

Solution*Partner*

LG CHEM

2014

S U S T A I N A B I L I T Y
R E P O R T

ABOUT THIS REPORT

Purpose of the Report | Since 2006, LG Chem has published an annual sustainability report every year to disclose the company's sustainability vision, strategy, and activities to stakeholders and incorporate stakeholder input into its sustainability policy and decision-making.

Reporting Principles | This report was prepared in accordance with the Core option of the Global Reporting Initiative(GRI) G4 guidelines and reflects the principles and content elements suggested by the International Integrated Reporting Council(IIRC) Framework. The financial data contained in this report are presented in accordance with the Korean International Financial Reporting Standards(K-IFRS). Furthermore, the report includes the required elements of the UNGC 10 Principles, ISO 26000 and EICC.

Reporting Period | This report covers the period from January to December 2014 and contains data for the previous three years, from 2012 to 2014, to identify trends in performance. Some activities from before 2014 and during 2015 are also included in the report if they are considered important.

Reporting Scope | This report covers the company's operations in Korea, including the headquarters in Seoul, 10 manufacturing facilities in Yeosu, Cheongju, Ochang, Ulsan, Gimcheon, Naju, Iksan, Daesan, and Paju, and Research Park(based in Daejeon). For overseas operations, it includes the Chinese regional holding company(LGCC) and all of its manufacturing subsidiaries, such as eight manufacturing subsidiaries in China, namely, Nanjing(LGCE NJ), Dagu(LG DAGU), Tianjin(LGCC TJ), Beijing(LGCE BJ), Guangzhou(LGCC GZ), Bohai (LG BOHAI), Botian (LG BOTIAN), and Yongxing(LG YX), as well as those in Taiwan(LGCE TP), U.S.(LGCMI), Vietnam(LG VINA), India(LGPI), and Poland(LGCE WR) (those that were newly established or started operation in 2014 have been excluded).

Furthermore, the economic data provided in the report covers the entire company's operations, and for the social and environmental data, the reporting scope has been specified separately for each data if different from others.

External Assurance | The content of the report has been assured by DNV GL based on the three AA1000AS(2008) principles(inclusiveness, materiality, and responsiveness) to ensure the reliability of the data contained in the report. The assurance statement can be found on pages 76 to 77.

More Information | This report has been published in Korean and English to increase accessibility for a variety of stakeholders, and is also available at the official website of LG Chem (<http://www.lgchem.com>).

LG CHEM 2014 SUSTAINABILITY REPORT

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CEO Message

Dear Stakeholders,

We would like to express our deepest gratitude for your continued support for LG Chem. Last year, even in the midst of tough business environment with sluggish demand, resulting from the slow global economic recovery, and declining product prices, from intensifying competition, LG Chem made notable achievements towards market leadership by solidifying our technical and business leadership in each business area. We strengthened our competitiveness in the basic materials and chemicals business including EP; expanded the global customer base in the technology-based business such as SAP and SSBR; developed the world's first 100 lm/w OLED panel; and signed the supply contracts on automotive batteries with global automakers based on the world's top competitiveness.

We will build the foundation and competitiveness for sustainable growth.

This year is expected to be another year of slow global economic growth, and tough business environment will persist. However, LG Chem intends to overcome these difficulties by setting our sight on "market leadership," taking on challenges and executing in a decisive manner. We will maximize the value of our existing businesses and intensively nurture future growth engines while also making forays into new materials businesses, and ultimately build the foundation and competitiveness to achieve sustainable growth.

We will become a global materials company that grows along with society.

Growing along with society is vital to a company's sustainable growth. As a global materials company that supplies materials essential to modern society, LG Chem intends to contribute to resolving social and environmental issues facing us by striving to develop innovative technologies and products. We focus on developing materials that enhance the environmental friendliness of products and developing highly efficient products that consume less energy. We are also leading the growth of the green energy solutions market with our automotive batteries and energy storage systems. LG Chem will become a company that continuously grows along with society by identifying the needs of society one step ahead, providing innovative solutions that exceed expectations, and thereby creating new values.

We will always adhere to the fundamentals and principles.

LG Chem will create a culture where the fundamentals, standards and principles which should never be forgotten during the course of growth are always adhered to. By putting safety and the environment first across all business operations, we will continuously monitor and make improvements to ensure that our employees, business partners and local communities of all global operations can live in a safe and clean environment. In addition, based on Jeong-Do Management, LG's own code of conduct, we will root out corruption and unethical practices and create a fair trading culture. Based on the belief that our responsibility towards society is to share growth with our business partners and contribute to a balanced economic growth, we will create a virtuous cycle in which our growth becomes a cornerstone for business partners' growth and turn business partners' capabilities into our own capabilities.

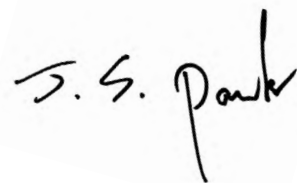
In 2014 Sustainability Report of LG Chem, which is the ninth report, we included the activities and efforts on how we tried to build sustainable competitiveness and grow along with society in the past year. The report, in particular, covers the activities of all of its global operations in Europe, U.S., and other Asian regions in addition to Korea and China with an aim to communicate to stakeholders our responsibility as a global company conducting business worldwide.

LG Chem acknowledges that creating sustainable and sound performances is more important than focusing on short-term results. We, therefore, will continue to implement a systematic management of a variety of issues in social and environmental aspects which have mutual influences on our business and become a responsible company growing along with society. Your continued support and engagement will be greatly appreciated.

Thank you.

June 2014

Vice Chairman & CEO Jin-Soo Park




About LG Chem

Since its founding in 1947, LG Chem has steadily grown to become South Korea's leading chemical company that has contributed to the nation's economic growth and the enhancement of people's quality of life through continuous technological development, new products and quality innovation.

LG Chem has established a global network of production, sales, and R&D at home and abroad to expand its operations to the global market. The company aims to become the world's leading supplier of innovative materials and solutions by adding higher values to its existing businesses and nurturing future growth engines, centering on IT & Electronic Materials and Energy Solutions, as well as by actively expanding into new materials businesses.

Overview (As of late December 2014)

Name	LG Chem, Ltd
Headquarters	LG Twin Towers, 128, Yeoui-daero, Yeongdeungpo-gu, Seoul, South Korea
Foundation	January 1947
Employees	24,928(13,623 in Korea, 11,305 Overseas)

Financial Snapshot (Unit: 100 million KRW) **2014**

Total Assets	181,277
Total Liabilities	58,618
Total Equity	122,659
Sales	225,778
Operating Income	13,108
Net Income	8,540

GLOBAL NETWORK



OFFICE

Operations	Location
Head quarters	1 LG Chem, Ltd. Korea
Market-ing Sub-sidiary	2 LG Chem(China) Investment Co., Ltd. China
	3 Ningbo LG Yongxing Chemical Co., Ltd. China
	4 LG Chem Hong Kong Ltd Hong Kong
	5 LG Chem America, Inc USA
	6 LG Chem Brasil, Ltd. Brasil
	7 LG Chem Europe GmbH Germany
	8 LG Chemical India Private Ltd. India
	9 LGC Petrochemical India Private Ltd. India
	10 LG Chem Japan Co., Ltd Japan
	11 LG Chem TK Kimya Sanayi Ve Ticaret Limited Sirketi Turkey
	12 LG Chem, Ltd. Moscow Office Russia
Representative Office	13 LG Chem, Ltd. Bangkok Representative Office Thailand
	14 Hochiminh Office Vietnam
	15 Jakarta Office Indonesia
	16 Singapore Office Singapore

R&D

Operations	Location
1 Research Park	Korea
2 LG Chem Power Inc.	USA
3 LG Chem, Ltd. Japan R&D Center	Japan

MANUFACTURING FACILITIES

Operations	Location	Major Products
1 Yeosu Plant	Korea	NCC, SM, LDPE, HDPE, PVC, VCM, ABS, SAN, PS, EPS, Acrylate, Oxo-alcohol, NPG, SBS, MBS, SB Latex, BPA
2 Cheongju Plant		Electrolytes, Cathode materials, PCM, Photoresists, Rechargeable batteries
3 Ochang Plant 1		Rechargeable batteries, Display materials, Optical materials
4 Ochang Plant 2		Separators
5 Ulsan Plant		Plasticizers
6 Daesan Complex		NCC, EO/EG, SM, BD, MTB E, B-1, PE, PP, Synthetic rubber, PVC, VCM
7 Iksan Plant		ABS compounds, EP
8 Naju Plant		Octanol, Butanol, Plasticizers, Acrylic acid
9 Gimcheon Plant		SAP
10 Paju Plant		LCD glass substrates
11 Tianjin LG DAGU Chemical Co., Ltd.		China
12 Tianjin LG BOHAI Chemical Co., Ltd.	VCM, EDC	
13 Tianjin LG BOTIAN Chemical Co., Ltd.	SBS	
14 Ningbo LG YONGXING Chemical Co., Ltd.	ABS, SAN, SBL, EP	
15 LG Chemical(Guangzhou) Engineering Plastics Co., Ltd	EP	
16 LG Chem(Tianjin) Engineering Plastics Co., Ltd	EP	
17 LG Chem(Nanjing) Information & Electronic Materials Co., Ltd.	Rechargeable batteries, Polarizers	
18 LG Chem(Nanjing) New Energy Battery Co., Ltd.	Rechargeable batteries	
19 LG Chem Display Materials(Beijing) Co., Ltd.	Polarizers for TFT-LCD	
20 CNOOC & LG Petrochemicals Co., Ltd.	ABS, SAN	
21 LG Chem(Taiwan), Ltd.	Taiwan	Polarizers
22 LG Chem Michigan Inc.	USA	Lithium-ion batteries, Battery packs
23 LG NanoH ₂ O, Inc.	USA	Water treatment filter
24 LG Chem, Poland Sp. z o.o.	Poland	Polarizers, EP
25 LG Polymers India Private Ltd.	India	PS, EPS
26 LG Vina Chemical Company Ltd.	Vietnam	DOP
27 KLPE E LLP	Kazakhstan	Ethylene, PE

*As of late 2014

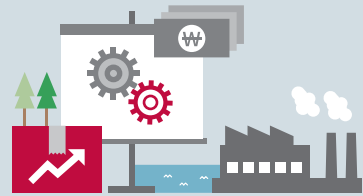
LG Chem's Sustainability at a Glance

Input

Inside LG Chem

Output

1 Investing in Business Activities



Investing in Business Operation and Expansion

- Investing in human resources p.44-47, 64-67
- Investing in R&D p.23, 25
- Investing in environmental management p.69
- Investing in global business expansion p.4-5, 47
- Investment risk management p.60-61

Purchasing Raw Materials/Equipment and Services

- Strengthening chemical management of purchased materials p.27
- Prohibiting the use of conflict minerals p.29
- Promoting shared growth with business partners including financial and technical support p.40-43
- Managing safety and environmental risks in the supply chain and assisting in enhancing capabilities p.27, 37, 42
- Expanding local purchases at global subsidiaries p.63

Input of Resources

- Input of environmental resources such as energy and water p.70, 71, 73
- Reuse and recycling of resources p.70-72

2 Technological Innovation to Create Innovative Value

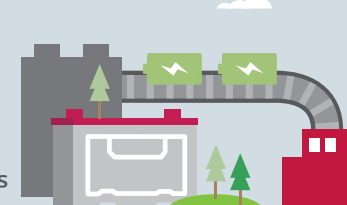


R&D Innovation Activities by Business Area

- New Businesses and Platform Technologies**
 - Developing technologies in the next-generation new business area and strengthening key platform technologies p.23
- Basic Materials and Chemicals**
 - Developing functional polymers, eco-friendly/high-functional materials, and catalyst-based technologies and processes p.9, 23
- IT & Electronic Materials**
 - Developing materials in the display, green energy, circuit and semiconductor areas p.11, 24
- Advanced Materials**
 - Developing display materials and battery materials p.13
- Energy Solutions**
 - Developing battery materials and small-/medium and large-sized batteries p.15, 24

*More details on R&D areas are available at www.lgchem.com

Conducting Business in Consideration of Social and Environmental Factors



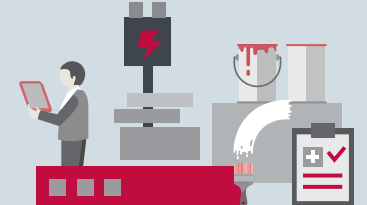
Business Activities Based on Social Responsibility

- Reinforcing ethical management p.58-59
- Protecting employees' human rights and guaranteeing labor rights p.64, 66-68
- Employee health care activities and benefits p.39, 67
- Hiring local employees and enhancing their capabilities at global subsidiaries p.47, 65
- Strengthening safety assessments and management systems at manufacturing sites p.35-37
- Creating a culture of fair trading and fair trading systems p.42, 59

Manufacturing Activities to Reduce Environmental Impacts

- Improving energy efficiency and reducing greenhouse gas emissions p.30-33, 73
- Strengthening wastewater and waste management and reducing discharges p.38, 70, 72
- Strengthening monitoring of air and water pollutants p.38, 71
- Creating a toxic chemical management system p.27, 72
- Developing and producing green technologies/products p.9, 11, 13, 15, 22-24

3 Creating Value through Products



Creating Economic Value

- Increasing sales through market leadership in each business area p.8-15, 62

Creating Social and Environmental Value

- Ensuring user safety and increasing satisfaction with quality p.26-29
- Contributing to resolving environmental issues through green products p.9, 11, 13, 15

4 Sharing Values with External Stakeholders and Local Communities



Stakeholder Communication and Engagement

- Operating communication channels by key stakeholder group and increasing participation p.18-19, 57

Distributing Economic Value

- Distributing profits to internal and external stakeholders p.63
- Returning to local communities through social contribution activities and donations p.48-51

Basic Materials & Chemicals

LG Chem has sharpened its competitive edge in the basic materials and chemicals area by expanding the premium product line, and efficiently adapted to market environments by expanding its core businesses globally. With the development of high-functional green products, the company is leading the petrochemicals market by achieving cost competitiveness at the world level through collaboration among businesses, and constructing innovative processes based on its expertise and technology.

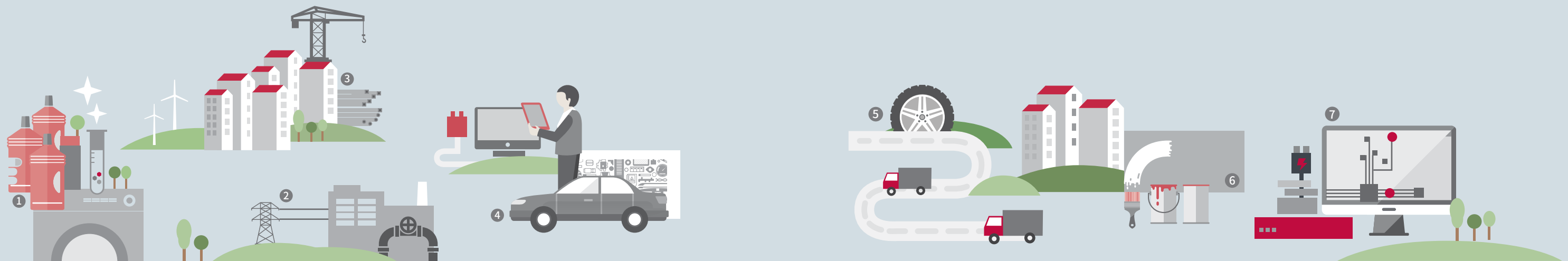
During the first half of 2014, North America played a central role in accelerating shale gas development to overcome high oil prices. During the second half, however, chaos ensued as Middle East oil supplies increased with growing oil production and oil prices fell drastically on the stronger dollar. Despite uncertainties in the business environment, LG Chem has produced solid results through innovative endeavors and technological leadership to strengthen its capabilities.

2014 HIGHLIGHTS

Achieved cost competitiveness for NCC at world's best level by improving energy intensity

Increased ratio of metallocene-based innovative PO
Sales of innovative products (1,000 tons) 234 ▶ 280

Expansion of EPC into global auto markets
Sales of EPC for car application (1,000 tons) 65 ▶ 79



1 NCC

Through pyrolysis of naphtha, LG Chem produces basic oil fractions such as ethylene, propylene, BD and benzene, and supplies them as materials for plastic products at home and abroad.



2 PO

LG Chem produces and supplies polyolefin products for various applications, such as films, pipes, and cables with excellent properties including workability, mechanical/optical properties, chemical resistance, and electrical insulation.



3 PVC/Plasticizers

LG Chem produces general-purpose plastic products used as construction and household materials. For its world-class quality and production capacity, the company has been a leader in domestic production and market share.*

*Based on 2014 data from Korean Petrochemical Industry Association



4 ABS

LG Chem is leading domestic and international ABS markets by producing and supplying a variety of high-functional ABS products that are widely used in such applications as electronics, auto parts, industrial materials, and household items.



5 Synthetic Rubbers and Specialty Polymers

LG Chem provides products for a variety of applications, including butadiene-based synthetic rubbers for tires and packing, impact modifier MBS, latex for paper coating and gloves, and asphalt and plastic modifier SBS.



6 Acrylates/SAP

LG Chem remains a major player in the SAP business and strives for sustainable growth in the propylene derivatives business.



7 EP

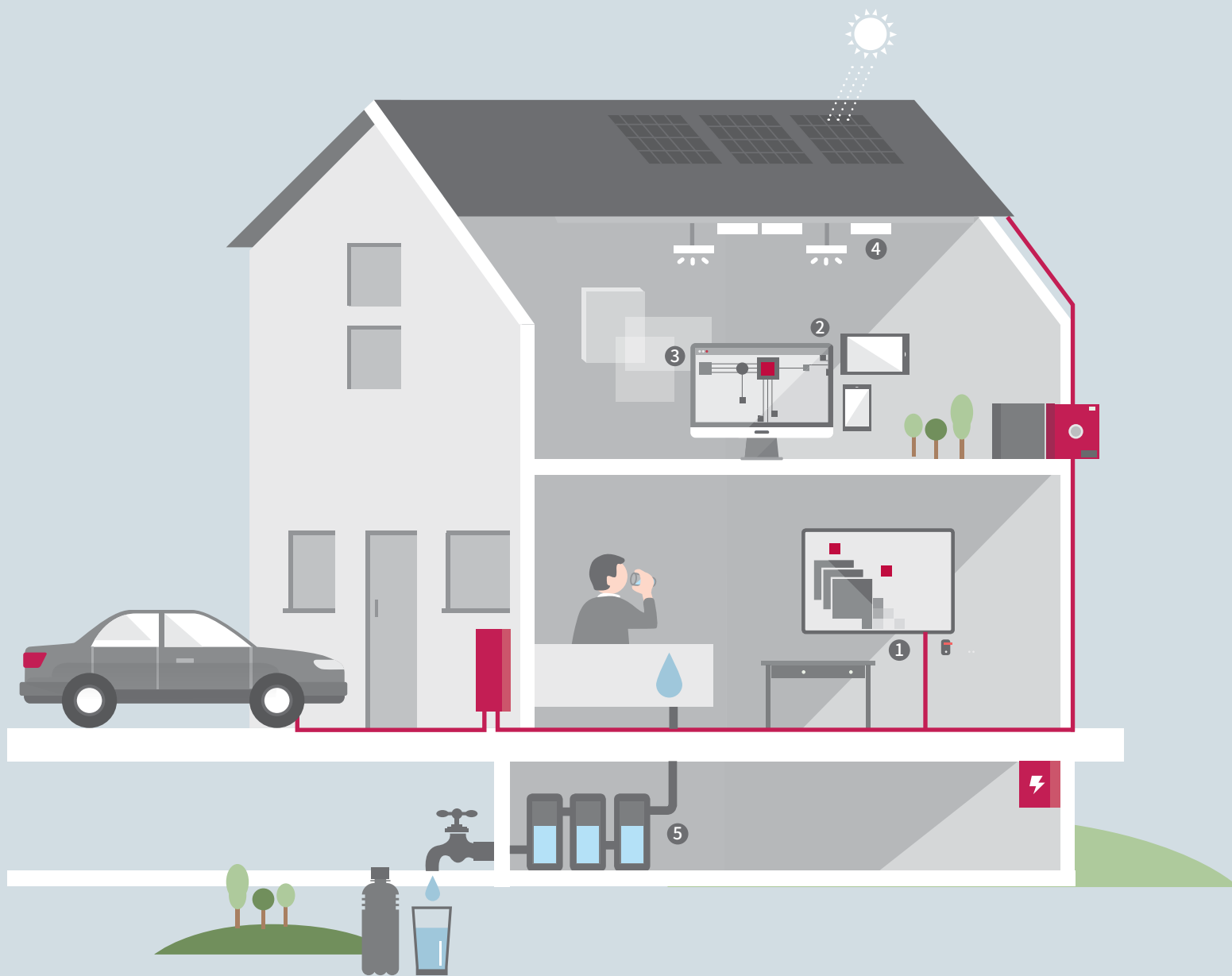
LG Chem produces high-functional engineering plastic materials that are used in such applications as electronics/electronics, auto parts, and IT and electronic parts. Through its innovative, high-value added products, the company is leading the market.

Creating Environmental Value through Products

Developing SAP for Green Diapers | Super-absorbent polymers(SAP) absorb large quantities of water quickly, and thus, are used as materials for diapers. LG Chem developed advanced polymerization and crosslinking density control technologies and, ultimately, the "green super-absorbent polymer(SAP)" that meets the environmental requirements of Ecolabel and provides better absorption performance. In 2013, LG Chem became Korea's first company to meet the residual chemical content limits set by the European environmental certification scheme(Ecolabel). After that, the company launched the new product in the European market and has since increased its share in the world market for green absorbent polymers. In 2017, it is expected to reach over 20% share with sales of 213 billion KRW. The company will continue to develop safe and top-performing products.

IT&E Materials

In 2000, LG Chem became the nation's first company to successfully commercialize LCD panels. The success has expedited the company's growth in the LCD and IT materials industry. Particularly, by continuously strengthening its R&D capabilities, in 2009, the company claimed the largest share in the global polarizer market, which had been dominated by Japanese companies. The company is also continuously exploring new businesses including OLED lighting and water treatment filter, solidifying its competitive advantage.

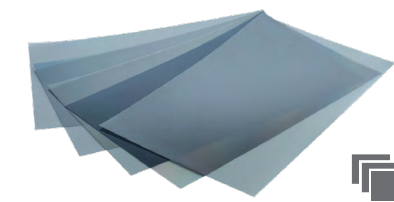


In 2014, competition intensified due to the slowdown of key front-end industries and the weaker yen affecting Japanese companies, and also due to the increased participation of Chinese companies in domestic markets. Despite such business difficulties, LG Chem is continuously leading the global market with its innovative technologies.

2014 HIGHLIGHTS

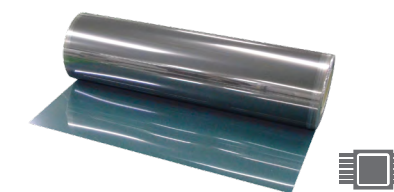
Maintained the largest share of the polarizer market through proactive localization in China

Improved efficiency of OLED lighting 80lm/w ▶ 100lm/w



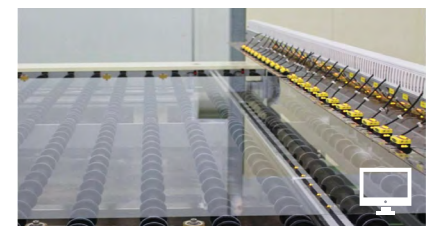
1 Optical Materials

LG Chem produces key materials for display products such as polarizers for TV and IT applications and has been leading the global market.



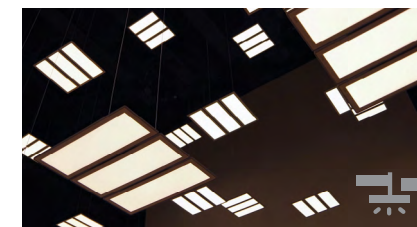
2 High Functional Materials

LG Chem focuses its core capabilities on high-functional materials such as protective films and barrier films for display applications, circuit semiconductor materials commonly used in smartphones and tablets.



3 LCD Glass Substrates

LG Chem produces LCD glass substrates, which are the core component of LCDs and require high quality.



4 OLED Lighting

High-efficiency, environmentally friendly OLED lighting is considered as a next-generation light source that will replace existing lighting. LG Chem's OLED lighting is leading the market by providing the world's best efficiency and service life.



5 Water Treatment Filter

The LG NanoH₂O RO(Reverse Osmosis) membrane provides the world's best salt rejection and high permeability.

Creating Environmental Value through Products

High Efficiency, Environmentally Friendly OLED Lighting | OLED is the only surface light source that has the most similar spectral distribution to natural sunlight. Lightings with OLED panels are widely recognized in the lighting market to be beneficial to both humans and the environment as they do not cause glare, heat or UV radiation, and are free of heavy metals and halogen compounds. LG Chem developed an OLED light source that provides the world's highest efficiency(100lm/W, 40,000 hours) and laid the groundwork for a new trend in the green lighting industry. In the future, the company will continue to work on improving efficiency and develop a variety of applications.

Advanced Materials

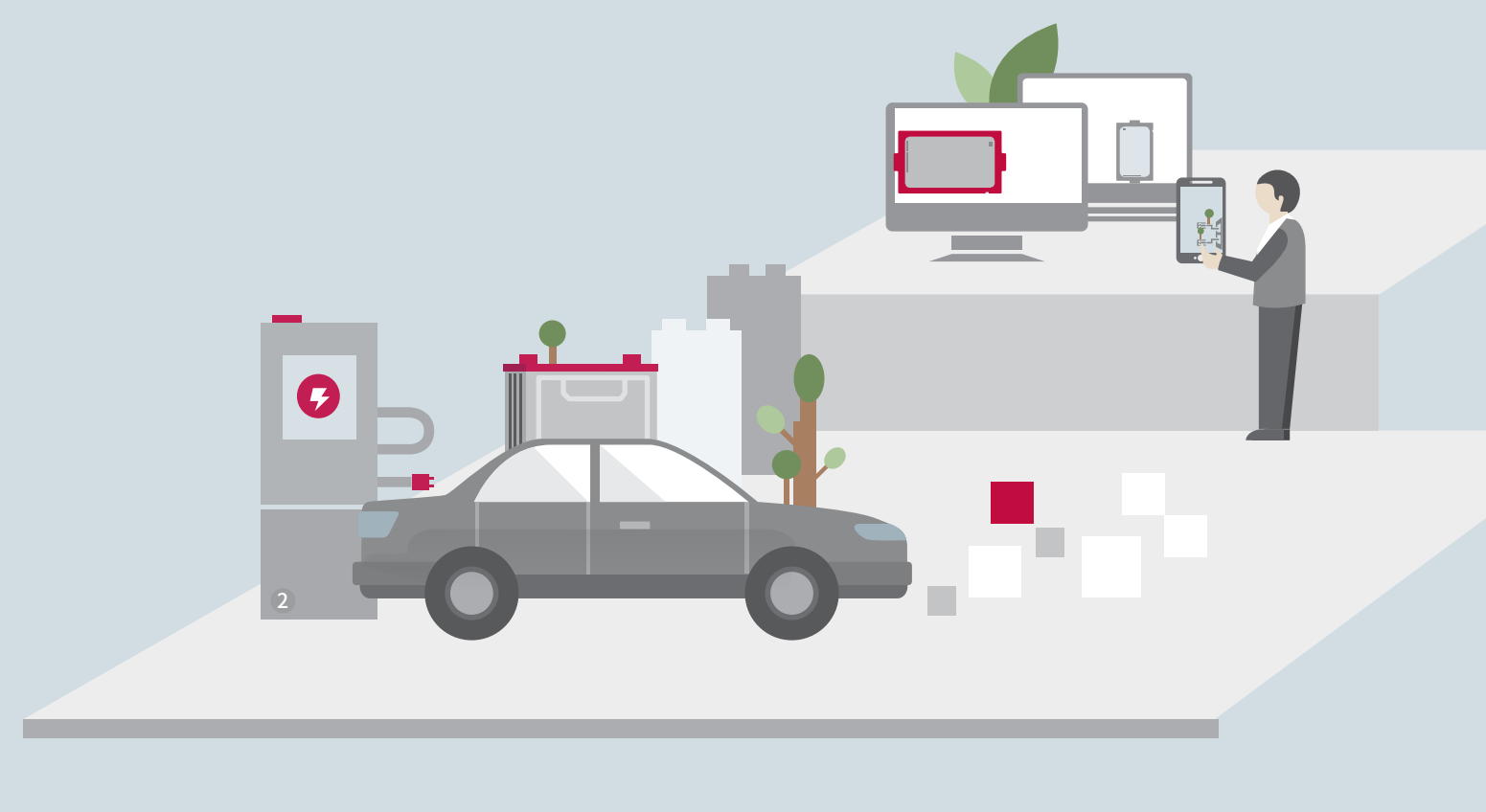
LG Chem separated Display Materials and Battery Materials from IT & Electronic Materials and reorganized them into the Advanced Materials business unit to secure a growth engine by focusing on the development of future-oriented materials and the advanced materials.

With declining growth in the LCD market and the wide distribution of OLED TVs, competition in the advanced materials market was more intense in 2014 than ever. In the electric vehicle market, there is growing demand for the innovative features of lithium-ion batteries. In these circumstances, LG Chem continued to develop innovative solutions and the sales of battery materials for electric vehicles (cathode materials and electrolytes) grew by over 50% compared with the previous year.

2014 HIGHLIGHTS

Developed the light-emitting layer for OLEDs and applied it to G-Flex smartphones

Developed high-capacity/high-output cathode materials for next-generation electric vehicles



1 Display Materials

LG Chem produces photoresists and process materials which are key materials for LCD color filters, transporting and light-emitting layer materials for next-generation display, OLEDs, and encapsulant for LED devices.



2 Rechargeable Battery Materials

LG Chem produces cathode materials and electrolytes, core materials for rechargeable batteries. With these products, the company is meeting the needs for small-sized batteries used for IT applications, and also medium- and large-sized batteries, which are key components for the environmentally friendly future industries, such as electric vehicles and energy storage systems.

Creating Environmental Value through Products

Core Material for Electric Vehicle Batteries | LG Chem has contributed to the expansion of green markets by supplying core materials for electric vehicle batteries. In 2014, the company developed a high-capacity cathode material for second-generation electric vehicles. By utilizing its own unique engineering and coating technologies, the company has set the long-term goal of developing cathode materials with high capacity and long service life that can be used in third-generation electric vehicles and beyond. Our development of materials with innovative features through continuous innovation will contribute to the growth of green markets, such as the wide distribution of electric vehicles.

Energy Solutions

LG Chem became the country's first manufacturer of lithium-ion batteries in 1999 and has since provided green energy solutions leading global markets. Its business operations include automotive batteries, energy storage systems, and mobile batteries, and in each area the company is solidifying its position by bringing the world's best technologies to the markets.



The automotive battery market continues to grow with higher fuel economy standards and the expansion of charging infrastructure. The market for energy storage systems for residential and industrial purposes is also expanding on the strength of government subsidies. The wearable and non-IT devices markets for mobile batteries are also expected to expand and grow. Amid these conditions, LG Chem has produced business results such as entering into electric vehicle battery supply contracts with major carmakers, dominating the North American and European ESS markets for grids, and increasing its market share in the global mobile battery market.

2014 HIGHLIGHTS

Automotive Batteries won contracts for key PHEV/EV projects and dominated the μ -HEV market

ESS dominated key grid markets and developed innovative products for residential uses

Mobile Batteries increased its share in North American and Chinese smartphone markets

Established a joint venture for automotive batteries and a localized business system in Nanjing, China



1 Automotive Batteries

Using its excellent technology and quality competency, LG Chem supplies safe batteries for electric vehicles to top carmakers in Korea, U.S., Europe and China. The batteries, applied to green and highly efficient vehicles like electric and hybrid vehicles, are adding environmental values.



2 ESS

With the world's most advanced production facility and technology, LG Chem is producing batteries for energy storage systems, the core system for the next-generation energy business. These products are being applied to streamlining power generation processes by linking them to renewable energy and supporting power transmission and distribution.



3 Mobile Batteries

LG Chem's Mobile Batteries is leading the global lithium-ion battery market with excellent technology and productivity.

Creating Environmental Value through Products

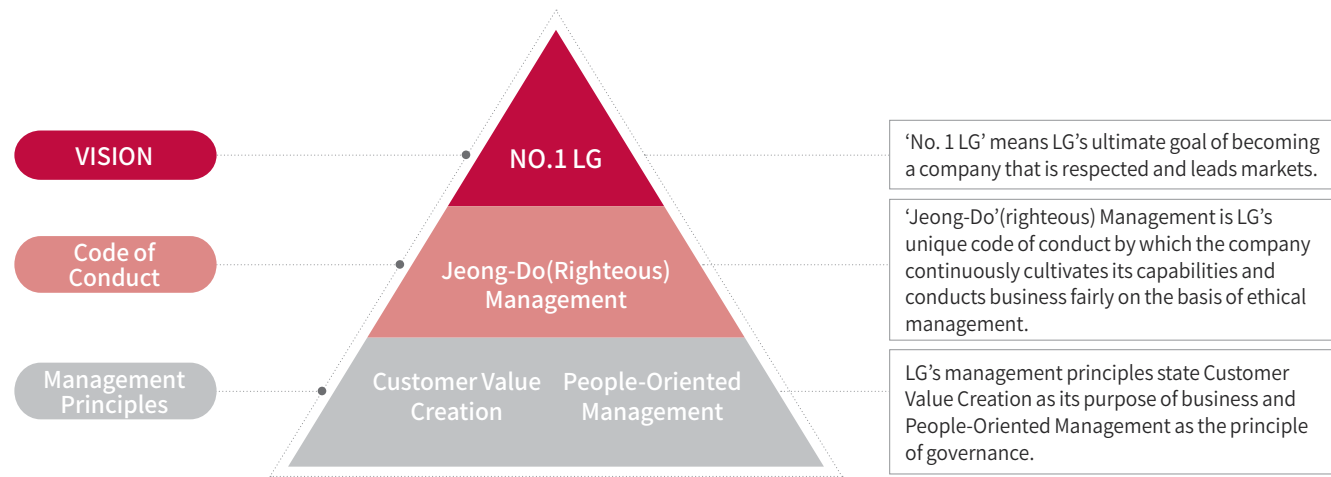
LIB Garden Tool for Green Gardening | The LIB Garden Tool is a gardening tool that uses lithium-ion batteries (LIB) and provides great environmental advantages and user convenience. Unlike engine-driven tools, the LIB tool does not generate gas emissions, making it more environmentally friendly. It also produces little noise and does not cause damage to either the user's hearing ability even after long-term use, or other people. In the U.S. and Europe, where gardening is one of the major household chores, there is growing demand for LIB gardening tools because of tightening regulations on emissions and noises.

Development of High-Density Battery Technology for EV | Since electric vehicles are fueled by electricity rather than fossil fuels, they do not generate air pollutants and require low charging costs. Therefore they are now hailed as next-generation means of transport. LG Chem developed a high-density battery technology for electric vehicles, which allows long driving distances up to 320km on a single charge. By utilizing this technology, the company has collaborated with leading global carmakers and taken steps towards developing technologies for high energy efficiency and environmental preservation. Furthermore, the company also provides innovative products aligned with the characteristics of various car types, such as battery weight and height.

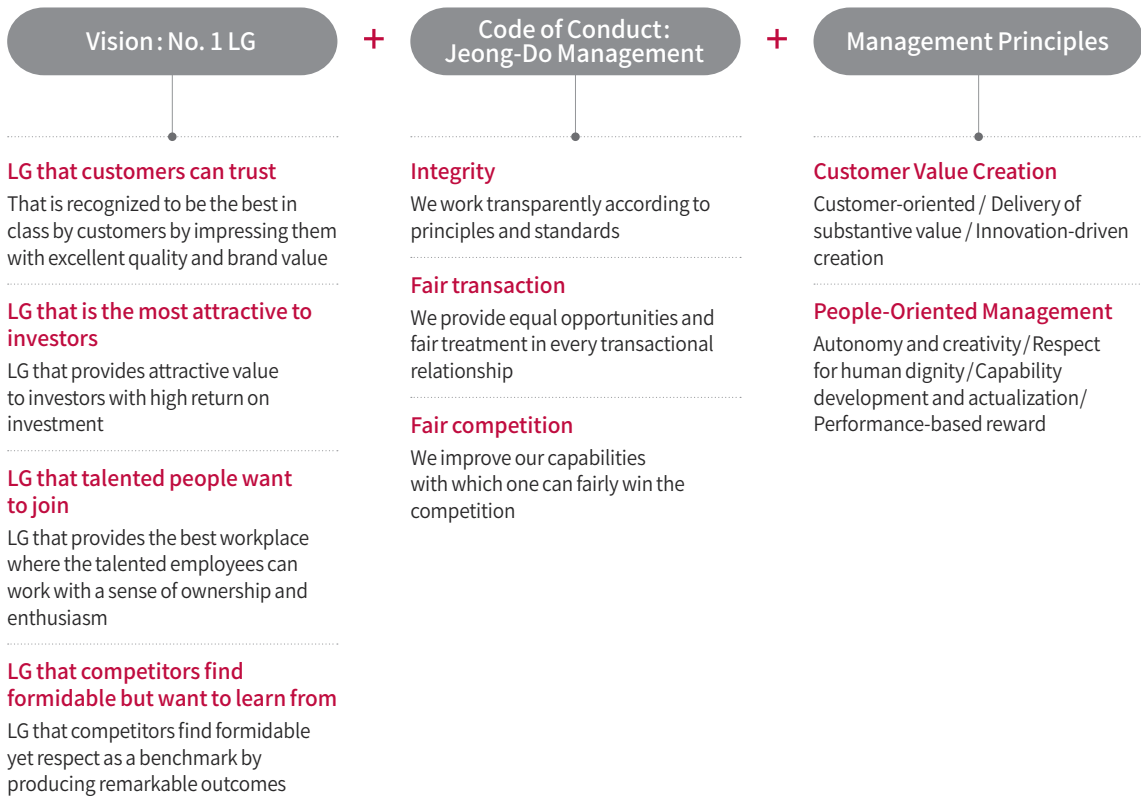


LG WAY

The LG Way is the foundation for LG employees' way of thinking and conduct and aimed at achieving "No. 1 LG," LG's vision, by practicing "Customer Value Creation" and "People-Oriented Management" on the basis of "Jeong-Do Management," LG's unique code of conduct. LG Chem is actively involved in achieving "No. 1 LG" by practicing the LG Way.



ACHIEVING 'NO. 1 LG'



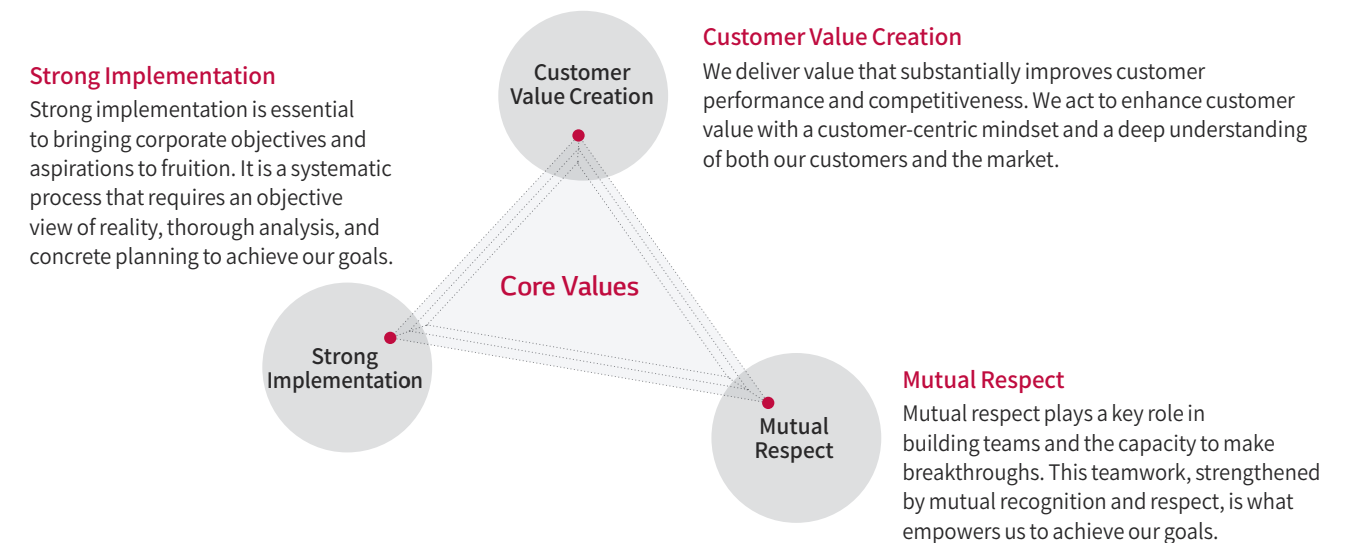
LG Chem's Vision and Core Values

With the vision, "To be a global leader growing with our customers through innovative materials and solutions," LG Chem provides customers worldwide with materials and solutions essential to leading a more convenient life. By offering differentiated value to customers through market-leading products and services, the company aims to become a global leader that grows along with customers. LG Chem will pursue and achieve sustainable growth by promoting environmental and social performances.

LG CHEM'S VISION

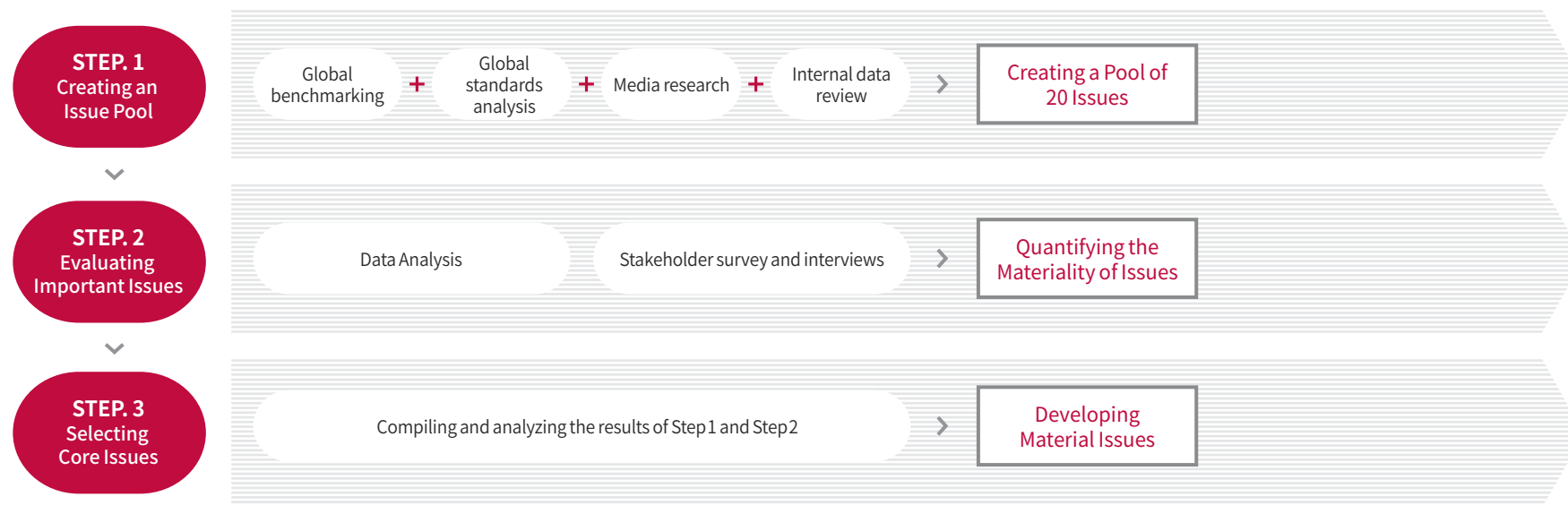


CORE VALUES



Materiality Assessment

This report was prepared by LG Chem to reflect the four reporting principles of the GRI(Global Reporting Initiative) guidelines for sustainability reporting, which are 'sustainability context' 'materiality' 'stakeholder engagement' and 'completeness'. In particular, when defining report content, the company identified emerging issues that have recently drawn attention by analyzing global standards and benchmarking itself against leading companies. The company also selected issues deemed as important by internal and external stakeholders through a survey among internal and external stakeholders and an interview with independent experts. The materiality assessment process is as follows:



To respond to global sustainability trends, LG Chem reflected its compliance with the requirements of GRI G4(sustainability reporting guidelines), ISO 26000(international guidelines for social responsibility), and EICC(code of conduct for international electronics industry). The company also benchmarked itself against leading global companies in the chemical industry and incorporated issues that the industry considers important. Issues closely related to LG Chem were also added based on press releases and internal data created throughout 2014 to create an issue pool of 20 issues in the economic, environmental, and social areas.

LG Chem conducted a stakeholder survey and interviews to prioritize the 20 issues. Through the survey, the company identified detailed expectations and the significance of the key issues and researched and incorporated those issues that are deemed necessary to pursue sustainability management.

To identify material issues, LG Chem created a materiality assessment matrix in terms of social interest and impact on LG Chem. The company incorporated media exposure by issue, global benchmarking issues, internal stakeholder survey, external stakeholder interviews, and finally LG Chem's strategy and management principles to identify the eight material issues situated at the top right-hand corner of the matrix.

Stakeholder Feedback Research

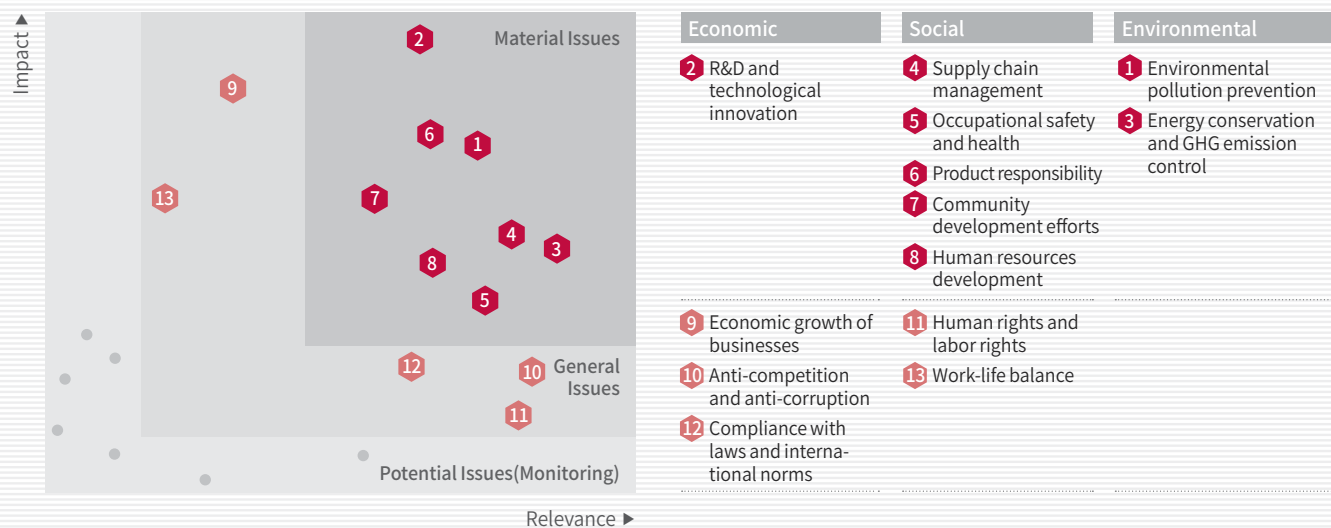
LG Chem conducted stakeholder interviews and survey to get feedback from stakeholders on its 2013 sustainability report. The results showed that, while respondents were generally satisfied with the report in terms of its design that reflects LG Chem's characteristics, increased understanding of CSR, and selection of important report topics, there was relatively low satisfaction with adequate disclosures of business information and accessible report structure. Therefore, the company incorporated the feedback when preparing the 2014 sustainability report.

Understanding of CSR through the report	4.08
Selection of important report topics	4.07
Adequate disclosures of business information	3.93
Transparent reporting	4.00
Design that reflects LG Chem's characteristics	4.03
Accessible structure	3.93

(Out of five points)

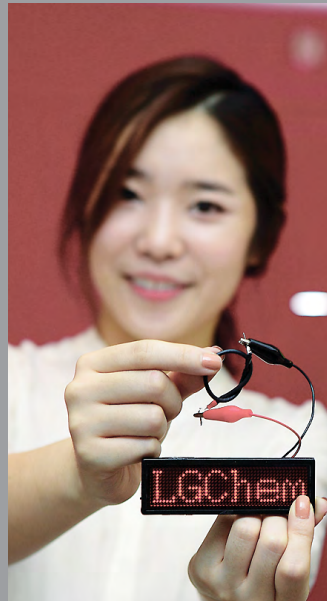
MATERIALITY ASSESSMENT RESULTS

The following are the results of the materiality assessment:



Material Issues	Issue Description	GRI G4 Aspect	Contents
2 R&D and technological innovation	We research and develop new technologies and pursue technological innovation to make energy-efficient and safer products.	Products and Services	Issue 1
6 Product responsibility	We develop competitive products through quality innovation and fulfill our product responsibility by providing safer products aligned with customer input.	Customer Safety and Health	Issue 2
3 Energy conservation and GHG emission control	We pursue green processes that consume most energy and respond to climate change by producing products that consume less energy.	Energy and Emissions	Issue 3
1 Environmental pollution prevention	We minimize environmental impacts on local communities by continuously improving environments in facilities.	Effluents and Waste	Issue 4
5 Occupational safety and health	We strive for safety first based on a safety and health management system and minimize safety, health, and environmental risks that may arise.	Occupational Safety and Health	
4 Supply chain management	We manage risks that may arise from supply chain and support fair transactions and business partners' CSR through shared growth activities.	Procurement Practices, Anti-Competitive Behavior	Issue 5
8 Human resources development	We cultivate global talent with professional capabilities based on our belief that talent is the source of a unique competitive advantage.	Training and Education	Issue 6
7 Community development efforts	We pursue specialized community involvement by combining teenager education and green/energy areas.	Local Communities	Issue 7

Material Issues



01

VALUE CREATION
THROUGH
TECHNOLOGICAL
INNOVATION

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02

PRODUCT
RESPONSIBILITY

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03

CLIMATE CHANGE
RESPONSE

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04

OCCUPATIONAL
SAFETY,
HEALTH AND
ENVIRONMENT

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05

SHARED GROWTH
WITH BUSINESS
PARTNERS

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06

HUMAN
RESOURCES
DEVELOPMENT

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07

SOCIAL
CONTRIBUTION
ACTIVITIES

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1 Value Creation through Technological Innovation

BUSINESS & SOCIAL CONTEXT

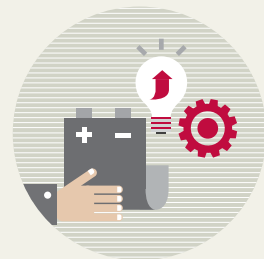
Providing innovative value by developing next-generation technologies and products is directly related to the existence of a company and vital to its sustainable growth. Demand for solutions to today's environmental issues and for innovative, environmentally friendly products is growing amid tightening domestic and international environmental regulations.

OUR APPROACH

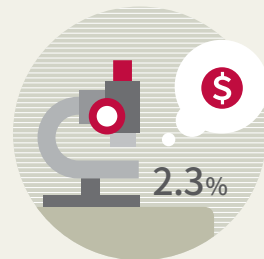
LG Chem aims to become a global materials supplier and market leader with excellent R&D capabilities. To that end, the company is strengthening the competitiveness of existing platform technologies through technological innovation and cultivating new growth engines by investing heavily and providing support for advanced materials and next-generation technologies. The company is focusing on developing green technologies and products to create value and contribute to the growth of society and environmental preservation in the long term.

GOALS & PERFORMANCE

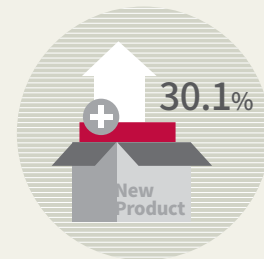
2014 Goals	2014 Performance	2015 Goals
Developing new businesses and platform technologies	· Developed a high-performance reverse osmosis membrane and a clear seal material	· Gaining a competitive edge by continuously exploring and developing new projects, utilizing key platform technologies, and extensively applying them
Developing high-efficiency, high-performance technologies using basic materials	· Developed manufacturing technologies for EBP with high workability, SAP with high efficiency, and SSBR(Solution Styrene Butadiene Rubber) with high performance	· Basic Materials & Chemicals: Developing innovative quality and technologies for inorganic materials and expanding the capability of implementing projects with promising materials
Developing green products based on IT and electronic materials	· Developed OLED light source(110lm/W) and flexible OLED light source(80lm/W)	· IT & Electronic Materials: Developing innovative products aligned with market and customer needs, and expanding into non-display areas
Developing batteries with high energy density and new batteries	· Developed a high-density battery for xEV, free-form mobile polymer battery, and energy storage system	· Energy Solutions: Leading the market by continuously developing high-energy, high-density, high-capacity and long service-life batteries by application



Developed the World's first flexible wire-type battery



Percentage of R&D spending against sales



Percentage of sales that contributed to new products

INTERVIEW



Vice President In-Seok Hwang Leader of Corporate R&D Center

Technological innovation is essential to ensuring sustainable competitiveness. As a global materials company, LG Chem is continuously increasing R&D investment from a long-term perspective to develop the world's first materials and materials that customers want. With our top-notch R&D workforce and infrastructure, we are committed to creating new businesses in the areas of green energy materials, high-functional advanced materials, and inorganic materials. In addition, based on our R&D culture which emphasizes autonomy and creativity, collective intelligence, and collaboration, LG Chem is creating new business opportunities by continuously developing its unique, market-leading products. We will ensure the world's best competitiveness through continuous technological innovation.

Developing New Businesses and Platform Technologies

Developing a Water Treatment Membrane

LG Chem took its first step into the water treatment market to actively engage in green business and contribute to resolving global water shortages. In March 2014, the company gained core technology for water filters by acquiring NanoH₂O, an American water filter manufacturer, and combined it with LG Chem's own materials technology to develop a high-performance reverse osmosis membrane. Through this, the company achieved the industry's highest rate of ion removal and ion flow permeability and received NSF Standard 61 certification(drinking water certification) for all its products. LG Chem will continue to invest and focus on developing technologies to turn its water treatment business into a future growth driver.

Developing an Advanced Clear Seal Material

The new technology for face seal type waterproof adhesive film materials is a core technology to enable plastic OLEDs, which increases the service life and stiffness of clear plastic OLED devices. LG Chem developed an advanced clear seal material that provides outstanding heat resistance and waterproofing. The new technology laid the foundation for the company's leadership in the flexible, clear display, wearable and next-generation green lighting markets.

Developing High-Efficiency, High-Performance Technologies Using Basic Materials

Developing Manufacturing Technology for Premium EBP with High Workability

LG Chem developed a high-workability EBP(Easy Processing Polyethylene) manufacturing technology using its own advanced metallocene catalyst and polymerization process technology, which paved the way for the company's market leadership through quality innovation. Since EBP products provide superior workability and mechanical properties compared with existing LD/LLDPE blend products, companies can produce thinner and clearer films by applying EBP products to the manufacturing of films for agricultural, industrial, and lamination purposes. The sales of EBP products are expected to increase to 22 billion KRW in 2015 and to 76 billion KRW in 2017. LG Chem will extend the application of its current manufacturing technology to develop more high-workability metallocene products.

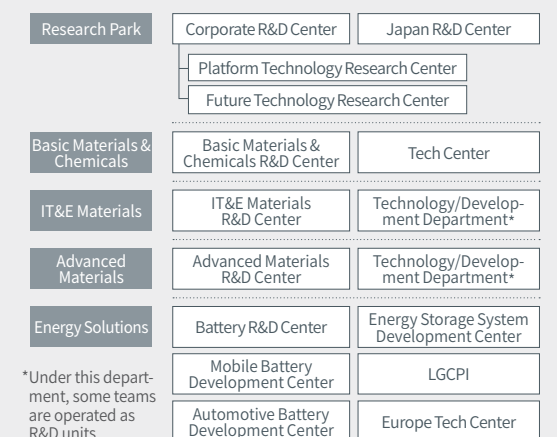
Developing SSBR for Green Tires

Environmental regulations such as Euro 6 have been tightened over car exhaust emissions. Demand for improved fuel economy due to fluctuating oil prices is also growing. LG Chem developed an SSBR(Solution Styrene Butadiene Rubber, environmentally friendly non-toxic silica tire rubber) manufacturing technology, a core technology for green tires aimed at dramatically improving car fuel efficiency. Tires made using the SSBR technology provide increased fuel efficiency as well as superior wear resistance and stability.

R&D Organization and Infrastructure

LG Chem operates R&D centers specializing in different business areas, Tech Centers designed to optimize production and provide customer service, and technology/development departments. Under the Research Park, there are a Platform Technology Research Center and a Future Technology Research Center, which support technological innovation across all business areas.

Furthermore, the company established Gwacheon Research Park in 2015 to expand its R&D infrastructure. In 2017, LG Science Park, an R&D park under LG Group's supervision, will conduct R&D focusing on future original technology areas and areas that utilize synergies among affiliated companies.



*Under this department, some teams are operated as R&D units

Increasing Product Efficiency Using IT & Electronic Materials

Developing High-Efficiency OLED Light Sources

Through years of R&D, LG Chem developed an OLED light source that provides the world's highest efficiency. Efficiency has been increased to 100lm/W through large-area Ag electrode stabilization technology, advanced interior light extraction technology and low-voltage multi-layer structuring technology. The company now provides OLED lights with 20,000-hour service life. Furthermore, using ultra-thin glass substrates, LG Chem developed a flexible OLED light source(80 lm/W), which allows the application of various designs, giving the company a platform for leading new trends in the lighting industry. The company will increase the performance of devices, stabilize manufacturing processes, and release flexible products.

Developing New and High Energy Density Batteries

Developing a Freeform Polymer Battery Enabling Excellent Space Use

LG Chem developed a freeform polymer battery that allows changes in form unlike existing fixed batteries. Freeform polymer batteries offer space solutions by enabling efficient use of small spaces. LG Chem is continuously conducting research to lead the wearable device market such as smart watches.

Developing a High-Density xEV Battery and an Energy Storage System

LG Chem developed a high-density xEV(electric vehicle) battery that permits long driving distances over 320km on a single charge, and has won contracts on projects with many automakers. Through this technology, the company is spearheading efforts to increase efficiency in energy use and protect the environment.

Furthermore, in 2014, LG Chem developed a minimum-size, ultra-lightweight solar-cell connected home energy storage system with the world's highest energy density, and released the product in 2015. The home energy storage system stores solar energy generated during the day, and uses it as a power supply source to reduce power consumption and provide emergency power in case of a power outage. Through continuous R&D, the company will develop a more compact product with higher capacity, using the technology that allows device scalability to meet customers' demands.

Recruiting and Retaining R&D Talent

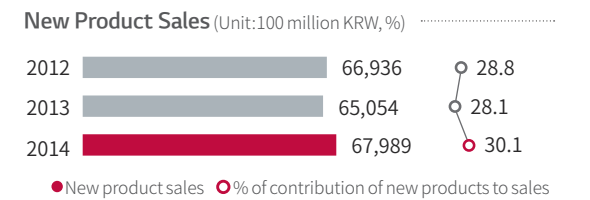
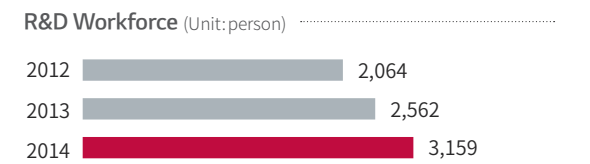
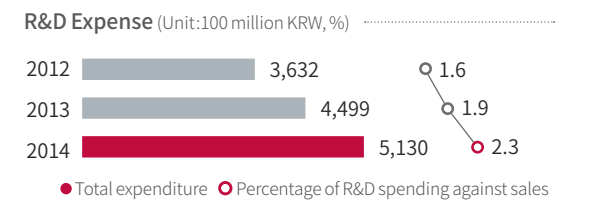
Recruiting top R&D talent is key to developing innovative next-generation products and new businesses, and retaining the talent is also equally important. LG Chem operates industry-academic programs with leading universities and colleges, and also recruits top R&D talent in Europe and Japan through on-campus recruiting and local interviews.

In addition, the company holds workshops and technology fairs with professors from national and international schools to promote LG Chem's research areas and to receive talent referrals. Through lab tours, where researchers visit the nation's major R&D teams, the company promotes its corporate image so that promising R&D researchers apply for jobs at LG Chem.

Moreover, LG Chem holds LG Techno Conference, co-organized by LG Group's affiliates to recruit and retain R&D talent, and BC Tour & Tech Fair directly hosted by LG Chem's CEO and management. Additionally, the company is creating an organizational culture where employees commit themselves to producing results with creativity and autonomy to increase researchers' satisfaction with their jobs. Through these efforts, the company improves researchers' loyalty and help their professional growth.

Investing in Technological Innovation

LG Chem is increasing R&D spending and investment in its R&D workforce to strengthen the competitiveness of its businesses and to develop future growth engines. By 2015, the company plans to increase R&D intensity(the percentage of R&D spending against sales) to 2.7% and the percentage of new product sales contributing to total sales from 28.8% to 31.6%.



*Some changes have been made to the data for 2012 and 2013 with the retroactive inclusion of the technology/development department under IT&Materials as of January 2015.

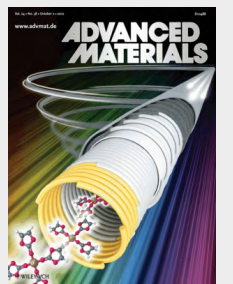
Developing a Flexible Wire-type Battery through Internal Open Innovation

At the center of LG Chem's R&D innovation is the free research atmosphere within Research Park. For instance, the company is operating Internal Open Innovation through which researchers share their innovation ideas. The company provides an online space where researchers can suggest technical problems or tasks on "Ask System," an intranet for Research Park, and then share ideas or opinions on solutions with other researchers. Research clubs are also operated to let researchers get together and freely discuss topics of their interest. In addition, many events are held to promote knowledge exchanges among employees including internal technology conferences, open debates, and experts' meetings, where researchers share their research results and technical problems and also seek advice from others in similar R&D areas.



Internal Open Innovation

The flexible wire-type battery developed by LG Chem for the first time in the world is the company's leading innovative product created on the basis of Internal Open Innovation. It originated in a research club and was created after a long series of attempts. The flexible wire-type battery consists of thin cables departing from existing sheet-based products and allowing deformations and adjustments to length and width. Thus it can be applied to a variety of wearable devices. Particularly, the product was selected as a cover article topic for Advanced Materials, one of the world's leading materials journals, and has received considerable attention from academia and customers including global IT companies, and sports apparel companies. The company has submitted 93 patent applications and is continuously working hard through further collaboration to offer various IT solutions essential to modern society.



Cover for Advanced Materials

2 Product Responsibility

BUSINESS & SOCIAL CONTEXT

A growing number of advanced materials and products essential to the growth of modern industries and improvement of everyday convenience has led to an increased interest in product safety and environmental impact. To proactively respond to national and international regulations and customer needs, and to fulfill its responsibility towards its products, it is important for the company to minimize risks arising across all processes from material purchasing to the use and disposal of end products.

OUR APPROACH

LG Chem is committed to reducing negative aspects of its products regarding safety and the environment by restricting and reducing the use of hazardous chemicals in products. The company also discloses information on the hazards and risks of its products based on accurate composition data. In terms of quality control, the company is enhancing safety and reliability through controls tailored to business and product characteristics from the development stage. Additionally, by restricting the use of conflict minerals, the company is strengthening its social responsibility across the supply chain.

GOALS & PERFORMANCE

2014 Goals	2014 Performance	2015 Goals
Strengthening response to global environmental regulations	· Set global common chemical control standards; enhanced the hazardous chemical response system; and supported supply chain chemical management	· Strengthening the system for responding to K-REACH, and improving the reliability of chemical management DB across all business operation sites worldwide
Operating a strategic quality control system	· Created a dedicated quality control organization by business area and executed quality improvement tasks	· Ensuring innovative and competitive quality by carrying out quality improvements from a customer standpoint and enhancing quality capabilities of suppliers
Strengthening conflict mineral management	· Created a system for conflict mineral verification among purchased materials; Four LG affiliates established a committee on conflict minerals	· Supporting business partner training and systems for conflict minerals and strengthening a common response system through the LG4 committee



11 manufacturing subsidiaries
Creating a global chemical management system and conducting training



Operating a dedicated quality team by product characteristics



Four LG affiliates form and participate in a committee on conflict minerals

INTERVIEW

Vice President Jae-Han Jung Leader of Energy Solutions Quality Center



LG Chem considers consumer safety as a top priority with regard to all of the products it makes, and continuously strives to observe global safety standards and achieve the world's highest level of quality. Battery products, in particular, are very sensitive to the safety of customers and end users, and therefore require absolute safety and quality assurance. Accordingly, LG Chem operates a department dedicated to quality research at the Quality Center of the Energy Solutions division. The department develops product evaluation technologies and test methods which take into account misuse by users and users' operating conditions to guarantee the reliability of products. Under the CEO's determination that products without safety have no commercial value, LG Chem will continuously strengthen our capabilities and create a world-class quality control system.

Ensuring Product Safety

Strengthening Responses to International Safety and Environmental Regulations

LG Chem is strengthening its responses to applicable laws and regulations so that all customers in and outside the country can use its products safely. Based on the latest version of the chemical database, the company is issuing MSDS (Material Safety Data Sheets) for export products in 30 languages. The company also created an MSDS publication system on its corporate portal to increase user convenience.

In 2014, LG Chem also set the global common chemical control standards and created a digital management system for global material composition data at all of its business operations worldwide. Through these initiatives, all of the company's facilities are now able to apply uniform standards to purchased materials, obtain accurate chemical data, and furthermore, respond to social issues such as conflict minerals.

In China, particularly, in October 2014, LG Chem provided training to staff members of safety, health and environment and procurement teams at its Chinese facilities regarding major applicable regulations and how to operate the chemical analysis system. Furthermore, the company also provided video training to its subsidiaries in Poland, U.S., and Taiwan, extending the internalization of global safety, health, and environmental norms to all of its global facilities.

Strengthening Chemical Management

To effectively manage the hazards and risks of chemicals, LG Chem created and began to issue the Eco-friendly Product Development Policy and the Eco-friendly Supply Chain Guidelines, which contain regulations for product development and for purchasing and material procurement. The policy and guidelines are made available in three languages, Korean, English, and Chinese, and the company classifies a list of chemicals under regulations aligned with

the characteristics of its business areas into prohibited and restricted chemicals. The company also created the CHARMS (Chemical Assurance and Regulatory Management System), a system for managing chemicals in materials and products, which incorporates the characteristics of materials and products by business area, in order to ensure adherence to the Act on the Registration and Evaluation of Chemicals and the Chemical Management Act taking effect in 2015, and strengthen the system for responding to global chemical management standards. Through these systems, LG Chem increased efficiency and accuracy in chemical data management.

Supporting Supply Chain Safety and Environmental Friendliness

LG Chem provides support in creating safety and environmental impact management systems for materials and parts suppliers. Through such support, the company is helping reduce the use of hazardous chemicals across the supply chain and enhancing the safety, health, and environmental capabilities of those suppliers, thereby improving product safety. The company issued the Eco-friendly Supply Chain Management Guidelines, which describes safety and environmental requirements for the supply chain, and improved the overall management level of LG Chem's supply chain. Furthermore, the company frequently updated the guidelines to incorporate new chemicals created worldwide so that the supply chain has no difficulty in adapting to such new chemicals. The guidelines are available at Open Procurement System (<http://open.lgchem.com>). LG Chem also provides training and consulting services to help its business partners respond to the Chemical Management/Evaluation Acts that take effect in 2015. At the Conference on Responding to Chemical Regulations held in March 2014, the company provided training on legal responses to chemical regulations and the environmental assurance of products. Through the training, the company increased the understanding of chemical analysis and improved the chemical management capabilities of the partners.

© Conference on Responding to Chemical Regulations

LG Chem conducts chemical analysis at global levels and provides regular training to materials suppliers to enhance their regulatory response capabilities. In March 2014, the company held the 2014 Conference on Responding to Chemical Regulations attended by 420 employees from 370 business partners across the country, and provided them assistance in responding to the Chemical Evaluation/Management Acts taking effect in 2015. Furthermore, the company also shared international regulations such as European REACH (regulation on new chemicals management) and the latest trends in safety, health, and environmental regulations. The conference provided the opportunity to announce the company's commitment to achieving high chemical and safety management levels and shared growth through cooperation with its business partners in preventing chemical spills, an emerging social issue.



2014 Conference on Responding to Chemical Regulations

Strengthening Quality Competitiveness

Strategic Quality Control System

LG Chem is committed to ensuring quality competitiveness across all processes, including procurement, development, production and sales. The company continuously identifies and implements quality improvement tasks to enhance product safety and reliability. In particular, the company increases customer satisfaction with quality by enhancing quality capabilities of materials/parts suppliers and applying customers' quality requirements equally to the suppliers. Additionally, with the goal of optimized quality management aligned with various business and product characteristics, the company created a specialized organization for each business division/area.

Group-Level Quality Committee

The quality committee comprising four LG affiliates including LG Chem is a consultative body in which top quality management participates, and quarterly meetings are held to ensure quality and to strengthen product development capabilities. During the 2014 quality committee meeting, the companies shared the directions for quality innovation and monitored their performance. Furthermore, the companies had the chance to benchmark themselves against one another by visiting ESS(Energy Storage System) and advanced automotive battery facilities as well as exhibition places. Through the continuous disclosures of quality capabilities, the companies will create synergy and gain distinctive competitive advantages.



Group-Level Quality Committee

Quality Innovation Results by Business Area

Basic Materials & Chemicals

Led by Quality/Innovation Team, a dedicated quality team, the division established its own quality policy and strategy. The division develops properties and features to make innovative, high-quality products from the development stage and prevents defective products from being delivered by ensuring reliability in product testing.



Its quality system is monitored from the customers' perspective, and through follow-up on improvement progress, a uniform quality system has been applied within the division. It will focus on checking quality levels and improvement points perceived by customers and linking them to the tasks of relevant teams.

IT & Electronic Materials

The division operates dedicated quality teams by business unit to ensure specialized quality control reflecting the characteristics of different products. Through the quality committee, the head of the division, the quality department leader of each business unit, and QA(Quality Assurance) and CS(Customer Satisfaction) team leaders meet to discuss monthly quality issues, Q-Cost¹⁾ results, key quality improvement tasks, and the quality competitiveness of key products.

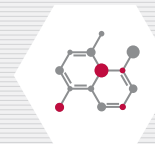
¹⁾All costs spent on improving product and service quality



The division reduces internal losses through a strengthened quality control system, and satisfies customer needs by enhancing the quality control level of its suppliers and customer service capabilities. By creating a differentiated quality control system which incorporates the characteristics/attributes of different products, the division intends to reinforce proactive quality assurance and early stabilization of new products.

Advanced Materials

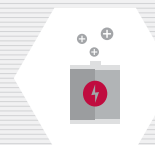
The division operates dedicated quality teams(QA Team) for the Display Materials and Battery Materials departments, respectively, to motivate them to reach business targets through top-notch quality systems and quality innovation. By holding monthly leader meetings, the departments also strive to improve their capabilities through strict quality control.



The division carried out specific activities to handle customer complaints and reach zero defective returns. As for OLED materials, quality control points were aligned between the company and its suppliers, and it also conducted activities such as finding nonconformities through regular internal/external assessments and leading improvements. The division will strengthen quality assurance in the verification processes of test production and at the initial stages of production.

Energy Solutions

The division operates dedicated quality control teams for the separate business units(Mobile, Advanced Automotive, and ESS) at the Quality Center. Particularly, it operates a quality R&D organization to ensure product safety, performance, and reliability and develops test methods using proactive quality evaluation technology, in order to achieve world-class quality competitiveness in batteries.



To develop next-generation batteries(3-D, curved, wearable, micro-sized, and automotive batteries) to satisfy customer needs, the division developed an advanced quality evaluation methodology, which assures product stability/performance, thereby creating a world-class quality system. For shared growth, the division created a manual and guide for suppliers, and aims to achieve competitive product quality by enhancing the quality control capabilities of parts suppliers.

Strengthening Social Responsibility of Products

Strengthening Conflict Mineral Management

LG Chem added conflict minerals to the Prohibited Chemicals List(Level 2) in the Eco-friendly Product Development Policy and the Eco-friendly Supply Chain Guidelines. In 2014, the company added a function to identify conflict minerals under the chemical analysis system for purchased materials to update its conflict mineral management system. Through the new system, the company is systematically managing conflict minerals from the procurement stage. The company is also encouraging the entire supply chain to join in ethical efforts and responding to the demands of customers in the global electronic and electrical markets who are sensitive to the use of conflict minerals. In September 2014, the LG4 Conflict Mineral Committee was established, which comprises four affiliates of LG Group, including LG Chem. Through the committee, the companies are strengthening the ability to manage the use of conflict minerals on the group level by surveying the use of conflict minerals by their suppliers, creating guidelines, and promoting the use of minerals from smelting works certified with CFS(Conflict Free Smelter Program).

*Conflict Minerals

Conflict minerals regulated by the U.S. Securities and Exchange Commission refer to four types of minerals produced in the Democratic Republic of Congo and its neighboring countries(tin, tantalum, tungsten, and gold). Government forces and rebels are exploiting labor, violating the human rights of local residents in the mining processes and causing social issues such as environmental pollution. In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act containing the provision that regulates conflict minerals took effect, urging companies in electronics industries worldwide to actively respond.

3 Climate Change Response

BUSINESS & SOCIAL CONTEXT

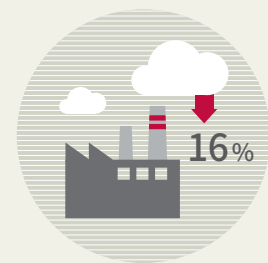
As the international community has reached a consensus on the crisis of global warming, responding to climate change is recognized as a common global challenge. Discussions on how to respond are held across the country, and the South Korean government adopted the Greenhouse Gas and Energy Target Management Scheme and the Greenhouse Gas Emissions Trading Scheme to reduce greenhouse gas emissions(GHG) by 30% of the estimated emissions by 2020. Companies also consider systematic GHG management and reduction potential analysis as essential components of business operations.

OUR APPROACH

LG Chem strives to actively respond to energy and GHG regulations and create green processes to drive sustainable growth. To that end, the company intends to reduce direct GHG emissions by improving energy efficiency in processes, and reduce indirect emissions by transitioning to the high value-added product and energy-saving production structure.

GOALS & PERFORMANCE

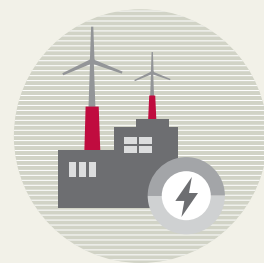
2014 Goals	2014 Performance	2015 Goals
Implementing a company-wide integrated energy audit	<ul style="list-style-type: none"> Conducted an energy audit on key production facilities and common facilities in plants Officers came up with themes of improvement and strengthened initiative through energy consulting and plant-level subcommittee activities 	<ul style="list-style-type: none"> Adopting additional reduction activities tailored for processes and facilities and strengthening engineers' capabilities
Extending application of EnMS (all plants at home and abroad)	<ul style="list-style-type: none"> Completed integrated certification of the energy management system (EnMS) domestically and continued to extend certification abroad Developed effective and tangible energy and GHG reduction activities Strengthened the corporate ability to execute through the Energy Committee 	<ul style="list-style-type: none"> Enhancing internal controls system and developing external reduction projects to proactively respond to the Emissions Trading Scheme
Developing a shared growth model for energy	<ul style="list-style-type: none"> Developed themes of energy and GHG reduction and provided funding 	



GHG reductions
*Compared with estimated GHG emissions(BAU)



CDP-selected excellent company for climate change response



Integrated energy management system(EnMS) certification of all domestic plants

INTERVIEW

Vice President Young-Hwan Kim Leader of Yeosu NCC Plant



LG Chem has actively involved itself in efforts to resolve climate change issues through constant process innovation and a transition to the low-carbon business structure. With strong implementation and innovative ideas, the company developed alternative energy sources and adopted renewable energy, and continuously developed and applied new energy-saving technologies to reduce carbon emissions. As a result of these efforts, Yeosu NCC Plant has achieved the world's best energy intensity among NCC companies and thus contributed to securing cost competitiveness. Like this, our efforts to respond to climate change will enhance LG Chem's competitiveness and ultimately provide the driving force behind its sustainable growth.

Strengthening the System for Energy and GHG Reductions

Producing Results in Energy and Climate Change Response through the Corporate Energy Committee

LG Chem operates the Energy Committee to enhance its ability to confront energy and climate change issues. Through this committee, management and plants openly communicate with one another and share excellent technologies, and offer incentives to produce tangible energy saving results. In order to strengthen the ability to carry out detailed reduction activities, the company established a subcommittee on energy at each plant. Through regularly held subcommittee meetings, the plants are improving communication between business functions and efficiently creating synergy among them.

Strengthening Initiative through Plant-level Energy Subcommittee Activities

Practicing Energy Saving through Collaboration

The subcommittee at Daesan Plant shares current energy issues, saving ideas, and new technologies and creates synergy among business functions. Improvements made

by the plant to leaking steam recovery, heat exchanger network synthesis, and heat loss have led to annual savings of billions of KRW. In 2015, the plant will enhance activities to adopt innovative new technologies.

Making an Innovative Energy Saving Plan through Energy Consulting

LG Chem strives to effectively utilize limited energy sources like steam, fuels, and electricity and minimize environmental impacts. To that end, the company comes up with ideas of improvement for key production facilities and provides energy consulting services to develop capabilities of engineers. In particular, the PVC/Plasticizers division identified 51 tasks through energy consulting, which were then classified into A, B, and C levels in terms of effectiveness, technical feasibility, and profitability. The division is carrying out A-level tasks that can be immediately implemented and B-level tasks that require mid-term review, and will specify and review the technologies necessary to conduct C-level tasks, which need technical improvement. In the future, it is expected that energy savings worth about 9 billion KRW each year will be produced through these tasks.

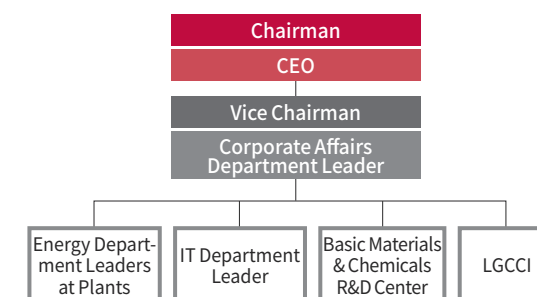
Participating in the National Energy and Power Demand Management Program

Participating in the National Program to Reduce Power Consumption

To secure appropriate levels of national power reserves and prevent rotating outages in case of power shortages, LG Chem has become a leading participant in the reliability demand response program¹⁾ led by Korea Power Exchange(KPX).

¹⁾The program designed to trade power savings from plants on the power market

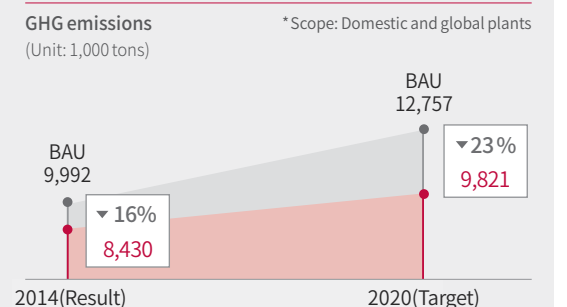
Energy Committee



LG Chem's Energy and GHG Reduction Targets

LG Chem set its GHG reduction target at 23% compared with estimated emissions(BAU) by 2020 and mid- and long-term energy intensity reduction targets to reduce GHG emissions and energy use over the long term, and the company has been continuously carrying out improvement activities. Since it set the GHG reduction targets, the company has reached the annual targets every year and is increasing energy intensity reduction activities to give further impetus. In 2014, LG Chem introduced the energy management system(EnMS) to all of its domestic plants, and to actively respond to the Emissions Trading Scheme, the company also produces monthly predictions of GHG emissions and emissions allowances purchase costs for all production teams through IT systems.

GHG Reduction Targets and Results



The company expects this program to improve efficiency in the overall power market at the national level and bring profits to the company such as reduced electricity bills and additional incentives. Cheongju Plant entered into a 2,200kW demand response contract and is expected to reduce energy costs by 90 million KRW annually. The contractual capacity will be gradually increased.

Creating Energy Storage System(ESS)

To increase energy efficiency at plants using their own rechargeable batteries, LG Chem installed energy storage systems(ESS) with a total capacity of 30MWh, including a 22.7 MWh ESS at Iksan Plant and a 7MWh ESS at Ochanag Plant. The capacity accounts for the daily power consumption of about 2,500 four-person households. The 22.7MWh ESS deployed at Iksan Plant provides the world's largest ESS capacity for a single facility applied by a plant. Through ESS, the company can prevent risks arising from changes in power purchase costs, and help eliminate the need to build more power plants and improve stability in renewable energy supply nationwide. The company will expand the deployment of large-capacity ESS and secure the reliability of its technologies and dominance in the global market.

Completing Integrated Energy Management System (EnMS) Certification of All Domestic Plants

In 2013, LG Chem conducted trial operation of EnMS at VCM Plant in Yeosu and obtained ISO 5001 certification. In 2014, the company extended it to all of its domestic plants and completed integrated certification. By adopting the internationally recognized energy management



Corporate-wide Integrated ISO 5001 Certificate (Domestic)

system, the company can now more effectively monitor and manage energy performances, and establish reduction plans, while also raising employee awareness of energy management. LG Chem will expand the scope of certification to its global plants, enhance implementation capabilities of employees and carry out more effective energy conservation activities.

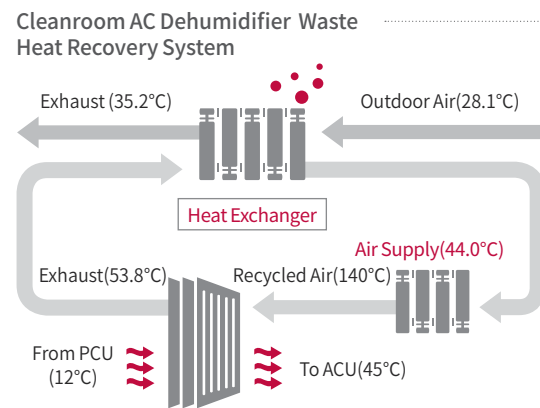
Energy Saving Activities in Manufacturing Processes

Building a Waste Heat Recovery System

LG Chem is creating a waste heat recovery system to reduce energy purchase costs and increase energy efficiency at its plants. Ochang Plant, particularly, created a system for recovering waste heat generated from the cleanroom AC dehumidifier and a regenerative incinerator.

Cleanroom AC Dehumidifier

Heat exchange between the exhaust part releasing air and the supply part supplying air allows the preheating of supplied air, reducing the use of steam to heat air. The system helped reduce steam generation costs by 290 million KRW and greenhouse gas emissions of 759tCO₂ annually.



Awarded CDP Excellent Company in Climate Change Response for 2 consecutive years

CDP is a trusted agency tasked with evaluating companies' climate change performance and LG Chem was selected as an Excellent Company in Climate Change Response for its exemplary climate change responses in both 2013 and 2014. In 2014, the company ranked first in the domestic materials sector disclosure and performance categories and became the nation's only materials supplier to join "The A List" including 187 top-performing companies worldwide. LG Chem will fulfill its disclosure obligations and continuously propagate its outstanding climate change activities to keep its commitments to sustainability and social responsibility.



2014 CDP-selected Excellent Company in Climate Change Response

Regenerative Incinerator

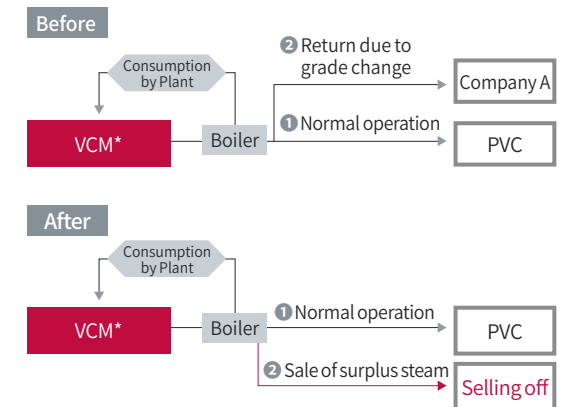
The company is producing hot water using waste heat from the incinerator by installing a heat exchanger on the incinerator chimney. To maximize the efficiency of the existing waste heat recovery system, the company identified additional locations of consumption and supplies hot water to its plants. The system has led to 1.2 billion KRW energy cost savings and the reduction of 3,141tCO₂ GHG emissions annually.

Optimizing Steam Use

Reducing steam consumption at petrochemical plants is an essential requirement to provide competitive prices and respond to climate change. The PVC manufacturing process, in particular, requires 44% of the total production cost, excluding material costs, for energy purchases. Daesan PVC Plant operates a TFT comprising its Production Team, Process Technology Team, Maintenance Team, and Technology Synergy Team to effectively use energy and create and apply energy saving plans. For instance, the plant found extra low steam from its process and supplied it to points of consumption. Surplus steam was sold off to reduce costs.

Optimizing steam use contributed to reducing purchase costs by 2.01 billion KRW in 2014. Through continuous energy purchase cost reduction, the company will achieve 2.45 billion KRW in cost reduction in 2015.

Comparing Steam Flows in the PVC Process



* Vinyl Chloride Monomer

Energy Saving at Nanjing Plant in China(LGCE NJ)

To reduce energy use, LGCE NJ conducted 69 tasks across the production process including facility improvement, integrated operation, and increasing efficiency. The company operates the Energy Saving Idea Program in which all of its employees can offer ideas of saving energy in the process. It classifies areas of energy use, and rewards those overseeing the areas and also those offering great ideas to increase voluntary participation. The various ideas proposed have been implemented by a TFT, which led to a reduction in energy use of 9%, compared with the previous year, and 2.92 billion KRW worth of energy savings.

Integrated Remote Air-conditioner Control

- Centralized remote control of 1,070 locally controlled air-conditioners
- Energy cost savings: 430 million KRW

Air-cooled Freezer Operation Resetting

- Changing the number of systems and temperature and humidity settings due to operational loads
- Energy cost savings: 1.06 billion KRW

Increasing Efficiency with Outdoor Air Supply

- Improving AC/compressed air loads with low-temperature outdoor air
- Operating the dewpoint-based compressed air dehumidifier
- Energy cost savings: 220 million KRW

Making Improvements to Lighting

- Re-adjusting lighting areas and replacing with 7,000 LED lights
- Energy cost savings: 100 million KRW

Increasing Facility Energy Efficiency

- Applying inverters to AC fans, freezer/coolant pumps
- Energy cost savings: 840 million KRW

Improving Losses through Integrated Facility Operation

- Reducing run times by integrating individually operating vacuum pumps, etc.
- Energy cost savings: 270 million KRW

4 Occupational Safety, Health and Environment

BUSINESS & SOCIAL CONTEXT

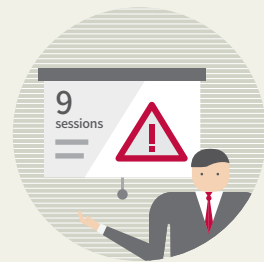
Recent minor and major safety and environmental accidents have become a social issue and governments, companies, and the public have become increasingly interested in safety and the environment issues. Governments have strengthened monitoring, and stakeholders including local communities and NGOs have reinforced monitoring of corporate safety and environment. Instead of reacting passively to such movements in the society, companies must actively engage in improving safety and the environment to provide their employees and local communities with a safe and clean environment.

OUR APPROACH

LG Chem has made safety and the environment a top-priority management task and has implemented a policy to strengthen its safety and environmental capabilities and execution abilities. The company developed a corporate safety and environment policy, guidelines and long-term goals based on applicable national and international standards, such as OHSAS18001, KOSHA18001, and ISO14001, and stakeholders' requirements. The company is making improvements by continuously monitoring progress. LG Chem's commitment to safety and the environment, and an optimized safety and environment management system have helped carry out effective and sustainable improvements.

GOALS & PERFORMANCE

2014 Goals	2014 Performance	2015 Goals
Creating a culture that considers safety and environment a top priority	<ul style="list-style-type: none"> CEO's on-site management and speeches on safety and environment Held a corporate-wide safety and environment committee Provided training to enhance employee awareness and expertise 	<ul style="list-style-type: none"> Increasing employees' safety and environmental awareness
Increasing on-site safety and environmental audits	<ul style="list-style-type: none"> Conducted regular safety and environmental audits and special audits at domestic and global plants 	<ul style="list-style-type: none"> Rooting out accidents due to unsafe behavior
Strengthening the safety and environmental management system	<ul style="list-style-type: none"> Created and revised the corporate safety and environment policy and guidelines Incorporated safety and environmental issues into executive and organizational evaluations Created a corporate portal on safety and the environment 	<ul style="list-style-type: none"> Responding proactively to tightened safety and environmental regulations and to customer needs
Implementing employee health management	<ul style="list-style-type: none"> Occupational disease prevention, health promotion activities 	



CEO's speeches on safety and environment



Conducting safety and environmental audits at all global plants



Creating/revising an integrated safety and environmental policy and guidelines

INTERVIEW

Vice President In Park Leader of Safety & Environment Department

Safety and the environment must be considered a top priority across all business operations. As long as everyone in their own role adheres to the fundamentals and principles regarding safety and the environment, accidents can be prevented. To solidify our position as the safest and the most environmentally friendly company, LG Chem will strengthen our foundation for safety and environmental management and raise employees' awareness of safety and the environment. From management to plant employees, we will strive to get everyone involved in making the safe and environmentally friendly culture become more established across the company.



Strengthening Safety and Environmental Management

Activities to Create a Culture with Safety and Environment as a Top Priority

LG Chem is committed to the goal of putting safety and the environment first across all business operations at all levels including top management. During the CEO's on-site visits, safety and environmental issues were discussed as a top priority and the CEO gave various speeches at home and abroad to raise employee awareness of safety and the environment. The corporate-wide Safety and Environment Committee held half-yearly meetings in the presence of the management to make decisions on major safety and environmental issues, and were briefed on the results of activities to prevent accidents. Furthermore, LG Chem continuously provides training to raise employee awareness regarding safety and the environment and to enhance their expertise. To strengthen safety and environmental awareness and adhere to the fundamentals, the company will reinforce on-site accident prevention activities and achieve "zero" accidents.

Reinforcing On-site Safety and Environmental Audits

LG Chem conducted regular safety and environmental audits at its domestic and global plants regarding legal issues, safety and environmental management system, on-site operations and management, and fire-fighting and hazardous materials. The company also performed special audits on high-risk liquid logistics and high-risk facilities and an emergency response system. In 2014, the company carried out 34 audit sessions, identified problems based on audit results, developed improve-

ment plans, and monitored the continuous implementation of such plans. In 2015, LG Chem will also conduct audits on support for supplier safety management in addition to regular audits, and unannounced inspection of the emergency response system.

Enhancing the Safety and Environmental Management System

LG Chem has continuously enhanced its safety and environmental management system to prevent accidents. By revising and making available the safety and environmental policy, the company explicitly disclosed its commitment to safety and the environment and its policy direction. By overhauling the corporate-wide integrated safety and environmental guidelines, the company also developed a uniform operating system, and the newly established corporate-wide portal on safety and the environment has helped improve safety and environment communication channels. Furthermore, LG Chem is making safety and environmental improvements organically by incorporating safety and environment issues into its executive and organizational performance appraisals. In 2015, to elevate levels of safety and environmental management, the company will reinforce safety and environmental assessments, clearly define employee roles and responsibilities, and enhance its training system to improve employees' safety and environmental capabilities. Moreover, the company will organize additional on-site accident prevention and improvement activities, and let leaders directly provide safety and environmental training to solidify each plant's ability to execute.

CEO's Speeches on Safety and the Environment

At LG Chem, the CEO visits each plant and gives special speeches on safety and the environment before employees. Since safety and the environment became more important, the CEO, in his speech entitled "No free lunch for safety and the environment," emphasized the necessity of practicing safety first and encouraged safety and environment officers and all other employees to fulfill safety and environmental duties. In 2014, starting at Research Park in Korea, the CEO went on a speaking tour at Yeosu, Iksan, Daesan, Naju, Ochang, and Cheongju plants across the country and, also visited Yongxing subsidiary(LG YX) in China.

Honored with Security and Public Administration / Environment Minister Awards

Daesan Plant received the Security and Public Administration Minister Award and the Environment Minister Award. The plant won the Security and Public Administration Minister Award for its contribution to "Disaster Response and Safe Korea Training" organized by the ministry, and for its contribution to creating the chemical accident and spills prevention system in the Daesan Industrial Complex. In addition, the plant was honored with the Environment Minister Award for serving as a representative of 25 businesses of the Chungcheong-do chemical safety support group organized by the Ministry of Environment, and for its contribution to enhancing private-government cooperation in coping with chemical accidents.

Strengthening Safety and Environmental Management in China

As safety and environmental regulations intensify in China, mostly due to the amendments to the new Safe Production Act and the new Environmental Protection Act, LG Chem is shoring up its safety and environmental management along with LG Group. At the group level, from June to August 2014, six subsidiaries were subjected to highly intense safety and environmental audits, which checked improvements made in the organizational, operational, and facility management aspects. At LG Chem, two sessions of the management-level safety and environment conference were held in the first and second halves respectively to discuss current issues and responses in China. In addition, the company established a department dedicated to safety and the environment at the regional holding company in China(LG CCI) to oversee all of LG Chem's subsidiaries in China. LG Chem's Nanjing subsidiary(LGCE NJ) also organized a safety and environment department with an executive-level leader to intensify management at Chinese plants.

On-Site Safety Management Activities

Strengthening Safety Measures Management for High-Risk Work

To ensure safety at work, Yeosu Plant created a team dedicated to inspecting high-risk jobs, such as hot work, working in confined spaces, and working at heights, and checking safety measures in advance. The inspection team consists of the production, maintenance, and safety & environment teams and is responsible for double-checking safety measures, reporting problems to related team leaders and taking action before commencing work.

Daily Work Check	· Inspection team selects work for inspection after checking daily work details by plant unit
On-Site Inspection	· Double-checking safety measures for target work(checking before work)
Feedback on Inspection Results	· Reporting problems to team leaders (production, maintenance) · Proceed if there are no problems
Follow-up on Results	· Checking if problems have been resolved · Incorporating major unsafe practices into a case handbook and promoting it

Safety Consultant Activities

Cheongju Plant provided training by area to internal safety experts and appointed those who finished training as safety consultants. Safety consultants check safety across all stages of the process including process design and carry out activities to prevent accidents in the production process. In 2014, three safety consultants were appointed, and the number of consultants will be increased and their roles strengthened.

Labor-Management Collaboration on Safety Campaign

At Iksan Plant, labor and management collaborated on launching a safety campaign to make the workplace accident-free. Led by 10 people from the safety and environment team as well as labor safety and health executives of the trade union, the safety campaign included accident photo exhibition and a survey about practicing accident prevention and helped keep members alert about safety.

Improving Safety at Global Plants through Training

To internalize the awareness and culture that safety and the environment come first across all business operations, LG Chem is reinforcing safety training at its global plants.

The Nanjing subsidiary(LGCE NJ) provides "Danger Prediction Training." Danger prediction training is an activity carried out with the purpose of reinforcing employees' ability to identify risk sources and raising their safety awareness. The company posts safety evaluation standards on notice boards in various places of the site and conducts an evaluation on each team according to the standards. Until now, evaluations have been carried out 6 times in total to evaluate 185 teams, and the pass rate was 100%.

At the Vietnamese subsidiary(LG VINA), employees doing dangerous works such as hot work as well as all other members received safety and health training. Through such training, the company reached an accident rate of zero.

The U.S. subsidiary(LG CMI) recruited an SH&E professional and provided accident prevention training and emergency response training. The company will improve its training programs based on safety and health activity assessments and external experts' advice.



Danger Prediction Training Session at LGCE NJ

Enhancing a Gas Supply System to Create a Safe Laboratory Environment

At laboratories that deal with large quantities of gas, there is always a risk of safety accidents happening. Research Park therefore created a safe laboratory environment by expanding the gas storage outside the building, so that gas cylinders are not kept and left unattended in the lab. Gases are classified into combustible, non-combustible and oxidizing in the storage, and periodic safety checks are performed through the gas supply system to strengthen the gas management system.

Applying a Central Gas Supply System

Research Park adopted a central supply system under which the gas is supplied from a dedicated storage for each floor. Through the central system, the purchase amount of gas necessary to supply public-use gases such as nitrogen, argon, helium, and air has been minimized, and the labs are now able to use gases more conveniently and safely.

Building a Gas Safety System

Research Park prevents the occurrence of any type of safety accident during gas supply by building a gas leak detection system at the integrated accident prevention center. It also strengthened monitoring by increasing CCTV systems, and had a system in place for immediate response to problems with gas supply systems through auto calls.

Strengthening Chemical Management

With growing responsibility towards safe management of chemicals due to risks such as toxic chemical spills, regulations on chemical management are also becoming stronger. To ensure safety in chemical management, Research Park installed a chemical storage facility to store chemicals in one place which previously was kept in the labs. It will gradually reduce the percentage of chemicals kept in the labs and create a safer laboratory environment. Research Park also created a chemical management system(R&D CMS) to build a database of its chemicals, and manages chemicals throughout the entire lifecycle, from procurement to disposal.



Chemical Storage Facility at Research Park

© Safety, Health & Environment Activities with Business Partners

Operating Collaborative Program

Under the occupational accident prevention policy of the Ministry of Labor and Korea Occupational Safety and Health Agency(KOSHA), seven plants of LG Chem are operating a collaborative program to prevent occupational accidents of their business partners. Through this program, LG Chem provides suppliers with training and support for risk assessment, risk factor improvement, and counseling support for KOSHA18001 certification. As a result, the safety and health management systems and risk assessment levels of the suppliers have improved in overall, and eight suppliers of Yeosu and Daesan plants were certified with KOSHA18001 and OSHAS18001. LG Chem will enhance its collaboration with its business partners and expand support in acquiring safety certificates.

Sharing Information on Safety and Environment through Safety and Health Guard

Gimcheon Plant operates a safety and health guard program to effectively provide safety and health information to its business partners while working with them. Through safety and health guards, details of amendments to safety and environmental laws, risk assessment results, and monthly schedules are shared on the bulletin board. The program helped reduce the number of non-compliant cases from self-audits on safety to 67 in 2014, compared with 110 in the previous year.

Operating a Safety and Environment Inspector Qualification Program for Business Partners

Yeosu Plant provided qualified safety and environment inspector development training to business partners' safety and environment inspectors. Each year, over 200 managers of business partners receive special safety training and those who maintain qualifications are granted certificates. Through the program, the plant was able to raise the safety and environmental awareness of its business partners.

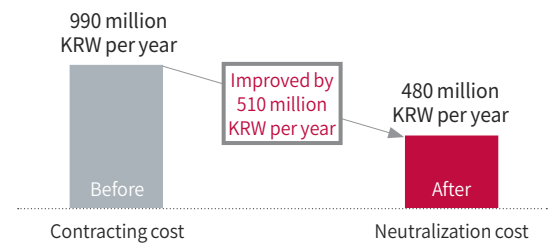
On-Site Environmental Management Activities

Wastewater and Waste

Daesan Plant underwent facility improvements to safely manage diluted hydrochloric acid produced in the manufacturing process. Previously, diluted hydrochloric acid was disposed of by a disposal contractor and there was the potential risk of hydrochloric acid spills and fire. To resolve these problems, the plant utilizes alkaline wastewater called “spent caustic¹⁾” released from the process to neutralize diluted hydrochloric acid. In addition, the plant installed a duct for spent caustic in the diluted hydrochloric acid effluent holding tank and ensures safe disposal of diluted hydrochloric acid at the optimum equivalence point identified through experimental analysis. Moreover, the plant installed a negative ion exchange resin to eliminate odor arising from the wastewater holding tank, which helped create a cleaner environment.

1)Spent Caustic: Waste caustic soda produced in the NCC Caustic process (NaOH, 2.48%)

Cost reduction as a result of changing disposal method of diluted hydrochloric acid

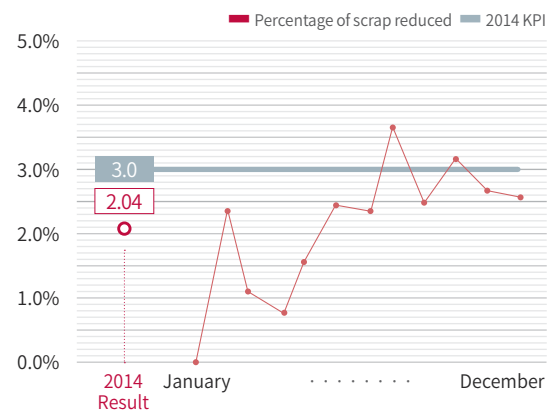


Ulsan Plant has strengthened its infrastructure and operates a frequent monitoring system to respond to emergency situations of chemical spills. By installing an emergency water detention facility outside the plant, in addition to the drain shutoff facility, the company is preventing releases of chemicals into the Hoeya River nearby.

The Botian subsidiary in China(LG BOTIAN) installed a condensate recovery system, which produces condensate by liquefying vapor arising from the plant. The condensate produced is hot water with a temperature of over 90°C and is recycled as water due to its high quality. From April to December 2014, about 23,000 tons of condensate was recovered and recycled. Through the system, the company was able to reduce quantities of effluent and wastewater treatment costs and also create added value by selling the effluent to neighboring companies.

The Taiwanese subsidiary(LGCE TP) minimized scrap generation by improving parts in the polarizer production process, and has made resource use more efficient and reduced waste generation. In 2014, the company reduced 14,364 tons of scrap and about 2,770,000 KRW in treatment costs.

Scrap reduction by LGCE TP



Preventing Air Pollution

As the allowable limits of nitrogen oxide emissions, which contributes to air pollution, were lowered from 150 ppm to 130 ppm, Yeosu Plant invested 800 million KRW in gradually replacing boiler burners from 2003. Through the replacement, the plant lowered emissions from certain equipment from 88 ppm in 2013 to 77 ppm in 2014. The plant also took the initiative in adopting the digital TMS(Tele-Monitoring Systems) which takes effect in 2017.

Ochang Plant upgraded its air pollution monitoring system to prevent causes of air pollution in advance. In 2014, the plant installed automatic pollution monitoring systems in five more locations of the boundary area of the site to monitor the pollutants in real-time. The systems provide real-time measurements of various factors including odorous compounds, ammonia, hydrogen sulfide, and TVOCs, and when an abnormal level of concentration is detected, a warning message is sent immediately through the monitoring system.

Noise Reduction

The development of an innovation city and the Songwol residential district near Naju Plant has led to an increase in the residential population and also in concern for potential complaints about sensory pollution such as noise and smell. Naju Plant created a TFT dedicated to noise reduction and developed a noise map based on an in-depth audit of the plant’s facilities generating noises. The plant carried out noise reduction activities on 28 locations including pumps, compressors, and piping, and subsequently reduced noise by 8dB on average(40% of perceived noise).

Activities to Promote Employee Health

Operating Occupational Disease Management Programs

LG Chem operates programs for management of major diseases, which take into consideration the characteristics of different plants. Research Park runs a metabolic syndrome management program to provide care for diabetes, hypertension, dyslipidemia, and abdominal obesity caused as a result of chronic metabolic disorder. In 2014, the company provided 27 employees with regular counseling and diet therapy sessions.

Gimcheon Plant began operating an intensive care program in response to the growth of findings of liver disorders, hyperlipidemia, and blood pressure among its employees. In 2014, the plant reduced the findings by 26%, compared with the previous year, through interviews and health checks with employees with findings, personal health care data, and suggestions for regular exercises. Cheongju Plant produced and distributed a video on stretching exercises tailored to the needs of employees to help prevent musculoskeletal disorders in employees who do repetitive work.

The Tianjin subsidiary in China(LGCC TJ) is strengthening daily care for occupational diseases. In April 2014, the company conducted health checkups for 116 employees of Production and QA teams, who were likely to be exposed to risks. Furthermore, the company is encouraging employees to wear personal protection equipment. LGCC TJ will create a safer work environment by providing annual health examinations and expanding disease risk measurements to self-tests(quarterly) and external tests(yearly).

Building a Health Care Database

Cheongju Plant created a health care database to proactively manage employees’ health problems before they arise. Through the database, the plant checks information about employees such as whether they have completed training on the risk of chemicals.

Developing a Smoking Cessation Program based on the Self-Determination Theory

Yeosu Plant found it necessary to improve problems with the existing smoking cessation program and its low success rates and developed a smoking cessation program based on the self-determination theory. The new program involves categorizing steps to smoking cessation, such as before, after, withdrawal, temptation, and maintaining, and providing 1:1 counseling services aligned with the categories. Through this program, the plant achieved a success rate of 80%, representing a 20 to 38% improvement compared with the previous program.

Operating a Diet Program to Keep Healthy

Changing eating habits and living conditions have led to obesity, which is the biggest cause of health problems. As a solution to obesity problems, the Taiwanese subsidiary(LGCE TP) developed a five-step health improvement program. From September to December 2014, about 120 employees participated in the program and the applicants successfully lost a total of 218.9kg.



LGCE TP Diet Program

5 Shared Growth with Business Partners

BUSINESS & SOCIAL CONTEXT

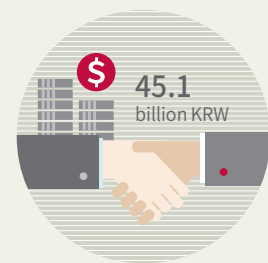
As industry convergence has become an emerging trend on the strength of rapid technological advances, companies are intensifying their focus on so-called network management in response to such environmental changes and carving out a position amid intense competition by connecting to those outside the industry that provide excellent technology. In such circumstances, shared growth with business partners is considered a key element in connecting outside the industry and one of the essential business operations for sustainable management.

OUR APPROACH

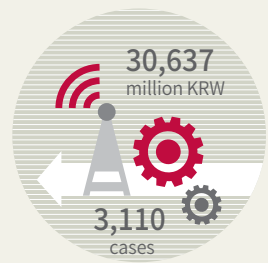
Based on LG Group's code of conduct called "Jeong-Do"(righteous) management, LG Chem is creating a culture of fair trading and implementing a policy of shared growth by supporting business partners' long-term and sustainable growth. Through the shared growth policy, the company commits itself to establishing a sustainable shared growth system by strengthening collaborative relationships and enhancing the capabilities of its business partners through a variety of support programs.

GOALS & PERFORMANCE

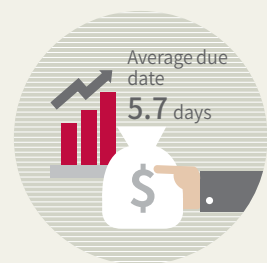
2014 Goals	2014 Performance	2015 Goals
Improving business partner communication and external communication	· Diversified communication channels, including CEO visits to business partners and informal meetings with business partners; a brochure on shared growth; and the menu dedicated to shared growth on the website	· Identifying shared growth support tasks and expanding its operations
Implementing shared growth activities in safety, environment and energy	· Provided support to business partners in improving energy efficiency through the Energy Shared Growth project, held conferences on responding to chemical regulations, signed a shared growth agreement on safety and environment	· Expanding CSR support for business partners, including expanding the Energy Shared Growth project
Strengthening shared growth programs to support business partners	· Strengthened overall business supports, including financial support, recruitment support, sales channel support, technical support, and training support	· Diversifying communication channels and increasing accessibility
Creating a culture of fair collaboration	· Adopted/operated the four guidelines of Fair Trade Commission, monitored compliance with the Subcontracting Act and provided employee training through CP activities	· Strengthening support for secondary business partners(shared growth payment system)



Financial Support



Technical Support



Payment Due Date (Cash Payment)

INTERVIEW

Vice President Do-Hyun Nam Leader of Procurement Department of Basic Materials & Chemicals

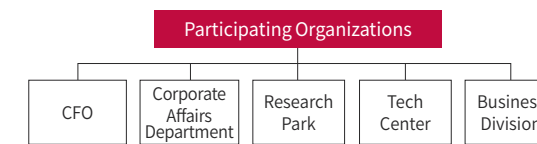
Amid rapidly changing global business conditions, companies cannot achieve sustainable growth on their own, but shared growth among large and small- and medium companies is more required now than ever. LG Chem, recognizing shared growth as an essential strategy to gain market leadership, shares information about market trends with our business partners through various channels, and ensures convenience and transparency in business processes. Among other efforts on shared growth, we also hold regular informal meetings with our business partners to listen to their voices and cooperate with them in working on grievances. Based on the belief that our competitiveness comes from our business partners' competitiveness, LG Chem is committed to achieving a practical cooperation with them through various support activities. We will strive to establish a system under which we can closely work with our partners and enhance their competitiveness, and grow together as a family.



Shared Growth Implementation System and Strategy

Shared Growth Steering Committee

LG Chem operates the Shared Growth Steering Committee chaired by the CFO and attended by 12 key executive officers. In 2014, the committee held two meetings in the first and the second half respectively where it established a shared growth plan and checked the company's performance and strategy.



Shared Growth Strategy and Performance

LG Chem recognizes shared growth as a key element in sustainable management and conducts shared growth businesses to produce tangible results. Under shared growth agreements with business partners, the company provides comprehensive support and collaborative programs in various areas including finance, technology, training, market development, and communication. In 2014, LG Chem entered into shared growth agreements with 66 primary business partners representing a 40% increase compared to the previous year, and expanded funding to secondary and tertiary business

partners. In addition, the company is implementing the Energy Shared Growth project with an aim to help its business partners reduce costs while encouraging them to fulfill their social responsibilities by reducing their energy use and greenhouse gas emissions.

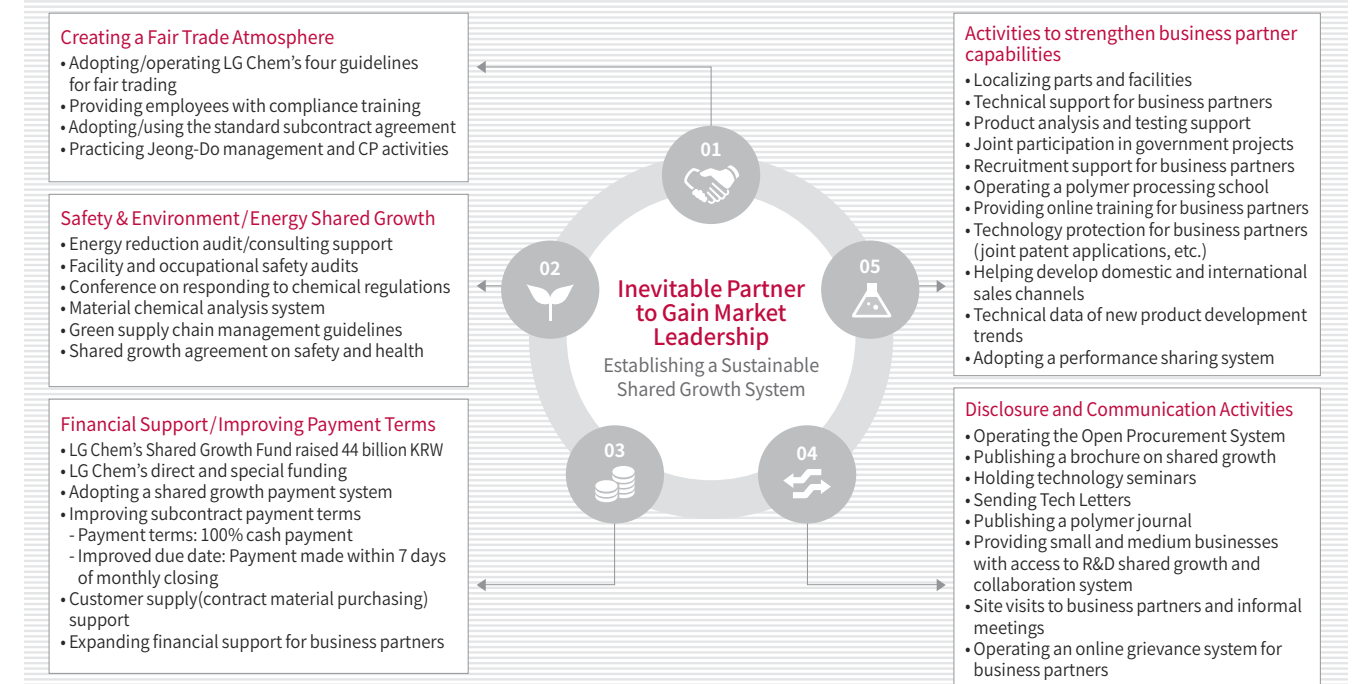
CEO Visits Business Partners:
"We cannot be No. 1 without partners."

Park Jin-Soo, CEO of LG Chem, visited ESWELL, a business partner based in the Ochang Science Industrial Complex, to boost employee morale and discuss plans to enhance shared growth. Furthermore, at Ochang Plant, the CEO held an informal meeting with 12 representatives of business partners to propagate LG Chem's shared growth policy, listened to the partners' suggestions and grievances, and promised to expand financial, technical and human resources support for business partners.



CEO Visit to Business Partner

5 Pillars of Shared Growth Strategy



Creating a Fair Trade Atmosphere

LG Chem is spearheading efforts to create a fair trade atmosphere by adopting the four guidelines of the Fair Trade Commission, and by working hard to prevent unfair practices from affecting business partners. LG Chem's subcontract agreement was prepared based on the Fair Trade Commission's standard subcontract agreement, which helps create a fair contract trade atmosphere among large and small/medium businesses. In 2014, LG Chem's commitment has led to a citation from the Chairman of the Fair Trade Commission and appointment as an exemplary subcontract company, leading efforts to create a fair trade culture.

Disclosure and Communication Activities

Publishing The Shared Growth Brochure

To increase business partners' understanding of and participation in shared growth, LG Chem published a brochure on shared growth to introduce LG Chem's shared growth policy and information on various partner support programs.

Energy Shared Growth

Energy Shared Growth project for business partners

To provide tangible support to small and medium companies that cannot afford to conduct energy audits and to improve efficiency due to professional workforce and funding shortages, LG Chem entered into an MOU on Shared Energy Growth with Korea Energy Management Corporation. First, the company selected 10 small business partners, provided energy training using its experience in energy conservation, and covered technological costs for energy audits, improvements, operations, and performance management. In addition, by creating a fund worth 4 billion KRW to improve energy and the environment, LG Chem is helping small business partners actualize their energy efficiency improvement plans and make facility improvements.

In 2014, as a result of an energy audit among nine business partners, LG Chem identified 40 energy conservation items. Through its initiative, LG Chem is expected to create about 600TOE energy savings and an annual reduction in GHG emissions of 1,251tCO₂.

LG Chem will give direct support to small business partners' innovation through the Energy Shared Growth project and enhance related activities to make the business a leading best practice in which the government, large and small businesses collaborate together to achieve energy shared growth.

Shared Growth Workshop for LG Chem's Procurement Team Members

LG Chem held a shared growth workshop for procurement team members. Through the workshop, LG Chem suggested its vision of shared growth, announced its shared growth support policy and encouraged procurement team members supervising business partners to implement more support policies.

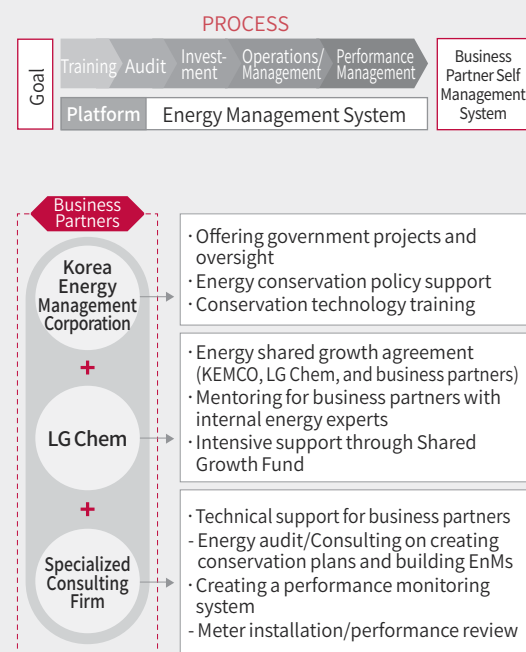
Opening the Shared Growth Menu on the Website

LG Chem opened the Shared Growth menu on its official website to highlight the importance of shared growth and make the shared growth policy available to its business partners.

Financial Support

LG Shared Growth Fund

LG Chem operates the Shared Growth Fund of 44 billion KRW to resolve financial issues faced by its business partners. The company has also expanded support to secondary business partners. In 2014, it spent a total of 41.6 billion KRW, including 9.9 billion in supporting secondary business partners.



Activities to Strengthen Business Partners' Capabilities

Helping Business Partners Participate in International Fairs

LG Chem participated with its business partners in Germany's FAKUMA International Trade Fair for Plastics Processing and Japan's IPF(International Plastic Fair) to help enhance their technology and support their international marketing.

Recruitment Support for Business Partners

LG Chem participated with its business partners in job fairs organized by government agencies, and utilizes the LG Chem brand to help small business partners resolve workforce shortages.

Opening Employee Welfare Mall for LG Group's Business Partners

LG Chem opened the On-Line Welfare Mall exclusively for employees of its business partners to enhance their benefits. 'Employee Welfare Mall' provides management support in general affairs and public relations, employee care services in self-development, recreational and health care activities, and opportunities to purchase products from LG affiliates at special prices.

Technology Purchase Consulting Support

To help small business partners find sales channels, LG Chem attended the technology purchase consulting conference organized by Win-Win Foundation and Small and Medium Business Administration and shared tips for technology purchasing and administrative/policy directions with small businesses applying for counseling services.

R&D Forum for Large and Small Businesses

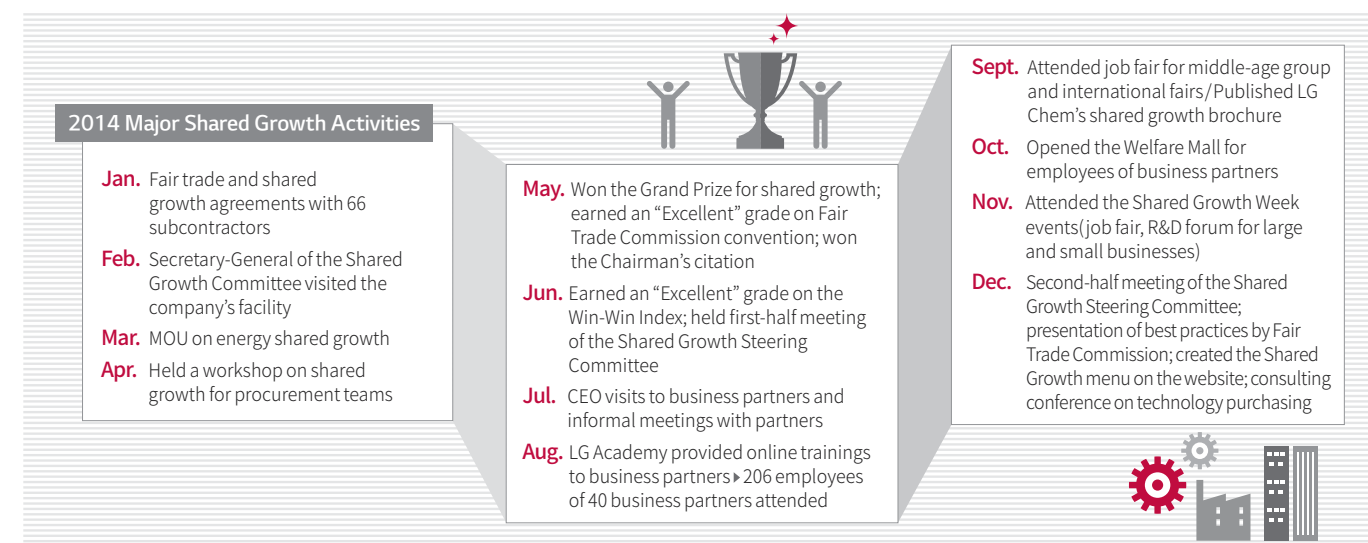
LG Chem attended the R&D Forum for large and small businesses organized by the Shared Growth Committee to introduce its technologies to small businesses and share technology with related companies seeking shared growth. At the forum, LG Chem introduced its business areas and platform technologies to 200 participating small businesses.

LG Chem and NS achieve technological shared growth through joint development of 3-D film equipment

LG Chem considers shared growth with business partners as a means of gaining an inter-company competitive advantage and continuously practices collaboration with business partners. LG Chem and NS's joint development is recognized as a good example of gaining an inter-company competitive advantage through shared growth.

When requested to develop a film used for 3-D TV from display companies, LG Chem began to develop a 3-D film system together with NS, a precision industrial machinery manufacturer. Such equipment could not be produced with existing production processes due to the characteristics of 3-D films. By holding many meetings and sharing technical information, LG Chem and NS earned 10 joint patents and successfully developed the 3-D film system.

The successful development of the 3-D film system helped LG Chem construct a 3-D film production line earlier than was expected and gain a dominant position in the 3-D film market. NS also acquired 3-D film-related technologies and sold about 20 3-D systems.



6 Human Resources Development

BUSINESS & SOCIAL CONTEXT

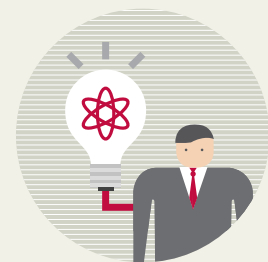
Recruiting and developing top talent is a company's first step towards gaining a competitive advantage. To flexibly respond to fast changes in advanced technologies and global economic situations, the strategy of recruiting top talent and developing employee capabilities is essential to the company. Also, given that the globalization of businesses is accelerating, companies need to continuously work hard to explore and develop various capabilities, including specialized technologies, leadership and global skills for employees, in order to achieve sustainable growth.

OUR APPROACH

Based on the belief that "talent is the source of innovative competitiveness," LG Chem has established a systematic talent management strategy closely aligned with its business objectives and strategies. The company operates systematic training programs with the goals of developing future entrepreneurs to gain market dominance, developing specialized capabilities to ensure the most competitive quality, and strengthening the global capabilities necessary to conduct global businesses, and leadership skills based on the company's core values.

GOALS & PERFORMANCE

2014 Goals	2014 Performance	2015 Goals
Developing future entrepreneurs to gain market leadership	Continuously enhanced entrepreneurship training for a pool of entrepreneur candidates	Developing future entrepreneurs: Continuously developing future business division leaders and next-generation global business leaders
Expanding leadership training opportunities to all employees to help employees gain fundamental competitiveness	Provided leadership training to all employees and linked it to outcome-oriented activities such as 'identifying action plans to gain market leadership'	Enhancing position-specific leadership competency: Making personalized competency appraisal and development plan to strengthen business capabilities of future leaders (team leaders)
Expanding competency training programs across all businesses including support staff, R&D and marketing	Created a sales & marketing program tailored for B2B business and established a strategy to strengthen competencies of plant employees	Reinforcing expert training: Continuously enhancing specialized training by function
Expanding language training to ensure stable global operations/Creating a support system to strengthen competencies of locally hired employees	Provided support such as publishing product manuals to enhance competencies of locally hired employees, and reinforced language training including Korean classes	Developing global talent: Organizing HRD support activities to enhance expertise of locally hired employees at global operations



Extending HPI training to global subsidiaries



Local experts in 12 countries
*Based on 2014 cumulative data



Implementing a plant employee competency enhancement project

INTERVIEW

Vice President Chang-Heon Park Leader of HR Development Department

Amid rapidly changing business conditions and intensified competition, talent is the source of sustainable business performance and talent cultivation is the company's core competency. LG Chem set as its top-priority goal cultivating future entrepreneurs who will lead domestic and international markets. We also established a talent development strategy and developed training programs to enhance employees' capabilities, so that all employees can fulfill their responsibilities to produce desired business results. Furthermore, by enhancing the job competencies of production engineers at plants and developing global talent suitable for the age of globalization, we are also dedicated to developing competitive talent that will contribute to producing results for the company. LG Chem will solidify our entrepreneur cultivation system and focus on training local employees overseas as well as domestic employees, and developing their capabilities.



Talent Development for Market Leadership

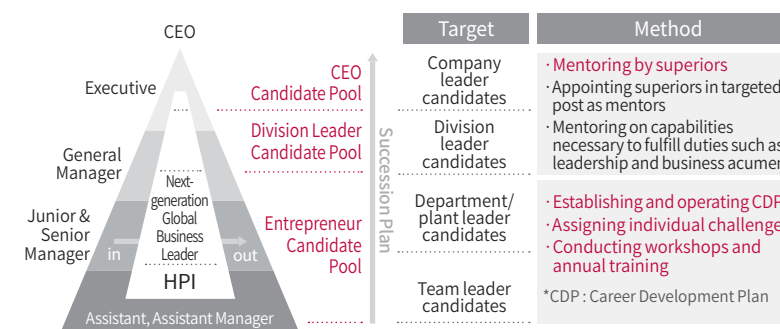
Cultivating Future Entrepreneurs

Developing future entrepreneurs who have the business capabilities and leadership competencies is essential for companies to respond to rapidly changing market conditions and gain market leadership. LG Chem has created a system for developing entrepreneurs under which future entrepreneurs, including division leader candidates, next-generation global business leaders, and HPIs(High Potential Individuals), are developed systematically. In 2014, HPIs were selected in global regions other than China for the first time, and the global HPI program, which included training on the core values of HPIs and business strategies, was provided to locally hired employees. LG Chem will continuously provide seniority-based training to local employees, aligned with domestic HPI training.

HPI Training Programs

1 st year	2 nd year	3 rd year	4 th year and over
Leadership	Global communication	Strengthening business capabilities	Workshop on business strategies and issues

Entrepreneur Cultivation System



Enhancing Position-Specific Leadership Competency

LG Chem provides annual leadership training to all employees at different levels based on the belief that employees are driving forces behind innovative businesses. The training programs are aligned with the necessary leadership competencies for different positions. In 2014, during the leadership program for team leaders, topics such as "recognizing the true nature of a crisis by adhering to the fundamentals and principles" and "identifying action plans to gain market leadership" were discussed.

LG Chem also provides leadership training focusing on organizational management and development, and strategies to develop future entrepreneurs. Furthermore, the company is developing insight through in-depth discussions with organizational management and leadership experts. The company will add a wide variety of topics to create programs that help employees improve competencies as future leaders of LG Chem.

Position-Specific Leadership Training System

Program	Description
Leadership enhancement program for team leaders	- Discussing/identifying organizational direction to gain market leadership - Identifying a list of actions to take as team leader
2 nd -year senior manager program	- Strengthening essential competencies as future leaders - Job facilitator - Relationship linker - Performance coaching
2 nd -year manager program	- Enhancing basic competencies as future leaders by finding individual strengths and weaknesses
2 nd -year assistant manager program	- Recognizing the role as an effective intermediate in the organization and identifying actions to take - Providing guidance to juniors and methods of mentoring
Together program (2 nd -year assistant)	- Giving new meaning to individual jobs based on past-year experience

HRD Activities at Global Operations

LG Chem's U.S. subsidiary(LGCM) focuses on improving skills and enhancing the careers of employees. The company created detailed production manuals so that new employees can adapt quickly to their jobs. The manuals include hyperlinks to all related reference documents and provide very detailed information on the work. In addition, through cross-training between operators, the variety of work they can handle skillfully has been approved.

LG Chem's regional holding company in China(LGCC) provides leadership programs so that selected HPIs can grow to become the organization's core talent and internalize the values of leadership under the LG Way. To develop future entrepreneurs as market leaders, the company shares actual cases of business operations and holds discussions to help employees develop their leadership. Employees also select their own KPI related to cost reduction, reducing environmental impacts, and increasing output, and check their progress through year-end evaluations.

Developing Competencies to Ensure Best Quality Competitiveness

Reinforcing Expert Training

To secure the best quality competitiveness, training employees to be experts in their respective areas is very important. To this end, LG Chem operates the LG Chem Academy to strengthen employees' expertise in various areas such as production technology and sales. The Academy provides 40 programs in the petrochemicals area, 32 in the IT & electronic materials area, and 85 in the energy solutions area. Our internal experts develop educational programs and also give lectures on their knowledge and experiences accumulated over the years. Moreover, in 2014, the company created 11 programs on sales & marketing program tailored for B2B business to enhance sales & marketing employees' expertise.

In addition, to enhance new employees' expertise, the company created the e-learning/mobile-learning system consisting of 12 programs(9 for on-the-job training and 3 for general/common training) as a regular training support system that minimizes the limitations of time and space. In general/common programs, training on safety, health and environment and security was developed as e-Learning to help employees recognize the importance of those issues. LG Chem will create a competency enhancement community to maximize the results of expert development activities and provide efficient training support.

Production Engineer Competency Enhancement

Strengthening a company's competitiveness requires a systematic dissemination of its retained capabilities, which is equally as important as accumulating capabilities to develop new technologies. LG Chem suggested a vision to support technical plant engineers' competency development and develop them into technical experts. Since 2014, a project to enhance the plant employees' competencies has been implemented. Accordingly, the company created a competency analysis and training system, developed a manual for group training and S-OJT(Structured On-the-Job Training), and will completely develop all programs by 2017. S-OJT, in particular, is training provided by more experienced employees who were trained on the structured job training manual, to inexperienced employees on the worksites or in similar places. It is expected that such training will provide an effective way of passing on the know-how, accumulated by many retired employees within the organization. It is also helpful in driving fast improvements of new employees' capabilities in organizations with many new employees.

Through this competency enhancement project for technical plant employees, LG Chem is encouraging them to cultivate themselves and become technical experts. Moreover, recognition and rewards based on performance are offered to employees to motivate them to grow through their work, which will ultimately contribute to strengthening the company's business competitiveness.

Cultivating Global Talent

To make global operations more successful, LG Chem is reinforcing its capacity as a global organization in a systematic way and organizing activities to enhance communication among global employees.

First, to strengthen job competencies of employees who directly contact global customers, LG Chem operates a local expert development program in strategic regions such as China, India, Brazil, Russia, and Middle East. This program is designed to help employees develop the capabilities required when they are dispatched abroad in the future, through language classes and market research, for a period of up to 8 months. By the end of 2014, a total of 135 employees in 12 countries have been trained under the local expert development program beginning in 1995. In addition, LG Chem has reinforced the training for employees scheduled to be dispatched abroad so that they can develop global leadership and organizational management capabilities before they leave. Long-term camp training is also continuously provided to strengthen their language skills such as English, Chinese, and Japanese.

Moreover, LG Chem invited core talents from overseas subsidiaries to Korea and provided global HPI training centering on business strategies, and also began intensive Korean classes in 2014 to help overseas employees develop their Korean communication skills. The company is making continuous efforts to develop job competencies of overseas employees, such as providing LG Chem's product manuals in local languages to overseas sales employees. More training using a variety of learning tools like e-Learning will be implemented to enhance competencies of employees worldwide.

Investing in Human Resources Development

LG Chem has operated e-Learning and mobile learning together since 2013 to increase the efficiency of training, and has established its own job training system by focusing on developing internal instructors, instead of hiring external instructors.

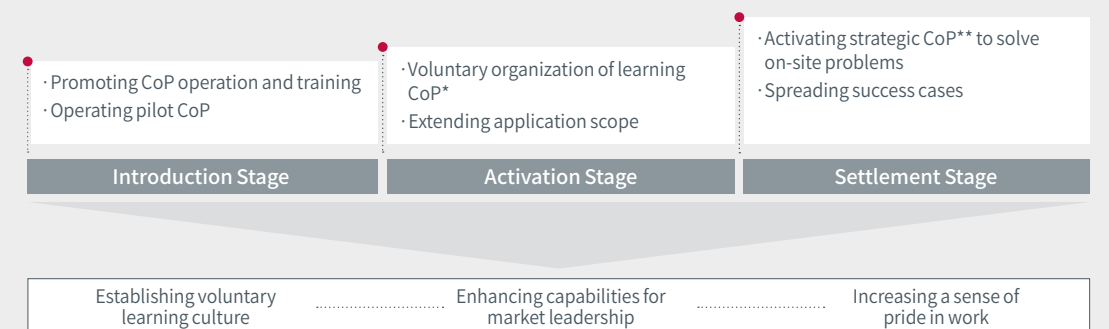
As of December 2014, LG Chem's total training expenditure(in South Korea) was 15.3 billion KRW and its training cost per person was 1,130,000 KRW. The company will continue to increase the efficiency and effectiveness of job training, aligned with its business, with a clear goal of producing business results.

CoP to Create Voluntary Learning Culture

LG Chem operates CoP(Community of Practice) to create a voluntary learning culture and enhance employees' capabilities. CoP is used as a tool for sharing specialized knowledge and experience.

At Yeosu Plant, CoP participants exchange tips on technical skills and jobs, learn about them and provide assistance in identifying and solving on-site problems. For instance, CoP activities at Acrylates/SAP site involved employees in setting challenging goals and building up ideas to respond to legal/environmental regulations and meet customer demands. Voluntary CoP activities in response to air emissions regulations led to the application of dust filters to incinerators and solutions to metal catalyst quality and filter cleaning, slowing down the clogging-up of the NPG filter. By extending the number of operating days of the filter, the plant increased productivity and reduced the risk of an accident which can occur in case of filter shutdown, ensuring stability in the process.

CoP will continuously provide opportunities to solve various problems and learn, and be utilized as a tool for enhancing voluntary learning culture and strong implementation as well as collaboration among employees.



* Learning CoP: A gathering or network of people sharing common learning topics, which are often job-related ones, aimed at upgrading knowledge
 ** Strategic CoP: A small group aimed at solving problems related to work or improving organizational capabilities

7 Social Contribution Activities

BUSINESS & SOCIAL CONTEXT

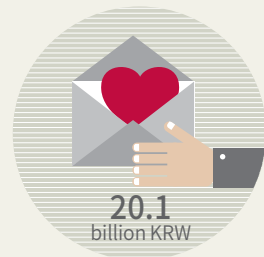
Corporate community involvement has evolved into a set of activities beyond mere donations, aimed at resolving social issues in alignment with business characteristics and expertise and creating shared value through collaboration with various stakeholders. Companies are focusing on areas where the greatest value can be delivered to resolve social and environmental problems while creating a model for collaboration with NGOs and social economy enterprises within their value chains.

OUR APPROACH

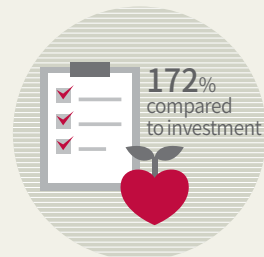
LG Chem focuses on youth education projects to provide opportunities for the youth to realize the importance of chemicals and the environment, and practice what they learn in everyday life. At domestic and global plants, a variety of youth programs are operated to develop talent and improve educational infrastructure tailored to the characteristics and needs of local communities. In addition, the company sponsors social economy enterprises in the environment sector to invest resources in green and energy areas critical to today's society and contribute to the growth of green industries.

GOALS & PERFORMANCE

2014 Goals	2014 Performance	2015 Goals
Reforming social partnership programs -Incorporating business characteristics	· Established directions for social partnership and developed programs - Youth education area - Green/energy area	· Operating educational programs on chemistry and the environment tailored for elementary, middle and high school students
Implementing social partnership activities in green/energy area	· Supported green social economy enterprises (LG Social Fund)	· Strengthening social partnership activities in green/energy area
Implementing social partnership activities to resolve community issues	· Operated programs at each plant	· Adopting an impact analysis system for social partnership activities



Global social contribution spending



Estimated social value of Chemistry Camp



Supporting green social economy enterprises
*4-year cumulative since 2011

INTERVIEW



Vice President Jun-Sung Park Leader of Corporate Affairs Department

LG Chem's social partnership began with the "interest in adolescents and the environment." Our leading youth program, "Chemistry Camp that Fosters Young Dreams," which has been carried out for 11 years since 2005, is aimed at helping adolescents who will lead the future grow into creative scientists through chemistry education, and cultivating their knowledge about the environment through experiential environmental education programs. In addition, we have been operating LG Social Fund since 2011 to support social economy enterprises in the environment sector and spread social awareness in the environment. Our support includes not only facility support, but also support on the development of sales channels at home and abroad, providing them with the foundation for independent growth. LG Chem will continuously invest and get involved in the areas of youth education and green/energy and become a responsible company that grows along with the society.

Youth Education

Fostering Dreams: Chemistry Camp

The Chemistry Camp is LG Chem's leading social contribution program for the youth, which utilizes the company's expertise as a chemical company. Through the program, participating middle school students enjoy three-day camping trips, during which they get an opportunity to familiarize themselves with chemistry and the environment through fun and creative experiments and performances.

Aside from experience programs such as creating an air freshener using superabsorbent polymer and making model cars powered by solar energy, LG Chem also offers a personality development program so that the youth can become members of communities who value living together with others. The company provided 43 camping sessions over the past 10 years, from the inaugural year of 2005 to 2014, attended by about 5,600 youths. In 2015, the company considers safety as a top priority and organizes camping sessions by region to increase access to the program.

Chemistry Frontier Festival

The Chemistry Frontier Festival is an annual event co-organized by six Korean petrochemical companies and the Korea Petrochemical Industry Association. The festival is a science competition that began in 2004 to discover promising science talent among participating high school students.

In 2014, 680 teams participated and 72 of them advanced to the finals and carried out research and experimental activities for about 5 months. Through a variety of experiments on chemistry-related topics that are closely re-

lated to our daily lives, such as environment, energy, life, social research, and traditional sciences, students were given an opportunity to take an interest in chemistry, and prize winners received benefits like studying abroad.

Fostering Dreams: Junior Science Class

The Junior Science Class is a leading talent-donation activity that has been provided at LG Chem's Research Park since 2004. Master's and doctoral-level researchers at Research Park visit neighboring elementary schools and give instruction and perform experiments about scientific principles at work in our daily lives.

In 2014, 308 students at two elementary schools received experiential classes where they actively participated and had fun making a carousel run by temperature differences and anti-sleep glasses.



Fostering Dreams: Chemistry Camp



Chemistry Frontier Festival



Fostering Dreams: Junior Science Class

Measuring SROI of LG Chem's Chemistry Camp

LG Chem measures the social value created by the Chemistry Camp program based on the effectiveness of the camp, namely, SROI*. The results showed that the camp generated value representing 172% of the spending, which was distributed to various stakeholders such as recipients, partner organizations, and participating university students. LG Chem will expand SROI measurements to other social contribution programs to measure the effectiveness of benefits, and take the steps to operate more effective social contribution programs.

*SROI(Social Return On Investment) is an indicator that converts a company's social performance into financial value and measures effectiveness against input.

Stakeholder	Benefits and Changes
Recipients	· Camp experience · Exploring careers and visions through experience and lectures
University students	· Exploring careers and visions by participating as mentors
LG Chem	· Improving corporate image by promoting its social partnership
Partner organizations	· Developing curricula for science education · Retaining employment

SROI
172%

Youth Welfare

Building a Library of Hope

Building the First Library of Hope Overseas

LG Chem is carrying out the overseas library construction project to foster the dreams of children in developing nations and to help them develop into talent that will lead their communities. In February 2014, the company built its first libraries for Trang Tan Khuong Elementary School and Hyuman Vocational Technical School in Ho Chi Minh, Vietnam. The Library of Hope provides not only multimedia learning environments equipped with basic amenities, 3,000 books, computers, large-screen TVs, and beam projectors that are needed for reading and learning, but also cultural benefits to about 2,000 students.

Supporting Construction of 23 Libraries of Hope in Korea

Since 2007, LG Chem has built libraries in schools and youth centers lacking cultural facilities so that they can be used as cultural spaces for students and local residents. In 2014, the company implemented the Library of Hope project in three schools—Yeosu Petrochemical High School, Cheongju Science High School, and Daedeok High School.

Creating a Classroom of Hope

The Classroom of Hope project began in 2008 to improve poor educational environments at social care facilities for youth and has been linked to facility renovations, teaching materials support, and employees' voluntary community service. In 2014, the company provided support to the Jeongneung Social Services Center and has opened 11 Classrooms of Hope at social care facilities in Seoul since 2008.

Musical Holiday of Hope

Musical Holiday is LG Chem's leading mécénat activity



1

launched in 2007 to exhibit musical performances to soldiers, who are culturally disadvantaged, and contribute to improving military culture. For the past seven years, up until 2014, 49 performances were shown to 33,750 soldiers and local residents. For its contribution to improving military culture and welfare, the company received the Cultural Management Award at the Mecenat Awards in 2010.

Activities in Green and Energy Areas

LG Social Fund

Since 2011, LG Chem has co-operated the LG Social Fund program with LG Electronics, which is LG Group's leading sponsorship program for domestic social economy enterprises. Under the LG Social Fund program, the company discovers social economy enterprises with high growth potential and public interest, and innovation capabilities in the green area, and provides them with comprehensive services in finance, education, networking workshop, and consulting. The social fund not only supports the financial growth of such organizations but also helps create a virtuous cycle in the industrial ecosystem.

Since LG Group operates Chungbuk Creative Economy and Innovation Center, LG Chem also actively engages in government policy and fulfills its social responsibility in the Chungcheongbuk-do region by discovering and developing creative social economy enterprises. The 2014-15 LG Social Fund is sponsoring 19 social economy enterprises (six in Chungcheongbuk-do region).

Social Partnership Activities at Plants

Petrochemical HRD Support at Yeosu Plant

To develop talent in petrochemicals area, Yeosu Plant sponsors Yeosu Petrochemical High School, the country's only meister school specializing in petrochemicals.



2. 2014 LG Social Fund Donating Ceremony

In 2014, the plant donated a distributed control system (DCS) worth 80 million KRW designed for facility monitoring and centralized control of petrochemical processes and helped create a laboratory environment where students can have first-hand learning experience with the equipment. The plant is thus developing talent whose skills are tailored for on-site jobs. In addition, by entering into a memorandum of understanding(MOU) on university-academic cooperation, LG Chem has paved the way for co-operation to develop top-notch local technical talent.

Dong-go Dong-rak Program at Daesan Plant

In February 2014, Daesan Plant launched the Dong-go Dong-rak program, a personalized mentoring program for neighboring high school students. Two to three students conduct research with a mentor selected from the members of the employee committee regularly twice a month, and also prepare a research paper together. This program helps students pursuing post-secondary education or employments after graduation develop creativity and their dreams. In addition, LG Chem operates a variety of programs including guest lectures by famous figures four times a year, aimed at helping students plan their futures and exploring students' career goals together. LG Chem will contribute to the growth of youths and communities by developing and operating a wide range of unique programs for the shared growth of the company and communities.

Social Partnership Activities at Chinese Subsidiary

Since 2010, the Chinese regional holding company(LGCC) has improved hygiene conditions in schools lacking facilities in various areas and provided hygiene education to students. This has helped the schools improve the environment previously exposed to harmful germs and students learn clean habits. In 2014, the company completed LG Chem Love Bathroom in elementary schools in Shan-

dong and Chongqing and also donated laptops and books to improve educational environments.

In addition, the company posted Earth Hour posters in offices to encourage employees to practice low-carbon and green lifestyles and let employees leave messages about environmental protection to renew their environmental awareness. Like this, the company operates programs aimed at practicing environmental protection in everyday life.

Social Partnership Activities at Other Global Subsidiaries

LG Chem's U.S. Holland subsidiary(LGCM) organizes local event sponsorships and community services. The company sponsors local festivals such as Holland Parade of Lights and Labor Day Truck Parade, and employees also participate in these events to build stronger relationships with the community members. The company will reinforce its cooperation with local economic development organizations in an effort to support the development of the West Michigan area.

Furthermore, LG Chem's subsidiaries in Taiwan, Vietnam, and Poland also selected support for local socially disadvantaged groups as an important social issue, and accordingly operate social partnership programs. Taiwanese subsidiary(LGCE TP) not only provides scholarship support and donation of goods, but also organizes employee-participating events such as museum tours and Christmas parties with children at care centers. Vietnamese subsidiary(LG VINA) provides regular sponsorships to child care and disability service centers through quarterly visits. Polish subsidiary(LGCE WR) supports local care centers for children with disabilities and operates summer camps along with charity organizations with a focus on the continuity of such activities.



3. Dong-go Dong-rak Guest Speech
4. MOU between LG Chem and Yeosu Petrochemical High School
5. Posting Earth Hour posters at LGCCI



5

Management Report



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Ethical Management
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Sustainability Governance

Corporate Governance

Independence and Expertise of the Board of Directors

Composition and Responsibilities of the Board of Directors

LG Chem's Board of Directors consists of seven directors, including two inside directors, one non-executive director, and four outside directors. The board operates the Audit Committee and Nomination Committee for Outside Directors under its supervision to maintain transparency and independence in board operations.

The board is LG Chem's highest-level decision-making body since it has the authority to appoint and dismiss executive officers and hold them accountable for committing acts against the interests of shareholders. The four outside directors, representing the majority of the board, are professionals with plenty of experiences in various fields, such as technology in the chemistry and IT&E materials areas, law, and finance and accounting, who serve monitoring and advisory functions regarding important issues related to the company's operations. They are also responsible for monitoring and checking top management and restricting the voting rights of directors who have personal interests in certain issues.

Transparency in the Election of Directors

The Nomination Committee for Outside Directors consists of one inside or non-executive director and two outside directors. The committee conducts a thorough review of many outside director candidates, selects professionals in various fields who can affect the company's operations in economic, environmental, and social aspects, and nominates those candidates who are independent and have no conflict of interest with the company. The nominated candidates are officially elected after getting the board's approval and a resolution at a general shareholders' meeting.

Transparency in the Operation of the Audit Committee

The Audit Committee is a decision-making body responsible for devising, executing, evaluating, and making improvements to internal audit plans. Three auditors appointed by LG Chem are all outside directors to ensure the committee's independence and transparency. While regular committee meetings are held on a quarterly basis, material issues may be discussed frequently by the committee members. In particular, the committee controls and monitors the company's business operations based on reports on quarterly business results, the internal accounting control system, and internal monitoring mechanisms. When it comes to material issues in economic, environmental, and social aspects, the issues are reported to the Audit Committee in advance so that the committee can fulfill its functions.

Board of Directors (May 2015)

Category	Name	Career and Concurrent Posts	Remarks
Inside Directors	Jin-Soo Park	- Former President of Hyundai Petrochemicals / Former President of LG Petrochemicals - Current Vice Chairman & CEO of LG Chem ※Concurrent post: LG MMA	Chairman of the Board of Directors
	Seok-Jeh Cho	- Former CFO of LG Corp. / Former Director of LG Petrochemicals - Current President & CFO of LG Chem	
Non-Executive Director	Hyun-Hwoi Ha	- Former Head of Synergy Team, LG Corp. / Former President of HE Division, LG Electronics - Current President of LG Corp. ※Concurrent post: LG Uplus, LG Hausys, LG International, LG CNS	Chairman of the Nomination Committee for Outside Directors
Outside Directors	Ki-Myung Nam	- Former Minister of Government Legislation - Current Chair Professor of Law School, Chungnam National University	Chairman of the Audit Committee
	Seung-Mo Oh	- Former Director of Next-Generation Battery Growth Engine Project Group - Current Professor in the School of Chemical and Biological Engineering, Seoul National University	Member of the Audit Committee
	Se-Jin Kim	- Former Member of the National Competitiveness Reinforcement Subcommittee - Current President of Korea Fund Ratings	Member of the Audit Committee Member of Nomination Committee for Outside Directors
	Jang-Joo Kim	- Former Researcher of the Electronics and Telecommunications Research Institute - Current Professor of Materials Engineering, Seoul National University	Member of the Nomination Committee for Outside Directors

Operation of the Board of Directors

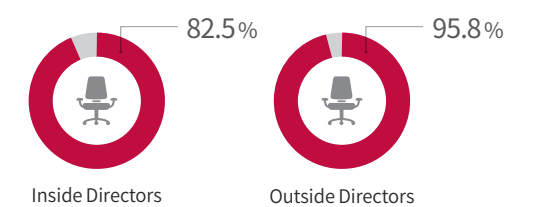
Board Secretariat

LG Chem operates the Board Secretariat under the Credit Management/Compliance Team to help the Board of Directors fulfill its role and responsibilities, by managing board operations like convening meetings. In addition, prior to commencing a meeting, a briefing is held for outside directors to provide them with sufficient information about introduced agenda items and to allow them to conduct a detailed yet comprehensive review of them. In 2014, the company incorporated amendments to the Commercial Code into its updating of company by-laws including the Board of Directors Regulations.

Board Activities

Through the Board of Directors, LG Chem decides on important issues and clearly defines criteria for selecting agenda items in the Board of Directors Rules. In addition to regular board meetings, special board meetings are frequently held to deal with urgent management issues. In 2014, the board held eight meetings resulting in 30 approvals and 10 reportings. Each year, the board visits key plants in Korea, including Yeosu, Daesan, and Naju, as well as subsidiaries in overseas countries such as China and Taiwan to conduct on-site management. To fulfill its social responsibility, in 2014, the company made amendments to the Board of Directors Regulations so that CSR directions and implementation results are reported to the board.

Board of Directors Attendance



2014 Board of Directors and Audit Committee Meetings

Board of Directors	Audit Committee
8 meetings · Approval: 30 items · Reporting: 10 items	5 meetings · Approval: 3 items · Reporting: 11 items

Stakeholder Communication

The Board Secretariat receives opinions from relevant teams before holding a board meeting if there are any issues that need to be introduced for discussion or reported, and add them to the meeting agenda. In addition, the Board of Directors communicates with stakeholders through internal and external communication channels including public disclosures and IR events. The board makes top-level decisions at a general shareholders' meeting and provides shareholders and stakeholders with business information promptly by disclosing important business decisions. Business issues related to investors' interests are disclosed through the Data Analysis, Retrieval and Transfer System (DART) of the Financial Supervisory Service and the websites of the Korea Exchange (KRX) and LG Chem.

© Independence of Outside Directors

LG Chem defines the criteria for judging the independence of outside directors under the Commercial Code to ensure that the Board of Directors can fulfill its duty to "check and balance" management. Outside directors currently represent 54.5% of the entire board in accordance with the criteria.

- 1 Director, executive officer, and employee engaging in the company's business operations or director, auditor, executive officer, and employee who has engaged in the company's business operations within the past two years
- 2 Majority shareholder or the spouse and direct-line ancestor/descent
- 3 Director, auditor, executive officer or employee of a company if the company is a majority shareholder
- 4 Spouse and direct-line ancestor/descent of a director, auditor or executive officer
- 5 Director, auditor, executive officer or employee of the company's parent company or subsidiary
- 6 Director, auditor, executive officer or employee of the company who has special interests such as a business relationship with the company
- 7 Director, auditor, executive officer or employee of another company where the company's director, executive officer or employee serves as a director or executive officer

*Appointment of directors, relationships with companies and outside directors under Article 382 of the Commercial Code

Board of Directors Evaluation and Compensation

Criteria for Evaluating and Calculating Compensation for Directors

The limit of compensation for directors is determined by a resolution at a general shareholders' meeting and, once the resolution is passed, compensation is fairly and transparently paid according to the payment rules. In addition, the Board of Directors is authorized by shareholders to make top-level decisions with regard to management strategies according to laws and the company's articles of incorporation, and fulfills such responsibilities as determining compensation for top management, nominating director candidates, and conducting audits for accounting and performance disclosures.

The amount of pay for directors is calculated based on the position grade, which reflects the value of jobs that directors perform within the limits of compensation for directors. The total amount of pay was divided into monthly installments and paid in equal monthly amounts. Performance-based pay for directors is paid within the limits of 0 to 150% of base salary after an overall evaluation is conducted in terms of quantitative indicators, such as sales and operating income, and non-quantitative indicators, such as an evaluation of the degree to which long-term expectations have been fulfilled.

Payment of Compensation for the Board of Directors

The 2014 compensation limit for the Board of Directors was determined at a general shareholders' meeting after being reviewed by the Board of Directors as required by law. The amount confirmed at the general shareholders' meeting was 11 billion KRW and the total amount of compensation paid to the board in 2014 was 8,702 million KRW. Since 2014, LG Chem has disclosed individual compensation payments for directors and auditors exceeding 500 million KRW in business reports. Compensation for executive officers particularly consists of salary by position/level and performance-based incentives.

2014 Director Compensation Payments

	No. of people	Total payment (million KRW)	Average compensation per person (million KRW)
Registered director	5	8,438	1,688
Outside director	3	132	44
Member of the Audit Committee or auditor	3	132	44
Total	11	8,702	-

2014 CEO Compensation and Ratio

Total CEO compensation	Ratio (Total CEO compensation / Average compensation per employee)
1,589 million KRW	21.8

*Compensations for CEO and employees both include salaries and incentives

Sustainability Vision and Management Department

LG Chem intends to become a materials company that creates sustainable value by putting people first and pursuing environmental friendliness across all business operations. The company operates CSR Team to implement sustainability activities more effectively and the team communicates with internal and external stakeholders with regard to a variety of sustainability issues. CSR Team reports to the CEO material issues concerning stakeholders and the publication of sustainability reports, and includes CSR-related details in key agenda items for discussion at a Board of Directors meeting. Through monthly business meetings, the company shares issues and activities of which management should be all aware, keeping management interested in sustainability.

Sustainability Vision

Sustainable Chemistry for Human and Environment

Principles of Sustainability

We abide by the principles of sustainability to create sustainable value.

- We provide environmentally friendly and innovative materials and solutions.
- We adhere to business ethics as a corporate citizen.
- We make products and run operations in a sustainable way.
- We contribute to the growth of communities using our capabilities.

Tasks

Economic

- Expanding markets and increasing sales
- Improving customer value

Environmental

- Strengthening product responsibility
- Responding to climate change and reducing energy use
- Reducing the environmental impacts of operations

Social

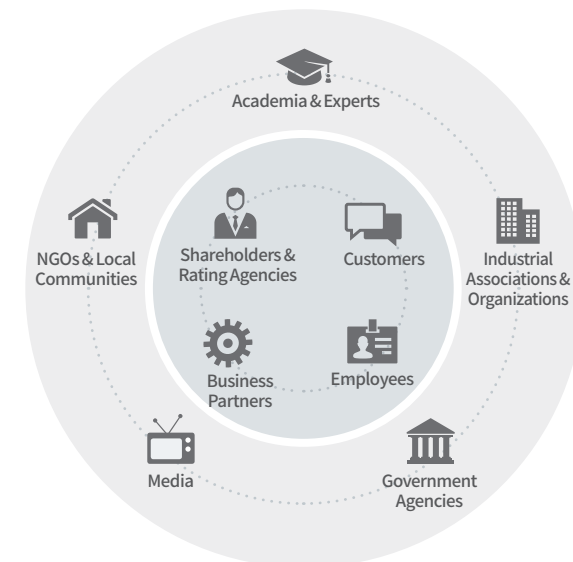
- Respecting human rights and developing talent
- Reinforcing safety and health
- Strengthening compliance with fair trade
- Strengthening partnerships with business partners
- Pursuing strategic social partnership

Stakeholder Engagement

LG Chem's key stakeholders are divided into groups that directly or indirectly affect and are affected by one another across business operations, such as shareholders and investors, customers, employees, business partners, NGOs and communities, academia and experts, industrial associations and organizations, media, and

government agencies. Depending on the characteristics of the stakeholder groups, LG Chem communicates with them regularly in various ways. The input and information collected from this communication process play an important role in making decisions to advance the company's sustainability system.

Communication Channels for Key Stakeholder Groups



	Shareholders & Rating Agencies	Customers	Employees	Business Partners	
Expectations	<ul style="list-style-type: none"> · Long-term growth · Creating and distributing profits · Transparent corporate information disclosures 	<ul style="list-style-type: none"> · Open communication with customers · R&D capabilities · Improving product quality and safety 	<ul style="list-style-type: none"> · Improving corporate culture · Participating in a wide range of corporate operations · Collaborative labor-management relations · Promoting employee benefits · Reinforcing employee safety and health 	<ul style="list-style-type: none"> · Supporting business partners and providing training · Sharing profits fairly with business partners 	
Communication Channels	<ul style="list-style-type: none"> · Corporate presentations · General shareholders' meetings · Financial information disclosures · Credit ratings 	<ul style="list-style-type: none"> · Collecting customer feedback · Product liability monitoring 	<ul style="list-style-type: none"> · Employee satisfaction survey · Labor-management committee · Company magazines · Safety and environmental committee 	<ul style="list-style-type: none"> · Shared growth committee · Business partner presentations · Business and technical support programs 	
	NGOs & Local Communities	Academia & Experts	Industrial Associations & Organizations	Media	Government Agencies
Expectations	<ul style="list-style-type: none"> · Strategic social partnership · Investing in local communities · Local CSR activities by overseas subsidiaries 	<ul style="list-style-type: none"> · Industry-academic cooperation · Technological development 	<ul style="list-style-type: none"> · Responding to new regulations · Chemical management 	<ul style="list-style-type: none"> · Creating and distributing profits · Social partnership activities · Technological innovation 	<ul style="list-style-type: none"> · Shared growth · Fair trading and compliance · Occupational safety and health
Communication Channels	<ul style="list-style-type: none"> · Community cooperation in educational and welfare businesses 	<ul style="list-style-type: none"> · Consultation · Joint R&D activities 	<ul style="list-style-type: none"> · Councils and forums on sustainability · Industry and business-related business associations 	<ul style="list-style-type: none"> · Informal press meetings 	<ul style="list-style-type: none"> · Advice on industrial policies · Various pilot projects

Ethical Management

Jeong-Do(Righteous) Management

Jeong-Do Management is LG's unique code of conduct that emphasizes fair competition by building capabilities. It does not simply mean ethical management, but refers to our determination to create tangible results using our capabilities that will help us outmaneuver competition.

With the CEO's determination that our "performance does not mean anything unless we compete fairly according to principles and standards, without resorting to expediency," LG Chem ensures that its employees and business partners who do business with LG Chem pledge their commitment to Jeong-Do Management.



LG Code of Ethics

LG Code of Ethics is a code of conduct and a standard for value judgments that all employees at home and abroad should abide by to practice Jeong-Do Management. The Code of Ethics and detailed guidelines can be found on the Jeong-Do Management website. In 2014, the company strengthened the provisions regarding the act of receiving rewards from stakeholders to prohibit personal gift exchange irrespective of amount and imposed a ban on personal transactions with stakeholders regardless of creating profit.

[LG Jeong-Do Management Website \(http://ethics.lg.co.kr\)](http://ethics.lg.co.kr)

Strengthening Jeong-Do Management Training

Under the Jeong-Do Management training system, the Ethics Office provides training to eligible employees of the company and business partners selected from different functions every four years. In 2014, the office provided training to all sales employees and procurement agents. Jeong-Do Management training is also provided to new recruits/experienced employees and seniors, employees at different stages of promotion and those in their second year of employment by level. In 2014, the company implemented an on-site Jeong-Do Management program in which each team leader provides their team members with Jeong-Do Management training, in addition to the programs described above, and about 9,600 employees received training from their team leaders.

Attendance in Jeong-Do Management Training

Category	Unit	2014
Employees	Person	13,641
Business partners	Person	350

Whistleblowing System

Through the LG Jeong-Do Management website, employees and external stakeholders can easily report other employees' unethical and corrupt practices that violate Jeong-Do Management. Reports can be submitted anonymously and the identities of those who report anonymously and report details are kept strictly confidential. Report items include receiving rewards from stakeholders, lack of transparency in business partner selection, unfair ownership of shares in vendors, illegal and unfair appropriation of corporate assets, fabrication and forgery of documents and data.

For the whistleblowing system to become a means of communication by which the grievances of employees and stakeholders can be shared and unethical practices removed, the company actively promotes the system and increased its accessibility, and tries to improve its reliability through quick and thorough investigations.

Actions Taken on Breaches Reported

Category	Unit	2012	2013	2014
Investigation by Ethics Office	Incidents	48	68	68
Disciplinary actions taken against persons involved*	Persons	6	10	15
Number of companies whose businesses with LG Chem have been terminated due to corruption and irregularities	Companies	2	5	8

*Severe disciplinary action or more severe

Improving the Jeong-Do Management System of Chinese Subsidiaries

LG Chem appoints local employees under the Chinese regional holding company(LGCCl) to supervise Jeong-Do Management in the Chinese region and carry out Jeong-Do Management activities that take into consideration local circumstances in China, such as system overhauls, training, promotion, investigation on breaches reported. In 2015, the company dispatched expatriates to help establish the headquarters' Jeong-Do Management System in China.

Implementation Programs and Whistleblowing System

Jeong-Do Management Survey	Jeong-Do Management surveys are regularly conducted among business partners and related employees, and the results are used to prevent unfair practices from recurring and establish directions for improvement
Gift Exchange Reporting System	If gift exchange occurs, it is reported under the gift exchange reporting system and then returned; if the gift cannot be returned, it will be donated to social service centers through an in-house auction
Whistle-blowing System	<ul style="list-style-type: none"> Ethics hotline: System for reporting practices that violate Jeong-Do Management Win-Win Growth system: Grievance system for business partners
Rewarding System	Designed to strengthen transparency and root out corruption in business operations

Compliance Management

Compliance System

LG Chem appointed a compliance officer at the Board of Directors meeting to supervise compliance and controls. The compliance officer inspects the compliance status of the company and its employees and establishes goals and plans for compliance activities. To provide support for the compliance officer's activities, the company operates the Credit Management/Compliance

Team, which identifies and works on any standards, practices or operations of the company that may cause violations of laws or regulations through collaboration with related teams. In 2014, the company's compliance activities included monitoring legal risks related to business partners and providing compliance training to raise employees' awareness of compliance. In 2015, the company will continue to improve risks associated with business partners and extend compliance activities to its overseas subsidiaries.

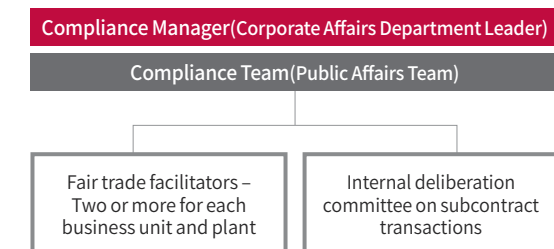
Results of Compliance Activities

Category	2014 Achievements	2015 Plans
Supporting compliance in procurement process of Automotive Batteries	Identified risks violating contracts and laws in procurement processes of the automotive batteries business and monitored business partner management	Long-term procurement contract with key materials/parts suppliers
Supporting compliance in complaint handling process for business partners of Energy Solutions	Identified risks in the quality control process of Energy Solutions and suggested improvement plans	Preparing and sharing the standard Quality Damages Agreement
Issuing Compliance Newsletters regularly	Issued nine compliance newsletters from April to December 2014	Issuing monthly compliance letters
Compliance training	Provided 33 sessions of compliance training by theme and level to 1,734 employees	Diversifying compliance training methods and details, such as function-based or online training, to improve training effectiveness

Fair Trade Compliance Program

LG Chem operates a Fair Trade Compliance Program and became the country's first company in the same industry to declare the Fair Competition Guidelines. The company has established a system for preventing violations of laws, including specific standards for conduct to comply with fair trade laws. In 2014, the company conducted 17 sessions of subcontract monitoring, cartel monitoring/training and other training and provided 187 employees with compliance training at domestic and global subsidiaries.

Compliance Program Organization



Results of Fair Trade Compliance Activities

Category	2014 Achievements	2015 Plans
Subcontract monitoring	<ul style="list-style-type: none"> Ochang and Cheongju plants - Procurement, production, and management coordination teams Petrochemicals division - planning teams Energy Solutions division - procurement teams in Seoul(expanded compared with previous year) 	To be conducted on procurement teams at Ochang and Cheongju plants and other business divisions
Cartel monitoring / training	<ul style="list-style-type: none"> Chinese subsidiaries - Beijing, Tianjin, Shanghai, Ningbo, Guangzhou, Shenzhen Taiwanese subsidiary(LGCE TP) Local sales offices - Incheon, Suwon, Pyeongtaek, Gwangju, Jungbu, Gumi, Changwon, Busan, Ulsan PVC/Plasticizer unit - CA sales(expanded compared with previous year) 	To be conducted on sales teams at each business division
Training	<ul style="list-style-type: none"> Provided guidelines for subcontract transactions Organized workshops for fair trade officers Provided cartel training to IT&E Materials division 	Devising guidelines for subcontract transactions and internal transactions; Providing training and organizing workshops

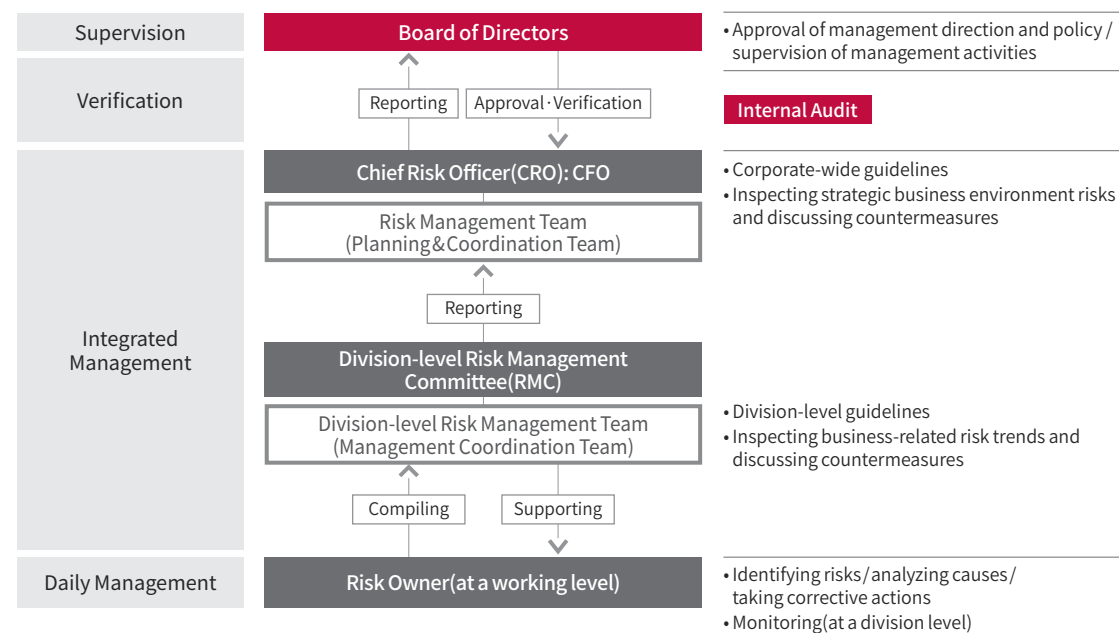
Risk Management

Enterprise Risk Management System

Risks that companies have recently faced include not only direct risks in economic aspects but also indirect and non-financial risks increasingly affecting local communities and the entire supply chain. To manage risks efficiently, LG Chem created a three-stage enterprise risk management system consisting of risk owner-centered daily management(stage1), integrated management by a risk management team(stage2), and supervision by the Board of Directors(stage3).

The company particularly created a system aimed at thoroughly seeking out risks in advance and responding to them through a combination of division-level risk management aligned with the characteristics of different divisions, including procurement, strategy, innovation, and new business development, and corporate-wide integrated risk management. The risk team at each division provides guidelines and forms by which it evaluates estimated risk sizes, durations, and scenario-based actions by issue. The team then reports the overall assessment to the Risk Management Committee(RMC) to continuously identify and respond to potential risks.

Risk Management System



Risk Management Follow-up

If inspection is required, the company conducts a quick assessment(internal audit) and follow-up to prevent risks from occurring for similar issues. In addition, the company evaluates progress against the plan for investments made in the past three years based on sales, income, and the cost of investment. Through follow-up, such as identifying the causes of any deviations from the plan, the company strives to increase the success rates of its future investments.

Internal Control System

The Internal Control System is a series of continuous activities led by the Board of Directors, management, and other members to provide reasonable confidence in its operation, financial reporting, and legal compliance. It is the system aimed at strengthening management's responsibility to secure the confidence of investors in the company and its financial statements. LG Chem operates the internal accounting control system based on the IACS framework to secure the reliability of financial data, effectiveness and efficiency in business operations, and ensure compliance with applicable laws and policies.

Risks of Priority Control

LG Chem identifies risks from various perspectives by analyzing long-term corporate strategies and function-based business processes, evaluates the likelihood and impact of risks, establishes and implements appropriate measures. Particularly, business risks in terms of sales and production and investment-related risks are regularly managed as risks of priority control that directly affect the businesses. As potential risks, the company

also manages emerging risks in social and environmental aspects that may have a direct or indirect significant impact in the long run, such as safety and environmental accident risks and risks arising from changes in carbon policies. In particular, the company started operating a company-wide internal deliberation committee on contracts in 2013 to respond to contract risks with regard to major investment projects due to their increasing numbers, and plans to reinforce related activities in the future.

Risk Category	Major Risks and Potential Impact	Major Activities
Business risk	Risks in sales and production aspects - Decline in long-term growth due to inappropriate business portfolio and inefficient resource management due to lack of response to changes in demand and supply	<ul style="list-style-type: none"> Checking changes in business environment and discussing measures when establishing a long-term strategy(first half) and business plan(second half), reviewing measures by scenario with regard to key indicators such as oil prices and exchange rates Inspecting short-term business environment and risk factors of headquarters and overseas subsidiaries through monthly advance estimates of income and reporting on results In-depth discussion on issues through regular meetings on operating funds
Investment risk	Investment-related risk - Financial losses occur and cash flow worsens if results fall short of the investment plan due to inappropriate investment decisions or changes in the business environment	<ul style="list-style-type: none"> Operating investment committees at business unit level and working to minimize investment risk by assisting in corporate-wide investment reviews if necessary Checking the progress of investment on half-year basis, evaluating it in "green, yellow, or red" based on the cost of investment and KRI(Key Risk Indicators), and incorporating results into interim decision-making Minimizing risks such as legal issues on major on-going projects by operating a company-wide internal deliberation committee on contracts
Indirect risk	Legal/institutional, accounting/financial risks - Impact on business occurs due to external factors such as changes in exchange rates, interest rates, and accounting programs, and legal disputes	<ul style="list-style-type: none"> In-depth discussion on major issues of divisions and on corporate-wide support through monthly staff executive meetings and executive/team leader meetings under CFO(CRO)
	Safety and environmental accident risks - Adverse impact occurs due to direct financial losses such as suspension of business as required by law or penalties, and damaged company reputation	<ul style="list-style-type: none"> Discussing plans to strengthen corporate-wide safety and environmental management through the safety and environmental committee under the CEO Conducting regular audits and special audits on plants at home and abroad Strengthening risk and performance management system by creating an integrated policy and guidelines, and a corporate portal on safety and the environment
	Risk in response to changes in carbon policy - Increases in operating expenses due to investment in energy conservation and in production costs due to emissions purchases	<ul style="list-style-type: none"> Discussing corporate-wide energy and greenhouse gas issues and strengthening the ability to respond through the energy committee under the CEO Making decisions to invest in energy conservation based on priority to maximize effectiveness Minimizing financial impact by estimating the cost of purchasing emissions in advance

Creation and Distribution of Economic Value

Financial Highlights

In 2014, amid tough business conditions, such as declining demand due to the slow global economic recovery and falling product prices due to intensified

competition, LG Chem reported 22.6 trillion KRW in consolidated sales, 1.3 trillion KRW in operating income, and 854 billion KRW in net income, a 32.8% decrease compared with the previous year.

Economic Performance (Unit: %)

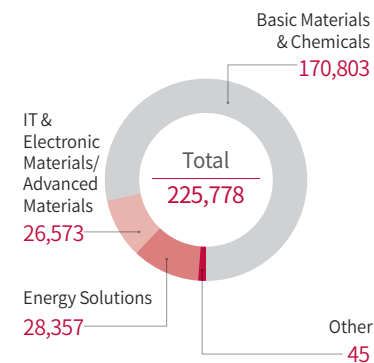
Item	2012	2013	2014	
Stability indicators	Current ratio	171.8	174.7	169.4
	Debt-to-equity ratio	54.0	48.8	47.8
	Dependency on borrowing	27.4	25.7	23.9
Profitability indicators	Operating income margin	8.2	7.5	5.8
	Net income margin	6.5	5.5	3.8
	ROA	9.5	7.5	4.8
Growth indicators	ROE	14.7	11.4	7.3
	Sales growth	2.6	(0.5)	(2.4)
	Operating income growth	(32.2)	(8.8)	(24.8)
	Net income growth	30.6	(15.6)	(32.8)
	Total assets growth	8.5	5.2	3.9

Business Results by Business Area (Unit: 100 million KRW)

Business Area	Item	2012	2013	2014
Basic Materials & Chemicals ¹⁾	Sales	175,143	175,452	170,803
	Operating income	14,362	13,320	11,173
IT & Electronic Materials/Advanced Materials	Sales	32,707	30,248	26,573
	Operating income	4,357	3,789	1,581
Energy Solutions	Sales	24,780	25,736	28,357
	Operating income	387	323	649
Other	Sales	-	-	45
	Operating income	(3)	(2)	(295)
Total	Sales	232,630	231,436	225,778
	Operating income	19,103	17,430	13,108

1) In late 2014, the Petrochemicals Division was reorganized into the Basic Materials & Chemicals Division

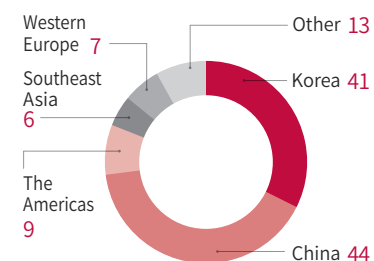
2014 Sales by Business Area (Unit: 100 million KRW)



Ratio of Sales by Region (Unit: %)

Region	2012	2013	2014
Korea	43	43	41
China	42	44	44
The Americas	8	7	9
Southeast Asia	7	6	6
Western Europe	4	5	7
Other	13	13	13
Consolidated Adjustment	(17)	(19)	(20)

2014 Sales by Region (Unit: %)



Distribution of Economic Value

LG Chem fairly distributes profits from its business operations to internal and external stakeholders. In particular, the company discloses amounts paid in taxes in its business and sustainability reports, diligently fulfills

tax obligations, and minimizes long-term tax-related risks. In 2014, the value returned to stakeholders including business partners and academia, employees, government, and local communities was 15 trillion KRW.

Distribution of Economic Value

Stakeholder	Item	Unit	2012	2013	2014
Employees	Total annual payroll ¹⁾	100 million KRW	7,265	9,043	9,999
	Total payroll per capita	Million KRW/ person	62	72	73
Government	Income tax expenses from continuing operations	100 million KRW	3,742	3,307	3,058
Business partners	Materials purchases	100 million KRW	149,262	140,728	134,001
Shareholders & investors	Total dividend	100 million KRW	2,945	2,945	2,945
Local communities	Social partnership expenditure ²⁾	100 million KRW	245	210	196

1) Total payroll amounts do not include benefits, reserves for retirement pay, and executive officers, and are based on Korean data.
2) Social partnership expenditure is based on Korean data.

Purchasing from Business Partners

The amount of the company's purchases on major materials from its business partners in 2014 was 13.4 trillion KRW, and naphtha and EDC accounted for 80%, TAC film and cobalt 9.8%, and anode and cathode materials and sepa-

rators 10.2%. Furthermore, the company is producing indirect economic effects on local communities through local purchasing by its overseas manufacturing subsidiaries.

2014 Purchases of Materials (Unit: 100 million KRW)

Business area	Cost of purchase ¹⁾	Category	Purpose	Supplier
Basic Materials & Chemicals	107,197	Naphtha, EDC, etc.	PE/PVC materials	GS Caltex, OXY Chem, etc.
IT & Electronic Materials / Advanced Materials	13,077	TAC films, cobalt, etc.	Polarizer materials	Fuji, etc.
Energy Solutions	13,727	Anode and cathode materials and separators	Battery materials	Hitachi, Mitsubishi, etc.

1) The amounts are cumulative and do not include internal transactions between consolidated companies.

Talent Management

Human Resources Principles

In order to realize 'Customer-Value Creation' and 'People-Oriented Management,' which are the management philosophies of LG, a series of human resources principles have been established and used as the index of human resources and corporate operation. With the belief that the creativity of individuals is the source of value creation, we respect diversity and autonomy of employees and encourage them to develop their potential and bring out their maximum performance. LG Chem employs the best talents and guarantees fair opportunities without discrimination, and provides the highest compensations to the talents that achieve the highest performance according to our fair and objective evaluation.

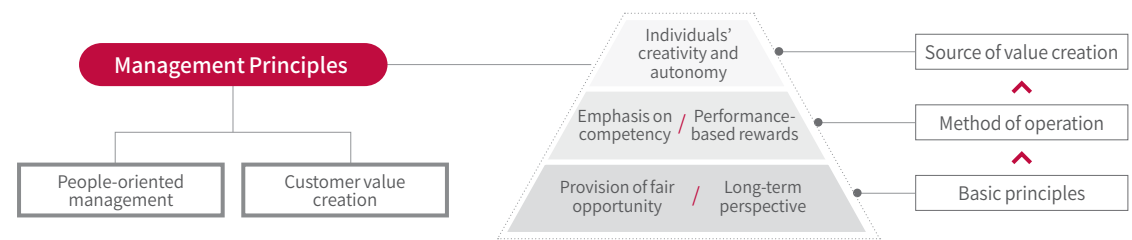
LG Chem upholds the Universal Declaration of Human Rights and the UN Human Rights Commission's UN Guiding Principles on Business and Human Rights(Ruggie

Framework) and commits itself to preventing human rights abuses that may arise from business operations under the UN Global Compact(UNGC) human rights and labor principles. The company also complies with the provisions prohibiting child labor and forced labor so that employees are not forced to work against their will.

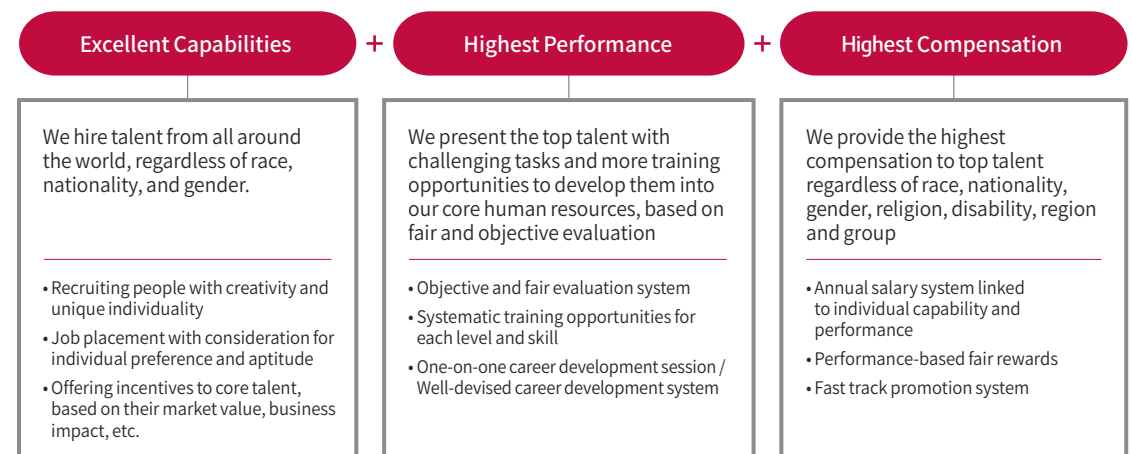
LG Chem's Ideal Employee



LG Chem's HR Principles



Excellent Capabilities, Highest Performance, Highest Compensation



Employee Status

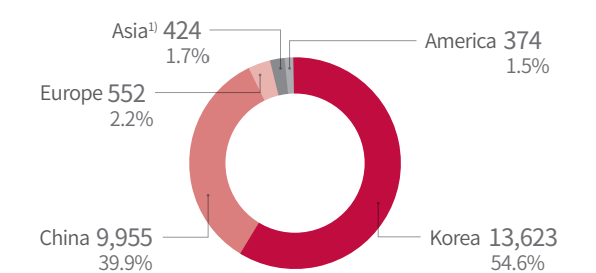
As of late December 2014, LG Chem has a total of 24,928 employees, 54.65% of whom work at domestic operations and 45.35% at global operations. To respond to society's demands that talented female employees be hired and given opportunities for growth, the company increases female employees each year, and female managers represent 4.16% of all managers in support staff positions. There are also 126 employees with disabilities and the company established Haengbok Nuri, a subsidiary-based standard workplace for people with disabilities, to expand the hiring of socially disadvantaged people.

In 2014, LG Chem hired a total of 8,182 employees at all of its plants and 62% of them were male and 38% female. The percentage of retired employees at domestic operations in 2014 was 2.91% and the company maintains the rate at a certain level through retention activities.

Employee Status by Region

LG Chem is taking steps to localize workforces at overseas subsidiaries through the recruitment and development of local top talent. The number of local managers has steadily increased with 330 in 2014, representing 64% of all managers. This was the result of LG Chem's workforce localization strategy.

2014 Employees by Region (Unit: person)



1)Aside from China

2014 Employees by Age (Unit: person)

Category		2012		2013		2014	
		Male	Female	Male	Female	Male	Female
All	Total	14,917	4,580	15,936	5,053	18,629	5,855
Korea	Aged 50 and over	1,300	2	1,430	2	1,659	3
	Aged 40 to 49	2,900	33	3,001	45	3,038	63
	Aged 30 to 39	3,738	483	2,872	684	4,376	617
	Aged 30 and under	2,724	557	4,022	540	3,116	751
	Total	10,662	1,075	11,325	1,271	12,189	1,434
Overseas ¹⁾	Aged 50 and over	188	86	204	69	232	66
	Aged 40 to 49	320	124	331	108	422	124
	Aged 30 to 39	909	644	1,075	831	1,560	1,061
	Aged 30 and under	2,838	2,651	3,001	2,774	4,226	3,170
	Total	4,255	3,505	4,611	3,782	6,440	4,421

Job Creation and Retirement

Category		2012		2013		2014	
		Male	Female	Male	Female	Male	Female
Job creation	Korea(person)	1,136	167	975	238	1,185	216
	Overseas ¹⁾ (person)	2,322	2,173	2,277	2,227	3,913	2,868
Retirement ²⁾	Retired employees (person)	275	66	312	42	336	60
	Retirement rate(%)	2.58	6.14	2.75	3.30	2.76	4.18

1)Overseas: Limited to the Chinese regional holding company(LGCC) and overseas manufacturing subsidiaries
2)Retired employees and retirement rate are limited to Korean operations

Talent Recruitment

Recruiting Global Talent

LG Chem has focused on recruiting global talent. Particularly, the company has organized global talent recruitment events such as “BC Tour & Tech Fair” and “LG Techno Conference.” In 2014, the company expanded BC Tour & Tech Fair to China, which had been held in the U.S. and Japan for the past 10 years. Furthermore, the company is localizing overseas subsidiaries and strengthening their business capabilities by locally recruiting top talent centering on China. LG Chem offers internships to foreign students studying in Korea to locally hire employees through pre-verification and development while also recruiting Korean students studying abroad.

Pre-Employment Programs

LG Chem focuses on recruiting a variety of talent such as R&D talent in next-generation product development and production and process technology engineers who are vital to future growth engines. Those who are selected through the pre-employment programs are given a wide range of opportunities, such as tuition fees, on-site internships, and links to employment. That way, LG Chem is recruiting top talent that will help the company achieve market leadership.

Pre-Employment Programs

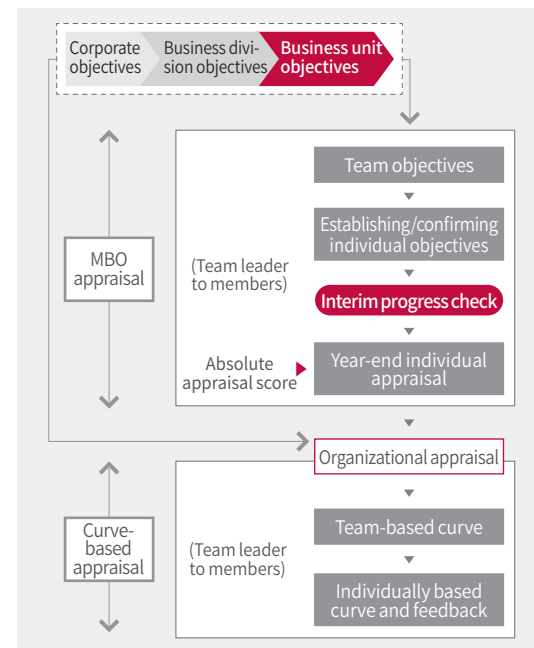
R&D Industrial Scholarship Program	Offering scholarship to R&D masters and doctors at home and abroad with employment guaranteed after graduation
Industry-Academic Collaboration Program	Providing customized training and industrial scholarships to masters, doctors and specialists from universities who have signed an MOU with the company
Global Internship	Nurturing and verifying outstanding undergraduates at home and abroad with various majors, and providing them with mentoring by team leaders to enhance the connection of the program with employment
Industry-Academic Collaboration Internship	Providing a long-term internship (4 months) opportunity, which can be accepted as credits during the school year, to undergraduates with employment guaranteed after graduation

Fair Compensation

Performance-based Compensation

LG Chem provides equal opportunities for individual members to produce results based on creativity and autonomy and offers competitive salary and benefits based on the performance-based HR principles. When measuring performance, the company takes into consideration both the process of producing results and the quality of performance to provide reasonable compensation, promote teamwork, and encourage long-term results.

Aside from evaluating performance against goals, LG Chem also evaluates achievements on the basis of merits/demerits by taking account of domestic and international changes in the business environment regardless of individual capabilities or efforts, and evaluates employees based on the level of difficulty of their jobs and their contributions to their teams. By subdividing evaluation criteria like this, the company ensures fairness in the evaluation process. Furthermore, the company assesses individual employees' abilities to execute their jobs based on the required capabilities and levels of such capabilities by title and position. LG Chem applies a variety of in-depth appraisal criteria, including an attitude evaluation aimed at encouraging members comply with and internalize the common principles of conduct based on the LG Way. In 2014, all of employees eligible for performance appraisals received evaluations.



Benefits

Benefits Programs

For employees to stay focused at work, LG Chem operates a variety of benefits programs that support stability and promote healthy lives. Through the programs, the company instills a sense of pride in employees and creates a great working environment.

Major Benefits Programs

Family Support	• Home loan assistance	Providing loan support to employees with more than a year of service, employee housing and dormitories
	• Scholarships for children	Supporting tuition fees for children attending middle/high schools and universities
	• Family event support	Providing money and vacations for employees' family events
	• Maternity protection support	Providing child care centers at work, pregnancy, maternity and parental leave, vacations
Health Support	• Medical expenses support	Providing medical expenses for employees, their spouses, and children
	• Health examinations	Providing regular health examinations
	• Health counseling and therapy	Providing specialized therapy sessions through health care providers and therapists
Leisure Support	• Operating resorts	Operating three resorts(LG Life Resort, Gonjam, Elysian in Gangchon)
	• Supporting club activities	Supporting activities of about 150 clubs at each of business operations
	• Optional benefits	Use of personal points for self-growth and leisure purposes

Working Women Center

As female labor force participation rates continuously increase, the ratio and importance of female talent at LG Chem also have increased. To create an environment where female employees work more comfortably with creativity and autonomy, LG Chem operates the

Retirement Pension

LG Chem adopted a retirement pension program and operates it according to legal requirements. To provide employees with financial security after retirement, the company has implemented the defined benefit(DB) pension plan and the defined contribution(DC) pension plan.

Working Women Center system. The system, in particular, has been structured to allow employees check and utilize various support programs aligned with their lifecycles(child birth, pregnancy, child care) with increased accessibility and convenience.

Life Cycle	Support Programs
Pregnancy	<ul style="list-style-type: none"> • Days off for examinations during pregnancy • Amenities services during pregnancy(electromagnetic radiation shielding aprons to protect pregnant women and book rentals on child care) • Post-miscarriage leave
Childbirth	<ul style="list-style-type: none"> • Pre- and post-maternity leave • Providing lactation rooms
Child care	<ul style="list-style-type: none"> • Parental leave • Reducing work hours during child care • Providing child care centers at work¹⁾ • Family support therapy program(child care, child education, marriage counseling)

¹⁾Operating at headquarters, Ochang, Cheongju, Yeosu, Daesan, and Daejeon sites

Employees Taking Maternity/Parental Leave

(Unit: Person)

Category	2012	2013	2014
Korea	146	147	163
Overseas	349	400	344

Return to Work after Parental Leave(Korea)

(Unit:%)

Category	2014
Percentage of those returning to work after parental/maternity leave	94
Percentage of those employed at least 12 months after returning to work	92

Collaborative Labor-Management Relationship

LG Chem guarantees the freedom of association and the three labor rights of employees and pursues a horizontal labor-management relationship in which employees and management respect each other's roles on equal footing. Under the management principles "customer value creation" and "people-oriented management," the company is practicing labor-management partnership that encourages participation and collaboration. While gaining a competitive advantage at global levels by continuously producing results, the company defines its vision to build a collaborative labor-management relationship that improves members' quality of life and contributes to society's growth.

LG Chem operates its own model for labor-management cooperation that promotes members' participation and collaboration in corporate management, on-site operations, and collective bargaining related to labor-management relations. In terms of corporate management, the company increases corporate value and value for its members through transparent and open management; in terms of on-site operations, the company ensures the highest productivity through strong teamwork and innovation; and in terms of collective bargaining, the company is building a business-oriented labor-management partnership based on reasonable labor-management practices and productive bargaining.

In 2014, the company discussed issues regarding employment security and the expansion of long-term employment, including an increase in retirement age and the adoption of a peak wage. As a result of labor-management discussions about the timing and method of increasing the retirement age, the retirement age was increased from 58 to 60 and the gradual wage reduction plan was applied more widely.

Trade Union Membership

Category	Unit	2012	2013	2014	
Korea	Members	Person	5,535	5,593	5,863
	Membership percentage	%	75	74	74
Overseas	Members	Person	5,022	5,379	6,234
	Membership percentage	%	92	94	95

Corporate Culture

Direction for Corporate Culture Innovation

To achieve "No. 1 LG," the vision of the LG Way, amid global competition, the company should become a market leader. To that end, the company is building a corporate culture where customer value comes first and the organization has strong abilities to communicate and execute. Members focus more on the essence and fundamentals of creating innovative value for customers and commit themselves to realizing creative ideas. Furthermore, members try to reach their goals in a self-directed way and business units actively collaborate to create synergy.

Corporate Culture Innovation Tasks

To cope with the rapidly changing domestic and international environments, LG Chem has selected and implemented seven tasks for corporate culture innovation with the goal of becoming a market leader.

7 Tasks for Corporate Culture Innovation for Market Leadership

Innovation of Working Styles	
Listening/discussion/practice and simplified protocol	- Listening attentively, discussing fiercely, practicing thoroughly, and saving protocol for customers
Work intensive & smart	- Improving reporting/meetings: Simplifying reports and avoiding unnecessary meetings - Reducing overtime work and work during days off through intensive work - Encouraging vacations for refreshing to increase productivity
Self-directed work	- Despite environmental difficulties, taking on challenges to achieve goals
Promoting collaboration	- Creating synergy between teams/units through collaboration
Adhering to Fundamentals and Principles	
Abiding by safety and environmental principles	- Internalizing the absolute safety and environmental rules
Practicing Jeong-Do Management	- Fair job practices: Honest reporting, fair business partner management, reasonable spending
Complying with work regulations	- Arrivals/departure and attendance management, complying with break times

Corporate Culture Innovation Activities for Market Leadership

LG Chem is creating a corporate culture to offer innovative value to customers and lead the market. To establish a market-leading corporate culture as LG Chem's own culture, the company will implement continuous change and innovation.

Propagating/ Sharing Direction for Corporate Culture Innovation	<ul style="list-style-type: none"> - Sending notices to management and leaders - Helping leaders take the initiative and supporting organizational changes - Incorporating the market-leading module into the essential training programs and sharing details with all employees - Posting Focus Board twice a month (all operation sites at home and abroad)
Innovation Programs for Organizations at Home and Abroad	<ul style="list-style-type: none"> - Providing organizational innovation programs to create a corporate culture with a strong ability to implement - Providing customized programs for employees of overseas subsidiaries to internalize the core values and reform business practices

© Innovation of Working Styles at Overseas Subsidiaries for Market leadership

The company has spread the core values to its automotive batteries manufacturing subsidiary in the U.S., and to six subsidiaries in Poland, Vietnam and Japan. It also implemented the innovation of working styles program to lead the market with an aim to strengthen its global organizational capabilities by incorporating the needs of subsidiaries.

Safety, Health & Environment Management

Safety, Health & Environment System

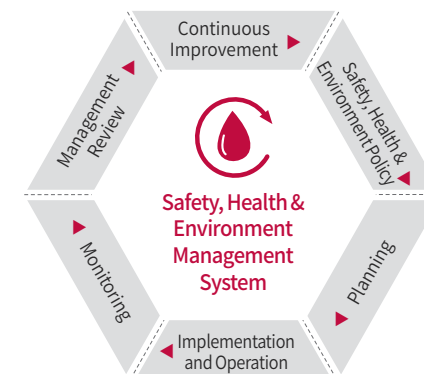
At LG Chem's domestic and overseas operations, detailed policies are established based on corporate management principles and company-wide safety, health and environment policies, and key strategic tasks and objectives are selected and implemented. Each company's safety, health and environment policy, strategic tasks and objectives are developed and implemented through global safety, health and environment management systems including ISO 14001, OHSAS 18001, and KOSHA 18001. These systems are certified by independent agencies and continuously updated through management review. In addition, based on Responsible Care, an international voluntary safety, health and environment program in the chemical industry, LG Chem integrates, overhauls, and operates all related systems, carrying out more effective and ongoing improvement activities.

Safety, Health & Environment Certificates

ISO 14001	Korea	Daesan Naju Paju Research Park	Yeosu Gimcheon Ochang	Ulsan Iksan Cheongju
	Over-seas	Bohai(CN) Dagu(CN) Guangzhou(CN) Vietnam	Beijing(CN) Botian(CN) Tianjin(CN) India	Yongxing(CN) Nanjing(CN) Taiwan Poland
OHSAS 18001	Korea	Daesan Paju Research Park	Yeosu Ochang	Gimcheon Cheongju
	Over-seas	Bohai(CN) Nangjing(CN) Poland	Botian(CN) Yongxing(CN)	Dagu(CN) Taiwan
KOSHA 18001	Korea	Daesan Ochang	Naju	Iksan

*(CN): China

Safety, Health & Environment Management System Flow



RESPONSIBLE CARE

• ISO 14001 / • OHSAS 18001 / • KOSHA 18001

Safety and Environment Committee

LG Chem established a company-wide Safety and Environment Committee to operate and improve its safety, health & environment management system. The committee holds meetings at least twice each year, attended by the safety, health & environment leaders of the company's domestic and overseas operations to share internal and external issues and best practices and discuss capability improvement measures and plans. Through the committee, the company provides various discussions with regard to the more systematic and effective operation of the safety, health & environment management system.

Occupational Safety and Health Committee

LG Chem operates an occupational safety and health committee at each plant, which involves labor-management collaboration in order to prevent risks and health hazards to employees at work. Labor and management deliberate and vote on important issues related to safety and health. The committee has equal representation of labor and management, including representatives of employees and representatives of plants.

Accident and Severity Rates¹⁾ (Unit: %)

Category		2012	2013	2014
Korea	Accident rate	0.35	0.33	0.22
	Severity rate	0.09	0.05	0.05
Overseas	Accident rate	0.60	0.39	0.48
	Severity rate	0.09	0.06	0.07

1) Severity rate: Number of lost work days / Total work hours x 1000

Environmental Investment

LG Chem is continuously stepping up environmental investments to improve the environment.

Environmental Expenditure (Unit: 1,000 KRW)

Category	2012	2013	2014
Korea	27,777,302	52,372,599	41,326,113
Overseas	3,632,474	8,224,079	2,304,847

Water Management

Water Use

LG Chem manages water risks to ensure stable water supply in its manufacturing processes. In addition to managing water for intake purposes, the company also considers the effects of effluents on the ecosystems of intake places and neighboring ecosystems. In 2014, the company used a total of 57,604,481m³.

Water Use Intensity (Unit: m³/product ton)



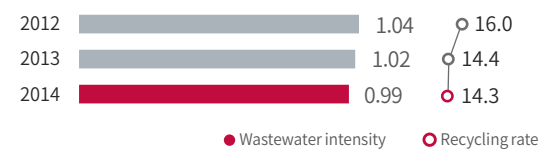
Water Use

Category	Unit	2012	2013	2014	
Korea	Total amount used	m ³	42,930,921	48,132,459	50,649,323
	Intensity	m ³ /product ton	3.31	3.44	3.44
Overseas	Total amount used	m ³	6,268,014	6,786,360	6,955,158
	Intensity	m ³ /product ton	3.20	3.32	3.40

Wastewater Management

LG Chem applies occupational water quality targets management to reduce the releases of contaminants into water and strengthens monitoring based on tightened regulations. Furthermore, the company also introduced the wastewater recycling process to reduce water use, thereby reducing wastewater release and water contaminants. In 2014, the company generated a total of 16,561,448m³ wastewater and the percentage of wastewater recycled was 14.3%.

Wastewater Intensity and Recycling Rates (Unit: m³/product ton, %)



Wastewater Discharge

Category	Unit	2012	2013	2014	
Korea	Total amount discharged	m ³	12,286,422	12,866,046	12,830,118
	Intensity	m ³ /product ton	0.95	0.92	0.87
	Recycling	m ³	1,069,140	889,568	811,724
	Recycling rate	%	8.01	6.47	5.95
Overseas	Total amount discharged	m ³	3,243,403	3,556,683	3,731,330
	Intensity	m ³ /product ton	1.66	1.74	1.82
	Recycling	m ³	1,411,365	1,468,950	1,557,442
	Recycling rate	%	30.3	29.2	29.4

Water Pollutants (Unit: ton/kg/product ton)

Category		2012		2013		2014	
		Amount	Intensity	Amount	Intensity	Amount	Intensity
Korea	COD	566	0.044	635	0.045	684	0.046
	T-N	238	0.018	198	0.014	233	0.016
Overseas	COD	139	0.071	124	0.060	156	0.076

Air Environment Management

LG Chem is reducing air pollutants from their sources by changing processes and/or replacing materials. The company also installed preventive facilities to reduce emissions causing air pollution. Furthermore, among

various efforts to mitigate the effects of air pollution, the company installed a system for automatically measuring emissions from chimneys to monitor air pollutant emission levels in real time.

Air Pollutants (Unit: ton, kg/product ton)

Category		2012		2013		2014	
		Amount	Intensity	Amount	Intensity	Amount	Intensity
Korea	Dust	162	0.012	164	0.012	146	0.010
	NO _x	1,099	0.085	1,039	0.074	1,073	0.073
	SO _x	505	0.039	383	0.027	299	0.020
Overseas	Dust	133	0.068	112	0.055	96	0.047
	NO _x	45	0.023	56	0.027	230	0.112
	SO _x	42	0.022	32	0.015	31	0.015

Materials Use Management

In 2014, LG Chem used 17,199,726 tons of raw materials and its efficient use of materials helped reduce material consumption per ton of product. In addition, the com-

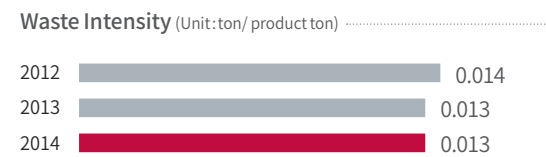
pany used 31,703 tons of recycled materials(based on Korean data).

Raw Materials Used

Category	Unit	2012	2013	2014	
Korea	Total amount used	ton	14,047,496	14,949,131	15,514,628
	Intensity	ton/product ton	1.084	1.069	1.054
Overseas	Total amount used	ton	1,598,744	1,673,929	1,685,098
	Intensity	ton/product ton	0.817	0.818	0.824

Waste Management

LG Chem implements a waste policy to gain cost leadership through ongoing activities to increase the value of waste based on stable disposal. Each plant carries out improvement activities to fundamentally reduce waste from its sources.



Waste Generation

Category	Unit	2012	2013	2014	
Korea	General waste	ton	132,640	121,028	115,609
	Designated(hazardous) waste	ton	30,689	38,253	50,323
	Subtotal	ton	163,329	159,281	165,932
	Intensity	ton/product ton	0.013	0.011	0.011
Overseas	General waste	ton	40,658	39,932	39,565
	Designated(hazardous) waste	ton	8,933	9,189	11,189
	Subtotal	ton	49,560	49,115	50,753
	Intensity	ton/product ton	0.025	0.024	0.025

*In 2014, the percentage of waste recycled at Korean plants is 67%.

Hazardous Chemical Use and Management

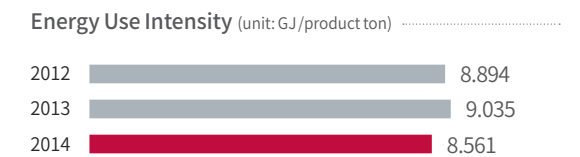
LG Chem strictly manages hazardous chemicals to be handled from receipt to use and disposal.

Hazardous Chemical(Toxic Chemical) Use

Category	Unit	2012	2013	2014	
Korea	Total amount used	ton	2,653,498	3,189,845	3,341,244
	Intensity	ton/product ton	0.204	0.228	0.227
Overseas	Total amount used	ton	1,175,988	1,364,623	1,273,618
	Intensity	ton/product ton	0.601	0.667	0.623

Energy Use and Greenhouse Gas Emissions

LG Chem continuously organizes a variety of reduction activities including energy use reductions to reduce greenhouse gas emissions arising from its manufacturing processes.



Energy Use

Category	Unit	2012	2013	2014	
Korea	Direct energy	TJ	86,589	87,542	83,492
	Indirect energy	TJ	37,048	48,151	51,126
	Subtotal	TJ	123,624	135,676	134,605
	Intensity	GJ/product ton	9.543	9.702	9.145
Overseas	Direct energy	TJ	2,066	2,053	2,254
	Indirect energy ¹⁾	TJ	6,932	7,115	6,652
	Subtotal	TJ	8,998	9,168	8,905
	Intensity	GJ/product ton	4.597	4.482	4.354

1)The amount of indirect energy used in China has been recalculated by applying a new standard for steam calorific value.

Scope 1 and Scope 2 Greenhouse Gas Emissions

Category	Unit	2012	2013	2014	
Korea	Direct emission	tCO ₂ -eq	4,623,589	4,697,356	4,504,759
	Indirect emission	tCO ₂ -eq	1,865,117	2,466,167	2,571,216
	Subtotal	tCO ₂ -eq	6,488,689	7,163,510	7,075,962
	Intensity	tCO ₂ -eq/product ton	0.501	0.512	0.481
Overseas	Direct emission	tCO ₂ -eq	146,605	143,722	159,067
	Indirect emission	tCO ₂ -eq	1,331,967	1,349,380	1,194,699
	Subtotal	tCO ₂ -eq	1,478,572	1,493,102	1,353,766
	Intensity	tCO ₂ -eq/product ton	0.755	0.730	0.662

Scope 3 Greenhouse Gas Emissions(Korea)

Category	Unit	2012	2013	2014
Electricity resold ¹⁾	tCO ₂ -eq	29,360	30,592	27,377
Wastewater discharge	tCO ₂ -eq	17,095	17,607	17,462
Waste disposal	tCO ₂ -eq	12,281	12,740	13,383
Water use	tCO ₂ -eq	14,253	15,980	16,816
Employee business trips ²⁾	tCO ₂ -eq	-	1,398	1,940

1)Past data have been revised because the scope has been expanded.

2)Emissions caused by employee business trips are limited to those arising from transport by car and began to be systematically calculated in 2013.

Greenhouse Gas Emissions Intensity¹⁾

(Unit: tCO₂-eq/product ton)



1) Scope 1, Scope 2 emissions

Appendix

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Memberships/Awards and Recognitions	84

PARTICIPANT INFORMATION

Korea	CSR Team	Quality Planning Team.Energy Solution	Ethics Office	Overseas	LGCCI. Business Planning Team. SH&E Part	LGCE BJ. Security & Facility Team. Environment & Admin PartLGCC TJ. Operating Management. GA Part	LG YX. Administration Team. Administration PartLGCC GZ. S&E Team. S&E Part
	Planning Team. Basic Materials &Chemicals	Safety & Environment Team	Public Affairs Team		LGCCI. Business Coordination Dept. HR Team. GA/PR Part	LG BOHAJ. Factory. Environment Part	LGCE TP. General Affairs Team
	Management Strategy Team. IT&E Materials	Energy/Climate Change Team HR Coordination Team. Daejeon. Research Park	Planning & Coordination Team		LGCCI. Business Coordination Dept. HR Team. Employee Relations Part	LG BOTIAN. Production Team. E&S Part	LGCE MI. Accounting Team
	Management Strategy Department. Energy Solution	Safety & Environment Team	Investor Relations Team		LGCCI. Business Coordination Dept. HR Team. HR Management Part	LG DAGU. Management Dept. HR GA Team. General Affairs Part	LG VINA. General Affairs Department
	Strategic Planning Team. Advanced Materials	Energy/Climate Change Team	HR Planning Team		LGCCI. Business Coordination Dept. HR Development Team. Leadership Part	LGCE NJ. S&E Dept. S&E Team. Environment Part	LGPI. HR Team
	Technology Management Team	Procurement Strategy Team. Basic Materials&Chemicals	Talent Recruiting Team				LGCE WR. Administration Team
	HR Coordination Team. Daejeon. Research Park	Leadership Development Team	Global HR Team				
		Competency Development Team	Corporate Culture Transformation Team				
		Credit Management&Compliance Team	Employee Relations Team				
			HR Service Team				

Independent Assurance Statement

Introduction

DNV GL Business Assurance Korea Ltd.(hereinafter “DNV GL”) is commissioned to carry out the assurance engagement of the 2014 Sustainability Report(hereinafter “the Report”) of LG Chem Co., Ltd.(“LG Chem”). This engagement focused on the information provided in the Report and the underlying management and reporting processes. LG Chem is responsible for the collection, analysis, aggregation and presentation of all information within the Report. DNV GL’s responsibility in performing the work follows terms of reference and scope of work agreed. The assurance engagement is based on the assumption that the data and information provided to us is complete, sufficient and authentic. LG Chem’s stakeholders are the intended recipients of the assurance statement.

Scope of Assurance

This Assurance Engagement covered data and information presented only in the Report. The scope of DNV GL’s Assurance Engagement includes the review and assessment of followings:

- Evaluation of the reporting principles for defining the sustainability report content and the quality in the Global Reporting Initiative(GRI) Sustainability Reporting Guidelines 4.0
- Evaluation of adherence to Accountability principles provided in AA1000 Accountability Principles Standard(APS)2008 with a moderate level of assurance and Type 2
- Check of GRI 4.0 Disclosure level against GRI 4.0 Disclosure option

Limitation

The engagement excludes the sustainability management, performance and reporting practices of LG Chem’s suppliers, contractors and any third-parties mentioned in the Report. DNV GL did not interview external stakeholders as part of this Assurance Engagement. Any financial information from LG Chem’s annual report and company reporting on operations in 2014 or other sources are not included in the scope of the Assurance. Economic performances based on the financial data were cross-checked with internal documents and the audited financial statements. The aggregation and calculation process for building economic performances is reviewed and tested by the verification team. The baseline data for Environmental and Social performance are not verified, while the aggregated data are used for the verification. The qualitative statements addressed in the GRI Content Index are not verified but the audit team has just confirmed that the indicator is reported in the GRI Content Index DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

Verification Methodology

The Assurance Engagement was planned and carried out in accordance with the DNV GL Verification Protocol for Sustainability Reporting (VeriSustain™ V.4.1) and AA1000AS(2008). As part of the verification, we challenged the sustainability-related statements and claims made in the Report and assessed the robustness of the underlying data management system, information flow and controls. In accordance with the VeriSustain, the Report was evaluated with regard to the following criteria: DNV GL has examined and reviewed documents, data and other information made available by LG Chem. We performed sample-based audits of;

- The process for determining the materiality of the contents to be included in the Report.
- The process for generating, gathering and managing the quantitative and qualitative data in the Report.
- The accuracy of data
- Principles of AA1000 Accountability Principles Standard(2008)
- Disclosure option of GRI G4.0
- Visit to Headquarter and Hwachi plant in Yeosu complex of LG Chem in Korea

Conclusion

In DNV GL’s opinion, and based on the scope of this Assurance Engagement, the report provides a reliable and fair representation of LG Chem’s sustainability strategy, policy, practices and performance in 2014. The report is Assurance Statement Nr.: AS_PRJC-517332-2014-AST-KOR_En Page 2/2 prepared “In accordance with Core option” of GRI G4.0. Standard disclosure items assured are indicated in the verification report submitted to LG Chem. Further opinions with accountability principles are made below;

Inclusivity

LG Chem has engaged with a wide range of stakeholders which are shareholders and evaluation agencies, customers, employees, business partners, NGO and local communities, academia and experts, industrial associations, mass media, governments. The report includes a process to derive expectations and interests of internal and external stakeholders. Main issues were clearly represented in the report.

Materiality

LG Chem has formed a sustainability issue pool with benchmarking, global standards, media coverage and internal information for its sustainability and reviewing the material issues reported by peer groups. The material issues are determined by combining the issues which are important for stakeholder and the issues which are relevant for LG Chem in terms of sustainability. The output of the process clearly brings out material issues.

Responsiveness:

LG Chem monitors and reports performances of material issues drawn by the materiality assessment process in the report. The report includes financial(economical) and non-financial(social and environmental) performances. LG Chem states its vision and business strategies with the performances in the report.

Findings in relation to specific sustainability performance information:

DNV GL has evaluated the nature and extent of LG chem’s adherence to the AA1000 Accountability Principles as described above. In addition, the reliability of data and information is evaluated for Type 2 Assurance. DNV GL has interviewed the personnel responsible for the data and information in order to figure out the generation, aggregation and processing of data and information and reviewed the relevant documents and records based on which the statements in the Report are addressed. The reporting of the management performance presented in the Report makes it possible to understand the company’s impact in economic, social and environmental areas, as well as the company’s achievements in those regards. The data owners of LG chem are able to demonstrate to trace the origin and the data source of the specific data and information are identifiable. From our analysis of the data and information, and LG chem’s processes, we conclude that the data and information included in the Report are the results of stable and repeatable activities.

Opportunities for Improvement

The following is an excerpt from the observations and opportunities reported to LG Chem’s management. However, these do not affect our conclusions on the Report and are provided to encourage continual improvement.

- The Data and information in the sustainability report should be gathered and compiled in a consistent manner. It is recommended to establish internal reporting principles and guidelines to improve consistency.

Statement of Competence and Independence

DNV GL is a leading provider of sustainability services, including the verification of sustainability reports. Our environmental and social assurance specialists operate in over 100 countries. DNV GL was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. DNV GL maintains complete impartiality toward stakeholders interviewed during the verification process.

June, 2015

DNV GL Business Assurance Korea Ltd.
Country Representative **In-Kyoon Ahn**



Sustainability Management Index

GRI G4 General Standard Disclosures

■ Core Option

Aspect	Index	Content	Page	External Verification
Strategy and Analysis	G4-1	Statement from the most senior decision-maker of the organization	2, 3	●
	G4-2	Key impacts, risks, and opportunities	8-15	●
Organizational Profile	G4-3	Name of the organization	4	●
	G4-4	Primary brands, products and services	8-15	●
	G4-5	Location of the organization's headquarters	4	●
	G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	4, 5	●
	G4-7	Nature of ownership and legal form	Business Report 244, 254	●
	G4-8	Markets served(including geographic breakdown, sectors served, and types of customers and beneficiaries)	4, 5	●
	G4-9	Scale of the organization(Total number of employees, net sales, total capitalization, products and services)	4, 5	●
	G4-10	Total number of employees	4	●
	G4-11	Percentage of total employees covered by collective bargaining agreements	68	●
	G4-12	Describe the organization's supply chain	40-43, 63	●
	G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	About this report	●
	G4-14	Report whether and how the precautionary approach or principle is addressed by the organization	60, 61	●
	G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	64, 82, 83	●
	G4-16	Memberships of associations(such as industry associations) and national or international advocacy organizations in which the organization	84	●
	Identified Material Aspects and Boundaries	G4-17	Entities included in the organization's consolidated financial statements or equivalent documents	4, 5, Business Report 4-6
G4-18		Process for defining the report content and the Aspect Boundaries	18, 19	●
G4-19		Material aspects identified in the process for defining report content	19	●
G4-20		Report the Aspect Boundary within the organization	18, 19, 22, 26, 30, 34, 40, 44, 48	●
G4-21		Report the Aspect Boundary outside the organization	18, 19, 22, 26, 30, 34, 40, 44, 48	●
G4-22		Effect of any restatements of information provided in previous reports, and the reasons for such restatements	About this report	●
G4-23		Significant changes from previous reporting periods in the Scope and Aspect Boundaries	About this report	●
G4-24		List of stakeholder groups engaged by the organization	57	●
G4-25		Basis for identification and selection of stakeholders with whom to engage	57	●
Stakeholder Engagement		G4-26	Organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	22, 26, 30, 34, 40, 44, 48, 55-57
	G4-27	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	19, 22, 26, 30, 34, 40, 44, 48, 56	●
Report Profile	G4-28	Reporting period for information provided.	About this report	●
	G4-29	Date of most recent previous report	About this report	●
	G4-30	Reporting cycle(such as annual, biennial)	About this report	●
	G4-31	Contact point for questions regarding the report or its contents	About this report	●
	G4-32	The 'in accordance' option the organization has chosen.	About this report	●
Governance	G4-33	Organization's policy and current practice with regard to seeking external assurance for the report	76, 77	●
	G4-34	The governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	56	●
	G4-35	The process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	56	●
	G4-36	Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body	55, 56	●
	G4-37	Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body	55, 56	●
	G4-38	Composition of the highest governance body and its committees	54, Business Report 238-239	●
	G4-39	Report whether the Chair of the highest governance body is also an executive officer(and, if so, his or her function within the organization's management and the reasons for this arrangement)	54	●
	G4-40	The nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members	54	●
	G4-41	Processes for the highest governance body to ensure conflicts of interest are avoided and managed	55	●
	G4-42	The highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	56	●
	G4-43	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	55, 56	●
	G4-44	The processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics	55, 56	●
	G4-45	The highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities	56	●

■ Core Option

Aspect	Index	Content	Page	External Verification
Governance	G4-46	The highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics	54-56	●
	G4-47	The frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	54-56	●
	G4-48	The highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered	56	●
	G4-49	The process for communicating critical concerns to the highest governance body	55, 56	●
	G4-50	Nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them	55	●
	G4-51	Remuneration policies for the highest governance body and senior executives for the below types of remuneration	56	●
	G4-52	The process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management Report any other relationships which the remuneration consultants have with the organization	56	●
	G4-53	How stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable	56	●
	G4-54	Ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees(excluding the highest-paid individual) in the same country*	56, Business Report 250-253	●
	G4-55	The ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees(excluding the highest-paid individual) in the same country	Business Report 250-253	●
Ethics and Integrity	G4-56	Organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	16, Homepage	●
	G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines	58, 59	●
	G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines	58, 59	●

*the median annual total compensation for all employees =73 million KRW the remuneration of the highest compensation(CEO)=1,589 million KRW

GRI G4 Specific Standard Disclosures

Aspect	Index	Content	Page	References and Reasons for Omissions	External Verification
Economic					
Procurement Practices	G4-DMA	Management approach	40		
	G4-EC9	Proportion of spending on local suppliers at significant locations of operation	63		●
Environment					
Energy	G4-DMA	Management approach	30		
	G4-EN3	Energy consumption within the organization	73		●
	G4-EN4	Energy consumption outside the organization	73		●
	G4-EN5	Energy intensity	73		●
	G4-EN6	Reduction of energy consumption	31-33		●
	G4-EN7	Reductions in energy requirements of products and services	31-33		●
	G4-DMA	Management approach	30		
Emissions	G4-EN15	Direct greenhouse gas(ghg) emissions(Scope 1)	73		●
	G4-EN16	Energy indirect greenhouse gas (ghg) emissions(Scope 2)	73		●
	G4-EN17	Other indirect greenhouse gas(GHG) emissions(scope 3)	73		●
	G4-EN18	Greenhouse gas(ghg) emissions intensity	73		●
	G4-EN19	Reduction of greenhouse gas(ghg) emissions	31-33		●
Wastewater and Waste	G4-EN21	NOx, SOx, and other significant air emissions	71		●
	G4-DMA	Management approach	34		
	G4-EN22	Total water discharge by quality and destination	70		●
	G4-EN23	Total weight of waste by type and disposal method	72		●
	G4-EN24	Total number and volume of significant spills	71, 72, Business Report 266		●
	G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and realted habitats significantly affected by the organization's discharges of water and runoff	70		●
Products and Services	G4-DMA	Management approach	22, 26		
	G4-EN27	Extent of impact mitigation of environmental impacts of products and services	24, 29		●

Labor Practices and Decent Work				
Occupational Health and Safety	G4-DMA	Management approach	34	
	G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	69	●
	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	69	●
	G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	36, 39	●
	G4-LA8	Health and safety topics covered in formal agreements with trade unions	69	●
Training and Education	G4-DMA	Management approach	44	
	G4-LA9	Average hours of training per year per employee by gender, and by employee category	47	●
	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	45-47, 67	●
	G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	66	●
Social				
Local Communities	G4-DMA	Management approach	30, 34, 48	
	G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	49-51	●
	G4-SO2	Operations with significant actual and potential negative impacts on local communities	70-73	●
Anti-Competitive Behavior	G4-DMA	Management approach	40	
	G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	59, Business Report 266	●
Product Responsibility				
Customer Health and Safety	G4-DMA	Management approach	26	
	G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	27-29	●
	G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	27, Business Report 266	●

GRI G4 Specific Standard Disclosures – Other Disclosures

Category	Index	Indicators Contents	Page	References and Reasons for Omissions	External Verification
Economic					
Economic Performance	G4-EC1	Direct economic value generated and distributed	62-63		●
	G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	30		●
	G4-EC3	Coverage of the organization's defined benefit plan obligations	67		●
Market Presence	G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	Business Report 250-251		●
	G4-EC6	Proportion of senior management hired from the local community at significant locations of operation	65		●
Indirect Economic Impacts	G4-EC7	Development and impact of infrastructure investments and services supported	51, 63		●
	G4-EC8	Significant indirect economic impacts, including the extent of impacts	63		●
Environment					
Raw Material	G4-EN1	Materials used by weight or volume	71		●
	G4-EN2	Percentage of materials used that are recycled input materials	71		●
Water	G4-EN8	Total water withdrawal by source	70		●
	G4-EN10	Percentage and total volume of water recycled and reused	70		●
Compliance	G4-EN29	monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Business Report 45, 266, 267		●
Transport	G4-EN30	significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	73		●
Overall	G4-EN31	Total environmental protection expenditures and investments by type	69		●
Supplier Environmental Assessment	G4-EN32	Percentage of new suppliers that were screened using environmental criteria	35, 37		●
	G4-EN33	significant actual and potential negative environmental impacts in the supply chain and actions taken	35, 37		●
Environmental Grievance Mechanisms	G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	42		●

Labor Practices and Decent Work				
Employment	G4-LA1	Total number and rates of new employee hires and employee turnover	65	●
	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	67	●
	G4-LA3	Return to work and retention rates after parental leave, by gender	67	●
Labor/Management Relations	G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	68	No regulations, but notify the union ●
Diversity and Equal Opportunity	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	65	●
Equal remuneration for women and men	G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Business Report 250-251	●
Supplier Assessment for Labor Practices	G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	58, 59	●
Labor Practices Grievance Mechanisms	G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	58, 59	●
Human Rights				
Investment	G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	58	●
Non-discrimination	G4-HR3	Total number of incidents of discrimination and corrective actions taken	-	No case ●
Freedom of Association and Collective Bargaining	G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	68	●
Child Labor	G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	64	●
Forced or Compulsory Labor	G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	64	●
Assessment	G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	58	●
Supplier Human Rights Assessment	G4-HR10	Percentage of new suppliers that were screened using human rights criteria	58	●
	G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	59	●
Human Rights Grievance Mechanisms	G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	58	●
Social				
Anti-Corruption	G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	58	●
	G4-SO4	Communication and training on anti-corruption policies and procedures	58	●
	G4-SO5	Confirmed incidents of corruption and actions taken	58	●
Public Policy	G4-SO6	Total value of political contributions by country and recipient/beneficiary	-	No donations to political parties or politicians ●
Compliance	G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Business Report 266	●
Supplier Assessment for Impacts on Society	G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	42, 58, 59	●
Grievance Mechanisms for Impacts on Society	G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	58, 59	●
Product Responsibility				
Product and Service Labeling	G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	27	●
	G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	Business Report 266	●
Customer Privacy	G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	-	No case ●
Compliance	G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Business Report 266	●

ISO 26000(International Guideline on Social Responsibility)

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EICC(Electronic Industry Citizenship Coalition)

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10 Principles of UN Global Compact

10 Principles	Contents	Page
Human Rights	1. Businesses should support and respect the protection of internationally proclaimed human rights; and	Based on LG Group's principle of People-oriented Management, LG Chem advocates internationally declared human rights protection norms such as the UN Global Compact. Based on this, we protect labor rights at the company and strengthen the human rights item in the evaluation process of our suppliers, striving to manage and prevent human rights issues.
	2. make sure that they are not complicit in human rights abuses.	58, 49~51, 64, 70~73 58, 59
Labor	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	68
	4. the elimination of all forms of forced and compulsory labor;	LG Chem established a fair HR principle, provides equal opportunities and compensation to its employees, and complies with international conventions on the prohibition of child labor and forced labor.
	5. the effective abolition of child labor; and	64
Environment	6. the elimination of discrimination in respect of employment and occupation.	4, 47, 65, 66, 67, 81, Business reports 250~251
	7. Businesses should support a precautionary approach to environmental challenges;	LG Chem follows GHG emission regulations and joins GHG reduction initiatives at home and abroad by setting up goals to reduce GHG emission and energy intensity in each operation. In addition, the company operates the Energy Committee and the Energy Management System, and applies an eco-friendly system to all stages from product development to manufacturing.
	8. undertake initiatives to promote greater environmental responsibility; and	24, 29, 30, 69~73
	9. encourage the development and diffusion of environmentally friendly technologies.	30~39, 69~73 24~29, 31~33, 69
Anti-Corruption	10. Businesses should work against corruption in all its forms, including extortion and bribery.	Since the declaration of Jeong-Do Management in 1995, LG Chem spares no effort to end corruption by introducing the Compliance Program(CP) for fair trade, implementing the Gift/Money Receipt Reporting System, strengthening the code of conduct, and carrying out law-abiding activities by theme

Membership of Organizations and Associations

Organizations and Associations			
Korea Fair Competition Federation	Korea Employers Federation	Korea Petrochemical Industry Association	Korea Battery Industry Association
Business Institute for Sustainable Development(BISD) of KCCI	Korea Economic Research Institute	Korea Fire Safety Association	Korea Information Display Society(KIDS)
Korea Display Industry Association	Korea Institute for Firm Contribution	Korea Smart Grid Association	Korea Chlor Alkali Industry Association
Maekyung Safety & Environment Leaders Club	Korea Management Association	Korean Society of Automotive Engineers	Korea Technical Association of The Pulp and Paper Industry
International Institute of Synthetic Rubber Producers(IISRP)	Korea Mecenat Association	Korea Electronics Association	Korea Chemicals Management Association
Federatin of Korean Industries	Korea International Trade Association	Korea Products Safety Association	Korea Chemical Industry Council of KCCI
Korea Business Council for Sustainable Development	Korea Vinyl Environmental Council	Korea Power Exchange	Korea PC/BPA Council
Korea AEO Association	Korea Industrial Technology Association	Korea Electric Engineers Association	UNGC Korea Network
Korea Association For Chief Financial Officers	Korea Listed Companies Association		

Awards & Recognitions

Award Description	Awarding Body
Grand Prize at the Corporate Sustainability Management Award 2014	The Korea Economic Daily, EFC
Dow Jones Sustainability Indices(DJSI), Asia Pacific & Korea	S&P Dow Jones Indices, RobecoSAM
Carbon Disclosure Project(CDP) Awards : Sector Leader for Raw Materials	CDP Korea
2014 Best Report Award in the Manufacturing Sector, KRCA	Korea Standards Association
2014 Korea Good Company in Petrochemical Industry	Korea Standards Association
2013 Best Disclosure Practice Company	Korea Exchange
IR52 Jang Yeong-sil Award	Ministry of Science, ICT, and Future Planning, Korea Industrial Technology Association, Maeil Business Newspaper
The 28th Incheon Award of Science and Technology Division (Jin-Nyoung Yoo, President, Leader of Research Park)	Incheon Memorial Foundation, Dong-A Ilbo
Ungbi, Order of Science and Technological Merit in 'The INNOPOLIS 40th Anniversary' (Myung Hwan Kim, Executive Vice President, Leader of Battery R&D Center)	Ministry of Science, ICT, and Future Planning, INNOPOLIS
Iron Tower, Order of Industrial Service Merit in Creation of jobs (Minhwan Kim, Senior Vice President, CHO)	The Ministry of Employment and Labor

LG CHEM 2014

SUSTAINABILITY REPORT

2014 LG Chem Sustainability Report

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 Sustainability Indices**
 In Collaboration with RobecoSAM



This is our **Communication on Progress** in implementing the principles of the United Nations Global Compact and supporting broader UN goals.

We welcome feedback on its contents.



