of the organization	107	●		
2.2	Primary brands, products, and/or services	4, 5	●		
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	108, 109	●		
2.4	Location of organization's headquarters	107~109	●		
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	108, 109	●		
2.6	Nature of ownership and legal form	10	●		
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	4, 5, 39~41	●		
2.8	Scale of the reporting organization	107	●		
2.9	Significant changes during the reporting period regarding size, structure, or ownership	11, 13, 30, 31	●		
2.10	Awards received in the reporting period	107	●		
3. Report Parameters					
3.1	Reporting period (e.g., fiscal/calendar year) for information provided	C2	●		
3.2	Date of most recent previous report (if any)	C2	●		
3.3	Reporting cycle (annual, biennial, etc.)	C2	●		
3.4	Contact point for questions regarding the report or its contents	C2, 111	●		
3.5	Process for defining report content	C2, 28	●		
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers) See GRI Boundary Protocol for further guidance	C2	●		
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope)	C2	●		
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	C2	●		
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 Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols	Explained for each indicator	●		
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g.,mergers/acquisitions, change of base years/periods, nature of business, measurement methods)	Explained for each indicator	●		
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	C2, 28	●		
3.12	Table identifying the location of the Standard Disclosures in the report	98~100	●		
3.13	Policy and current practice with regard to seeking external assurance for the report	C2, 94, 95	●		
4. Governance, Commitments, and Engagement					
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	10~12	●		
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	10~12	●		
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	11, 12	●		
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	10~12, 23	●		
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance)	-	○	Not allowed	Confidential
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	11	●		
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	11, 12	●		
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	17, 46, 47, 54, 57, 76	●		
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	10, 11	●		
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	12	●		
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	20~22	●		
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	47, 54, 55, 58, 59, 107	●		
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: • Has positions in governance bodies; • Participates in projects or committees; • Provides substantive funding beyond routine membership dues; or • Views membership as strategic	107	●		
4.14	List of stakeholder groups engaged by the organization	28	●		
4.15	Basis for identification and selection of stakeholders with whom to engage	28	●		
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	28	●		
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	28	●		

● Fully ◐ Partially ○ Not reported

STANDARD DISCLOSURES PART II: Disclosures on Management Approach (DMAs)

	Description	Page	Reporting	Reason for Omission	Further Explanation
Description					
EC	Disclosure on Management Approach EC	17, 42, 43	●		
EN	Disclosure on Management Approach EN	46, 47, 57	●		
LA	Disclosure on Management Approach LA	74	●		
HR	Disclosure on Management Approach HR	68	●		
SO	Disclosure on Management Approach SO	76	●		
PR	Disclosure on Management Approach PR	54, 63	●		

STANDARD DISCLOSURES PART III: Performance Indicators

	Description	Page	Reporting	Reason for Omission	Further Explanation
Economic					
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	39~41	●		
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	57~59	●		
EC3	Coverage of the organization's defined benefit plan obligations	-	○	Not available	Will be reflected later
EC4	Significant financial assistance received from government	-	○	Not available	Will be reflected later
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	66	●		
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	71, 72	●		
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	79~81	●		
Environmental					
EN1	Materials used by weight or volume	52, 53, 90, 92	●		
EN2	Percentage of materials used that are recycled input materials	52, 53, 90, 92	◐		
EN3	Direct energy consumption by primary energy source	52, 53, 90	●		
EN4	Indirect energy consumption by primary source	52, 53, 90	●		
EN8	Total water withdrawal by source	52, 53, 90, 92	●		
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	-	○	Not material	Not relevant to our business activities
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	82	●		
EN16	Total direct and indirect greenhouse gas emissions by weight	52, 53, 91, 92	●		
EN17	Other relevant indirect greenhouse gas emissions by weight	52, 53, 91, 92	●		
EN19	Emissions of ozone-depleting substances by weight	99	●		No emissions of ozone-depleting substance
EN20	NOx, SOx, and other significant air emissions by type and weight	52, 53, 91, 92	●		
EN21	Total water discharge by quality and destination	52, 53, 90, 92	●		
EN22	Total weight of waste by type and disposal method	90	●		
EN23	Total number and volume of significant spills	99	●		No spills
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	49~53, 59	●		
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	-	○	Not material	Not applicable
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	99	●		No violation of environment related laws
Social: Labor Practices and Decent Work					
LA1	Total workforce by employment type, employment contract, and region	71, 93	●		
LA2	Total number and rate of employee turnover by age group, gender, and region	71, 93	●		
LA4	Percentage of employees covered by collective bargaining agreements	-	○	Not allowed	Confidential
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	75	●		

● Fully ◐ Partially ○ Not reported

STANDARD DISCLOSURES PART III: Performance Indicators

	Description	Page	Reporting	Reason for Omission	Further Explanation
Social: Labor Practices and Decent Work					
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	91	●		
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	21, 73	●		
LA10	Average hours of training per year per employee by employee category	69~71	◐		Not appropriable because of arrangement of various programs by class/type of position
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	11, 71	●		
LA14	Ratio of basic salary of men to women by employee category	89	●		
Social: Human Rights					
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	66	●		
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	66	●		
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	18	●		
HR4	Total number of incidents of discrimination and actions taken	100	●		No incident of discrimination
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	75	◐		
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	68	●		
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor	68	●		
Social: Society					
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	82, 83	●		
SO2	Percentage and total number of business units analyzed for risks related to corruption	-	○	Not material	Not applicable
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	19	●		
SO4	Actions taken in response to incidents of corruption	19, 64, 65	●		
SO5	Public policy positions and participation in public policy development and lobbying	-	○	Not material	Not applicable
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	100	●		No violation
Social: 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	54, 55	●		
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	55	●		
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	64, 65	●		
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	100	●		No violation

Report Application Level	C	C+	B	B+	A	A+
Standard Disclosures — G3 Profile Disclosures (OUTPUT)	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
Standard Disclosures — G3 Management Approach Disclosures (OUTPUT)	Not Required		Management Approach Disclosures for each Indicator Category		Management Approach Disclsures for each Indicator Category	
Standard Disclosures — G3 Performance Indicators & Sector Supplement Performance Indicators (OUTPUT)	Report on a minimum of 10 Performance Indicators, including at least one from each of : Economic, Social and Environmental		Report on a minimum of 20 Performance Indicators, at least one from each of Economic, Environmental, Human rights, Labor, Society, Product Responsibility		Report on each 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 emission	

Declaration of GRI G3 Guideline Application Level

LG Chem declares that this report has been prepared in accordance to the GRI G3 Guideline and it meets the level of 'A+' in terms of its application of the guideline. A third-party institute has also verified that this report conforms to the 'A+' level of the GRI G3 Guideline application levels.

ISO 26000 CORE SUBJECTS

Core Subject	Issue	Actions	Page
Organizational Governance	Decision-making processes and structures	An organization's decision-making processes and structures should enable it to keep track of the implementation of decisions to ensure that these decisions are followed in a socially responsible way and to determine accountability for the results of the organization's decisions and activities	10~12
		Create and nurture an environment and culture in which the principles of social responsibility are practised	10
		Use financial, natural and human resources efficiently	10
		Balance the level of authority, responsibility and capacity of people who make decisions on behalf of the organization	10~12
		Keep track of the implementation of decisions	10, 11
Human Rights	Due diligence	Exercise due diligence to identify, prevent and address actual or potential human rights impacts resulting from their activities or the activities of those with which they have relationships	18
	Human rights risk situations	Organizations should take particular care when dealing with situations characterized above. These situations may require an enhanced process of due diligence to ensure respect for human rights	18
	Avoidance of complicity	Verify that its security arrangements respect human rights and are consistent with international norms and standards for law enforcement	60
		Security personnel should be adequately trained, including in adherence to standards of human rights	60
		Not enter into a formal or informal partnership or contractual relationship with a partner that commits human rights abuses	66
	Resolving grievances	Establish, or otherwise ensure the availability of, remedy mechanisms	73
	Discrimination and vulnerable groups	Ensure that it does not discriminate against anyone else with whom it has any contact or on whom it can have an impact	68, 69
		Consider facilitating the raising of awareness of their rights among members of vulnerable groups	68, 69
	Civil & political rights	Respect all individual civil and political rights	74, 75
	Economic, social & cultural rights	Respect these rights of stakeholders	28
	Fundamental principles and rights at work	Ensure that it addresses freedom of association and collective bargaining, forced labour, and child labour	68, 69, 74, 75
		Ensure equal opportunities and non-discrimination	68, 69
Labour practices	Employment and employment relationships	Ensure equal opportunities for all workers and not discriminate either directly or indirectly in any labour practice	68, 69
	Conditions of work and social protection	Provide wages and other forms of remuneration in accordance with national laws, regulations or collective agreements	68, 69
		Provide decent conditions of work with regard to wages, hours of work, weekly rest, holidays, health and safety, maternity protection and ability to combine work with family responsibilities	68, 69, 72, 73
	Social dialogue	Recognize the importance for organizations of social dialogue institutions, including at the international level, and applicable collective bargaining structures	74, 75
	Health and safety at work	Develop, implement and maintain an occupational health and safety policy	47, 48
		Analyse and control the health and safety risks involved in its activities	47, 48
		Communicate the requirement that workers should follow all safe practices and ensure that workers follow the proper procedures	48
		Provide the safety equipment needed, for the prevention of occupational injuries, diseases and accidents, as well as for dealing with emergencies	47, 48
		Record and investigate all health and safety incidents and problems	47, 48
		Provide adequate training to all personnel on all relevant matters	48
	Human development and training in the workplace	Provide all workers with access to skills development, training and apprenticeships, and opportunities for career advancement, on an equal and non-discriminatory basis	69, 70, 71
The environment	Prevention of pollution	Identify the aspects and impacts of its decisions and activities on the surrounding environment	46~59
		Identify the sources of pollution and waste related to its activities	52, 53
		Measure, record and report on its significant sources of pollution and reduction of pollution, water consumption, waste generation and energy consumption	52, 53, 90~92
		Implement measures aimed at preventing pollution and waste, using the waste management hierarchy, and ensuring proper management of unavoidable pollution and waste	52, 53
		Disclose the amounts and types of relevant and significant toxic and hazardous materials used and released, including the known human health and environmental risks of these materials for normal operations as well as accidental releases	54~56, 90~92
		Identify and avoid the use of banned chemicals defined by national law or of unwanted chemicals listed in international conventions	55, 56
		Implement an environmental accident prevention and preparedness programe and prepare an emergency plan covering accidents and incidents both on- and off-site and involving workers, partners, authorities, local communities and other relevant stakeholders	21, 48

Core Subject	Issue	Actions	Page
The environment	Sustainable resource use	Identify the sources of energy, water and other resources used, and measure, record and report on its significant uses of energy, water and other resources	52, 53, 90~92
		Implement resource efficiency measures to reduce its use of energy, water and other resources	54, 55, 57
		Reuse water as much as possible, manage water resources to ensure fair access for all users within a watershed	52, 53
	Climate change mitigation and adaptation	Identify the sources of direct and indirect accumulated GHG emissions and measure, record and report on its significant GHG emissions	57~59, 91, 92
		Implement optimized measures to progressively reduce and minimize the direct and indirect GHG emissions	57~59
		Review the quantity and type of significant fuels usage within the organization and implement programmes to improve efficiency and effectiveness	57~59, 90~92
		Consider future global and local climate projections to identify risks and integrate climate change adaptation into its decision making	57~59
	Protection of the environment, biodiversity and restoration of natural habitats	Identify potential adverse impacts on biodiversity and ecosystem services and take measures to eliminate or minimize these impacts	82
		Consider that wild animals and their habitats are part of our natural ecosystems and should therefore be valued and protected and their welfare taken into account	82
Fair operating practices	Anti-corruption	Identify the risks of corruption and implement and maintain policies and practices that counter corruption and extortion	18, 19
		Ensure its leadership sets an example for anti-corruption and provides commitment, encouragement and oversight for implementation of the anti-corruption policies	18, 19
		Raise the awareness of its employees, representatives, contractors and suppliers about corruption and how to counter	18, 19
		Encourage its employees, partners, representatives and suppliers to report violations of the organization's policies and unethical and unfair treatment by adopting mechanisms that enable reporting	19
	Responsible political involvement	Organizations can support public political processes and encourage the development of public policy that benefits society at large	Not material
	Fair competition	Conduct its activities in a manner consistent with competition laws and regulations	64, 65
		Establish procedures and other safeguards to prevent engaging in or being complicit in anti-competitive behavior	19, 64, 65
		Promote employee awareness of the importance of compliance with competition legislation and fair competition	19, 64, 65
	Promoting social responsibility in the value chain	Carry out appropriate due diligence and monitoring of the organizations with which it has relationships, with a view to preventing compromise of the organization's commitments to social responsibility	64, 65
		Consider providing support to SMOs, including awareness raising on issues of social responsibility and best practice and additional assistance	67
	Respect for property rights	Not engage in activities that violate property rights, including misuse of a dominant position, counterfeiting and piracy	60
Consumer issues	Fair marketing, factual and unbiased information and fair contractual	Openly disclose total prices and taxes, terms and conditions of the products and services	64, 65
	Protecting consumers' health and safety	Take actions to provide products and services that are safe and convey vital safety information	63
		Minimize risks in the design of products	54, 63
		Adopt measures that prevent products from becoming unsafe through improper handling or storage while in the care of consumers	63
	Sustainable consumption	Offer consumers socially and environmentally beneficial products and services considering the full life cycle	54, 55
	Consumer service, support, and complaint and dispute resolution	Review complaints and improve practices in response to complaints	63
	Consumer data protection and privacy	Protect personal data by adequate security safeguards	60
	Access to essential services	Essential services should not disconnect essential services for non-payment without providing the consumer or group of consumers with the opportunity to seek reasonable time to make the payment	Not material
	Education and awareness	In educating consumers, an organization, when appropriate, should address health and safety, including product hazards, and product and service labelling and information provided in manuals and instructions	63
Community involvement and development	Community involvement	Encourage and support people to be volunteers for community service	76~85
	Education and culture	Promote learning opportunities for vulnerable or discriminated groups	76~85
	Employment creation and skills	Analyse the impact of its investment decisions on employment creation and, where economically viable, make direct investments that alleviate poverty through employment creation	71, 72
	Technology development and access	Consider engaging in partnerships with organizations, such as universities or research laboratories, to enhance scientific and technological development	44
	Wealth and income creation	Consider the economic and social impact of entering or leaving a community	43
		Fulfil its tax responsibilities	40, 41, 89
	Health	Seek to eliminate negative health impacts of any production process, product or service provided by the organization	54, 55, 56
	Social investment	Consider partnering with other organizations, including government, business or NGOs to maximize synergies and make use of complementary resources, knowledge and skills	76~85

EICC CHECKLIST

Category		Description	Page	Reason for Omission	Further Explanation
CB-Basic Company	CB1-Customer Designation	Information on whether a company manufactures products or produces consumer goods	4, 5		
	CB2-Company Contact Information	Company name, mailing address and contact name	C2, 107, 111		
	CB3-Supplier Company Principal business type 1 Characteristics	Principal business type	4, 5		
		Company ownership structure	10		
		Total number of employees	107		
		Annual sales revenue	107		
		Countries where the company has operating and manufacturing facilities	108~109		
CL-Labor Management and Ethical Conduct	CL1-Management Accountability for Labor & Ethics	Management representative	8, 9		
		Relevant awards received	107		
		Membership in relevant organizations	107		
	CL2-Labor and Ethics Policy & Procedures	Establishment and application of labor policy/ethics policy, sharing of the policy within organization, the scope of the policy, application of the policy to the suppliers	18, 19, 64, 65, 74		
	CL3-Labor/Ethics Management System Status	A management systems approach for labor	74		
		A management systems approach for ethics	18, 19		
		Labor and ethics management certification	18, 19, 68		
		Freely chosen employment, child labor avoidance, working hours, wages and benefits, humane treatment, non-discrimination, freedom of association	68~75		
		Business integrity, no improper advantage, transparent disclosure of information, fair business practices, protection of identity	19, 60, 64~66		
		Establishment of a system to ensure continuous improvement in labor and ethics management	18, 19, 74, 75		
	CL4-Labor/Ethics Management System Elements	A tracking system for monitoring relevant practices	18, 19, 74, 75		
		Performance objectives for labor/ethics issues, internal audits and assessments, preventive measures and stakeholder communication	18, 19, 64, 65, 74, 75		
CH-Health, Safety and Environmental Management	CH1-Management Accountability and History for HS&E	Management representative	8, 9		
		Relevant awards received	107		
		Relevant incidents occurred	91		
	CH2-Health, Safety and Environmental (HS&E) Policy and Procedures	Establishment and application of a HS&E policy, sharing of the policy within organization, the scope of the policy, application of the policy to the suppliers	46~48, 67		
	CH3-HS&E Management System Status	HS&E management system certification	47, 55, 63, 92		
		A management system approach for HS&E	46, 47		
		The scope and the level of application of HS&E management	21, 48~53		
	CH4-HS&E Management System Elements	A tracking system for monitoring relevant regulations	47, 54		
		Performance objectives for HS&E issues, internal audits and assessments, preventive actions and stakeholder communication	48		
FB-Basic Facility Information	FB1-Customer Designation	Equivalent to CB1-CB3	C2, 4, 5, 10, 107~109, 111		
	FB2-Supplier Facility Contact Information	Equivalent to CB 3	4, 5, 10, 107~109		
	FB3-Supplier Facility Characteristics	Equivalent to CB3	4, 5, 10, 107~109		
FL-Labor Management and Ethical Conduct	FL1-Facility Contact Information for Labor and Ethics	Equivalent to CB2	C2, 107, 111		
	FL2-Management Accountability and History	Management representative	8, 9		
		Violations and corrective actions taken	-	Not applicable	No case
	FL3-Labor and Ethics Policy & Procedures	Relevant policies and their scope	68, 74		
		Employment of temporary contract workers	-	Not applicable	No case
		Application to suppliers	66		
		Community assistance programs, supporting education	79, 82, 83		
	FL4-Freely Chosen Employment	Systematic procedures for foreign workers and retirement	71, 72		
	FL5-Child Labor Avoidance	Regulations, procedures and information management regarding child labor avoidance	68		
	FL6-Working Hours	Compliance with a legal limit on working hours	68		

Category		Description	Page	Reason for Omission	Further Explanation
FL-Labor Management and Ethical Conduct	FL7-Wages and Benefits	An appropriate level of wage payment and welfare benefits	69, 72, 73		
	FL8-Humane Treatment	Prevention of harassment, coercion, threatening behavior and abuse against workers	68		
	FL9-Non-Discriminaiton	Ensuring and applying anti-discrimination 60	68, 69		
	FL10-Freedom of Association	Ensuring workers to create or join labor organizations	74		
	FL11-Ethical Business Practices	Ensuring prevention of bribery/corruption, promoting fair trade	19, 64, 65		
	FL12-Facility Labor/Ethics Management System Status	Relevant certification and continuous improvement procedures	18, 19, 74		
	FL13-Labor/Ethics Management System Elements	Equivalent to CL4	18, 19, 64, 65, 74, 75		
FH-Health, Safety and Environmental Management	FH1-Facility Contact Information for HS&E	Equivalent to CB1-CB3	C2, 4, 5, 10, 107~109, 111		
	FH2-Management Accountability and History for HS&E	Equivalent to CH1	8, 9, 91, 107		
	FH3-Health, Safety and Environmental (HS&E) Policy & Procedures	Equivalent to CH2	46~48, 67		
	FH4-Occupational Safety and Machine Safeguarding	Preventive measures to prepare for possible safety hazards in the production process	21, 47, 48		
	FH5-Emergency Preparedness	Prevention and response programs for emergency situations	21, 22, 48		
	FH6-Occupational Injury/Illness and Physically Demanding Work	Assistance for preventing occupational injuries and illnesses, including insurance coverage	21, 72, 73		
	FH7-Industrial Hygiene	Chemical materials management and worker safety	55, 56		
	FH8-Living Conditions	Welfare benefits and supportive facilities for workers	72, 73		
	FH9-Environmental Permits	Responding to government requirements for environmental ermits	52, 53		
	FH10-Pollution Prevention	Pollution and waste management and reduction efforts, energy management	52, 53, 57		
	FH11-Hazardous Substances	Safety management when handling hazardous substances	55		
	FH12-Wastewater & Solid Waste	Wastewater management and waste treatment	52, 53		
	FH13-Airborne Emissions	Programs for managing airborne emissions and reducing greenhouse gases	52, 58, 59		
	FH14-Product Content	Effort for improving environmental performance of products and eliminating hazardous materials from products	54~56, 63		
	FH15-Facility HS&E Management System Status	Equivalent to CH2	46~48, 67		
	FH16- HS&E Management System Elements	Equivalent to CH4	47, 48, 54		

※ Electronic Industry Code of Conduct (EICC): A code of conduct applied to the electronics industry, with an aim to build a safer workplace, promote dignity of the workers and induce environmentally sustainable business practices across the supply chain. An identical set of checklists are applied to not only the electronics industry, but also upstream chemical and materials companies to demand soundness in labor, ethics and environmental practices of the businesses.

※ C: Company level, F: Facility level

GLOSSARY

Glossary	Page	Description
1) DJSI (Dow Jones Sustainability Index)	13	Launched in September 1999, the Dow Jones Sustainability Index measures companies' sustainability initiatives. It represents a cooperation of the Dow Jones Indexes and SAM (Sustainability Asset Management). This family of indexes evaluates the performance of the world's sustainability leaders. The DJSI focuses on how a company recognizes the risks and opportunities arising from sustainability issues in its business strategy
2) ERP (Enterprise Resource Planning)	13	A total information system, designed to ensure efficient management of all human and physical resources in the enterprise used for business activities, with an aim to reinforce business competitiveness
3) CDM (Clean Development Mechanism)	13	Clean Development Mechanism
4) REACH (Registration, Evaluation, Authorization and Restriction of Chemicals)	13	A regulation applicable for the European Union Member States. The regulation entered into force on June 1, 2008 creates a new system for gathering information, assessing the risks of chemicals to human health and the environment, and authorizes or restricts the marketing and use of chemicals produced or supplied in the EU Member States
5) RoHS (Restriction of Hazardous Substances Directive)	13	A set of criteria formulated by the European Union (EU) to regulate the use of toxic materials in electrical and electronic devices, systems, and toys
6) GMI (Global Market Intelligence)	20	An in-house system that displays information and relevant reports regarding overseas markets, with an aim to support decision making of the management through delivering market/customer information in a timely manner
7) K-IFRS (Korea-International Financial Reporting Standards	21	International Financial Reporting Standards adopted in Korea
8) KRI (Key Risk Indicator)	22	An indicator showing a probability and an exposure level of a risk
9) CHARMs (Chemical Assurance and Regulation Management System)	33	LG Chem's ERP-based system to manange the chemical compostions of products
10) ABS	39	Thermoplastic resins formed from three types of monomers-Acrylonitrile, Butadiene, and Styrene, with wide application in electrical/battery parts, automotive parts, industrial materials and basic commodities
11) 3D Retarder	39	3D Optical Film
12) J/V (Joint Venture)	44	A business agreement in which parties agree to develop, for a finite time, a new entity and new assets by contributing equity
13) TFT LCD (thin film transistor liquid crystal display)	45	A variant of liquid crystal display (LCD) which uses thin-film transistor (TFT) technology to improve image quality (e.g., addressability, contrast). TFT LCDs are used in television sets, computer monitors, mobile phones, handheld video game systems, personal digital assistants, navigation systems, projectors, etc.
14) ISO 14001	47	International standards for environmental management system, developed by International Organization for Standardization (ISO)
15) OHSAS 18001	47	A set of standards established to systematically introduce workplace safety and health management system, comprising relevant audit standards and guidelines
16) KOSHA 18001	47	As the rules for certification for safety and health management system, KOSHA 18001 was developed by Korea Occupational Safety and Health Agency (KOSHA), building on UK's BS8800 for safety and health management system and Europe's OHSAS 18001 for occupational safety and health management certification as a foundation
17) PSM (Process Safety Management)	47	Process Safety Management
18) TRI (Toxics Release Inventory)	47	An inventory that the government publishes to inform the public on toxic chemicals in terms of their release and reduction measures. Since 1999, companies have been mandated to calculate the total level of toxic chemical materials by each material type as they are released into air, water and soil in all of the manufacturing processes of a site and which are transported to wastewater/waste treatment companies. The companies have to report to the Ministry of Environment every year and have to take actions to reduce their release levels in phase
19) RC (Responsible Care)	48	A voluntary initiative under which companies and the government work together to continuously improve their health, safety and environmental performance, with a sense of responsibility to address concerns from local communities, based on a belief that all companies can continue to exist only when there is an endorsement from the public
20) SNCR (Selective Non-Catalytic Reduction)	49	A method to lessen nitrogen oxide emissions
21) AO	50	An efficient process to remove BOD and phosphorous by adding an anaerobic reactor before a aeration reactor of the activated sludge process
22) A2O	50	An improved AO process by adding an anoxic reactor to remove nitrogen
23) RTO (Regenerative Thermal Oxidizer)	50	An industrial process for the treatment of exhaust air
24) TA (Turn Around)	50	Large-scale maintenance of petrochemical plant to improve processes

Glossary	Page	Description
25) MSDS (Material Safety Data Sheet)	54	A document that contains information on how to work safely with chemical materials, including descriptions on the name of the chemical material, their physical chemical properties, hazards, risks, emergency procedures in the case of explosion or fire, and their environmental impact
26) LCA (Life Cycle Assessment)	55	A technique for assessing environmental performance of a product-by quantifying the amount of energy and materials consumed and emitted from the lifecycle of a product-from raw material, manufacture, use to disposal- to evaluate their impact on the environment and seek ways to improve the environment
27) CMR	56	Carcinogenic, mutagenic and reprotoxic chemicals, abbreviated as CMR chemicals, make up the first and most toxic category of the toxicity classes into which hazardous chemicals can be subdivided, according to EU legislation
28) R50/53	56	Substances very toxic to aquatic organisms, may cause long-term adverse effects in the aquatic environment according to EU Directive 67/548/EEC
29) IPCC (Intergovernmental Panel on Climate Change)	58	The Intergovernmental Panel on Climate Change (IPCC) established by the World Meteorological Organization (WMO) and the United Nations Environment Programe (UNEP) in 1988
30) GHG (Greenhouse Gas)	58	Natural or artificial gases in the atmosphere that absorb and emit radiation to specific wavelengths within the thermal infrared range, emitted from earth surface, air and clouds. Under the Kyoto Protocol, carbon dioxide, nitrous oxide, methane and SF6, HFCS and PFCS are classified as greenhouse gases
31) DNV (Det Norske Veritas)	58	A third-party verification and certification body for greenhouse gas inventory
32) PDD (Project Design Document)	59	A plan for abating greenhouse gas emission
33) CDP (Carbon Disclosure Project)	59	Carbon Disclosure Project
34) Memorandum of Understanding (MOU)	59	A written document of an agreement before a formal contract is signed between organizations
35) AEO (Authorized Economic Operator)	60	A party involved in the international movement of goods in whatever function that has been approved by or on behalf of a national Customs administration as complying with World Customs Organization or equivalent supply chain security standards
36) IDS/IPS (Intrusion Detecting System/Intrusion Prevention System)	60	IDS/IPS (Intrusion Detecting System/Intrusion Prevention System)
37) SSL (Secure Socket Layer)	60	A security protocol that is today's de-facto standard for securing communications and transactions across the Internet
38) QC (Quality Control)	61	A control to ensure the quality of a product be maintained and enhanced through applying scientific principles
39) TPM (Total Productive Maintenance)	61	Management innovation activities for enhancing productivity
40) 6 Sigma	61	A management strategy implemented companywide in order to achieve quality innovation and customer satisfaction. It evaluates all quality levels quantitatively using sigma statistical measures, promotes an efficient culture of quality through emphasizing problem solving skills and professional development
41) Cartel	64	An agreement amongst competing firms where a business operator, resorting to contract, agreement, resolution or any other methods, consents with other operators to conduct an unfair act that limits competition, or referring to an act of forcing other business operators to engage in unfair practices to limit competition
42) OPEN (Open Purchasing Electronic Network)	66	LG Chem's integrated procurement system
43) On-Spot Incentive	69	Incentives given on-spot when individuals achieve their performance targets, in the range of 50~500% of their base pay
44) Golden Collar (GC) Incentive	69	Incentives paid to core talents considering their market value
45) HPI (High Potential Individual)	69	HPI refers to a system for identifying and nurturing individuals with potential to grow as next generation business leaders. The top 5% of desk job workers are selected, trained, and given retched goal as well as managed for their career growth. As a key talent development system, HPI is linked to succession plans and utilized as a pool for key successor candidates
46) CDP (Career Development Program)	69	A program which allows individuals and organization to design career paths of the individuals together, from the point they were hired all the way to their retirement and manage from a mid- to long-term perspective. At LG Chem, there is an interview-driven career development program targeting all employees as well as CDP specifically targeting key individuals
47) Matching Grant	77	A scheme where the company matches the fund raised by their employees for helping the needy neighbors
48) Outreach Program	77	An outreach program of a chemical industry refers to a diverse set of social contribution activities and chemistry-related events to reach out to the general public such as local residents, as well as children and the youth, who will be our customers in the future. They are designed to increase the public understanding and familiarity of chemistry and highlight the importance of the chemical industry, with an ultimate aim to build a better image and a deeper trust for the chemistry industry

COMPANY PROFILE

OVERVIEW

LG Chem is striving to become a global solution partner who helps facilitate the success of customers by providing the best technologies.

Company Overview

Company Name	LG Chem
Headquarters	LG twin Towers 20 Yeouido-dong, Yeongdeungpo-gu, Seoul, Korea
Foundation	January, 1974
Employees	16,173 persons (9,373 in Korea, 6,800 overseas)

Financial Snapshot

Unit: KRW 100 million

Total Assets	110,146
Total Liabilities	36,181
Total Shareholders' Equity	73,965
Sales	194,714
Operating Income	28,213
Net Income	21,998

AFFILIATION WITH MAJOR EXTERNAL ORGANIZATIONS & ASSOCIATIONS

Korea Business Council for Sustainable Development (KBCSD)

- Drive sustainable development at a global level
- Build partnership with WBCSD

Business Ethics and Sustainability Management for Top Performance

- A multilateral forum for disseminating ethical management practices and corporate culture
- Launched by the Institute for Policy Studies (IPS)
- Exchange of ethical management practices and information

Korea Association of Green Companies

- A group of companies designated as ecofriendly enterprises
- Promote environmental management through seminars and workshops
- Yeosu, Cheongju, Ochang, Ulsan, Naju and Iksan plants

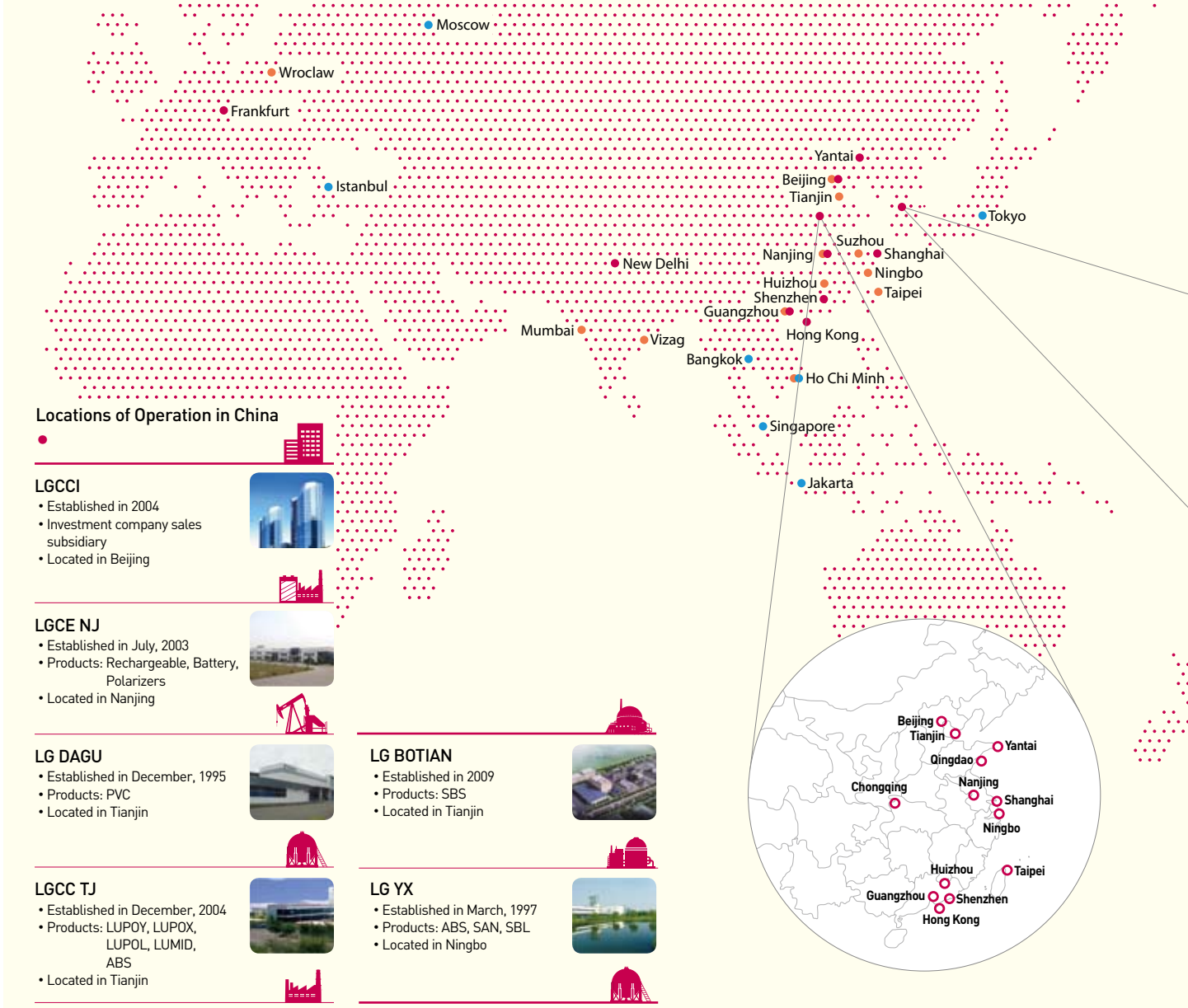
Other Industry Associations

- Korea Petrochemical Industry Association, Korea Chemical Industry Council, Korea Chemicals Management Association, Korea Petrochemical Industry Association, Korea Chemical Management Association, Korea Fair Competition Federation

LIST OF AWARDS RECEIVED

- Presidential Award at the 1st National Green Tech Award
- Excellent Prize at the 6th Management Transparency Awards
- Awarded as the best company for joint-growth between large and small & mid size Enterprises
- IR52 Chang Yeong-sil Award
- Selected as 'Company of the Year'
- Grand Prize at the 10th Korea IR Awards
- Grand Prize at the Money Today IR Grand Awards
- Grand Prize at the Management Grand Awards
- Listed in the 2010 Carbon Management Global leaders' club by CDP
- The Best company to work for in the manufacture category in Korea
- The Best company to work for in the CEO category in Korea
- Low density polyethylene for medical bottle, and polyethylene Raised Temperature resistance certified as 2010 World Class Product of Korea
- Hybrid vehicle lithium polymer battery technology selected as Korea's top 10 new technologies in 2010
- Grand prize at the Korea CSR awards

LOCATION OF OPERATION



Locations of Operation in China

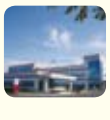
LGCCI
- Established in 2004
- Investment company sales subsidiary
- Located in Beijing

LGCE NJ
- Established in July, 2003
- Products: Rechargeable, Battery, Polarizers
- Located in Nanjing

LG DAGU
- Established in December, 1995
- Products: PVC
- Located in Tianjin

LGCC TJ
- Established in December, 2004
- Products: LUPOY, LUPOX, LUPOL, LUMID, ABS
- Located in Tianjin

LGCE BJ
- Established in Dec. 28, 2004
- Products: Polarizer for TFT-LCD
- Located in Beijing



LGCC GZ
- Established in 2002
- Products: EP
- Located in Guangzhou

LG BOHAI
- Established in January, 2005
- Products: PVC
- Located in Tianjin

LG BOTIAN
- Established in 2009
- Products: SBS
- Located in Tianjin

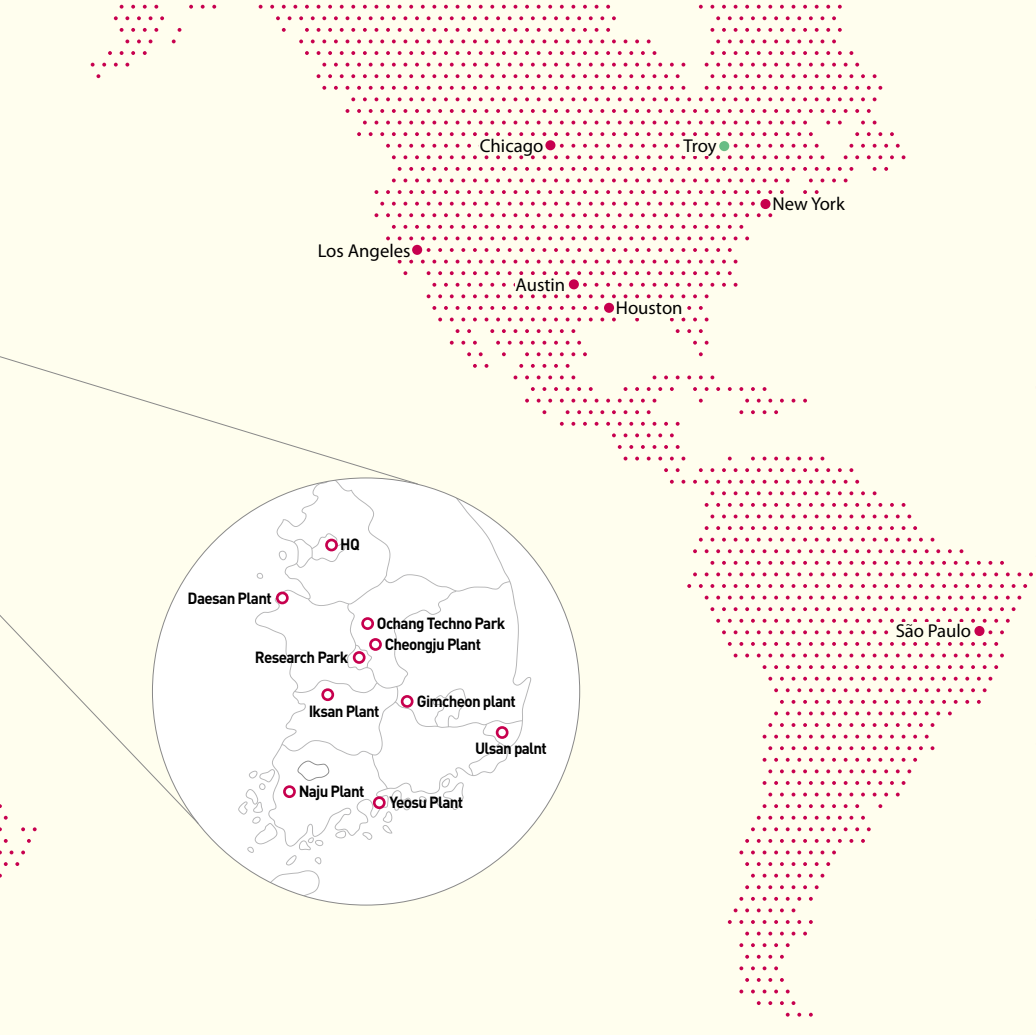
LG YX
- Established in March, 1997
- Products: ABS, SAN, SBL
- Located in Ningbo

Overseas Production Subsidiaries

NAME	LOCATION
Tianjin LG DAGU Chemical Co., Ltd.	Tianjin
Tianjin LG Bohai Chemical Co., Ltd.	Tianjin
Tianjin LG BOTIAN Chemical Co., Ltd.	Tianjin
Ningbo LG Yongxing Chemical Co., Ltd.	Ningbo, Suzhou
LG Chemical (Guangzhou) Engineering Plastics Co., Ltd.	Guangzhou
LG Chem (Tianjin) Engineering Plastics Co., Ltd.	Tianjin
LG Chem (Nanjing) Information & Electronics Materials Co., Ltd.	Nanjing
LG Chem Display Materials (Beijing) Co., Ltd.	Beijing
LG Chem (Taiwan), Ltd.	Taipei
LG Chem, Poland Sp. z.o.o.	Wroclaw
LG Polymers India Private Ltd.	Mumbai, Vizag
LG VINA Chemical Company Ltd.	Ho Chi Minh

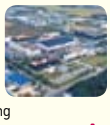
Overseas Sales Subsidiaries

NAME	LOCATION
LG Chem China Investment Co., Ltd.	Beijing
	Shanghai
	Guangzhou
	Nanjing
	Yantai
LG Chem Hong Kong Ltd.	Hong Kong Shenzhen
LG Chemical India Private Ltd.	New Delhi
LG Chem America, Inc.	New York
	Los Angeles
	Chicago
	Austin
	Houston
LG Chem Brasil, Ltd.	Sao Paulo
LG Chem Europe GmbH	Frankfurt



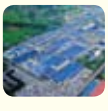
Locations of Operation in Korea

Iksan Plant



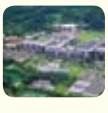
- Established in 1991
- 599 Yongje-Dong, Iksan City, Jeongbuk
- Area: 94,636㎡
- Products: ABS Compounds, Engineering Plastics, etc.

Cheongju Plant



- Established in 1980
- 150 Songjeong-Dong Hongdeok-Gu, Cheongju City, Choongbuk
- Area: 226,490㎡
- Products: Rechargeable Batteries, Polarizers

Research Park



- Established in 1979
- 104-1 Moonji-Dong, Yooseong-Gu, Daejeon City
- Area: 85,530㎡
- Products: New materials research & development

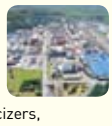
Gimcheon Plant

- Established in 2008
- 1348-1 Daegwang-Dong, Gimcheon City, Gyeongbuk
- Area: 24,800㎡
- Products: Super Absorbent Polymers (SAP)

Ochang Techno Park

- Established in 2005
- 1114-1 Namchon-Li, Oksan-Myeon, Gun, Choongbuk
- Area: 248,209㎡
- Products: Rechargeable Batteries, Optical Materials, etc.

Naju Plant



- Established in 1984
- 1 Songwol-Dong, Naju City, Jeonnam
- Area: 562,793㎡
- Products: Octanol, Butanol, Plasticizers, Acrylic Acids

Ulsan Plant

- Established in 1974
- 388 Mangyang-li, Onyang-Eup, Ulju-Gun, Ulsan City
- Area: 12,161㎡
- Products: Plasticizers

Daesan Plant

- Established in 2005
- 697 Daejuk-Li, Daesan-Eup, Seosan City, Choongnam
- Area: 1,297,477㎡
- Products: VCM, PVC, Ethylene, Propylene, Benzene, BD, PE, PP, Synthetic Rubbers, etc.

Yeosu Plant

- Established in 1976 (Hwachi), 1991 (Yongseong)
- 70-1 Hwachi-Dong, Yeosu City, Jeongnam
- Area: 991,735㎡
- Products: Ethylene, Propylene, PE, BTX, PVC, ABS, VCM, Acrylate, Specialty Polymers/BPA

Overseas Branches Subsidiaries

NAME	LOCATION
LG Chem, Ltd. Moscow Office	Moscow
LG Chem, Ltd. Istanbul Office	Istanbul
LG Chem, Hochiminh Office	Ho Chi Minh
LG Chem, Ltd. Bangkok Representative Office	Bangkok
LG International Japan Ltd.	Tokyo
LG Chem, Jakarta Office	Jakarta
LG Chem, Singapore Office	Singapore
LG Chem, Ltd. Turkey(Istanbul) Liaison Office	Istanbul

R&D Subsidiaries

NAME	LOCATION
Compact Power Inc.	Troy

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

2000~2010

OCT 2000 Completed 90,000 mtpa expansion of Ningbo ABS plant
NOV 2000 Acquired Hyundai Petrochemical's PVC business
MAR 2001 Co-founded battery developer Compact Power, Inc. in the USA
APR 2001 Demerged into three separate companies: LG Chem, LG Chem Investment, and LG Household & Health Care
OCT 2001 Completed 90,000 mtpa expansion of Tianjin PVC plant
FEB 2002 Completed Cheongju polarizer plant expansion
APR 2002 Completed expansion of Cheongju battery plant, doubling capacity
AUG 2002 Commissioned Guangzhou EP compound plant
AUG 2002 Established LG Chem China Trading Co., Ltd. in Shanghai
DEC 2002 Completed 150,000 mtpa expansion of Ningbo ABS plant
MAR 2003 Commissioned Tianjin window profile and door plant
JUN 2003 Acquired 50% equity stake in Hyundai Petrochemicals
JUL 2003 Completed 100,000 mtpa expansion of Tianjin PVC plant
AUG 2003 Established Nanjing battery and polarizer back-end processing plants
JAN 2004 Completed expansion of Ochang polarizer
MAR 2004 Completed Ochang Techno Park production complex for Information & Electronic Materials Group
JUN 2004 Established Ningbo SBL joint venture
JUL 2004 Established marketing subsidiary LG Chem (Taiwan), Ltd. in Taiwan
NOV 2004 Commissioned Guangzhou ABS plant
DEC 2004 Established LG Chem (China) Investment Co., Ltd. in Beijing
JAN 2005 Completed business split of Hyundai Petrochemicals and established LG Daesan Petrochemicals
JUN 2005 Established joint R&D lab with Moscow State University
JUL 2005 Established sales subsidiary LG Chem Europe GmbH in Frankfurt
NOV 2005 Established LG Chem Poland Sp. z o.o. polarizer back-end subsidiary in Poland
NOV 2005 Completed expansion of Ochang polarizer (26,000,000m^2)
JAN 2006 Merged with LG Daesan Petrochemicals
DEC 2006 Completed expansion of Ochang polarizer (49,000,000m^2)
APR 2007 Completed expansion of Daesan NCC, raising capacity to 260,000 mtpa of ethylene and 130,000 mtpa of propylene
NOV 2007 Merged with LG Petrochemical
SEP 2008 Acquisition of Kolon's SAP Business
DEC 2008 LG Chem Industrial Material Russia, establishment of LLC
APR 2009 Spinned off the industrial material division into LG Houses
MAY 2009 Established a SBS production subsidiary in Tianjin, China
JUL 2009 Broke the ground for an electrical vehicle battery plant in Ochang Techno Park
SEP 2009 Broke the ground for a TFT-LCD glass plant in the LG advanced material complex in Paju
JAN 2010 Established a 'HL Green Power', a battery joint venture with Hyundai Mobis
APR 2010 Expanded NCC in Yeosu (100,000 ton Ethylene, 40,000 ton Propylene)
JUL 2010 LGround the break for an electrical vehicle battery plant in Michigan, USA
OCT 2010 Acquired the remaining 50% stake in LG Polycarbonate

PARTICIPANT INFORMATION

● Generals	Environment/Climate Change Team	In Park / General Manager	inpark@lgchem.com	Sustainability Report
	Environment/Climate Change Team	Hyeong Cheol Jin / General Manager	hcjinb@lgchem.com	
	Environment/Climate Change Team	Seung Sang Lee / Assistant	leeseungsang@lgchem.com	
	Public Relations Team	Soonju Park / Manager	sjpark@lgchem.com	
● Mechanism for Sustainability Management	Legal Team	Tae-Sung Baek / Asst. Manager	btsung@lgchem.com	Corporate Governance
	Speed Management Team	Sehui Han / Senior Manager	hansse@lgchem.com	Sustainability Vision
	Ethics Office	Beom Joon Suh / Manager	lpcsbj@lgchem.com	Jeong-Do Management
	Corporate Culture Team	Jae Hoon Choi / Manager	superhoon@lgchem.com	Corporate Culture
	Planning & Coordination Team	YongJae Kim / Manager	prkin@lgchem.com	Risk Management
	Accounting Management Team	Young Min Bae / Asst. Manager	andrew0713@lgchem.com	
● Sustainability Management Performance	Investor Relations Team	Jaewook Jung / Manager	jjaewook@lgchem.com	Economic Performance
	Corporate Strategy & Planning Team	Jae-Kwon Kim / Senior Manager	ahkim@lgchem.com	Business Strategy
	Technology Intelligence Team	boryeong Han / Manager	hanbo@lgchem.com	Technology Innovation
	Environment/Climate Change Team	Boyeon Hur / Manager	byheo@lgchem.com	Green Management
	Environment/Climate Change Team	Jaesik Kwak / Manager	gerecter@lgchem.com	
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	Environment & Safety Team. Daesan	Chungsik Kim / Asst. Manager	iuee98@lgchem.com	
	Maintenance/Environment & Safety P. Acrylates/ Plasticizers. Gimcheon	Namdoo Ahn / Senior Manager	ndahn@lgchem.com	
	Plasticizers Team. Acrylates/Plasticizers.Ulsan	Yun Gon Heo / Asst. Manager	heoyg@lgchem.com	
	General Affairs Team. Research Park	Chang Seok Park / Asst. Manager	adadis@lgchem.com	
	IT Planning Team	Jaeik Baek / Senior Manager	jibaek@lgchem.com	Information Security
	Speed Management Team	Sehui Han / Senior Manager	hansse@lgchem.com	Innovation Activities
	Public Affairs Team	Yoojin Kim / Manager	gataca@lgchem.com	
	Public Affairs Team	Ojin Kwon / Manager	rockdril@lgchem.com	Business Partnership
	Procurement Strategy Team	Joo Young Park / Assistant	bobchem@lgchem.com	
	HR Planning Team	Sung Yong Lee / Manager	jackylee@lgchem.com	Talent Management
	HR Development Team	Dong Woo Lee / Asst. Manager	lovedon@lgchem.com	
	Global HR Team	Hye Rim Choi / Asst. Manager	happyrim@lgchem.com	
	HR Service Team	Kyuyong Rim / Senior Manager	kyuyong@lgchem.com	
	Employee Relations Team	Keun Ho Choi / Manager	khchoi@lgchem.com	Labor-Management collaboration
	General Affairs Team	Wondo Kang / Asst. Manager	wdkang@lgchem.com	Social Partnership
● Activities & Performance in China	LGCCI.Staff.Support.Business Plan Team	xingqiSun / General Manager	sunxingqi@lgchem.com	Activities & Performance in China
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	LGCCI.Staff.Support.HR.HR	YonggangMa / Asst. Manager	mayonggang@lgchem.com	
	LGCE NJ Maintenance & Environment Team	yingBai / Asst. Manager	baiying@lgchem.com	
	LG DAGU.ES Team.E Part	feiDou / Asst. Manager	doufei@lgchem.com	
	LG YX.Environment & Safety Team	jianHou / Assistant	jianhou@lgchem.com	

READER FEEDBACK QUESTIONNAIRE

Your valuable feedback on our 2010 Sustainability Report will be an important source of information to improve the quality of our future ustainability reports. Please fill out this feedback questionnaire after reading the report and send it to us by mail or fax.

To:

Environment/Climate Change Team, LG Chem, Ltd.
LG Twin Towers, 20 Yeouido-dong, Yeongdeungpo-gu, Seoul, Korea
Tel : +82-2-3773-7204
Fax : +82-2-3773-3414

From:

Name: Occupation:

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1. Which of the following applies to you?

☐ LG Chem employee ☐ Shareholder/financial institution ☐ Customer ☐ Supplier ☐ Citizens' group
☐ Local resident ☐ Academia ☐ Government ☐ Media ☐ Other ( )

2. For what purpose do you use this report? (Mark one or more)

☐ To gain general information about the company
☐ To do a comparative analysis on the attributes of the pertaining industry
☐ To evaluate sustainability management performance of the company
☐ To use as a tool for education (case study)

3. In which area(s) are you mostly interested? (Mark one or more)

☐ Corporate Governance ☐ Mechanism for Sustainability Management ☐ Stakeholder Participation ☐ Focus Issues
☐ Economic Performance & Distribution of Economic Value ☐ Business Strategy ☐ Technology Information
☐ Green Management ☐ Information Security ☐ Innovation Activities ☐ Business Partnership
☐ Talent Management ☐ Labor-Management Collaboration ☐ Social Partnership

4. How would you rate the overall quality of this report in the following aspects?

A format and a printing type of the report are useful for understanding (Readability)	(very poor)	1	2	3	4	5	(very good)
The contents are reliable (Reliability)	(very poor)	1	2	3	4	5	(very good)
Significant issues are properly explained (Significance)	(very poor)	1	2	3	4	5	(very good)
The use of sentence structure & terms are adequate (Clarity)	(very poor)	1	2	3	4	5	(very good)

5. How would you rate the usefulness of Information in this report?

	5)						
Corporate Governance	(very poor)	1	2	3	4	5	(very good)
Mechanism for Sustainability Management	(very poor)	1	2	3	4	5	(very good)
Stakeholder Participation	(very poor)	1	2	3	4	5	(very good)
Focus Issues	(very poor)	1	2	3	4	5	(very good)
Economic Performance & Distribution of Economic Value	(very poor)	1	2	3	4	5	(very good)
Business Strategy	(very poor)	1	2	3	4	5	(very good)
Technology Information	(very poor)	1	2	3	4	5	(very good)
Green Management	(very poor)	1	2	3	4	5	(very good)
Information Security	(very poor)	1	2	3	4	5	(very good)
Innovation Activities	(very poor)	1	2	3	4	5	(very good)
Business Partnership	(very poor)	1	2	3	4	5	(very good)
Talent Management	(very poor)	1	2	3	4	5	(very good)
Labor-Management Collaboration	(very poor)	1	2	3	4	5	(very good)
Social Partnership	(very poor)	1	2	3	4	5	(very good)

6. How would you rate LG Chem's activities in the below areas?

	6)						
Corporate Governance	(very poor)	1	2	3	4	5	(very good)
Mechanism for Sustainability Management	(very poor)	1	2	3	4	5	(very good)
Stakeholder Participation	(very poor)	1	2	3	4	5	(very good)
Focus Issues	(very poor)	1	2	3	4	5	(very good)
Economic Performance & Distribution of Economic Value	(very poor)	1	2	3	4	5	(very good)
Business Strategy	(very poor)	1	2	3	4	5	(very good)
Technology Information	(very poor)	1	2	3	4	5	(very good)
Green Management	(very poor)	1	2	3	4	5	(very good)
Information Security	(very poor)	1	2	3	4	5	(very good)
Innovation Activities	(very poor)	1	2	3	4	5	(very good)
Business Partnership	(very poor)	1	2	3	4	5	(very good)
Talent Management	(very poor)	1	2	3	4	5	(very good)
Labor-Management Collaboration	(very poor)	1	2	3	4	5	(very good)
Social Partnership	(very poor)	1	2	3	4	5	(very good)

2010 Sustainability Report

Dear Stakeholders,

Despite the uncertainty in the business environment resulting from the global economic recession, LG Chem produced the highest business performance in 2010. It was made possible thanks to your support and encouragement toward LG Chem. I would like to take this opportunity to express my sincere gratitude to you all.

LG Chem publishes a sustainability report every year in attempts to disclose sustainability management performance transparently and communicate with stakeholders effectively. This is the 5th sustainability report that we have published. In this report, you will see our efforts to deliver issues that are important to stakeholders in an effective manner. Furthermore, a key sustainability management performance is covered as a focus issue in the areas of economics, environment and society respectively. Compared with previous reports, sustainability management performance made by our Chinese subsidiaries is significantly addressed in 2010 sustainability report in a bid to help you understand our global sustainability management.

We also looked into the social & environmental impact of our business activities based on ISO 26000 Guidance on Social Responsibility announced in November 2010 and reflected findings in the 2010 Sustainability Report. Additionally, we had the contents in the report verified by the third party experts to secure the accuracy and reliability of the report.

We hope that this sustainability report will help LG Chem communicate with stakeholders effectively. LG Chem will continue to stay committed to raising stakeholder's value while becoming a company growing with stakeholders.
Thank you.

April 2011

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Vice President
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