

Plus for Collaborative Growth,
Minus for Supply Chain Risks

2024 LG Energy Solution

Supply Chain Sustainability Report

About This Report

[Report Overview]

This report represents the inaugural publication by LG Energy Solution focused on sustainable supply chain management, highlighting activities conducted up to 2024. It introduces LG Energy Solution's supply chain management framework, aligned with global sustainability disclosure standards, including Governance, Strategy, Risk Management, Metrics and Targets. These align with the European Sustainability Reporting Standards (ESRS) and the International Sustainability Standards Board (ISSB). To ensure transparency in supply chain management efforts, LG Energy Solution plans to publish this report annually and make it available on its official website.

[Reporting Period]

This report covers supply chain management activities and achievements up to December 31, 2024.

[Reporting Scope]

The report encompasses LG Energy Solution's entire supply chain, detailing policies, processes, ongoing activities, and future plans dedicated to building a sustainable battery ecosystem.

[Disclaimer]

This report contains details of current or past activities, achievements, as well as future forecasts, projections, and estimates for LG Energy Solution's sustainable growth and social value creation.

Words or phrases such as "outlook," "anticipate," "estimate," "expect," "plan," "target," "schedule," and similar expressions refer to forecasts, projections, or estimates of the future. These are only based on our reasonable assumptions, projections and expectations as of the date of this report. Consequently, they involve significant known and unknown risks and uncertainties, and actual results may differ from these forecasts, projections and estimates. LG Energy Solution does not guarantee the accuracy or completeness of the judgments, estimates and assumptions presented in this report. Furthermore, LG Energy Solution assumes no obligation to update or correct any changes in the information underlying any future forecasts, projections or estimates after the publication of this report.

Please note that this report cannot be used as evidence for investors' decision-making or as evidence of legal liability for investment results under any circumstances.

INQUIRIES REGARDING THE REPORT

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CEO Message



“

LG Energy Solution is committed to building a sustainable battery ecosystem through various activities aimed at minimizing ESG risks in the supply chain.

”

Greetings to LG Energy Solution Stakeholders,

As a leading company in the global battery industry, LG Energy Solution is striving to create a sustainable and better future. Under our ESG vision, "We CHARGE toward a better future," we deliver differentiated value to our clients, proactively respond to evolving ESG regulations and policies worldwide, and enhance our ESG competitiveness to exceed market expectations.

LG Energy Solution has established and operates a supply chain risk management system in compliance with OECD Guidelines for responsible raw material procurement. Through thorough due diligence and inspection, we continuously manage risks related to human rights and the environment, ensuring that social issues such as forced labor are proactively addressed. Additionally, we are pursuing the RE100 target across the entire value chain to reduce carbon emissions within our supply chain. All activities and related information are systematically managed through IT systems and are utilized in our shared growth initiatives and training programs to enhance the ESG capabilities of our partner companies.

Detailed strategies for supply chain operations, key achievements, and future plans can be found in this Supply Chain Sustainability Report. Through this report, we hope to engage more deeply with all of our stakeholders. LG Energy Solution remains committed to advancing its supply chain ESG activities and transparently disclosing the results.

We kindly ask for your continued encouragement and support on LG Energy Solution's journey toward enhanced sustainability and realizing ESG values.

Thank you.

January 2025

CEO of LG Energy Solution

Kim, Dong Myung

Building a Sustainable Global Battery Ecosystem

LG Energy Solution manages supply chain ESG risks across various areas, including human rights, labor, ethics, and the environment, based on global standards and supply chain management policies and processes. Additionally, to build a sustainable battery ecosystem, the company is strengthening communication not only with its Tier-1 suppliers but also with a broader network of supply chain partners participating in ESG initiatives.

LG Energy Solution _Suppliers Network



LG Energy Solution's
Key Manufacturing Facilities



Suppliers' Location



2024 HIGHLIGHTS

Strengthening Supply Chain Risk Management

[Enhancing the Forced Labor Risk Management System]

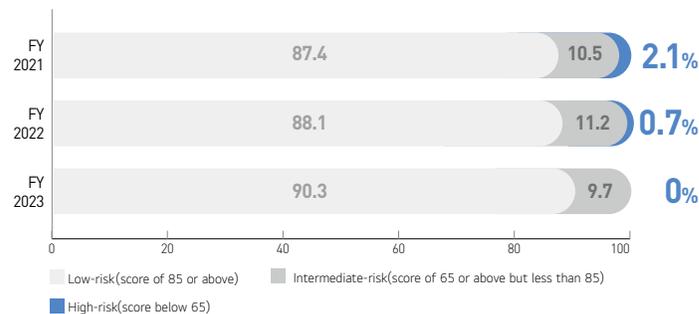
Establishing a system to address forced labor risks in the supply chain



[Annual ESG Self-Assessment Questionnaire (SAQ) and Third-Party Due Diligence for Tier-1 Suppliers*]

Ongoing reduction in the proportion of high-risk suppliers based on SAQ for Code of Conduct compliance

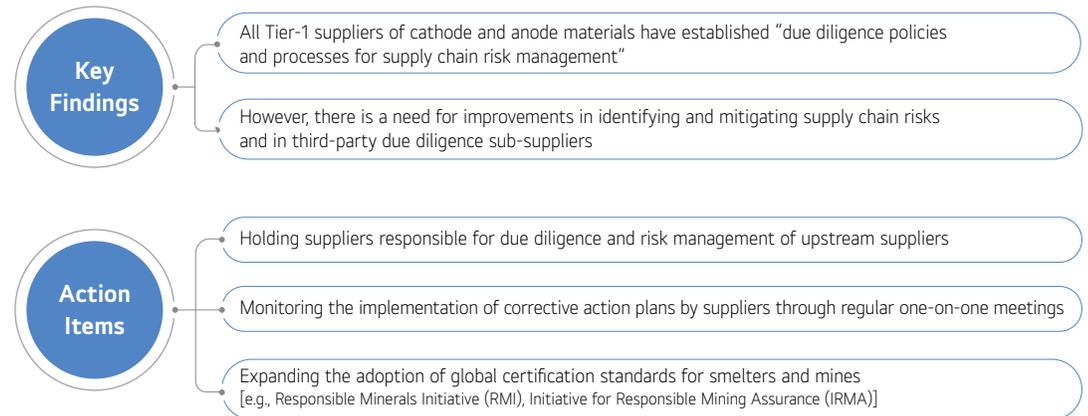
* Suppliers identified as high-risk through SAQ, or those with a significant transaction volume with the LG Energy Solution Poland site, were selected for third-party on-site audits and improvement measures.



[Third-Party Due Diligence of Core Raw Materials]



PERIOD 2023-2024
CRITERIA Evaluation of supply chain risk management systems and ESG risk assessments of suppliers' facilities, based on the OECD Guidelines' five-step framework
TARGET Tier-1 and selective Tier-2 suppliers of cathode and anode materials, including the four core raw materials (Lithium, Nickel, Cobalt, and Graphite) subject to due diligence requirements under the EU Battery Regulation



2024 HIGHLIGHTS

Enhancing Supplier Capabilities

[Support for Suppliers to Achieve Sustainable Growth]



Supplier Training

- Global ESG regulatory trends and requirements
- Compliance with subcontracting laws



Support for Shared Growth

- Adoption of standardized subcontracts
- Implementation of financial support programs and improvement of payment terms



Mutual Competitiveness Enhancement

- Supplier ESG Assessment
- Hosting Shared Growth Day, Partner's Day events

[Additional Training Programs to Address Regulations]

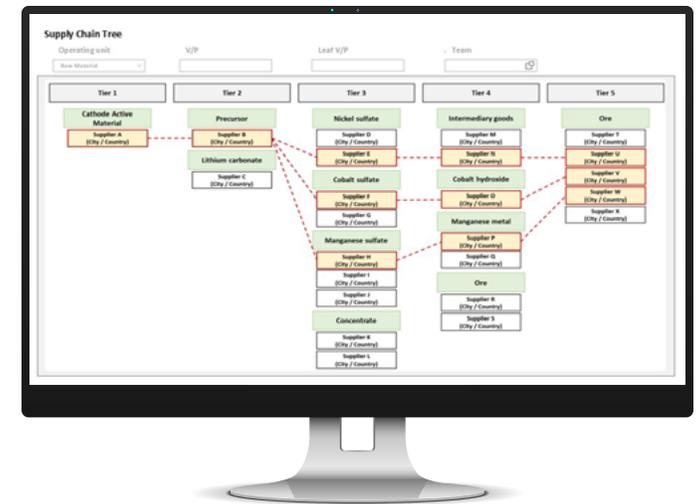
- 1 Understanding the Code of Conduct for Suppliers and ESG Assessments
- 2 Briefing sessions on the EU Battery Regulation and carbon footprint compliance for suppliers
- 3 Supply chain traceability management training to address global regulatory requirements



Operation of IT Systems for Supply Chain Management



Systematic management of performance in supply chain mapping, due diligence, and carbon reduction activities, while ensuring supply chain traceability to comply with global regulation.



Sustainable Supply Chain Management Framework

BUILDING A SUSTAINABLE BATTERY ECOSYSTEM

LG Energy Solution's Core Values



People

Respecting for human rights
Fostering diversity, equity and inclusion
Providing a safe and healthy workplace



Planet

Addressing climate change
Creating a circular economy
Protecting biodiversity



Community

Supporting local economic growth
Addressing community issues

GOVERNANCE



Supply Chain ESG Management Organization

International standards and frameworks*

Responsible Sourcing Policy



Code of Conduct for Suppliers



Company-wide ESG policy

Global Human Rights & Labor Policy

Global Health and Safety Policy

Global Environmental Policy

Code of Ethics



*OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, OECD Due Diligence Guidance for Responsible Business Conduct, OECD Guidelines for Multinational Enterprises, UN Guiding Principles on Business and Human Rights, ILO Conventions and Declarations on Human Rights, etc.

STRATEGY



1 Management of Human Rights and Environmental Risks in the Supply Chain

Promote due diligence and carbon reduction activities, prioritizing regulatory compliance and stakeholder engagement

2 Strengthening the Supply Chain Traceability

Develop and continuously update IT systems for the systematic management of supply chain risks

3 Enhancing Supplier Capabilities

Implement collaborative growth initiatives and conduct supplier training programs

4 Promoting Communication and Engagement with Stakeholders

Strengthen networks with diverse stakeholders

RISK MANAGEMENT



Due Diligence Management System (DDMS)

Step 1 Establish due diligence framework

Step 2 Verify supply chain risks

Step 3 Mitigate risks

Step 4 Conduct independent third-party due diligence

Step 5 Public disclosure

Supply Chain Due Diligence

Forced Labor Risk Management

METRICS AND TARGETS



Responsible Supply Chain Management

Operation of a human rights management system aligned with global regulatory requirements

Securing traceability of materials, including conflict minerals

Expansion of the scope of due diligence and certification standards

- Management of RMI Smelter Certifications and IRMA Mine Certifications Status

Addressing Climate Change

Carbon Neutral Roadmap

- 2030: Achieve RE100 for all Tier-1 suppliers

- 2040: Extend RE100 for core value chains

- 2050: Realize carbon neutrality across the entire value chain

Management of Carbon Reduction Performance and Sourcing of Low-Carbon Materials

Governance + Supply Chain ESG Management Organization & Related Policies

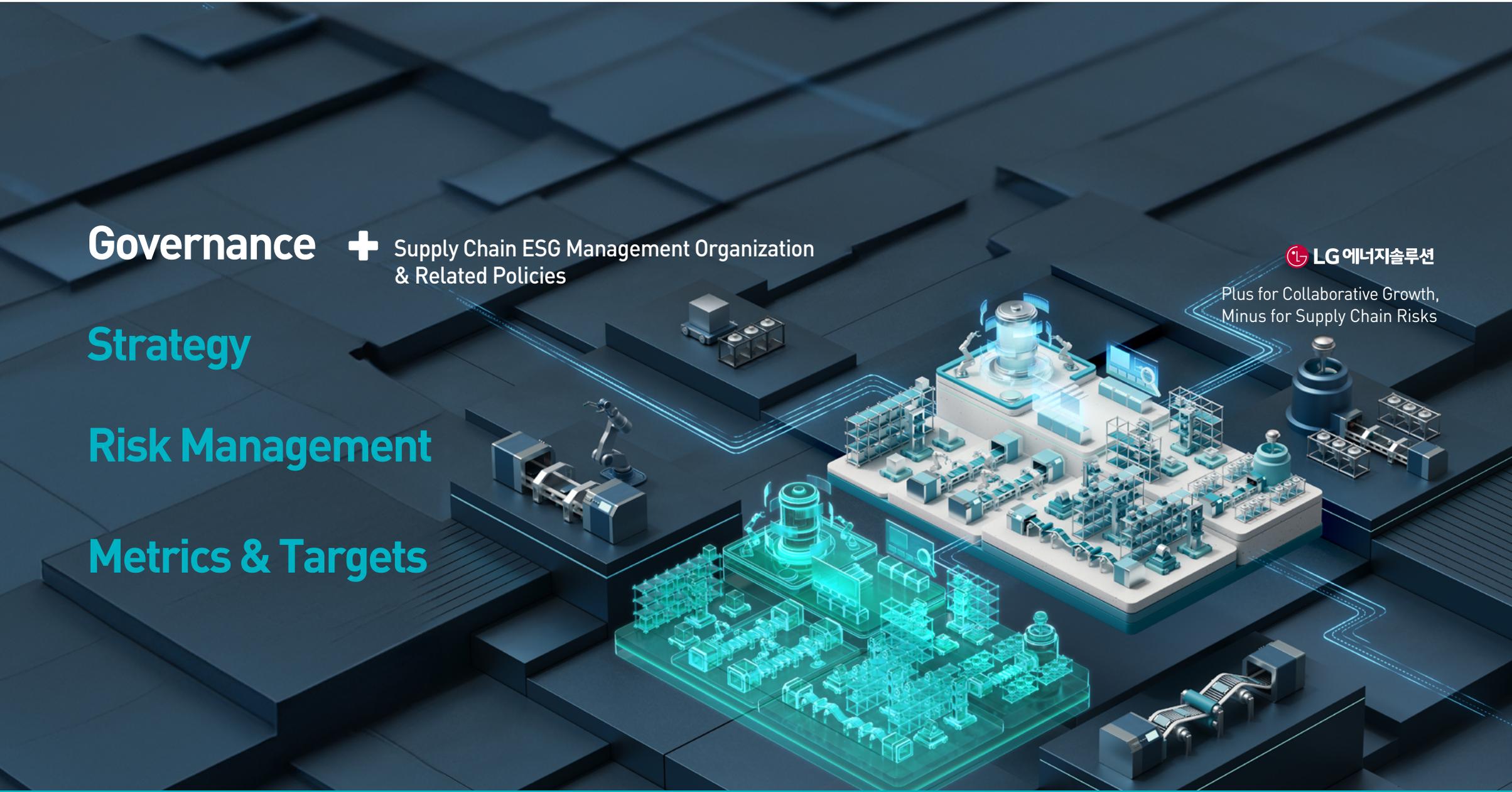
Strategy

Risk Management

Metrics & Targets

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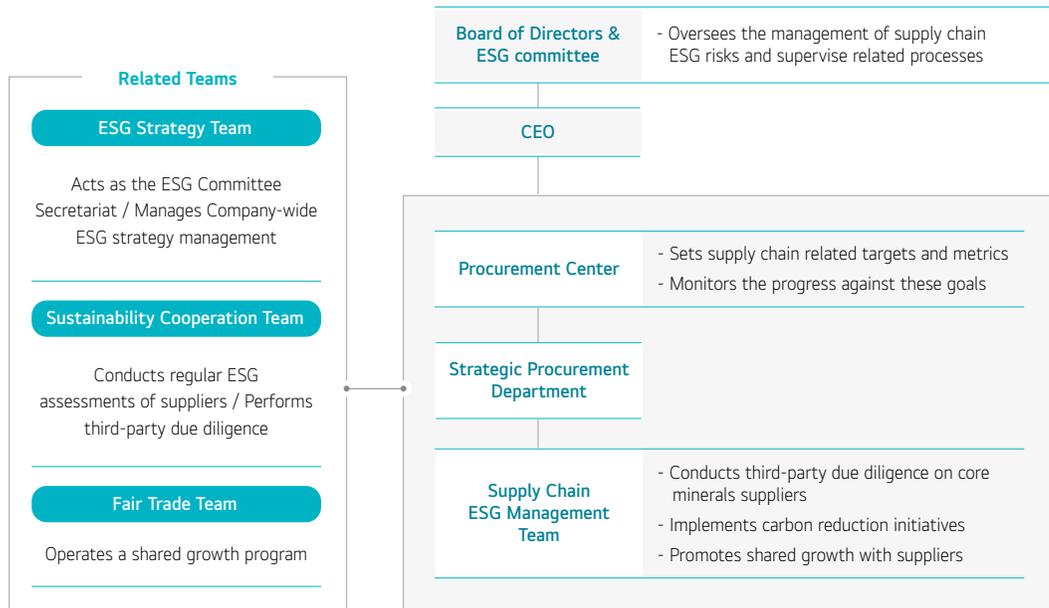
GOVERNANCE

[Supply Chain ESG Management Organization]

Supply Chain ESG Governance

LG Energy Solution systematically manages ESG risks across the supply chain through the dedicated Supply Chain ESG Management Team within the Procurement Center, which reports directly to the CEO. The team collaborates with various departments, including the ESG Strategy Team, the Sustainability Cooperation Team, and the Fair Trade Team. The Supply Chain ESG Management Team is tasked with establishing and implementing supply chain due diligence policies and carbon reduction strategies, improving supplier communication, and overseeing shared growth activities. The progress and performance of these activities are regularly reported to the Board of Directors and the ESG Committee.

[Supply Chain ESG Organizational Structure]



[Policies Related to Responsible Sourcing]

Responsible Sourcing Policy

LG Energy Solution established its Responsible Sourcing Policy in 2020, incorporating principles and goals aimed at minimizing human rights and environmental risks within the battery material supply chain. The policy was revised in 2022 to reflect updated practices and complies with both domestic and international regulations and standards. It strives to build a transparent and trustworthy supply chain through close collaboration with suppliers.

Code of Conduct for Suppliers

The Code of Conduct for Suppliers is grounded in LG Energy Solution's ESG policies and outlines the fundamental principles that suppliers must follow in areas such as human rights and labor, environment, safety and health, and ethical management. All Tier-1 suppliers conducting business with LG Energy Solution are required to submit an annual compliance pledge for the Code of Conduct. Furthermore, all suppliers are encouraged to ensure that their sub-suppliers adhere to standards equivalent to those outlined in the Code of Conduct. LG Energy Solution plans to continually update the Code of Conduct to reflect global regulations and stakeholder expectations.

[Responsible Sourcing Management Framework]

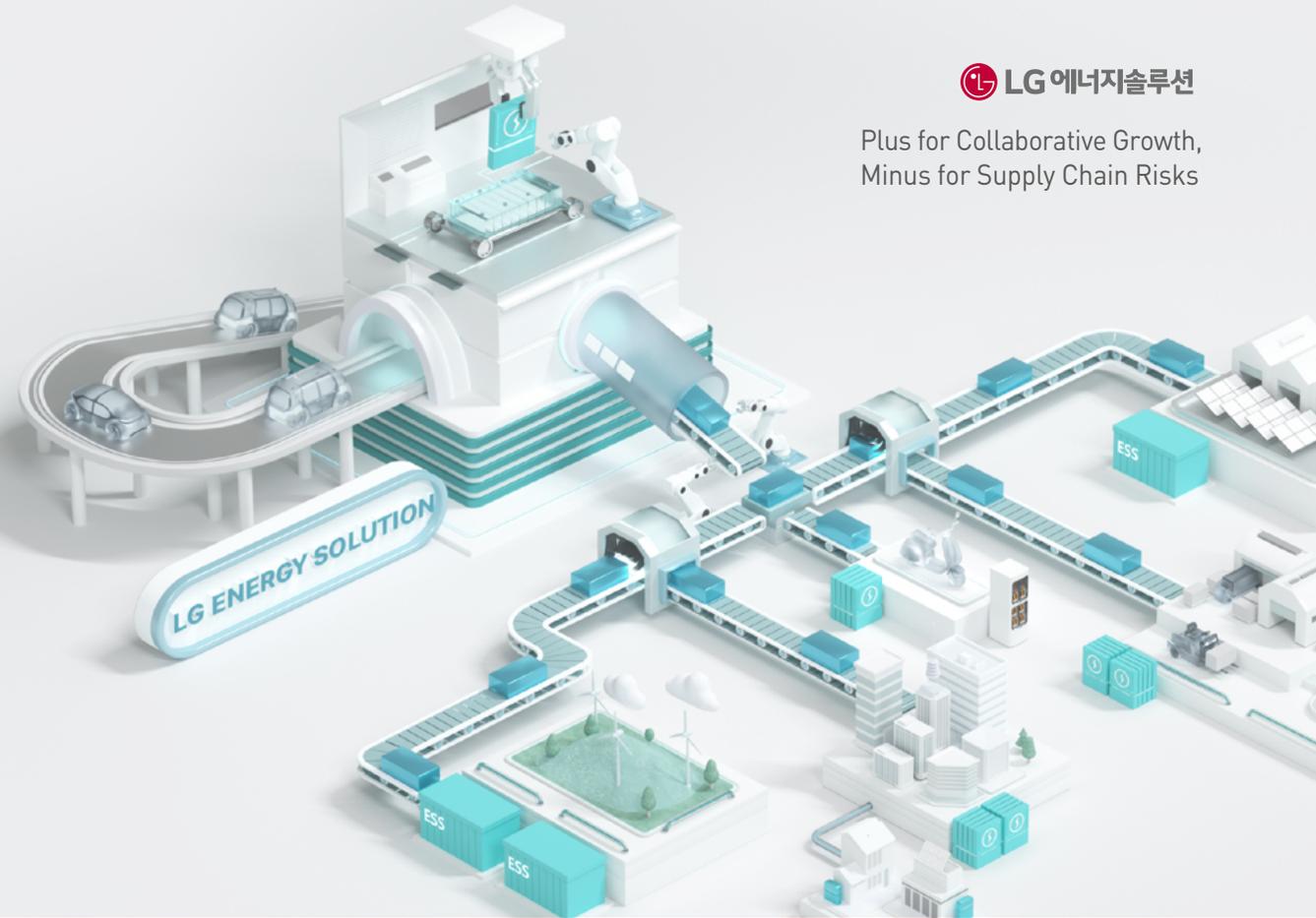


Governance

Strategy + Major Action Plans and Activities for Sustainable Supply Chain Operations

Risk Management

Metrics & Targets



 **LG 에너지솔루션**

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STRATEGY 1 [Management of Human Rights and Environmental Risks in the Supply Chain]

“In response to supply chain-related regulations and client requirements, LG Energy Solution is promoting risk-based supply chain due diligence and carbon reduction initiatives.”

Major Supply Chain ESG Regulations

Recent global regulations have introduced extensive management, oversight, and due diligence obligations concerning supply chain risks, particularly affecting major automotive OEMs and battery manufacturers like LG Energy Solution.

[Key Regulations]

EU Corporate Sustainability Due Diligence Directive (CSDDD)	<ul style="list-style-type: none"> - Mandates due diligence to identify and prevent negative impacts within the value chain - Non-compliance can result in fines up to 5% of the company's worldwide net sales from the preceding financial year, and potential civil liability
EU Forced Labor Regulation (FLR)	<ul style="list-style-type: none"> - Prohibits distribution of goods linked to forced labor within the region at all supply chain stages to eradicate forced labor and promotes responsible business practices, with possible sanctions for non-compliance - Requires diligent management, including continuous monitoring of forced labor risks across the supply chain
U.S. Uyghur Forced Labor Prevention Act (UFLPA)	<ul style="list-style-type: none"> - Presumes goods manufactured in the Xinjiang Uyghur Autonomous Region are products of forced labor and bans their importation into the U.S. - Requires comprehensive documentation to trace the supply chain, such as purchase orders, invoices, and certificates of origin - Goods may be detained by U.S. Customs and Border Protection if compliance is not substantiated
EU Battery Regulation (EUBR)	<ul style="list-style-type: none"> - Obliges disclosure of eco-friendliness and safety from raw material mining and production to waste battery collection and recycling - Requires information collection throughout the entire battery life cycle
EU Carbon Border Adjustment Mechanism (CBAM)	<ul style="list-style-type: none"> - Requires monitoring and reporting of carbon emissions by supply chain entities - Mandates payment of a carbon price for emissions generated during production - Imposes fines and import bans for non-compliance

Supply Chain Due Diligence Based on a Risk-Based Approach

With the implementation of stricter supply chain due diligence regulations in the EU and other major markets, the demands for compliance from clients and stakeholders have intensified. In response, LG Energy Solution has formulated a due diligence strategy for high-risk, core raw material supply chains, adhering to a risk-based approach as recommended by international supply chain due diligence standards, such as those of the OECD (Organization for Economic Co-operation and Development) and the UNGP (UN Guiding Principles on Business and Human Rights).

LG Energy Solution applies its supply chain management goals and strategies through relevant policies and codes of conduct to all suppliers. It systematically monitors risks across the entire supply chain through grievance mechanisms and active stakeholder communication.

LG Energy Solution conducts supplier screening, considering annual spend, business relationships, country- and minerals-specific risks of respective supplier. The selected group of suppliers based on such standards among Tier-1 suppliers is subjected to annual ESG evaluation, which includes ESG SAQ and third-party audits. For the suppliers of high risk or potential risk identified in the above process, additional on-site audits are conducted by third-party agencies. To comply with the EU Battery Regulation's due diligence requirements, LG Energy Solution evaluates the maturity of supply chain management systems for Tier-1 and selected Tier-2 suppliers of cathode and anode materials using third-party agencies. Tier-1 suppliers are tasked with due diligence on Tier-2 suppliers to ensure continuity in supply chain management. The company plans to gradually expand due diligence and certification efforts for smelters and mines by applying global standards in collaboration with upstream suppliers.

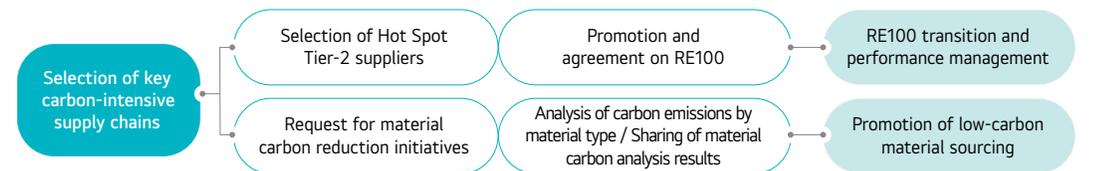
Forced Labor Risk Management

LG Energy Solution has established a dedicated task force to proactively prevent and manage human rights risks, such as forced labor within the supply chain. The company continuously monitors related issues using supply chain mapping data, AI tools, and public information. A remediation process is in place based on risk levels, and suppliers must submit information about their sub-suppliers, thereby continuously enhancing the management system.

Supply Chain Carbon Reduction

To meet regulatory and client carbon reduction requirements, LG Energy Solution conducted Life Cycle Assessments (LCAs) to quantitatively analyze and evaluate the environmental impact that occurs in the life cycle - from raw material collection to processing, transportation, use and disposal and identified key carbon-intensive supply chains. LG Energy Solution is supporting suppliers in achieving their carbon reduction targets by encouraging RE100 at Tier-1 suppliers of core materials and Tier-2 suppliers of carbon Hot Spot materials (e.g. Cathode active material and precursors, etc.) and promoting low-carbon material sourcing as a primary goal for 2024.

[Key Carbon Reduction Initiatives]



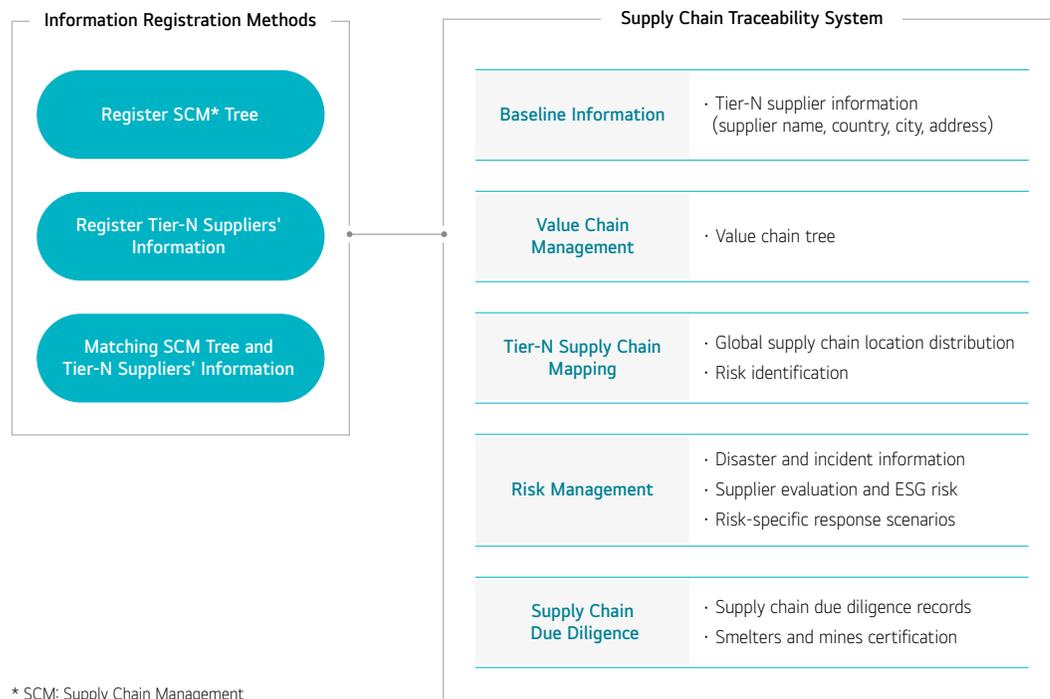
STRATEGY 2 [Strengthening Supply Chain Traceability]

“Through the supply chain traceability system, we aim to ensure continuity in risk management across all tiers of suppliers and systematically manage the records of supply chain due diligence.”

Supply Chain Traceability System

In response to the increasing complexity of policies and ESG regulatory requirements in major countries, LG Energy Solution established a supply chain traceability system in 2024 to proactively secure and manage essential supply chain information for regulatory compliance. The company plans to systematically manage cumulative data on supply chain due diligence and carbon emissions through an integrated system, enabling swift and accurate responses to supply chain-related information requests from various stakeholders.

[System Overview]



* SCM: Supply Chain Management

Key Functions of the Supply Chain Traceability System

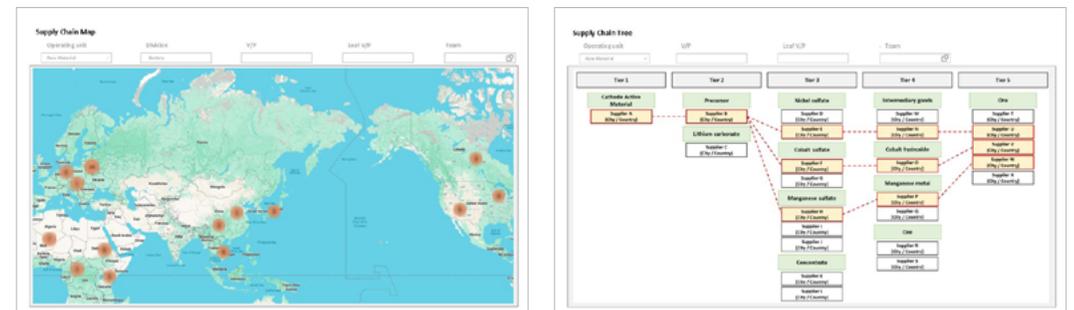
Tier-N Supply Chain Risk Management

Leveraging a multi-tier supplier database, LG Energy Solution secures material-specific supply chain mapping information. This enables the rapid identification of high-risk suppliers in the event of disasters, accidents, or ESG risks, and facilitates assessments for potential supply disruptions or regulatory violations.

Management of Due Diligence Data

Through the system, LG Energy Solution collects due diligence and external certification results from primary suppliers regarding their sub-suppliers. These results are managed via dashboards, and any supplier identified as non-compliant is requested for corrective actions and supporting evidence to ensure proactive compliance with global supply chain regulations.

[Tier-N Supply Chain Monitoring and Risk Management Dashboard]



STRATEGY 3 [Enhancing Supplier Capabilities]

“We support strengthening the ESG management capabilities of our suppliers through training and shared growth programs.”

Supplier Training

LG Energy Solution seeks to enhance its suppliers' understanding and implementation of supply chain ESG strategies through training programs.

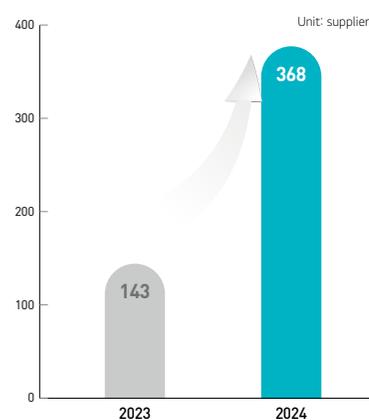
The company invites external experts to conduct tailored training sessions on topics such as responding to global supply chain regulations, based on the specific needs of suppliers. Feedback on satisfaction and understanding from these sessions are incorporated into future programs to maximize practical effectiveness. As a result, new training programs were introduced in 2024, covering topics like trends in supply chain due diligence and insights into EU battery regulations, which led to increased supplier participation compared to 2023.

Moving forward, LG Energy Solution plans to expand education programs aligned with suppliers' needs and global regulatory trends to strengthen management continuity and build a sustainable supply chain ecosystem.

[Supplier Training Performance in 2024]

Theme	Topic of Training	No. of Participating Suppliers
Global Regulations Compliance	Supply Chain Due Diligence Trends and Implications	106
	EU Battery Regulation	59
	Supply Chain Traceability System	408
Shared Growth	Subcontracting Act Compliance	120
	Self-development, Technological Innovation, etc.	58
Total		751

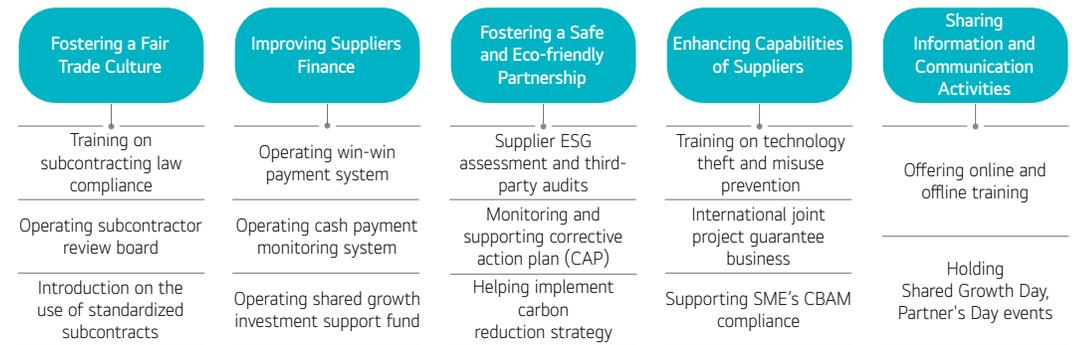
[No. of Participating Suppliers]



Support for Shared Growth with Suppliers

LG Energy Solution promotes sustainable growth and mutual success for its suppliers through five Key Shared Growth Strategies: fostering a fair trade culture, improving suppliers finance, fostering a safe and eco-friendly partnership, enhancing capabilities of suppliers, and sharing information and communication activities.

[Five Major Shared Growth Strategies]



Strengthening Supplier Networking

To reinforce networking with suppliers, LG Energy Solution held its first Shared Growth Day event in 2024, encouraging active participation in shared growth programs. During the Partner's Day event held in November, the company shared its business strategy and vision with over 80 employees from partner companies, seeking their collaboration and support. Additionally, LG Energy Solution awarded the "Supplier Awards" to 20 partner companies that contributed to fostering win-win partnerships and building a sustainable supply chain. This initiative aims to strengthen trust with partners and enhance mutual competitiveness.



STRATEGY 4 [Promoting Communication and Engagement with Stakeholders]

"We engage and collaborate with various stakeholders-including clients, suppliers, initiatives, NGOs, local communities, and investors-to establish a sustainable battery ecosystem."

Strengthening Communication and Collaboration with Stakeholders

LG Energy Solution is strengthening communication and engagement with stakeholders to comply with global regulations that mandate supply chain due diligence and actively address human rights and environmental risks. By leveraging communication channels tailored to each stakeholder group, the company collaborates organically with stakeholders to prevent and mitigate adverse impacts. As a company connecting the upstream and downstream sectors of the battery ecosystem, LG Energy Solution integrates stakeholder needs and expectations into decision-making for supply chain ESG management. The company remains dedicated to meeting stakeholder expectations and fostering a sustainable supply chain ecosystem.

Clients

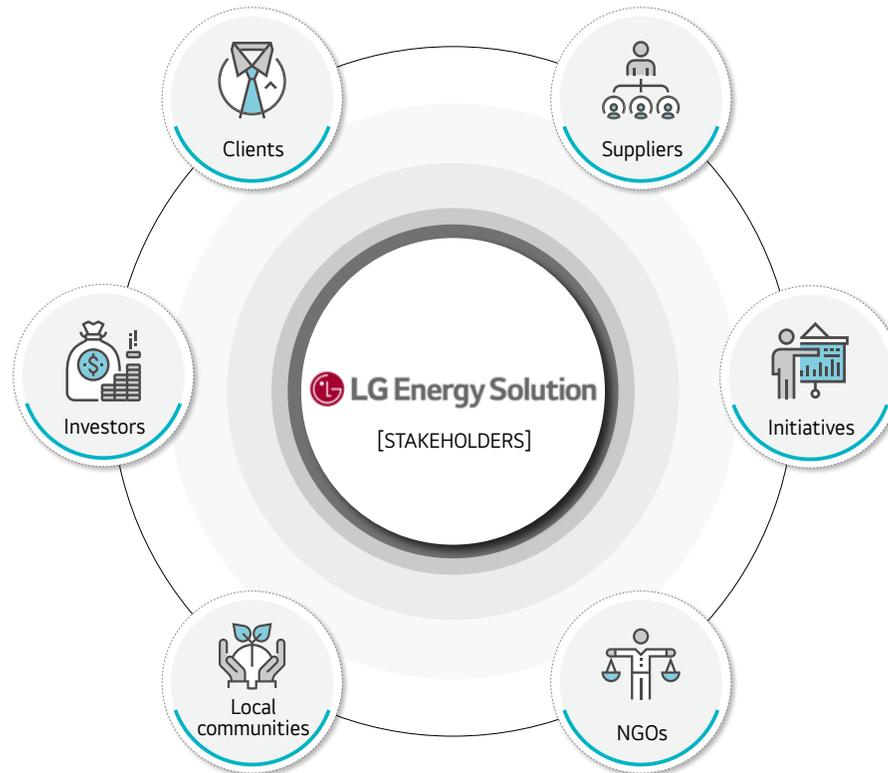
- Provides evaluation and due diligence results on human rights and environmental risks within the supply chain from a regulatory compliance perspective
- Shares key carbon reduction performance results, including RE100 and low-carbon material sourcing

Investors

- Shares the status of supply chain due diligence management systems and risk mitigation measures
- Communicates ESG strategies and performance, and gathers feedback

Local Communities

- Communicates regarding environmental and social impacts on communities near the battery supply chain
- Carries out social contribution activities to promote coexistence and shared growth with local communities



Suppliers

- Conducts human rights and environmental risk assessments and due diligence within the supply chain
- Educates suppliers on the Code of Conduct and requires the extension and application of core principles to sub-suppliers
- Holds regular one-on-one meetings to monitor CAP
- Organizes networking events such as Partner's Day and Shared Growth Day

Initiatives

- Contributes to establishing battery supply chain management standards
- Discusses ways to identify and mitigate supply chain risks
- Participates in annual conferences, forums, and other networking events

NGOs

- Addresses concerns about human rights and environmental risks within the supply chain
- Investigates and implements corrective measures for received grievances and share the results

STRATEGY 4 [Promoting Communication and Engagement with Stakeholders]

"We engage with global initiatives to establish management standards and work collectively to address human rights and environmental issues."

Cases of key initiative activities

Case 1 Participation in the 2nd Wave of the Battery Passport Pilot Project



"LG Energy Solution formed a consortium in 2024 to participate in the Global Battery Alliance (GBA) Battery Passport Pilot Project."

LG Energy Solution joined the 2nd wave of the GBA Battery Passport Pilot along with eight major battery manufacturers worldwide (two from Korea and six from China), together accounting for over 80% of electric vehicle batteries. During this pilot, LG Energy Solution collected data from Tier-N suppliers on three key areas: greenhouse gas emissions, environmental and human rights due diligence, and forced labor. Through these efforts, the company proactively secured the necessary data for building the Battery Passport system by engaging and supporting its suppliers throughout the process.

As a GBA Board member, LG Energy Solution actively collaborates with various stakeholders, including global battery value chain companies, governments, NGOs, and associations. The company continues to strive for the establishment of ESG data standards for the Battery Passport, covering product carbon footprint, environmental impact assessment, and supply chain human rights monitoring.

Case 2 Efforts to Eliminate Forced Labor and Child Labor



"Joined the Fair Cobalt Alliance (FCA) in 2022 as the first Korean company, expanding networks with various stakeholders and engaging in community support activities."

LG Energy Solution has been actively supporting the activities of the FCA to eradicate forced and child labor by providing power facilities to schools located near artisanal and small-scale mines (ASM) cobalt mines in the Democratic Republic of Congo (DRC). The company also supports initiatives such as enrolling preschool children and supplying safety equipment to workers.

Going forward, LG Energy Solution will continue to actively participate in the FCA to improve conditions for stakeholders affected by cobalt mining. As an FCA Steering Committee member, the company will serve as a bridge to foster collaboration across the entire supply chain, managing ESG risks even for mining operators without direct contractual relationships.

Case 3 Utilizing Global ESG Management Standards



"Joined the Responsible Business Alliance (RBA) in 2021 as the first Korean battery company."

The RBA is an industry coalition aimed at strengthening corporate social responsibility across global supply chains, with over 250 major companies including Apple, Google, Volkswagen, and Tesla participating. LG Energy Solution has adopted the RBA's global code of conduct, which covers labor, health and safety, environment, business ethics, and management systems, to ensure responsible supply chain management.

Additionally, the company joined the Responsible Labor Initiative (RLI) and Responsible Minerals Initiative (RMI), both under the RBA. The RLI focuses on addressing issues such as forced labor, child labor, and improving working conditions, while the RMI aims to address human rights and environmental issues in the procurement of minerals like cobalt.

By actively participating in these major global initiatives, LG Energy Solution is committed to ethical and transparent mineral sourcing and improving labor, human rights, and environmental conditions throughout the global supply chain.

Governance

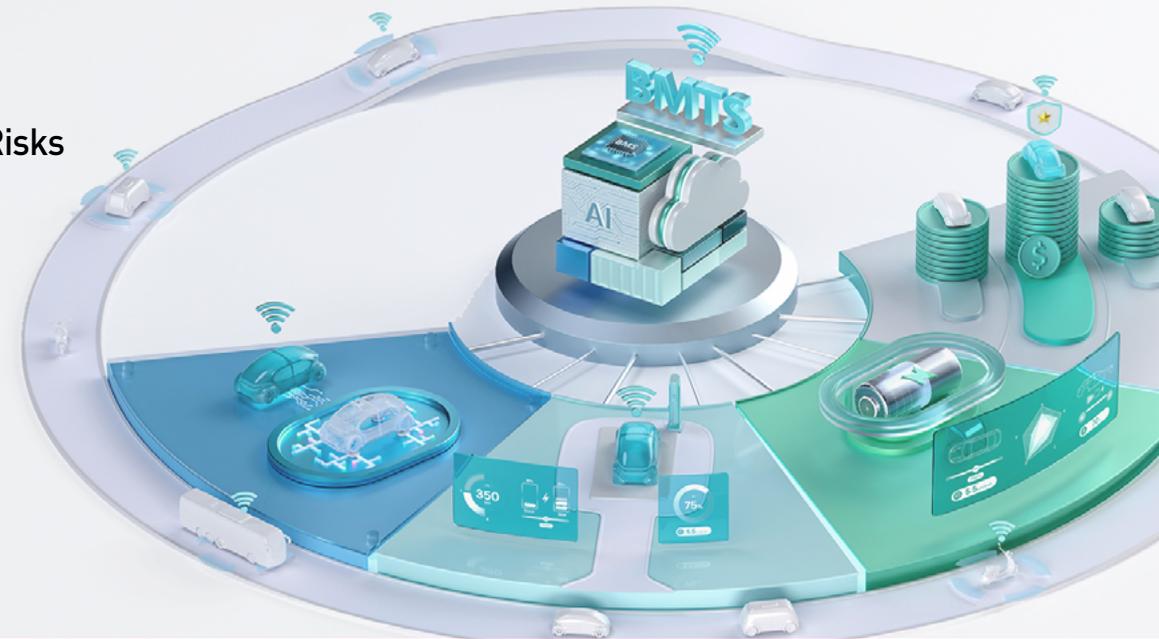
Strategy

Risk Management + Processes and Due Diligence
Activities for Minimizing ESG Risks
in the Supply Chain

Metrics & Targets

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Plus for Collaborative Growth,
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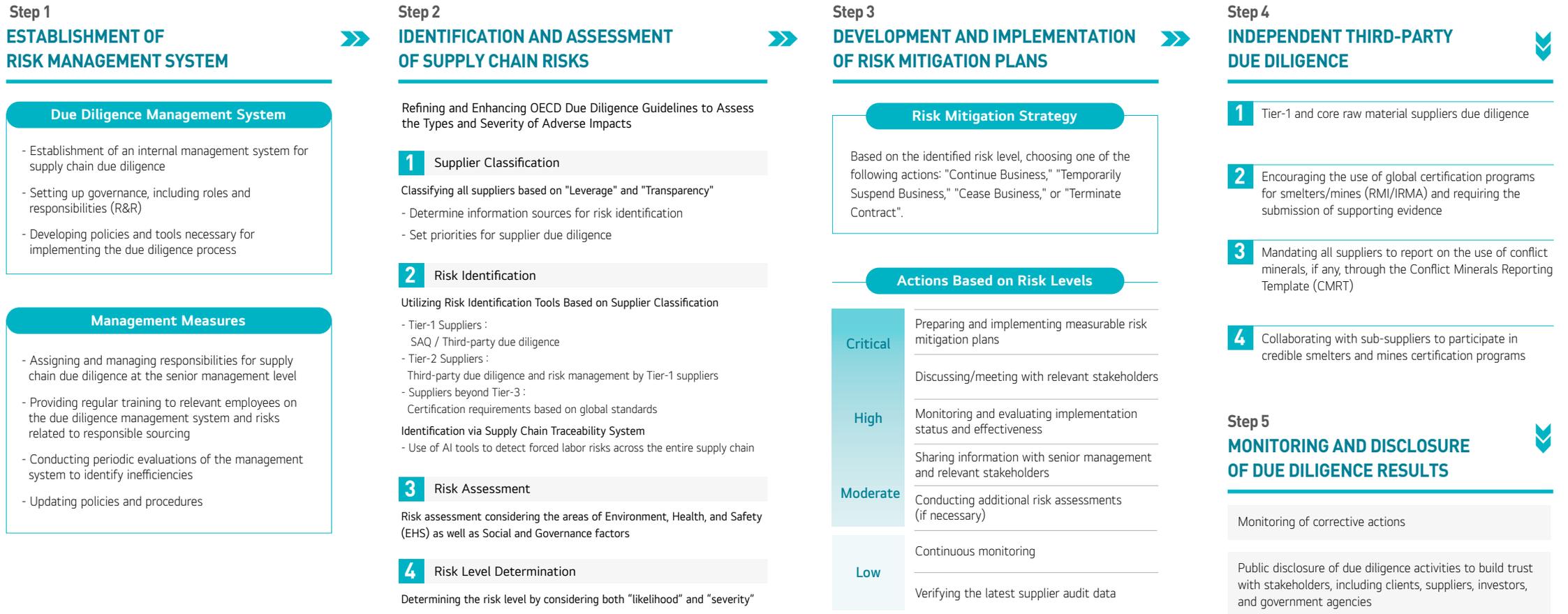


RISK MANAGEMENT 1 [Supply Chain Due Diligence Process]

"We have established a supply chain due diligence process based on international standards such as OECD and UNGP to manage supplier risks and aim to continuously expand the scope of our due diligence management."

Supply Chain Due Diligence Process

LG Energy Solution has established a supply chain due diligence process based on international standards such as the 'OECD Due Diligence Guidance' and the 'UN Guiding Principles on Business and Human Rights'. This process is regularly updated to reflect the requirements of global regulations like the EU CSDDD. The process follows the five-step framework of the OECD Due Diligence Guidance, covering ① ESG assessments and on-site audits for Tier-1 suppliers and ② due diligence for core raw material supply chains.



RISK MANAGEMENT 2 [Regular ESG Evaluation for Tier-1 Suppliers]

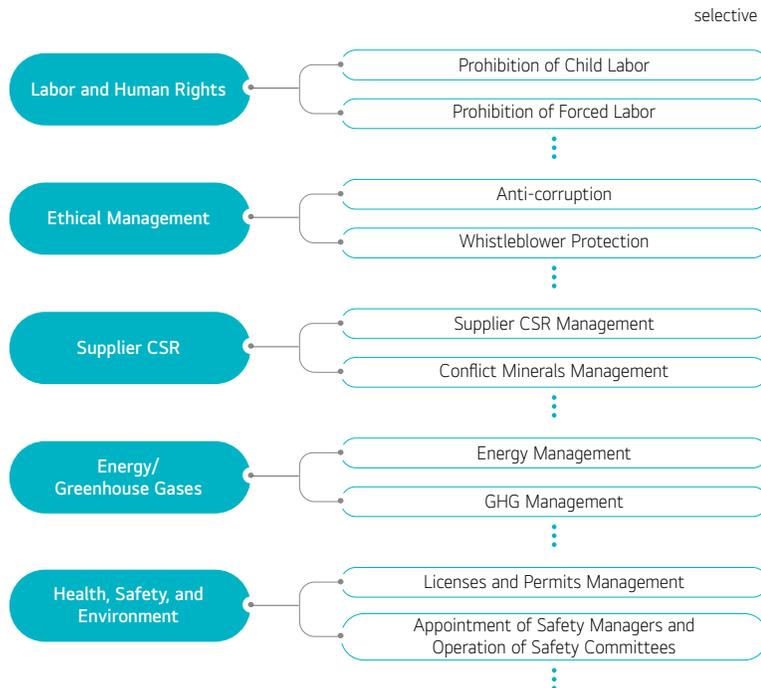
"The regular supplier ESG evaluation helps us to systematically manage the risks of significant Tier-1 suppliers with whom we have direct trading relationships and minimize ESG High-Risk Group."

Evaluation of Suppliers Based on ESG SAQ

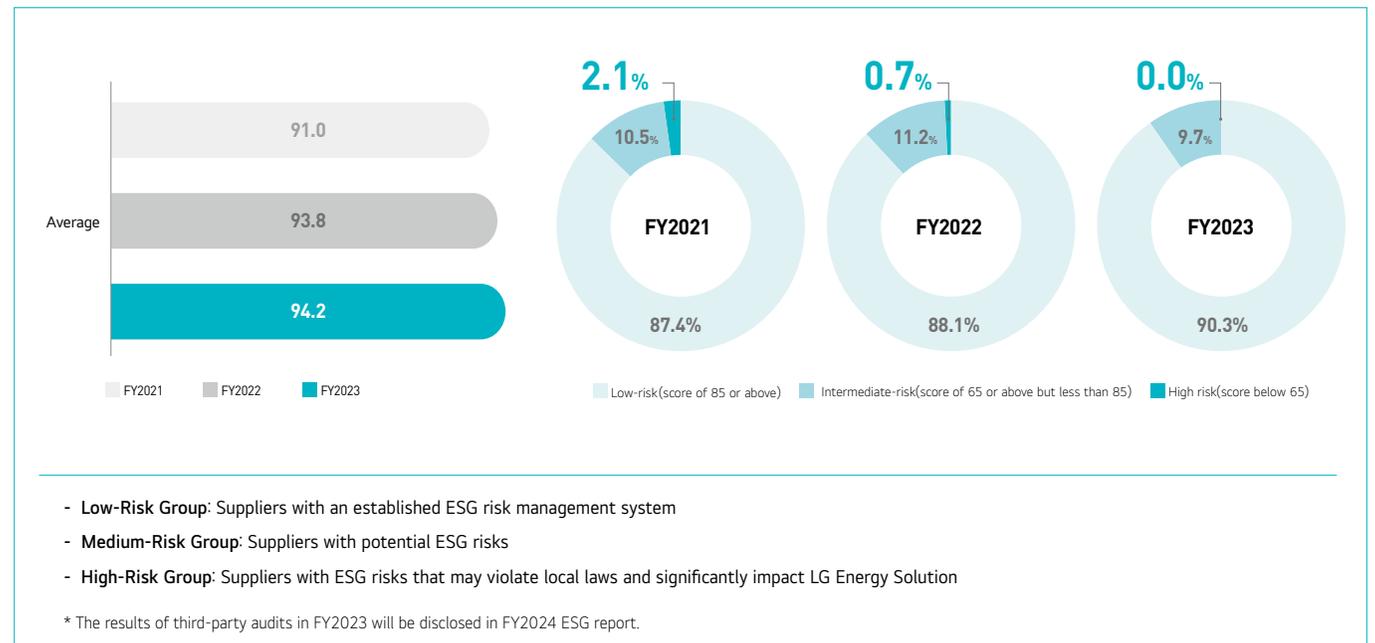
Since 2018, LG Energy Solution has conducted annual evaluations of its Tier-1 suppliers annually using an internally developed ESG SAQ based on OECD Guidelines and RBA standards and third-party audits. From 2019, LG Energy Solution has conducted a comprehensive review of evidence documents regarding the following three categories: ① greenhouse gas reduction, ② responsible sourcing, and ③ certification. Following these evaluations, high-risk suppliers are identified, and their compliance is continuously monitored and supported.

The SAQ assessment targets are selected considering aspects such as spend, business relationships, country- and minerals-specific risks among all Tier-1 suppliers. For FY2023, 145 significant suppliers were evaluated out of a total of 195. Based on the assessment results, approximately 10–20 suppliers are selected annually for on-site audits by third-party agencies. These audits focus on high-risk suppliers or those directly impacted by the EU CSDDD, particularly domestic and international suppliers with significant business dealings with the Poland operations. Suppliers identified with non-compliances are required to voluntarily conduct a root cause analysis, devise corrective actions, and implement improvement plans. LG Energy Solution continuously monitors and supports the implementation process to ensure compliance and improvement.

[Evaluation Criteria and Items]



[ESG SAQ Results*]



RISK MANAGEMENT 3 [Due Diligence on Core Raw Materials]

"From the perspective of compliance with EU Battery Regulation (EUBR), LG Energy Solution has assessed the risk management system of key supply chain partners, such as cathode and anode material suppliers, and is continuously expanding the scope of its due diligence activities."

Results of Core Raw Material Due Diligence

In 2023 and 2024, LG Energy Solution conducted objective evaluations of its suppliers' supply chain management systems through independent third-party agencies, as part of its raw material supply chain due diligence process.

[Due Diligence Overview]

OBJECTIVE

To assess suppliers' supply chain management systems and identify areas for improvement

DURATION

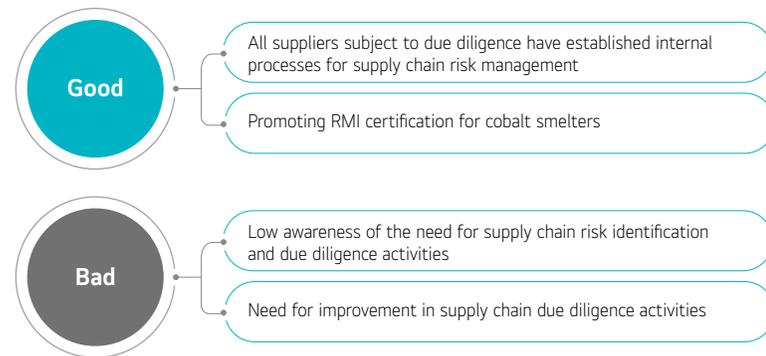
2023 - 2024

SCOPE

Over 20 Tier-1 and Tier-2 suppliers of cathode and anode materials

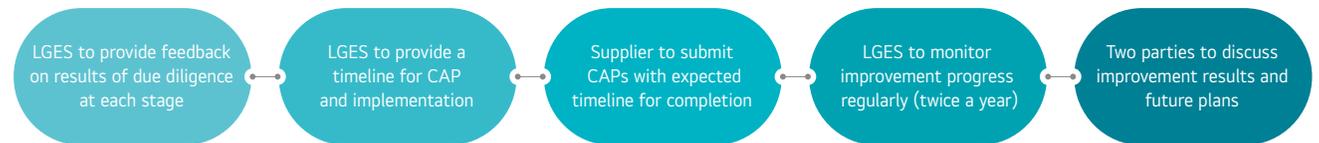
- Achieved 94% coverage of Tier-1 cathode material suppliers
- Achieved 100% coverage of Tier-1 anode material suppliers

KEY FINDINGS



Key Follow-Up Actions

Conducted regular 1:1 meetings to review supplier due diligence status and improvements



Mandated Tier-1 suppliers to perform due diligence on Tier-2 suppliers and introduced gradual transition to certified smelters and mines

- Advised the use of RMI-certified smelters for cobalt with plans for gradual increase in their usage percentage
- Recommended utilizing mines participating in IRMA assessments

Based on supply chain due diligence results, LG Energy Solution has set annual goals to improve its suppliers' supply chain management systems. Progress on improvement tasks is monitored through meetings with each supplier.

Enhancing Chain of Custody Management

LG Energy Solution provides Tier-1 suppliers with due diligence implementation standards and mandates due diligence for upstream suppliers. The company aims to expand its supply chain management scope through collaboration with various stakeholders.

[Due diligence methods for evaluating sub-suppliers]

SAQ	Self-assessment of overall ESG management system/practice
On-site Due Diligence	ESG risk check of business site and on-site assessments by internal staff and third-party agencies
Global Certification/Assessment	Inspection and assessment of smelters and mines with an internationally standardized program

RISK MANAGEMENT 4 [Forced Labor Risk Management]

"We have established a system to proactively identify and manage forced labor risks."

Supply Chain Forced Labor Risk Management

LG Energy Solution operates a dedicated task force to minimize risks related to forced labor through regular monitoring and inspections. Additionally, we have developed a robust framework for assessing forced labor risks, utilizing supply chain mapping information, AI tools, and publicly available data, to create a comprehensive ongoing management system.

SUPPLY CHAIN INFORMATION COLLECTION >>>

Increased Obligation to Provide Supplier Mapping Information

Mandating Information Disclosure

- Pledging to comply with the Code of Conduct for Suppliers
- Compliance with global regulations and provision of country of origin
- Cooperation in providing supply chain traceability information and extending responsibilities to upstream suppliers

Establishing/Implementing Information Disclosure Processes

- Mandating suppliers to submit information on upstream supply chains
- Updating regular ESG evaluation with new criteria on forced labor risk assessment and Tier-N supply chain mapping

RISK IDENTIFICATION >>>

Collecting Information	Accuracy Verification
	Conducting Estimated Mapping

Collecting Full Supply Chain Mapping Information

Using AI Tools

Purpose 1 Verifying Information Consistency

Purpose 2 Identifying Potential Risks

Purpose 3 Estimating and Mapping Uncollected Information

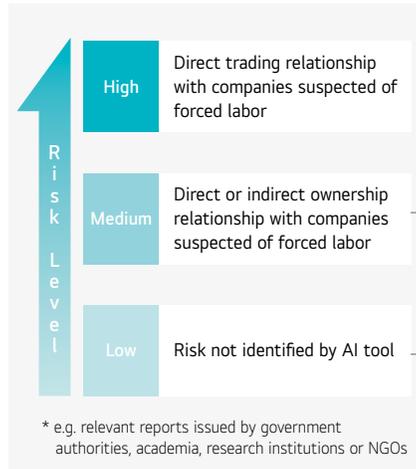
Purpose 4 Confirming Transactional Relationships and Ownership Structures

RISK ANALYSIS AND MANAGEMENT >>>

Risk Analysis

Risk Analysis Related to Forced Labor

- Analyzing risks using AI tools and public data*



Risk Management

SAQ	On-site Due Diligence	Improvements	Public Disclosure
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Response Process by Risk Type

- High Risk**
 - Consider transaction suspension or termination
 - Promptly secure alternative suppliers
- Medium Risk**
 - Request clarification on risks
 - If addressed: Maintain transactions, but review alternative options
 - If not addressed: Consider alternatives or transaction suspension
- Low Risk**
 - Maintain transactions while continuously monitoring risks

Due Diligence for Medium- and Low-risk Supply Chains

- 1 Conduct investigations based on the forced labor checklist
- 2 If a high risk of forced labor is identified, require third-party audits and submission of results
- 3 Require submission and review of CAPs

From September to October 2024, LG Energy Solution carried out a mock detention exercise to validate the emergency response process and traceability framework, and identify areas for improvement¹⁾. By implementing these identified improvements, LG Energy Solution aims to enhance its management system to promptly and accurately diagnose and address potential forced labor risks within the supply chain.

1) Strengthening contractual grounds and assigning the responsibility for supply chain traceability management to suppliers based on the Code of Conduct and introducing new criteria to regular supplier evaluation to assess supply chain visibility and traceability system.

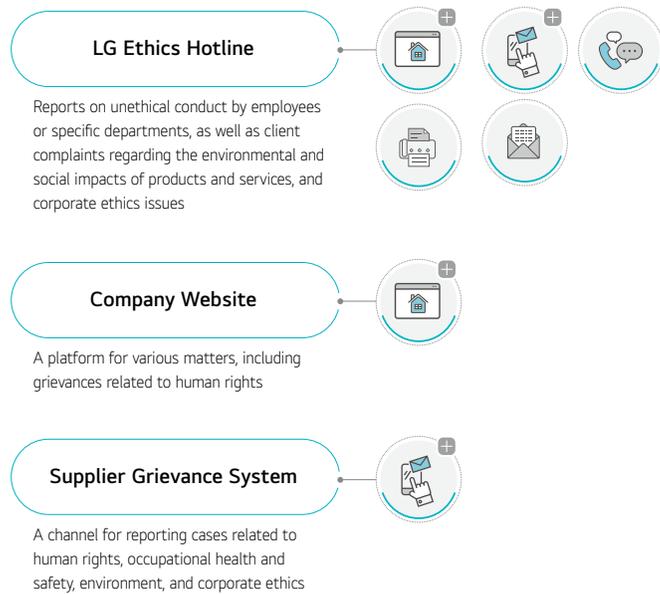
RISK MANAGEMENT 5 [Grievance Mechanism]

"We have established and are operating a grievance mechanism to promptly and fairly address stakeholders' concerns related to human rights, health and safety, environment, and ethics."

Grievance Mechanism

LG Energy Solution operates grievance channels that allow various stakeholders, including all suppliers within the supply chain, to report concerns related to human rights, health and safety, the environment, and corporate ethics. By explicitly including supplier grievance systems in its Responsible Sourcing Policy, LG Energy Solution has established procedures to promptly and fairly resolve issues that may arise within the supply chain, such as potential or actual negative impacts related to battery mineral supply chains. The confidentiality of the informant's identity and report content is strictly guaranteed, and no form of retaliation is tolerated against individuals who report misconduct or participate in subsequent investigations.

[Grievance Mechanism Channels]



[Cases of responding to allegations]

Organization	Report Title	Raised Concerns	Response
Business & Human Rights Resource Centre	Powering Electric Vehicles +	Human rights and environmental rights violations in the nickel mining process at PT IMIP and PT IWIP industrial sites in Indonesia	- Confirmed indirect procurement from the mentioned regions
Mighty Earth	From Forests to Electric Vehicles +	Environmental impacts, such as deforestation, caused by nickel mining in Indonesia	- Local suppliers are implementing supply chain due diligence management systems and pursuing international certifications (IRMA, RMI, etc.) for smelters and mines
China Labor Watch	Compounding Vulnerabilities + Two fatal incidents at PT Dexin Steel Indonesia highlight urgent need for improved worker safety standards +	Unsafe working conditions and evidence of forced labor at PT IMIP industrial site in Indonesia, including two fatal incidents at PT Dexin Steel Indonesia	- No significant human rights/environmental issues found in the third-party audit of local supplier sites
Amnesty International	Philippines: Undermining workers' rights: Labour rights abuses in nickel supply chains +	Human rights and environmental rights violations in the nickel mining process in the Philippines	- No raw materials have been procured from the mentioned region

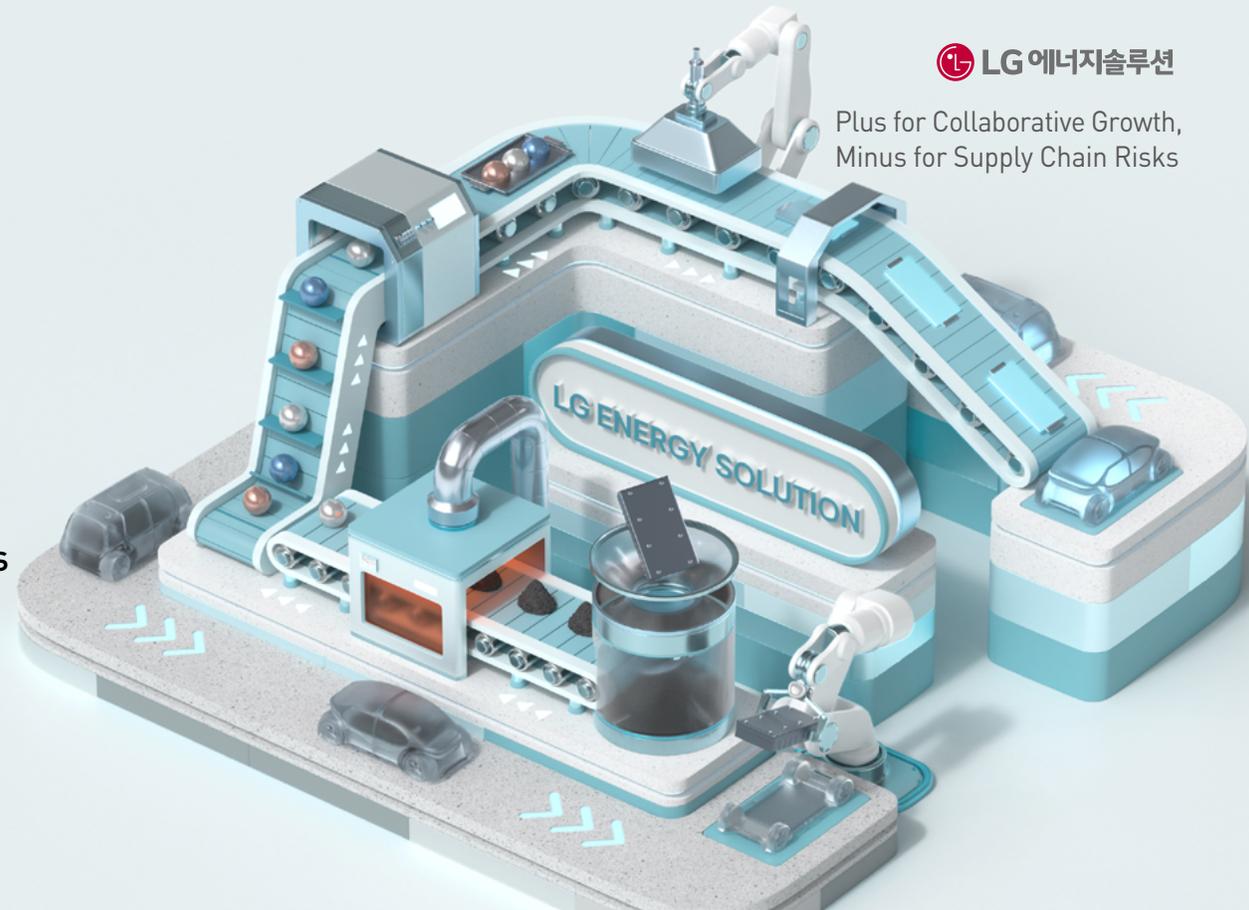
LG Energy Solution engages and communicates with various stakeholders in the process of identifying, preventing, and mitigating potential or actual risks that may impact the environment and society across the entire value chain, as demonstrated in the above cases. In particular, we actively support the efforts of NGOs, research institutions, and academia to explore the complexities of the battery supply chain, assess risks and opportunities on the ground, increase the visibility of and facilitate collective actions to address issues, concerns or risks along battery supply chains.

Governance

Strategy

Risk Management

Metrics & Targets + Key Metrics & Targets
of Supply Chain
ESG Activities



LG 에너지솔루션

Plus for Collaborative Growth,
Minus for Supply Chain Risks

METRICS AND TARGETS [Building a Sustainable Battery Ecosystem]

“Under the ESG vision CHARGE* framework, we have set and are pursuing goals in eight key focus areas, including responsible supply chain management and climate action, while monitoring progress.”

Sustainable Supply Chain Management

LG Energy Solution has established the following goals to effectively manage risks that may arise within its supply chain.



Operating a supply chain risk management system that complies with global regulations and continuously strengthening management practices through various initiatives



Managing mineral origin records of suppliers through the Hazardous Substance Management system (HSM)

Mandating suppliers using conflict minerals (tin, tantalum, tungsten, gold) to provide smelter information within the supply chain (utilizing CMRT)



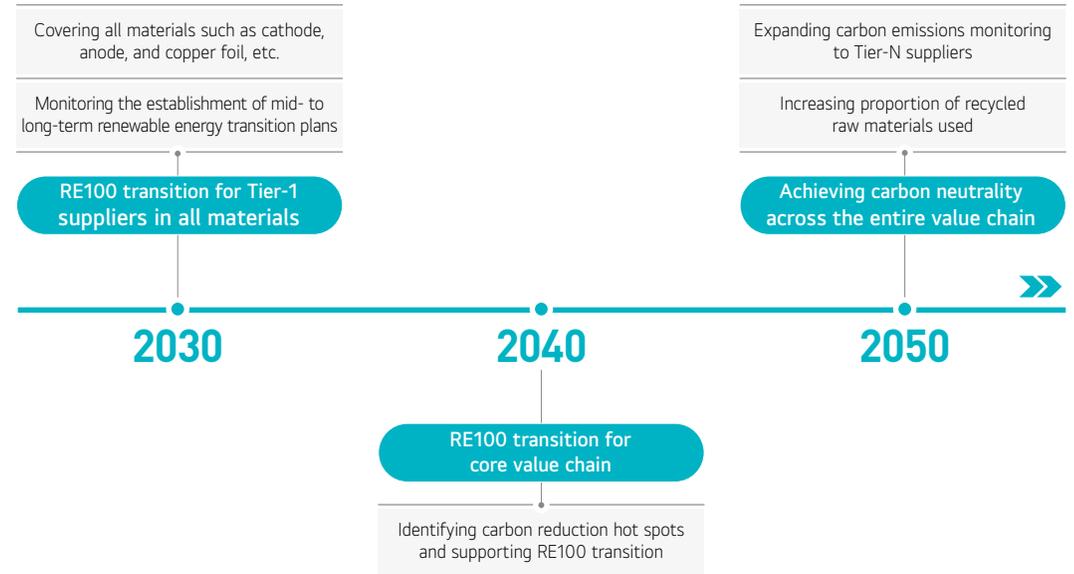
Expansion of application of global due diligence and certification standards:

- RMI Smelter Certification
- IRMA Mine Certification, etc.

Relevant departments are monitoring the progress toward these goals, with the smelter certification rate being designated as a key performance indicator (KPI) managed by the internal Supply Chain ESG Management Team.

Addressing Climate Change

LG Energy Solution aims for a phased transition to RE100 within the supply chain in line with its carbon neutrality roadmap.



The Supply Chain ESG Management Team is promoting initiatives such as the transition to RE100 within the supply chain, performance management, and sourcing of low-carbon materials as part of strategies to reduce carbon emissions.

*CHARGE ESG Framework: LG Energy Solution's comprehensive management strategy focused on respecting human rights, protecting the environment, contributing to local communities, ensuring transparent governance, and managing a responsible supply chain to build a sustainable battery ecosystem

OUTLOOK

"We will continue to enhance the supply chain management framework and reinforce key activities to ensure sustainability of supply chains."

Operation and Advancement of Traceability System

LG Energy Solution aims to enhance the traceability system established in 2024 to regularly collect supply chain-related information and systematically manage various ESG data.

Supply Chain Due Diligence Data Collection

The traceability system will be updated to record due diligence activities and certified smelters and mines usage for Tier-2 suppliers and below. In alignment with the EU Battery Regulation Due Diligence Guidelines to be announced in 2025, the company will reorganize supply chain due diligence data management standards and enhance the system's dashboard.

Supply Chain Carbon Footprint Data Collection

In 2025, LG Energy Solution plans to introduce a feature within the traceability system for inputting and managing product-specific carbon footprints and develop additional features for linkage with the company-wide PCF (Product Carbon Footprint) system.

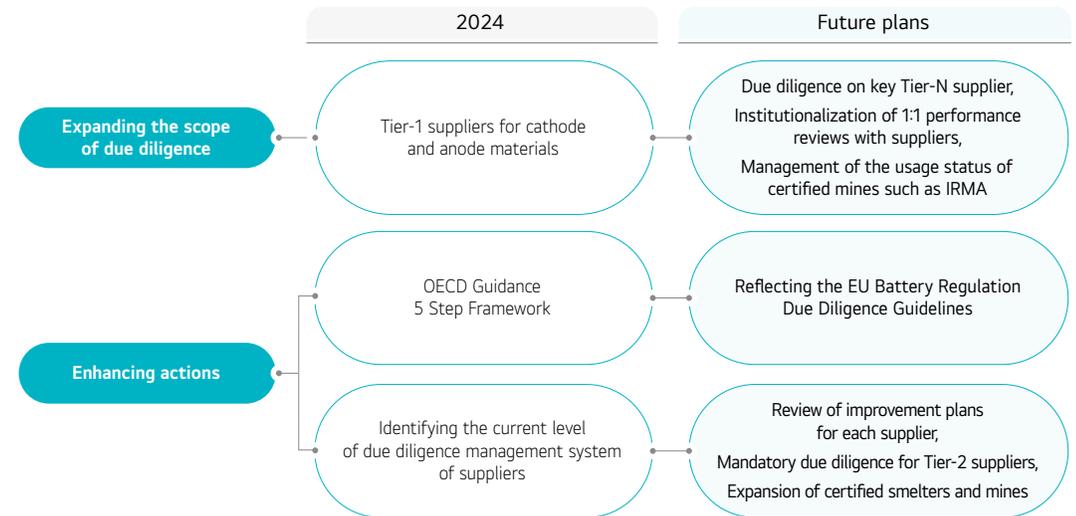
Improvement of Grievance Handling Procedures

Based on feedback collected in 2024, LG Energy Solution intends to improve grievance handling procedures. The company will refine processes to ensure appropriate remedial actions are implemented and feedback is incorporated, depending on the degree of adverse impact.

Strengthening Due Diligence Activities

In November 2024, LG Energy Solution conducted 1:1 performance reviews with individual suppliers. These reviews examined the progress of suppliers' due diligence improvement tasks and future supply chain due diligence plans, fostering consensus on the necessity of due diligence activities for managing supply chain risks. Starting in 2025, LG Energy Solution will institutionalize supplier-specific performance reviews to systematically manage Tier-N supply chain due diligence performance.

Additionally, to ensure compliance with regulations, LG Energy Solution will incorporate the EU Battery Regulation Due Diligence Guidelines, scheduled for release in February 2025, into its supply chain due diligence strategy and tools, followed by related supplier training.



Supply chain due diligence performance and major achievements will be transparently communicated with stakeholders through annual disclosure reports.

Carbon Reduction Efforts

To comply with the carbon footprint disclosure requirements of the EU Battery Regulation, LG Energy Solution plans to gather supply chain carbon footprint data from its suppliers and calculate the carbon footprint of its batteries. In the long term, the company aims to meet client carbon footprint demands and adhere to carbon footprint cap obligations by expanding the scope of RE100-compliant materials across the supply chain, increasing the sourcing of low-carbon materials, and driving carbon reduction initiatives.

ANNEX 1

[List of Abbreviations]

Abbreviation	Definition
ASM	Artisanal and Small-scale Mines
CAP	Corrective Action Plan
CMRT	Conflict Minerals Reporting Template
CSR	Corporate Social Responsibility
DDMS	Due Diligence Management System
DRC	Democratic Republic of Congo
EHS	Environment, Health, and Safety
ESRS	European Sustainability Reporting Standards
FCA	Fair Cobalt Alliance
GBA	Global Battery Alliance
HSM	Hazardous Substance Management system
IFRS	International Financial Reporting Standards
ILO	International Labor Organization
IRMA	Initiative for Responsible Mining Assurance
LCA	Life Cycle Assessment
NGO	Non-Governmental Organization
OECD	Organization for Economic Co-operation and Development
OEM	Original Equipment Manufacturer
RBA	Responsible Business Alliance
RE100	Renewable Electricity 100
RLI	Responsible Labor Initiative
RMAP	Responsible Minerals Assurance Process
RMI	Responsible Minerals Initiative
SAQ	Self-Assessment Questionnaire
SCM	Supply Chain Management
TCFD	Task Force Climate-related Financial Disclosures
UNGP	UN Guiding Principles Reporting Framework

[List of Relevant Regulations*]

Supply chain regulations	Implications
Carbon Border Adjustment Mechanism (CBAM)	<ul style="list-style-type: none"> - Requires monitoring and reporting of carbon emissions by supply chain entities - Mandates payment of a carbon price for emissions generated during production - Imposes fines and import bans for non-compliance
Corporate Sustainability Directive (CSDDD)	<ul style="list-style-type: none"> - Mandates due diligence to identify and prevent negative impacts within the value chain - Non-compliance can result in fines up to 5% of the company's worldwide net sales from the preceding financial year, and potential civil liability
Corporate Sustainability Reporting Directive (CSRD)	<ul style="list-style-type: none"> - Aims to drive corporate behavioral change through enhanced sustainability reporting and sets standards for efficient and accurate ESG disclosure - Requires analysis of the entire supply chain and collection of relevant data
EU Battery Regulation (EUBR)	<ul style="list-style-type: none"> - Obliges disclosure of eco-friendliness and safety from raw material mining and production to waste battery collection and recycling - Requires information collection throughout the entire battery life cycle
EU Forced Labor Regulation (FLR)	<ul style="list-style-type: none"> - Prohibits distribution of goods linked to forced labor within the region at all supply chain stages to eradicate forced labor and promotes responsible business practices, with possible sanctions for non-compliance - Requires diligent management, including continuous monitoring of forced labor risks across the supply chain
Uyghur Forced Labor Prevention Act (UFLPA)	<ul style="list-style-type: none"> - Presumes goods manufactured in the Xinjiang Uyghur Autonomous Region are products of forced labor and bans their importation into the U.S. - Requires comprehensive documentation to trace the supply chain, such as purchase orders, invoices, and certificates of origin - Goods may be detained by U.S. Customs and Border Protection if compliance is not substantiated

* Only the regulations included in the main text of the report are summarized.

ANNEX 2

[Key Initiatives Participation]



Global Battery Alliance (GBA)

A collaborative platform involving companies, governments, international organizations, and NGOs with the goal of building a sustainable battery value chain

Joined in May 2022 as the first global battery company in Korea

Participated in developing a battery passport, calculating carbon footprints of battery products, and establishing standards for managing environmental, supply chain, and human rights issues across the battery value chain



Responsible Business Alliance (RBA)

The world's largest alliance dedicated to corporate social responsibility in global supply chains

Joined in November 2021 as the first Korean battery company

RBA Code of Conduct is applied to business management including key five areas: labor, safety and health, environment, business ethics, and management systems



Responsible Minerals Initiative (RMI)

An initiative under the RBA established to address human rights and environmental issues in the sourcing of minerals, such as cobalt

Participated in international collaborative efforts to manage ESG risks in supply chains and expresses its commitment to responsible sourcing

Mandates the use of the RMI Conflict Minerals Reporting Template (CMRT) to report on the use of conflict minerals and provide smelter information



Task Force Climate-related Financial Disclosures (TCFD)

A sustainability disclosure framework (of climate change-related information) based on four key pillars: governance, strategy, risk management, and metrics and targets

In February 2023, declared support for TCFD as the first Korean battery company

Includes climate change management system information aligned with TCFD recommendations in the ESG report



Korea Battery Industry Association (KBIA)

A non-profit organization under the Ministry of Trade, Industry, and Energy, serving as a central axis representing and supporting the battery industry, with over 220 member companies, including LG Energy Solution, Samsung SDI, and SK on, related to the battery sector

Dongmyung Kim, CEO of LG Energy Solution, appointed as the 8th Chairman

In December 2024, hosted a National Assembly Secondary Battery Forum under the theme "Battery Response Strategies in Preparation for the New U.S. Administration"



Fair Cobalt Alliance (FCA)

An initiative aimed at eradicating labor exploitation and child labor in artisanal and small-scale cobalt mines in the DRC

Joined in May 2022 as the first global battery company

Actively participates in efforts to eliminate forced and child labor in the DRC and promotes community improvement activities in the region



UN Global Compact (UNGC)

A sustainability initiative

Joined in April 2022

Integrated the 10 UNGC principles related to human rights, labor, environment, and anti-corruption into business strategy, corporate culture, and overall operations

Discloses activities and achievements linked to the United Nations Sustainable Development Goals (SDGs)



Responsible Labor Initiative (RLI)

An initiative under the RBA (Responsible Business Alliance) established to address issues such as forced labor, child labor, and working conditions

Joined in November 2021 as the first Korean battery company to participate

Committed to improving labor and human rights conditions across global supply chains, with a focus on respecting diversity and promoting human rights



100% Renewable Electricity (RE100)

A global campaign aimed at transitioning 100% of the electricity used by companies to renewable sources such as wind and solar by 2050

Joined in April 2021 as the first global battery company to commit to both the RE100 and EV100 initiatives simultaneously

LG Energy Solution aims to achieve RE100 at all operating sites globally by 2030



100% Electric Vehicle (EV100)

A campaign to transition 100% of corporate-owned and leased vehicles under 3.5 tons and 50% of vehicles between 3.5 and 7.5 tons to eco-friendly vehicles by 2030

In April 2021, joined both the RE100 and EV100 initiatives as the first in the battery industry

Actively replacing company vehicles with electric vehicles and improving infrastructure by installing EV charging stations at domestic and international sites

