Best Technology, Better Future

LX Semicon 2022-2023 Sustainability Report

LX Semicon

Overview

LX Semicon has released its second sustainability report to provide a transparent account of our future vision, strategy, and performance to a wide range of stakeholders, including shareholders, customers, and employees. We will strive to achieve sustainable growth through the disclosure and communication of our management philosophy and corporate data. We will continue to share our efforts and progress in sustainable management in a transparent manner.

Reporting Period

This report covers our financial performance and sustainable management activities from January 1, 2022 through December 31, 2022. As for some of quantitative performance, three years of data is provided herein to help readers understand trends. Some of key operations in the first half of 2023 is also included.

Reporting Scope

The scope of this report includes LX Semicon's headquarters and all its domestic business sites (overseas business sites and subsidiaries excluded). The consolidated financial information follows the Korean International Finance Reporting Standards (K-IFRS). Any financial information prepared separately is presented as footnotes. For social and environmental information, any limitations in data collection are also outlined in the footnotes

Reporting Principles and Framework

This report aligns with the Global Reporting Initiative (GRI) Standards 2021. It also follows the United Nations Global Compact (UNGC)'s Ten Principles in four areas: human rights, labor, environment, and anti-corruption. In addition, we took into consideration global initiatives such as Sustainability Accounting Standards Board (SASB), Task Force on Climate-related Financial Disclosures (TCFD), and UN Sustainable Development Goals (UN SDGs) to prepare the data for this report.

Data Assurance

The data in this report have been verified according to international verification standards by BSI, an independent verifier, in order to ensure the reliability and enhanced quality of this report. The results are available in the section of Appendix of this report.

For more details, please contact us.

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CEO Message

Dear esteemed stakeholders,

I am Bo-ik Son, CEO of LX Semicon.

In 2022, the business environment faced growing uncertainty stemming from persistent global rising interest rates and a sluggish economy. This led to a slowdown in the TV and IT device markets. Despite these unfavorable circumstances, LX Semicon achieved record sales in 2022, solidifying its stature as Korea's leading fabless maker. We also diversified our business portfolio to lay the foundation for securing future growth engines. This included constructing a plant for power semiconductor heat dissipation substrate manufacturing and acquiring stakes in local fabless companies.

In terms of ESG management, we made meaningful progress in 2022.

We announced our iron will towards fulfilling our social responsibilities and operating our business in a fair and transparent manner under our ESG vision, 'Best Technology, Better Future.' To this end, we established an ESG Committee, composed of the CEO and all independent directors under the Board of Directors, to make informed strategic decisions on ESG matters. Additionally, we published a sustainability report that provided a transparent account of our vision and progress in ESG management, making us the first company to do so.

We have obtained multiple international standard certifications to enhance our ESG management capacity. This includes the recent acquisition of ISO 45001 for Occupational Health and Safety Management Systems and ISO 27001 for Information Security Management Systems, with the aim of strengthening our safety and health systems and preventing data security risks. Additionally, more of our business sites have been certified with ISO 14001 for Environmental Management Systems and ISO 9001 for Quality Management Systems.

In addition, multifaceted efforts are being made towards full-fledged ESG management, such as the adoption of the Declaration of Human Rights and the establishment of the Code of Conduct for Suppliers.

Dear stakeholders,
With a firm belief that ESG management is essential for unlocking new opportunities, we will redouble our efforts to advance our ESG management system, and pursue Jeong-do management to ensure transparent and ethical business operations, thereby embedding ESG management into every aspect of what we do.

In the coming years, we are committed to maximizing value for our shareholders and creating a better future for our customers through sustainable competitiveness. We appreciate your continued interest and support on this journey.

Thank you.

LX Semicon CEO   Bo-ik Sohn

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LX Management Philosophy

We aim to be 'The Link to a Sustainable Future', as our management philosophy.

We link Korea to the world, bring state-of-the-art technologies to our daily lives, and connect generations of the present with the past, thereby ushering in a sustainable future.

Link to a Sustainable Future

The identity and ultimate goal that encompasses LX's philosophy and spirit

• The identity and ultimate goal that encompasses LX's philosophy and spirit
• Creating new value by linking to a sustainable future through innovation

Philosophy

Link · Future · Human

The most important values embracing the management principles of LX and the business scope of our subsidiaries

• LX's core values are 'Link, Future, and Human.'

Core Values

Inspired by You, Designed by Us

Develop future value creation solutions based on LX's technology and innovation

• Discovering opportunities to create future values that generate value based on the lives of our customers
• Developing solutions that utilize LX's technology and innovation to create solutions that generate future value

Promise

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LX Semicon Vision and Core Values

Vision

Top System IC, Greatness Anywhere!

LX Semicon aims to be the global leader in System IC technologies and
ensure our customers can discover and use our superb products everywhere!

Core Value

A company inspiring the highest degree of trust from customers	A company growing with its people	A company leading the future of technology
Responding to customer needs proactively, swiftly and precisely	Fostering human growth through mutual respect and open communication	Striving to be the best through new initiatives and robust execution
Customer First	**Growth & Respect for People**	**Striving to Be the Best**

1 Customer Leadership	2 Swift and precise response	3 Customer Focus	4 Mutual respect	5 Leading/ Supporting growth	6 Communication /Enjoyment	7 New initiatives	8 Robust execution	9 Pursuit of excellence

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LX Semicon at a Glance

Company Profile

LX Semicon has made significant progress in the system IC sector by taking the technologies applied on displays to a global level, making it the leading local fabless company. Our focus has been on improving our technological competitiveness in key products such as Driver-IC (D-IC), Timing Controller (T-Con), and Power Management Integrated Circuit (PMIC) and providing differentiated products, which enables us to gain a competitive edge in the market. We have also invested heavily in R&D personnel and technology development to expand our presence in various business sectors and become a global semiconductor player.

(As of December 31, 2022)

Company name	LX Semicon Co., Ltd.
HQ location	222, Techno 2-ro, Yuseong-gu, Daejeon
Business type	Semiconductor design
Main product	System IC
CEO	Sohn Bo-ik
Date of establishment	November 11, 1999

| Shareholder	No. of shares owned	Ownership ratio
LX Holdings*	5,380,524	33.08
SWEDBANK	400,000	2.46
FRANKLIN TEMPLETON	226,454	1.39
National Pension Service	225,585	1.39
Korea Securities Finance Corporation	207,534	1.28

* Largest shareholder

Our Global Network (Business Sites)

With the aim of becoming a leading global fabless company, LX Semicon has been pushing back the boundaries of its global network to explore overseas markets to further expand our global business. With 12 hubs in five countries, including Japan, China, the US, and India, we provide our local customers with exceptional products and services tailored to their specific needs.

- 🔴 Companies
- 🟢 Subsidiaries
- 🟡 Branch Offices
- 🟣 Headquarters

LX Semicon History

2022.12.	Selected as an exemplary company in ESG management' by the KCGS (Korea Corporate Governance Service)
2022.12.	Won the 'USD 1 Billion Export Tower' on the Trade Day (Ministry of Trade, Industry and Energy)
2022.11.	Listed on the KOSPI securities market (KOSDAQ → securities market)
2022.08.	Selected as the 2022 Korean Best Job Company by the Ministry of Employment and Labor
2021.07.	Changed the company name to LX Semicon
2021.05.	LX Holdings launched and incorporated as its subsidiary
2020.12.	Hit KRW 1 trillion in sales
2018.06.	Won the 10th KOSDAQ Award in the job creation category
2015.07.	Acquired a part of LG Electronics System IC business division
2015.04.	Acquired a part of Lusem System IC division
2014.07.	Joined the LG affiliated group
2010.06.	Listed on the KOSDAQ
2008.11.	Developed CEDS Interface technology for ultra-high-speed, ultra-thin, and high-definition next-generation TVs
2006.05.	Developed ultra-low power IP and T-CON
2002.09.	Developed MD Architecture for LCD and SD-IC
1999.11.	Established
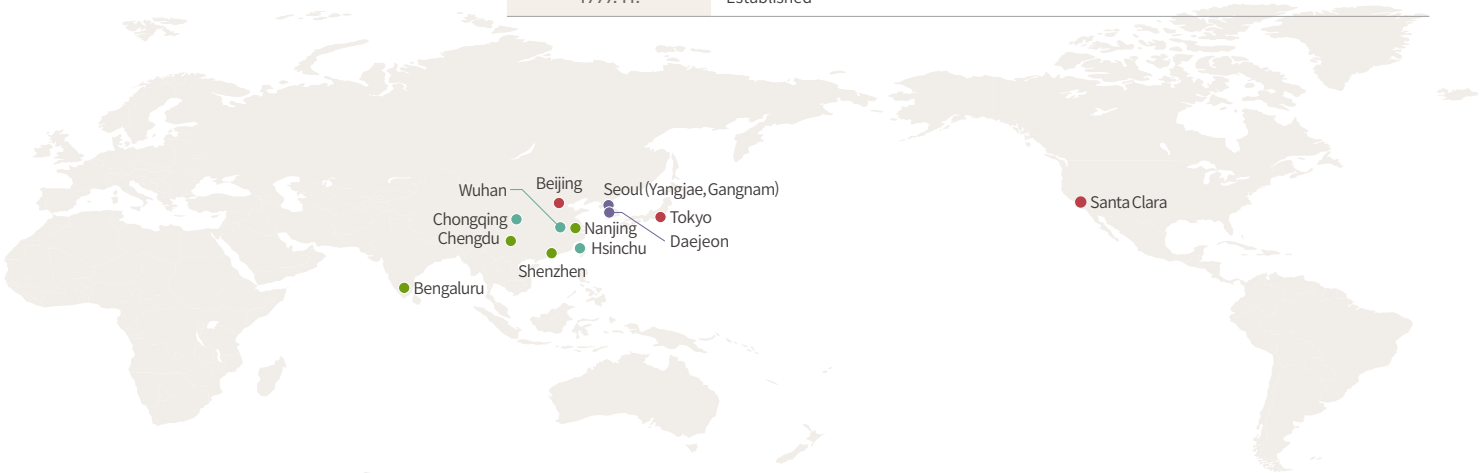
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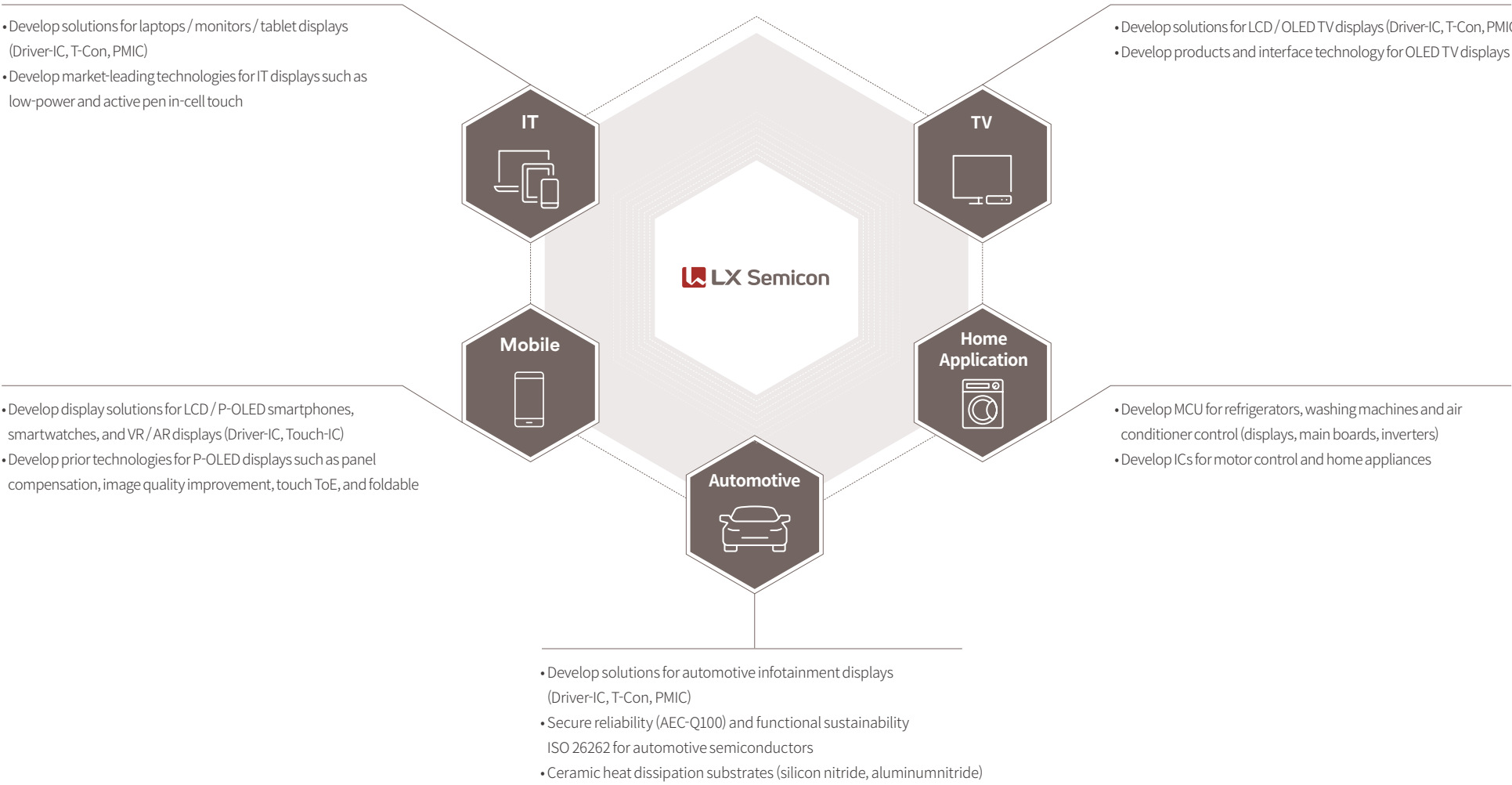
Our Businesses

Business Areas

LX Semicon started as a manufacturer of semiconductors for IT displays in 1999. Since then, we have diversified our product portfolio to include TVs, mobile devices, home appliances, and vehicles. This diversification has driven our growth. LX Semicon has also focused on R&D to stay ahead of the competition and develop next-generation displays such as Mini LED, Micro LED, and Micro OLED, playing a leading role in the future display market.

IT
- Develop solutions for laptops / monitors / tablet displays (Driver-IC, T-Con, PMIC)
- Develop market-leading technologies for IT displays such as low-power and active pen in-cell touch

TV
- Develop solutions for LCD / OLED TV displays (Driver-IC, T-Con, PMIC)
- Develop products and interface technology for OLED TV displays

Mobile
- Develop display solutions for LCD / P-OLED smartphones, smartwatches, and VR / AR displays (Driver-IC, Touch-IC)
- Develop prior technologies for P-OLED displays such as panel compensation, image quality improvement, touch ToE, and foldable

Home Application
- Develop MCU for refrigerators, washing machines and air conditioner control (displays, main boards, inverters)
- Develop ICs for motor control and home appliances

Automotive
- Develop solutions for automotive infotainment displays (Driver-IC, T-Con, PMIC)
- Secure reliability (AEC-Q100) and functional sustainability ISO 26262 for automotive semiconductors
- Ceramic heat dissipation substrates (silicon nitride, aluminumnitride)

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2022 Highlights

Business Area

In 2022, LX Semicon hit KRW 2 trillion in annual sales, becoming the first domestic fabless semiconductor design company to do so. This remarkable achievement was accomplished in just two years since the company recorded KRW 1 trillion in sales. The key drivers of this progress were a focus on the display sector, continuous technological innovation, and rigorous quality management. In November, LX Semicon was listed on the KOSPI securities market, which is expected to elevate its corporate value and enable shared growth with a broader range of investors. LX Semicon was awarded the 'USD 1 Billion Export Tower' by the Ministry of Trade, Industry and Energy on the 59th Trade Day. This award recognizes our contribution to the nation's export competitiveness and industry development. Additionally, we were the first local fabless company to obtain AEO (Authorized Economic Operator) certification. This allows us to provide a more stable and efficient business environment and gives us an advantage in the global market.

Hit KRW 2 trillion in annual sales

Became the first and only local fabless company to achieve

Went public on the KOSPI

Listed on the KOSPI securities market (KOSDAQ → KOSPI)

Achieved USD 1 billion in exports

Awarded the 'USD 1 Billion Export Tower (Ministry of Trade, Industry and Energy) on Trade Day

AEO-certified

Became the first domestic fabless company that obtained the AEO certification

R&D Area

LX Semicon, the largest fabless company in Korea, has focused on R&D to stay ahead in technology and drive its growth. To enhance its R&D capabilities, the company has an R&D organization that reports directly to the CEO and scaled up its investment from KRW 79.2 billion in 2017 to KRW 210.8 billion in 2022. In 2022, LX Semicon opened the Future R&D Center to develop semiconductor technologies and signed a business agreement in 2023 to establish an industry-university collaboration center to nurture talents in this field. The company has applied for 1,407 patents related to semiconductor technologies and owns 847 patents, with a dedicated organization for patent management. LX Semicon is also working at full capacity on the development of heat dissipation substrates as a future growth engine. And we have developed SMB technologies, and built a factory for these substrates in December 2022.

Strengthened R&D and nurtured talents in the semiconductor sector

Future R&D Center established and business agreement signed on the establishment of an industry-university collaboration center

KRW 210.8 billion invested in R&D

Applied for 1,407 patents

concerning semiconductor technologies 847 patents owned (as of December 31, 2022)

Developed heat dissipation substrate SMB technology and applied for the patent

* SMB: Sputtering Metal Bonding

ESG Area

In 2022, we declared our commitment to ESG management by launching our vision, slogan, and strategies, designating 2022 as the inaugural year of our journey towards full-fledged ESG management. We also published our first sustainability report, detailing our ESG data and progress, making us the first domestic fabless company to do so. To further promote ESG management, we established an ESG Committee under the Board of Directors. Additionally, we have obtained ISO 27001 and ISO 45001 certifications to ensure safety, health, and data security. Our family-friendly policies, including support for childbirth and childcare, as well as our flexible working hours system, have earned us the title of a 'family-friendly company.' As a result of these efforts, we received an 'A' rating in the overall evaluation conducted by the Korea Corporate Governance Service (KCGS) and were selected as an exemplary company for our excellent enhancement in ESG management. Moving forward, we will continue to pursue sustainability through ESG management and strive to create social value.

ESG Vision declaration ceremony held

Inaugural year of ESG management declared and related strategies unveiled

Sustainability report published

Became the first domestic fabless company to release the sustainability report

ESG Committee established

ESG Committee launched under the board

Rated A in ESG evaluation by the KCGS

A rating achieved and selected as an exemplary company in ESG management

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ESG
Management

OVERVIEW

ESG MANAGEMENT

ESG FACTBOOK

APPENDIX

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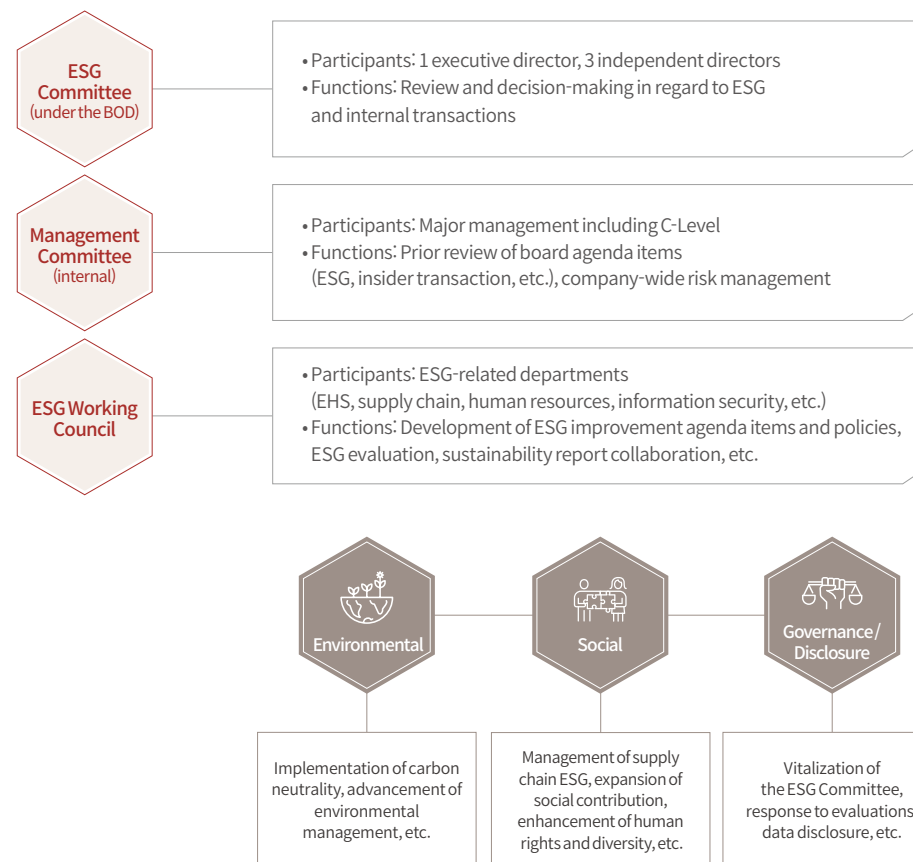
ESG Management System

ESG Strategy

In April 2022, LX Semicon announced that the year would mark the start of its ESG management efforts. We held a proclamation ceremony to share our 'Best Technology, Better Future' vision, along with our goals and direction for ESG promotion. Our ESG management plan revolves around three key areas; 'Think Green', 'Winning Together', and 'Be Trustworthy'. We plan to work closely with stakeholders to implement this plan and fulfill our social responsibilities. We are committed to transparent corporate management and are an active member of global ESG initiatives such as the UN Global Compact.

ESG Vision

Best Technology, Better Future

Strategic Directions

Think Green	Winning Together	Be Trustworthy
Minimizing environmental impact	Sharing growth	Transparent business practices
We focus on protecting the environment with stakeholders for a sustainable future.	We share our growth and success by promoting the value of mutual growth.	We build trust with stakeholders based on a transparent governance.

Promotion Strategy

Enhance environmental values for future generations	Promote inclusiveness for all	Create sustainable ESG governance

ESG Governance

We created the ESG Committee as a subcommittee of the Board of Directors (BOD) in July 2022, aiming to provide strategic guidance and decision-making for ESG management. The ESG Committee comprises one executive director and three independent directors. It is responsible for reviewing, approving, and overseeing all internal transactions, including those related to ESG management and inter-affiliate transactions. The ESG Committee convenes at least once a year, and may hold additional meetings as needed. We also established the ESG Working Council to identify and address various ESG issues and foster cross-functional collaboration. The council consists of relevant departments that have business implications for ESG. We are committed to enhancing LX's ESG management by ensuring the effective functioning of the ESG Committee, increasing the transparency and appropriateness of internal transactions.

ESG Committee (under the BOD)
- Participants: 1 executive director, 3 independent directors
- Functions: Review and decision-making in regard to ESG and internal transactions

Management Committee (internal)
- Participants: Major management including C-Level
- Functions: Prior review of board agenda items (ESG, insider transaction, etc.), company-wide risk management

ESG Working Council
- Participants: ESG-related departments (EHS, supply chain, human resources, information security, etc.)
- Functions: Development of ESG improvement agenda items and policies, ESG evaluation, sustainability report collaboration, etc.

Environmental
Implementation of carbon neutrality, advancement of environmental management, etc.

Social
Management of supply chain ESG, expansion of social contribution, enhancement of human rights and diversity, etc.

Governance/ Disclosure
Vitalization of the ESG Committee, response to evaluations, data disclosure, etc.

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ESG Achievements

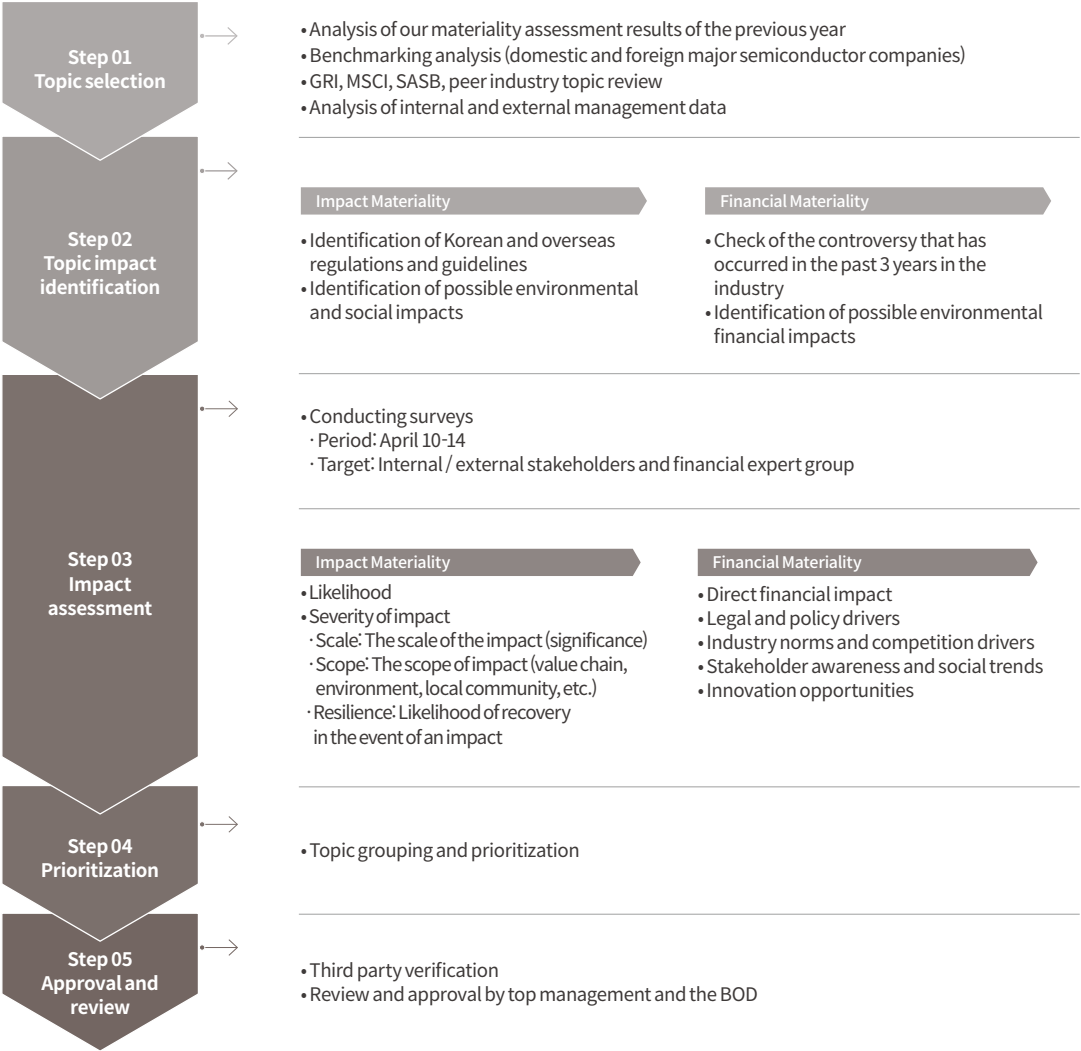| Strategic direction	Strategic tasks	Achievements	UN SDGs
THINK GREEN	Participate in carbon relat-ed initiatives and reduction plans	• Advanced our carbon neutrality roadmap and implementation plan	7 AFFORDABLE AND CLEAN ENERGY, 13 CLIMATE ACTION
	Enhance environmental performance management system and the reliability of data	• Acquired ISO 14001 certification (environmental management system) • Acquired ISO 50001 certification (energy management system) • Revised the environmental management policy	7 AFFORDABLE AND CLEAN ENERGY, 13 CLIMATE ACTION
	Expand eco-friendly product designs	• Developed Low Power Solution technology	7 AFFORDABLE AND CLEAN ENERGY, 13 CLIMATE ACTION
WINNING TOGETHER	Establish an ESG risk management system for supply chain	• Established the Supplier Code of Conduct and conducted ESG evaluations of partner companies	8 DECENT WORK AND ECONOMIC GROWTH, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	Promote competency, development, and diversity / inclusiveness in the workplace	• Semiconductor Design Academy • Established the diversity inclusion policy	3 GOOD HEALTH AND WELL-BEING, 4 QUALITY EDUCATION, 5 GENDER EQUALITY
	Increase social contribution in line with local communities and businesses	• Supported child welfare facilities and sport programs for the disabled • Supported university students majoring in semiconductors with scholarships • Assisted local communities (forest fire damage support, kimchi support)	1 NO POVERTY, 4 QUALITY EDUCATION, 10 REDUCED INEQUALITIES
BE TRUSTWORTHY	Implement company-wide ESG strategies and systems	• Established the ESG management vision and strategy - Formed the ESG Committee under the BOD - Operated the ESG Working Group	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
	Establish and manage an ESG disclosure system	• Became the first fabless company to publish a sustainability report in Korea • Built an ESG website	7 AFFORDABLE AND CLEAN ENERGY, 13 CLIMATE ACTION, 17 PARTNERSHIPS FOR THE GOALS
	Create an ESG culture	• Implemented an ESG management campaign	16 PEACE, JUSTICE AND STRONG INSTITUTIONS

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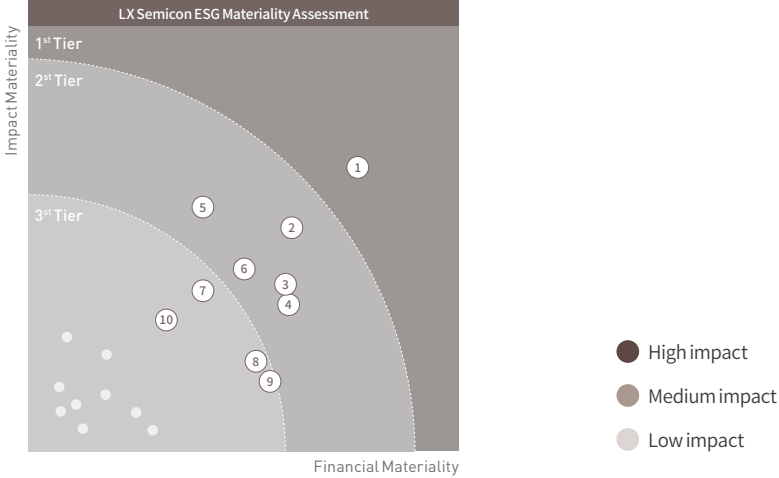BEST TECHNOLOGY, BETTER FUTURE

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Double Materiality Assessment

LX Semicon yearly conducts materiality assessments to identify material issues that affect corporate sustainability. In 2019, the EU introduced the concept of double materiality through the Corporate Sustainability Reporting Directive (CSRD, a revised one from NFRD), which consists of the financial materiality affecting companies and how the companies are exposed to the outside world and impact materiality, which are environmental and social impacts. We seek to continue sustainable management by identifying internal and external risks and opportunities that affect the company and applying core issues to business activities.

Double Materiality Assessment Process

Step 01
Topic selection

- Analysis of our materiality assessment results of the previous year
- Benchmarking analysis (domestic and foreign major semiconductor companies)
- GRI, MSCI, SASB, peer industry topic review
- Analysis of internal and external management data

Step 02
Topic impact identification

Impact Materiality
- Identification of Korean and overseas regulations and guidelines
- Identification of possible environmental and social impacts

Financial Materiality
- Check of the controversy that has occurred in the past 3 years in the industry
- Identification of possible environmental financial impacts

Step 03
Impact assessment

- Conducting surveys
  · Period: April 10-14
  · Target: Internal / external stakeholders and financial expert group

Impact Materiality
- Likelihood
- Severity of impact
  · Scale: The scale of the impact (significance)
  · Scope: The scope of impact (value chain, environment, local community, etc.)
  · Resilience: Likelihood of recovery in the event of an impact

Financial Materiality
- Direct financial impact
- Legal and policy drivers
- Industry norms and competition drivers
- Stakeholder awareness and social trends
- Innovation opportunities

Step 04
Prioritization

- Topic grouping and prioritization

Step 05
Approval and review

- Third party verification
- Review and approval by top management and the BOD

Double Materiality Assessment Results

LX Semicon ESG Materiality Assessment

- 1st Tier
- 2st Tier
- 3st Tier

Impact Materiality / Financial Materiality

● High impact
● Medium impact
○ Low impact

Top 10 Material Issues

Material Issues	Final Rank	Impact		Page
		Impact Materiality	Financial Materiality	
R&D investment and technological innovation	1	●	●	10
Information security	2	●	●	35, 36
Transparent governance	3	●	●	39, 40
Sustainable supply chain management	4	●	●	33, 34
Action on Climate Change	5	●	●	20, 21
Strengthening ethics and compliance management	6	○	●	41, 42
Securing and nurturing talent	7	○	●	27, 28
Energy management	8	○	●	21
Occupational safety and health	9	○	●	31, 32
Expanding diversity and inclusion	10	○	○	29

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Management Target Approach

Topic	Selection background	Our response
R&D investment and technological innovation	Semiconductors are becoming increasingly important in the 4th industrial revolution as technology advances and our way of life changes. The semiconductor industry should prioritize innovation and quality control to keep up with the rapidly changing industrial environment. This is crucial for the industry to remain competitive in the current industrial environment.	Keeping pace with the change of the times where the center of change is connected to semiconductors, LX Semicon has secured technology that can be linked with various products through continuous R&D investment. Based on this, we will contribute to the growth of the semiconductor industry while discovering new growth engines.
Information security	Risks involving information security is one of the issues that can potentially cause significant losses for companies. Due to the rapidly digitized and highly connected nature of modern society, the importance of cyber security is growing. Hence, companies need to respond promptly. Against this backdrop, companies must prepare and reinforce the protection system for their important information assets through information security activities.	We have established an information security policy to protect core semiconductor design technologies. In addition, we appointed a Chief Information Security Officer (CISO) to manage data security-related risks and issues. Besides, the Information Security Council is operated under the CEO to rigorously manage and monitor companywide information se-curity. We also provide training in relation to information protection on a regular basis to raise security awareness on the area.
Transparent governance	Governance is a crucial decision making system to operate a company transparently. Based on a transparent governance, companies are required to carry out balanced management activities by considering the interests of all stakeholders, including shareholders. The management is expected to increase corporate value based on transparent governance and responsible management.	We have structured our BOD and committees in accordance with all relevant laws and articles of incorporation. Our appointment of directors is based on their independence, diversity, and expertise. The BOD is responsible for deliberating and deciding on matters entrusted from the general shareholders' meeting, corporate management policies, and important business execution matters. Issues related to business execution that are not stipulated in the board operation regulations are delegated to the representative director. The management team prioritizes rational decision making that considers the interests of stakeholders, including shareholders and investors. We have fully embraced the ESG culture to establish a transparent and sound governance structure.
Sustainable supply chain management	Sustainability management and monitoring for suppliers is emerging as a significant issue due to the EU's announcement of supply chain due diligence regulation and labor and human rights issues such as conflict minerals. In business operations, supply chain management is a vital element directly related to corporate competitiveness, so managing and preventing partner risks is essential.	We seek sustainable and harmonious growth with our partner companies, striving to build a stable supply chain. We have established the 'Supplier Code of Conduct' with an aim to prevent supplier risks in advance and continuously manage them. We present details that partner companies should adhere to from an ESG perspective. In addition, we conduct ESG evaluation of our partner companies to identify their sustainability and manage human rights and labor risks within the supply chain based on the conflict minerals policy.
Action on Climate Change	The Paris Agreement of 2015 requires all nations to develop individual strategies to combat climate change based on their unique circumstances. As a result, addressing climate change has become a crucial responsibility for governments and businesses to ensure sustainable economic growth and development. Effective management of GHG emissions and the pursuit of carbon neutrality are not only vital to corporate sustainability but also essential for creating a sustainable society on a national scale.	We are actively responding to climate change in line with changes in the business environment at home and abroad and striving to achieve carbon neutrality. After disclosing the '2050 Carbon Neutral Goal' through the 2022 ESG vision proclamation ceremony, we are preparing in earnest by advancing strategies and implementation plans to replace 100% of electricity use with renewable energy. In addition, related information is disclosed in accordance with the TCFD information disclosure recommendation. After the strategy and implementation plan are upgraded, the scope of disclosure will be expanded, and our carbon neutral implementation efforts and achievements will be disclosed through participation in environmental initiatives.

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Topic	Selection background	Our response
Jeong-Do Management	Ethical management is a vital factor that companies must consider for their survival and continuity. In particular, through fair and transparent corporate management, the trust of all stakeholders, including investors and customers, must be enhanced and ultimately corporate value should be improved. To realize this, companies should establish ethical standards or rules and provide related training to strengthen the ethical awareness of corporate leaders (management and executives) as well as members of the company.	Aiming to implement transparent and ethical corporate management, LX Semicon established Jeong-Do Management principles. We also make our employees pledge to practice Jeong-Do Management and comply with anticorruption laws every year in order to reinforce the understanding and willingness of all members to practice Jeong-Do Management. In order to carry out human rights management, we established our human rights and labor policies based on the Universal Declaration of Human Rights and the ILO labor and human rights norms. In addition, we joined the 'anticorruption pledge' at the '2022 Business Integrity Society (BIS) Summit,' which is jointly operated by the United Nations Global Compact (UNGC) Korea and the Korea Sustainability Investing Forum, expressing our willingness to participate in creating an anticorruption environment.
Securing and nurturing talent	A company's competitiveness is directly related to securing competent human resources. Hence, it is essential to strengthen and maintain the core competencies of talented people who have the ability to respond promptly to the current situation of the company and unlimited potential. Therefore, companies should endeavor to establish a sound organizational culture and secure a quality working environment.	We are dedicated to supporting the growth of individual members and fostering future key talents under the belief that the competence of its members is the company's competitiveness and social value. In addition, we operate semiconductor designrelated job training and global talent development programs so that employees, who are the subject of technological innovation, can develop into semiconductor design experts.
Energy management	Energy is a resource that must be indispensably managed in the semiconductor industry. Electricity consumption in the production process accounts for a substantial portion of operating costs, and power outages during plant operation can lead to significant losses for industries and businesses. Therefore, it is required to make effort to efficiently control energy and enhance process efficiency and sustainability.	We acquired 'ISO 50001,' an international standard for energy management systems, in June 2023. In accordance with the energy management system standards established by the International Organization for Standardization (ISO), we established our energy consumption reduction and efficiency improvement plans, followed by obtaining the certification on the sustainability of our energy management system. Based on this, we will endeavor to increase the resilience of companies to energy costs and availability and promote energy efficiency improvement activities in an integrated and systematic manner.
Occupational safety and health	Infectious diseases and major disasters, such as the COVID-19 pandemic, are issues that have a significant impact on corporate management. Therefore, companies need to create an environment where members can work safely and comfortably, and continue to make efforts to internalize safety culture and establish a management system to prevent accidents for employees, who are the key in the corporate competitiveness.	We implement a safe workplace based on the safety management policy, while undertaking various efforts to ensure that employees adhere to it. We conduct safety culture campaigns to spread and establish a safety culture and regularly provide safety and health training. In addition, to strengthen safety and health management for our employees and partner companies, we devise related plans and safety manuals to enhance the safety and health management system. We have also organized and are operating a relevant TF, aiming to prevent the occurrence of serious accidents and establish a management system.
Expanding diversity and inclusion	Ensuring diversity and inclusion involves offering equal opportunities and resources to all individuals and acknowledging and respecting unique differences, regardless of race, ethnicity, gender, age, religion, geographic location, education, sexual orientation, or cultural background. Companies prioritize diversity and inclusion due to their impact on sustainability and competitiveness. By fostering diversity and inclusion, organizations can adopt a comprehensive approach to address specific issues, avoid decision making mistakes, and enhance the diversity and inclusion of their workforce. Therefore, companies should strive to promote and enhance the diversity and inclusion of their employees.	We endeavor to establish an organizational culture in which diversity and inclusion are internalized. In particular, we are striving to improve the system so that female members can demonstrate their capabilities and grow as leaders. We provide various support to prevent interruptions in their careers due to pregnancy, childbirth, and childcare. In addition, by establishing a policy to embrace diversity, we strive to create a corporate culture that respects the differences of members with diverse backgrounds and experiences.

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Stakeholder Engagement

We place great significance on our corporate activities and relationships with both internal and external stakeholders, including shareholders and investors, clients, employees, and local communities. We believe in mutual influence and strive to collect various opinions through stakeholder communication channels. We actively respond to major issues and demands, and through continuous stakeholder communication, we have built solid relationships of trust. We value our stakeholders' opinions and use them to continue our sustainable management activities.

Stakeholder Communication Channels and Issues

Customer

Key issue
- Client management system
- Enhancing product quality

Communication channel
- LX Semicon homepage (frequent / promotional)
- Semicon In US (News Channel – frequent / promotional)
- Product / service complaint report (constant / quality)

Media

Key issue
- Transparent information disclosure

Communication channel
- LX Semicon homepage (frequent / promotional)
- LX Semicon's own YouTube, Facebook (frequent / promotional)
- Sustainability Report (annual / external cooperation)

Shareholders & Investors

Key issue
- ESG issues
- Financial information
- BOD composition and shareholder status

Communication channel
- Disclosure of performance on homepage (regular / finance)
- General shareholders' meeting (regular / financial)
- Business / Operation Report (quarter, semi-annual, annual / financial)
- Sustainability Report (annual / external cooperation)

Local Communities

Key issue
- Fulfilling corporate social responsibility
- Contribution to communities
- Donation and service
- Supporting the future generation growth

Communication channel
- LX Semicon homepage (frequent / promotional)
- In-house online bulletin board (frequent / organizational culture)
- Sustainability Report (annual / external cooperation)
- Press release (frequent / PR)

Employees

Key issue
- Talent recruitment and development
- Employee competency development
- Childcare leave
- Security awareness management
- Grievance handling for employees

Communication channel
- In-house online bulletin board (frequent / HR)
- Training on information security and personal information protection (regular / information security)
- Employee survey (regular / HR)
- Employee newsletter (regular / PR, organizational culture)

Supply Chain

Key issue
- Mutual growth through communication
- Selecting partner companies
- Supplier risk management and evaluation
- ESG issues within partner companies

Communication channel
- Corporate credit rating (annual / purchase)
- Fair evaluation of partner companies (semi-annual / purchase)
- ESG evaluation of partner companies (semi-annual / purchase)

03

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Environmental Management

Strategy

The constant growth of our business has been increasing the number of our employees and business sites, which has a greater impact on the environment. With the emergency of various laws and regulations at home and abroad, we are faced with growing demand and requirements from stakeholders for environmental management. Against this backdrop, we have established strategic directions and a response system for environmental risk management, based on which multifaceted efforts are being made to improve.

Environmental Management Policy

LX Semicon has drawn up and disclosed its environmental management policy in compliance with the ISO 14001 to ensure its abidance by environmental laws and regulations as well as to respond to various environmental issues.

All our employees make all-out efforts to preserve a pleasant and abundant environment by fully understanding our environmental policy and engaging in regular communication. The CEO leads by example in fulfilling our company's social responsibility to motivate all our employees to engage in environment management, and promote transparent environmental management.	1. Comply with environmental laws and related requirements to operate the organization in a legitimate and appropriate manner
	2. Mitigate energy and resource consumption to become an eco-friendly workplace
	3. Carry out persistent activities for environmental performance enhancement

Roadmap

Under the direction of 'enhance environmental values for future generations' in environmental management, we have obtained the international standard ISO 14001 at more of our business sites to ramp up our environmental management system. We have also established mid- to long-term goals to further improve our environmental management. By combining all of these efforts, we aim to fulfill our environmental responsibilities and contribute to building a sustainable future.

~2023
Solidify the foundation
for environmental management
• Expand the scope of business sites certified by international standards
• Establish environmental data management indicators

~2025
Embed environmental management into every corner
• Set up targets and conduct environmental impact assessments
• Raise environmental awareness among employees

2026~
Advance our environmental management
• Carry out various activities for environmental impact mitigation
• Make investments in eco-friendly facilities and their operation

Policy on Environmental Management

Chapter 1: Scope of application
❶ Products applicable to the policy
❷ Exclusion from application

Chapter 2: Standards applied
❶ Standards applied

Chapter 3: Definition of terms
❶ Terms related to the organization and leadership
❷ Terms related to planning
❸ Terms related to resources and their operation
❹ Terms related to performance evaluation and improvement

Chapter 4: Organization status
❶ Understanding of the organization and its status
❷ Understanding of stakeholders' needs and expectations
❸ Determination of the environmental management scope
❹ Environmental system and process
❺ Relevant documents

Chapter 5: Leadership
❶ Leadership and expression of their will
❷ Environmental policy
❸ Roles, responsibilities, and authority of the organization
❹ Relevant documents

Chapter 6: Planning
❶ Risks and countermeasures
❷ Environmental goals and the plans to achieve it
❸ Relevant documents

Chapter 7: Support
❶ Support
❷ Capacity
❸ Awareness
❹ Communication
❺ Documented information
❻ Relevant documents

Chapter 8: Operation
❶ Planning for operation and management

❷ Preparation for emergency situations and responses
❸ Relevant documents

Chapter 9: Performance evaluation
❶ Monitoring, measurement, analysis, and evaluation
❷ Internal evaluation
❸ Management review
❹ Relevant documents

Chapter 10: Enhancement
❶ General matters
❷ Non-conformity and corrective action
❸ Constant enhancement
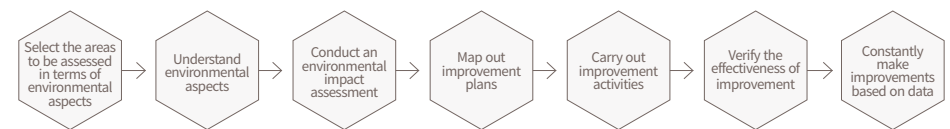❹ Relevant documents

Governance

The board's ESG Committee is responsible for discussing and making decisions on environmental management matters. The organization fully in charge of environmental management and other relevant departments carry out related tasks. The ESG Working Council collaborates with these departments to carry out the work.

| **Board of Directors** | Manage and supervise environmental management | **ESG Committee** | Deliberate on environmental management issues and make decisions on them | **ESG Working Council** | Identify areas that need improvement and co-operate with relevant departments |

The organization dedicated to environmental management has developed environmental policies and collaborated with relevant business departments to identify areas for improvement. Our environmental goals and performance are monitored and managed annually. We comply with stricter regulations through our Plan-Do-Check-Act process, which includes internal and external evaluations.

Risk Management

With the purpose of understanding environmental risks and impacts that our operations, design, products, and services have on the environment, we have conducted environmental impact assessments. All our business operations with regard to products and services are subject to the assessments. Through the assessments, we analyze environmental effects of our products and services, such as chemical use, air and water pollution, and soil contamination. We also consider the impact from a business perspective, including compliance with laws and regulations.

Select the areas to be assessed in terms of environmental aspects → Understand environmental aspects → Conduct an environmental impact assessment → Map out improvement plans → Carry out improvement activities → Verify the effectiveness of improvement → Constantly make improvements based on data

Assessment

LX Semicon acquired the ISO 14001 for its environmental management system in 2012. As the number of our business sites was on the rise, we expanded the scope of the certification to include all our business sites. In addition, we have newly obtained the ISO 50001 for our energy management system.

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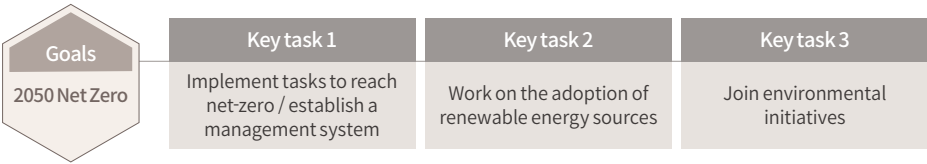BEST TECHNOLOGY,
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Action on Climate Change

Strategy

Being cognizant that climate change is a grave issue for the global community, we have drawn up the road map for net-zero along with action plans aimed at managing risks posed by climate change in a systematic manner. Based on this, we will work at full capacity to deliver tasks for improvement to minimize our environmental footprint.

Goals and Tasks

Goals 2050 Net Zero	Key task 1	Key task 2	Key task 3
	Implement tasks to reach net-zero / establish a management system	Work on the adoption of renewable energy sources	Join environmental initiatives

Climate Policy

Chapter 1: Overview
❶ Purpose
❷ Scope of application

Chapter 2: Matters to Be Observed
❶ Establishment of a response system for net-zero
❷ Energy use and GHG emission disclosure
❸ Renewable energy sourcing for net-zero
❹ Engagement in external activities for net-zero
❺ Management of GHGs emitted from the supply chain

Chapter 3: Partner companies' roles and responsibilities
❶ Inspection and due diligence criteria
❷ Activities for enhancement
❸ Establishment of risk mitigation plans and countermeasures

Governance

Aiming to voluntarily manage its climate change-relate risks, LX Semicon identifies risks and takes precaution measures based on the cooperation among departments. Furthermore, the board's ESG Committee deliberates on and makes decisions on climate change-related issues to ensure company-wide responses.
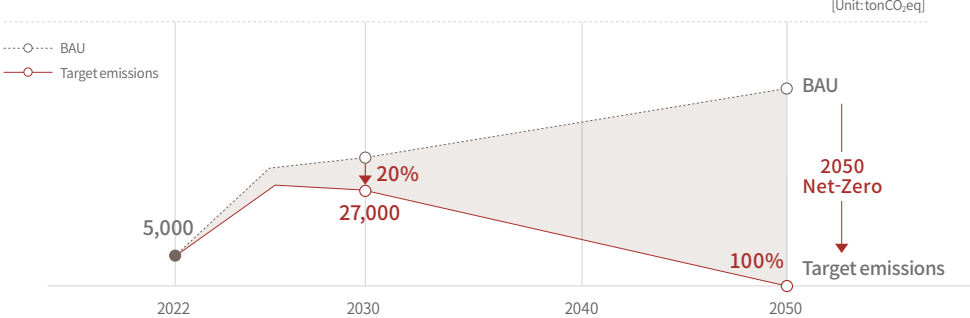
Risk Management

1 Identification of potential risks and opportunities
• Closely look into local and overseas ESG and climate change trends, and analyze changes in the business environment

2 Analysis of financial impact
• Review the impact of climate-related risks and opportunities on our finance

3 Establishment of directions for climate action
• Establish directions for the responses to climate change, such as risk prevention and mitigation, and apply them into all our business aspects

4 Monitoring and performance analysis
• Monitor climate change-related tasks and analyze their developments

5 Review of key issues regarding climate action
• Deliberate on and make decisions on the direction for climate action and ESG matters through the collaboration among related departments, the ESG Committee, and the board

6 Action on climate change and reinforcement of ESG management
• Ramp up company-wide mid- to long-term climate change responses in association with ESG management strategies (data disclosure included)

Roadmap for Net Zero

In line with the 2050 Net Zero driven by the government, LX Semicon has drawn up its roadmap for achieving net-zero by 2050 along with mitigation plans in consideration of its plan to expand business sites and embark on new businesses, followed by the report to the ESG Committee. Starting in 2023, we will redouble our mitigation efforts.

Target Carbon Emissions over Mid- to Long-term Period

[Unit: ton CO_2eq]

- ---○---- BAU
- ──○── Target emissions

5,000 · 20% · 27,000 · 100% · BAU · 2050 Net-Zero · Target emissions

2022 · 2030 · 2040 · 2050

Performance

GHG emissions

As a fabless company, LX Semicon emits less carbon and is not required to mitigate emissions. However, we have voluntarily established a GHG inventory system and had our carbon emissions verified by an external agency. In 2022, our emissions increased due to the growth in the number of business sites and employees.

Category	Unit	2020	2021	2022
Direct GHG emissions (scope 1)	ton CO_2eq	477	528	916
Indirect GHG emissions (scope 2)		3,238	3,052	4,149
Other indirect GHG emissions (scope 3) – commuting		–	–	220
Total emissions (scope 1+2+3)		3,715	3,580	5,285
GHG emission intensity	ton CO_2eq / KRW million	0.0032	0.0019	0.0025

* Based on Daejeon / Yangjae / Gangnam Campuses

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Accordingly, LX Semicon is gearing ourselves up for carbon mitigation, such as investments in facilities and adoption of renewable energy sources on the basis of its net-zero roadmap and its action plans reported to the ESG Committee.

Energy Consumption

Category	Unit	2020	2021	2022
Gasoline		1,285	1,648	2,743
Diesel		5	5	3,462
City gas	GJ	7,988	8,323	13,976
Electricity		66,676	62,831	86,708
Total energy consumption		75,954	72,807	106,889
Energy intensity	GJ / KRW million	0.0654	0.0383	0.5044

Eco-friendly Activities

Category	Key activities
External verification for carbon emissions	Our carbon emissions verified by a specialized company
Campaigns for raised awareness	Conducted the campaign titled 'Do It Right Now'
Hybrid vehicle operation	Run a total of 27 hybrid vehicles (for business purpose)
Commuter bus operation	Operated commuter buses 15 times a day on average in Daejeon, Yangjae, Gangnam, and Siheung Campuses
Environmental protection campaign	Carried out plogging activities (joined by 1,600 employees including the CEO)

Environmental Education

With the aim of raising awareness of environmental management, such as climate action, among our employees and partner companies, we have provided education. In 2022, as part of our reinforced ESG management, we offered training to our employees and partner companies to help them develop their capabilities required for environmental management. Going forward, we will expand the scope of educational beneficiaries to reach out to more stakeholders and help them sharpen their skills.

Violation of Environmental Laws

LX Semicon strives to comply with environmental laws and regulations at home and abroad. In recent three years, we achieved zero breaches of environmental laws. In the coming years, we will ensure our abidance by all related laws and agreements, and also make all-out efforts to preserve the environment and local communities.

Category		Unit	2020	2021	2022
Environmental law violation	No. of law violations	Cases	0	0	0
	Fines and penalties	KRW	0	0	0

OVERVIEW

ESG MANAGEMENT

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● Environment
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APPENDIX

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Resource Use and Pollution Mitigation

Strategy

Being well aware of our responsibilities for the safe management of toxic substances and chemicals, we have operated a safe management system for chemicals so that we can adhere to the related laws and regulations at home and abroad. For the efficient management, we have educated and trained our employees on the use of hazardous substances and chemicals in coalition with domestic and overseas regulatory authorities. On top of that, all stages ranging from production to product maintenance and waste disposal are evaluated on their riskiness related to chemical use and management.

Performance

Toxic Substance Management

LX Semicon has obtained approval for all manufacturing procedures and raw materials, ensuring their safety. We have established internal standards to manage and monitor the records of toxic substances. These efforts allow our customers to use safe products with confidence.

Criteria for Hazardous Substances

Category		Substances subject to management
Matters restricted	RoHS	Cd, Pb, Hg, Cr6+, PBBBs, PBDEs, Phthalate(DEHP, DBP, BBP, DIBP)
	Halogen	Br, Cl
	Antimony	Sb
	Beryllium	Be
Matters under management	REACH	According to SVHC (Substances of Very High Concern) designated by the EU

Toxic Substance Management Process

Monitor local and overseas environmental regulations	Keep track of RoHS, REACH, etc.
Review applicability (when updated)	Revise the management criteria for restricted substances for use and apply when they are listed as SVHC
Register in laws (revision to the management criteria)	Make an amendment to the criteria for management
Apply and manage	Check related documents and test results when applied
Provide data for stakeholders	Properly respond to customers' and stakeholders' demand

Waste Mitigation Activities

With the objective to minimize waste generation and promote recycling at all our business sites, multifaceted efforts are being made. For example, domestic waste is categorized into recyclable paper bags, PET bottles, and paper for separate disposal. Additionally, we put in place boxes for the collection of PCB substrate and chips generated during the course of design or tests for separate disposal.

Waste Generation

Category	Unit	2020	2021	2022
General waste	Tons	6.8	7.7	12.5

Water Consumption by Source

Category	Unit	2020	2021	2022
Service water	m^3	29,210	29,274	63,669
Underground water		Not used	Not used	Not used

Resource Circulation Activities

LX Semicon has joined forces in resource circulation activities in collaboration with NGOs. As part of the efforts, we offered approximately 300 home appliances and IT devices (laptops, desktops, and monitors). And these items were utilized for a recycling project called 'Urban Mining' (recycling of general and rare metals). In the years ahead, we will participate in related activities on a regular basis, and take measures to promote resource circulation.

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Employees

Strategy

LX Semicon has in place a range of policies in order to create a culture where all our employees are respected in terms of their autonomy and responsibilities. And we also endeavor to make our culture family-friendly so that all our employees can strike a balance between work and life. With the operation of the Employee Council, every effort is being made to safeguard the rights and interests of employees, such as the creation of a pleasant work environment and the establishment of a safe pay structure. Moreover, we pay close attention to employees leveraging diverse communication channels, and reflect their thoughts and opinions to refine the systems, thereby better satisfying our employees and enhancing productivity.

Performance

Employee Composition

To accomplish sustainable growth, LX Semicon has actively adjusted itself to the fast-evolving semiconductor industry, and put promoting employee diversity and securing outstanding talents first.

Category		Unit	2020	2021	2022
Total no. of employees	Total	Persons	1,026	1,272	1,581
	Male		850	1,029	1,277
	Female		176	243	304
Regular	Male	Persons	838	1,008	1,250
	Female		167	229	287
Non regular (contract*)	Male		12	21	27
	Female		9	14	17
Age	Below 30	Persons (%)	216(21)	307(24)	456(29)
	30-49		759(74)	888(70)	1,042(66)
	50 or above		51(5)	77(6)	83(5)

* Non regular(contract): Office support staff

Female Employees

LX Semicon has supported capable female talents in unleashing their full potential and growing into leaders. Going forward, we will help female employees continue their career when they are pregnant or giving birth through the well-organized systems and policies, and empower female employees.

Category	Unit	2020	2021	2022
Total no. of female employees		176(17)	243(19)	304(19)
Female employees in managerial position		6(0.6)	3(0.2)	7(0.4)
Female executives	Persons (%)	0(0)	1(0.4)	1(0.1)
Female employees in sales generating departments		0(0)	0(0)	1(0.1)
STEM departments*		0(0)	1(0.4)	1(0.1)

* STEM: Science, technology, engineering, and mathematics

Employee Diversity

We respect the diversity of our employees across every aspect, such as gender, race, disability, value, experience, and taste. Furthermore, we have refined our systems promoting diversity and respect for different thoughts and experiences, thereby bringing out the best in them.

Category		Unit	2020	2021	2022
Employees with disabilities		Persons (%)	17(2)	21(2)	27(2)
Employees of national merit			4(0.4)	4(0.3)	4(0.3)
Nationality	Korea	Persons	1,013	1,258	1,567
	North America		2	2	2
	Asia		11	12	12

## Recruitment

In order to hire 'Semiconductor Talent with Conviction and Execution Ability,' we do not discriminate on the grounds of age, gender, backgrounds, and career during recruitment, and provide opportunities for anyone. Our recruitment process is conducted through the LX Group's recruitment system. As part of the efforts to nurture the best talents as our future growth engines, we publicly notify job openings for entry-level and experienced positions when needed to attract excellent talents. In addition, we give extra points to the disabled and people of national merit when recruiting.

Recruitment Process
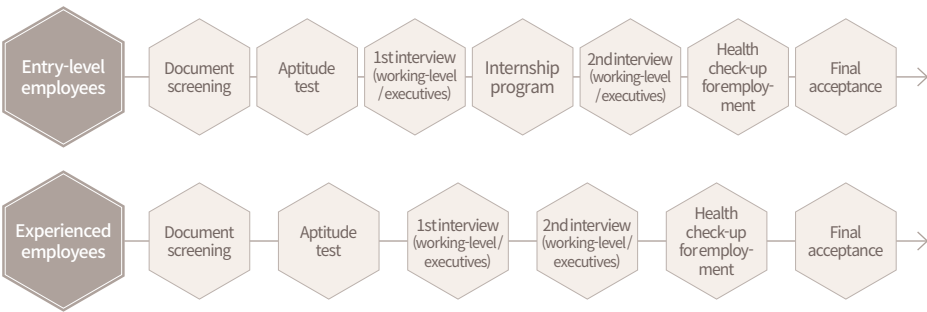
New Hires

Category		Unit	2020	2021	2022
Total		Persons	104	347	430
Gender	Male	Persons (%)	74(71)	253(73)	336(78)
	Female		30(29)	94(27)	94(22)
Age	Below 30		62(60)	166(48)	218(51)
	30 – 49		38(36)	170(49)	205(48)
	50 or above		4(4)	11(3)	7(1)

Retirees

Category		Unit	2020	2021	2022
Total		Persons	85	100	121
Gender	Male	Persons (%)	69(81)	74(74)	85(70)
	Female		16(19)	26(26)	36(30)
Age	Below 30		23(27)	43(43)	35(29)
	30 – 49		57(68)	54(54)	83(69)
	50 or above		5(5)	3(3)	3(2)

Voluntary Retirees

Category		Unit	2020	2021	2022
Total		Persons	84	97	109
Gender	Male	Persons (%)	68(81)	71(73)	79(72)
	Female		16(19)	26(27)	30(28)
Age	Below 30		23(27)	43(44)	31(28)
	30 – 49		57(68)	51(53)	77(71)
	50 or above		4(5)	3(3)	1(1)

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Performance Evaluation

We seek for competitive compensation compared to others at home and abroad, and ensure that each individual receives performance-based compensation in a fair manner, thereby raising employees' work engagement. To this end, we conduct an annual performance evaluation, and the results are reflected in determining their compensation, nurturing plans, and promotion.

Category	Unit	2020	2021	2022
Ratio of regular performance evaluation results applied	%	100	100	100

Remuneration

Category		Unit	2020	2021	2022
Pay	Average pay for all	KRW million	87	73	88
	Male		92	78	94
	Female		62	51	64
Equal pay	All employees	Times	0.67	0.65	0.68
	Managerial positions		1.04	1.08	0.96
	Non-managerial positions		0.71	0.73	0.75
	Executives		0.00	0.54	0.83

Work-Life Balance

In an effort to improve work efficiency and productivity, and promote work-life balance, we have adopted a flexible working hours system and work from home. The flexible working hours is being operated on a four-week basis which allows employees to coordinate their working hours according to their schedules, adhering to 40 working hours a week instead of 8 working hours a day. Furthermore, we put in place a range of family-friendly policies, such as childbirth leave, childcare leave, and shorter working hours. In addition, we operate a workplace daycare center to assist employees in relieving their childcare burdens, and provide financial assistance for their child education, which reduces the burdens of education expenses.

Category	Details	
Flexible working hours system	Four-week basis, selective working hours system operated	
Working from home	Working from home utilized for maternity protection and the prevention of the spread of the COVID-19 pandemic	
Recommended leave system	Usage of leave recommended for holidays interspersed with workdays (about 18 days per year)	
Casual Dress Code	Casual dress code suitable for TPO operated	
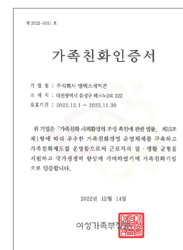
Childcare Leave

Category		Unit	2020	2021	2022
Total no. of employees using childcare leave	Male	Persons	6	6	12
	Female		10	10	10
Total no. of employees returning to work after the leave	Male		2	6	10
	Female		3	6	10
Total no. of employees working for 12 months after the return	Male		1	2	3
	Female		2	3	2
Rate of employees using childcare leave	Male	%	33	100	83
	Female		30	60	100
Rate of employees working for 12 months after the return	Male		50	33	30
	Female		67	50	20

Communication with Employees

LX Semicon has operated the CA (Communication Agent) Bureau and the Employee Council comprising the heads of each business unit so as to facilitate the communication between employees and the company, and listen to their voices to reflect their thoughts and grievances in our business operations. The council regularly convenes to pay attention to employees and discuss the ways of addressing their grievances. And it also provides feedback after taking corrective action for improvement. On top of that, we have operated 'Open Communication' attended by the CEO and all our employees both online and offline, in which questions raised by employees are answered in real time. Through our bulletin board, various campaigns driven by the CA and main activities are shared with employees while the employees are informed of the company's news and key progress through the issuance of 'LX Semicon Newsletter.' And we provide a wide range of content regarding the trend of semiconductor business and our key business achievements, interviews with employees through SNS platforms such as our website, YouTube channel, Facebook account and blog.

'The Empathy', Our In-house Counseling Office

'The Empathy' is our in-house counseling office aimed at helping employees deal with their work stress, and address their various concerns over relations with others and family issues through the consultation provided by counseling psychologists.

Re-employment Support Service

LX Semicon provides education (job placement, education on how to get a job, and how to run own business) for those for whom apply. And employees who are aged 50 or above and work more than 1 year are eligible for this service.

Welfare Policies

We have operated a range of welfare policies, such as support for family occasions and disaster relief, financial assistance for medical care and school fees, loans for housing, and other selective welfare benefits. These policies help our employees maintain their fitness and strike a balance between work and life.

Category	Details
Health	Assistance for medical fees for employees and their family In-house cafeteria (free breakfast, lunch, and dinner served) Health check-up (employees and their spouses)
Life&Family	Full financial support for our employees' children' tuition fees In-house daycare center
Refresh	Support for the purchase of tickets for sporting events (baseball, soccer) Support for accommodations in resort complexes, the training institute, and condominiums
Growth	Support for in-house club activities and in-house learning clubs Support for language classes and book purchase

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Talent Nurturing

Strategy

Talent Cultivation

At LX Semicon, we value the growth of our employees and offer a variety of educational courses to help them develop their skills. These courses include leadership development, basic skill development based on core values and job position, job training for experts in specific sectors, and enhancement of global capabilities.

Leadership skills	Basic skills	Professional skills	Global skills
Education for high-potential talents and leaders to sharpen their competency	Basic competency enhancement education based on LX Semicon's core values	Job training for nurturing experts in each field	Education aimed at global talent cultivation
• Training for business division heads • Leader training (executives, officers, office / team leaders) • Coaching program • Domestic / overseas degree programs and MBA	• Training for entry-level / experienced employees • Training by job position • Training for all employees (internalizing core values)	• Professional job training by field • Support for in-house learning clubs	• Training for FSEs before overseas posting • Training for local employees at overseas subsidiaries • Language skill courses

Training System

Leadership	Basic	Professional	Global
Executives / officers	Training by job position (manager / senior manager)	Professional job training by field	Training for FSEs before overseas posting / training for local employees at overseas subsidiaries
Office / team leaders	Training for entry-level / experienced employees		
High-potential talents / junior leaders	Training for all (core value internalization)	Design Academy (R&D)	Language courses

Performance

Sharpening Leadership Skills

To help our employees develop the skills required for their job positions, we offer a variety of education and coaching programs. Our regular education for organizational leaders focuses on leadership skills that improve organizational operations and performance. For junior leaders, we provide training to prepare them for future team leader roles. Additionally, we offer coaching programs for employees who are transitioning to new roles or need strategic development to promote positive behavioral changes and leadership growth.

Building Basic Capacity

LX Semicon offers skill development programs tailored to specific job positions. Our orientation course, designed for both entry-level and experienced employees, helps them understand the organization and smoothly transition into their roles within the company. Education by job position supports our employees in building capacity required to play their roles. And all our employees are trained on core value internalization.

Developing Professional Skills

LX Semicon has established a job training system that is tailored to different fields such as R&D, sales & marketing, and quality. This system offers a variety of training courses that are designed to meet the capabilities and needs of our employees. Additionally, we support our employees in attending external education programs for upskilling through discussions with organizational leaders.

Design Academy Launched

With the objective to nurture a design workforce equipped with practical skills in a systematic manner, we have established a professional education system for design at the company level, and operated a range of educational programs. At the Design Academy, our employees with expertise by sector share their profound knowledge and know-how accumulated through their extensive field experience with trainees. As of now, the academy operates a three-month course for entry-level researchers, focusing on job-based content that helps them grasp their jobs quickly. The current researchers will be provided an advanced course tailored to job titles and fields. By doing so, we will sharpen company-wide design capabilities.

Design Academy for Entry-level Employees

| Design common course (2.5 weeks)	Training by field (4.5 weeks)		Task implementation (5 weeks)
• Circuit theory • Semiconductor process / device • Development process / design flow • Design environment • Display structure / system • Semiconductor quality and test	• Analog · Circuit/Mixed Simulation & Verification · OP Amp design / verification · Reference design / verification · Oscillator & PLL · ADC, AFE, DC-DC IP, R-DAC, Level Shift	• Digital · Design Entry · Logic Implementation & Verification · Post Layout · SoC Architecture	• Term project · Team formation (6~7) · Display driver IC design (Layout P&R included)

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Building Global Capacity

LX Semicon has implemented a variety of programs to help employees improve their global skills as the company expands its business worldwide. These programs include pre-departure training for foreign service employees (FSEs) to help them adapt to their new regions, as well as customized programs for both FSEs and local employees. Language courses are also offered to further enhance their capabilities.

Creating a Continuous Learning Culture

To facilitate learning in the workplace, we support a variety of activities in addition to regular educational courses. We film lectures for new hires and job training and post them on our in-house online learning platform, allowing trainees to access the videos anytime, anywhere. Employees can also voluntarily share their knowledge on specific subjects through in-house learning clubs. Additionally, we operate a bulletin board to keep our employees informed about various educational opportunities such as job training and external academies or seminars.
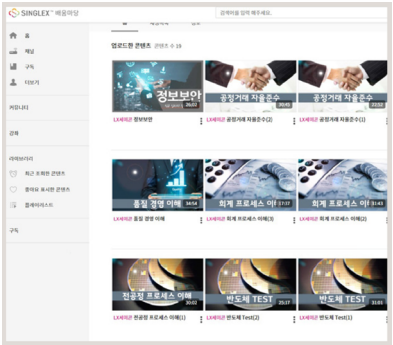
Education Status

Category	Unit	2020	2021	2022
Total educational hours	Hours	20,874	36,362	42,085
Total educational expenses	KRW 100 million	8.7	11.6	18.6
Educational hour per employee	Hours	20.3	28.6	26.6
Educational expenses per employee	KRW 1,000	848.0	911.9	1,176.5

* Educational hours and expenses are based on the number of employees

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Human Rights

Strategy

LX Semicon is committed to adhering to international standards and guidelines, including the Universal Declaration of Human Rights, the United Nations Global Compact, the UN Guiding Principles on Business and Human Rights, the ILO Fundamental Conventions, and the OECD's Due Diligence Guidance for Responsible Business Conduct.

Laying the Foundation for Human Rights Risk Management

LX Semicon has established its Declaration of Human Rights and Code of Conduct for Suppliers aimed at engaging them in the efforts to minimize the risk of human rights violations in all aspects of our business operations. We strive to create a workplace where all stakeholders are respected and their human rights are protected. We have a zero-tolerance policy for inhumane treatment, including sexual harassment, abuse, violent language, and mental or physical coercion.

Our Declaration of Human Rights
❶ Respect for Human Rights
❷ Prohibition of Forced Labor
❸ Prohibition of Child Labor
❹ Freedom of Association
❺ Compliance with Working Hours
❻ No Discrimination
❼ Wages and Benefits
❽ Responsible Sourcing of Minerals
❾ Information Security
❿ Compliance with Working Hours
⓫ Compliance with the Law

Code of Conduct for Suppliers
(Article 1 Labor and Human Rights)
❶ Voluntary Work
❷ Prohibition of Child Labor and Management of Young Worker
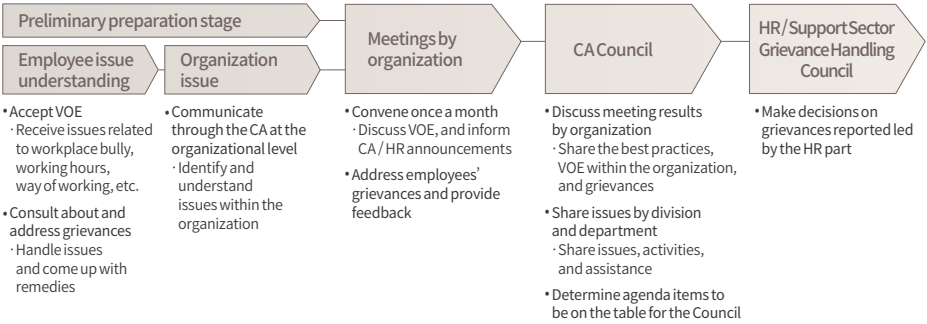❸ Prohibition of Excessive Overtime Work
❹ Wages and Benefits
❺ Prohibition of Discrimination and Workplace bully
❻ Freedom of Association

Performance

Human Rights Grievance Handling Process

LX Semicon has official channels for reporting grievances related to human rights. When a case is reported, an investigation is conducted while keeping the whistleblower's identity confidential. We also separate informants to protect them against any disadvantages or discrimination to prevent further harm.

Preliminary preparation stage
Employee issue understanding → **Organization issue** → **Meetings by organization** → **CA Council** → **HR/Support Sector Grievance Handling Council**

- Accept VOE
  · Receive issues related to workplace bully, working hours, way of working, etc.
- Consult about and address grievances
  · Handle issues and come up with remedies

- Communicate through the CA at the organizational level
  · Identify and understand issues within the organization

- Convene once a month
  · Discuss VOE, and inform CA / HR announcements
- Address employees' grievances and provide feedback

- Discuss meeting results by organization
  · Share the best practices, VOE within the organization, and grievances
- Share issues by division and department
  · Share issues, activities, and assistance
- Determine agenda items to be on the table for the Council

- Make decisions on grievances reported led by the HR part

Reporting Channels for Human Rights Grievances

Category	Details
Grievance report (online)	Menu, 'Grievance Handling Now Talk,' within the In-house Intranet
Labor-Management Council Hotline	CA by organization or Labor-Management Council Hotline (anonymity)
Report of workplace bully and sexual harassment	(Online and offline) Employee in charge of the Corporate Culture Team
	(Online) Menu, 'Report of sexual harassment / workplace bully,' within the In-house Intranet
Cyber Sinmungo (online)	Menu, 'Cyber Sinmungo,' within our website
Ethics Bureau	Reports accepted through online, in-person visits, postal mail, email, or phone calls

Human Rights Education

Category		Unit	2020	2021	2022
Education on raised awareness of the disabled in the workplace	Educational hours	Hours	980	1,262	1,646
	No. of employees who completed education	Persons	980	1,262	1,646
Education on the prevention of workplace sexual harassment	Educational hours	Hours	1,013	1,262	1,646
	No. of employees who completed education	Persons	1,013	1,262	1,646

Campaigns for Raising Awareness

As part of our efforts to foster a culture of mutual respect and promote human rights within our organization, we launched a campaign called 'Respect Each Other.' This campaign encourages employees to empathize with one another and use honorifics, regardless of job position. By doing so, we hope to spread respect for human rights and mutual consideration throughout our company. Moving forward, we will continue to explore themes related to human rights in order to raise awareness and engage our employees in this important effort.

Social Contribution

Strategy

As the demand for companies to fulfill their social responsibilities grows, LX Semicon is committed to creating social value in all aspects of our business operations. We plan to establish a social contribution system aligned with our strategies and visions, and carry out various social contribution activities to achieve a higher level of social value.

Direction and Principles

Direction

Better Future with Our Community

Principles

Sincerity — Sustainability — Voluntary Participation

Goals

Support for future generations' growth · Facilitate sports for the disabled · Address local communities' issues

Performance

Support for Future Generations' Growth

LX Semicon has collaborated with local childcare facilities near our campuses to enhance the living conditions for children. On Children's Day and national holidays, we have also donated necessary items such as electronics and school supplies to these facilities.

Supporting University Student Scholarships

Since 2019, LX Semicon has been awarding scholarships to undergraduate and graduate students in semiconductor design-related fields. The goal is to discover and develop talents in semiconductor design. Through the 'Korea Semiconductor Design Competition,' hosted by the Ministry of Trade, Industry, and Energy, we help to enhance the design skills of students and awards scholarships to teams with innovative ideas. This provides a pathway for talented individuals to enter the semiconductor industry.

Supporting Sports for People with Disabilities

In an effort to promote sports for people with disabilities and expand its foundation, we have provided support to a sports team of disabled athletes. These athletes are members of LX Semicon and receive training and other forms of assistance from us.

Support for Local Communities

Wildfire Relief

LX Semicon has made donations to support relief efforts in Uljin, Gyeongbuk and Samcheok, Gangwon, which were damaged by wildfires.

Kimchi Sharing with the Vulnerable

Our company participated in an initiative driven by the Daejeon City to make and share Kimchi with households vulnerable during the winter season. Our employees were actively involved in this effort.

Employee Engagement

Payroll Giving

Since April 2018, LX Semicon has implemented a "scrap deduction" program, where employees can choose to donate the change from their monthly salaries that is less than KRW 1,000. The funds raised through this program are used for social contribution activities that reflect the needs and interests of LX Semicon employees.

Employee Campaign (Donation / Awareness Raising)

In 2022, we launched a series of campaigns called 'Let's Join ESG Management' to engage our employees in social contribution activities and raise awareness about ESG. Our first campaign was a 'Donation Market' that supported vulnerable communities and promoted resource circulation. Employees donated items for auction, and all proceeds went to local childcare facilities. Our second campaign was a 'Best N-line Poem Contest' on the theme of ESG management. Employees submitted poems with diverse ideas about ESG, helping to raise awareness about the importance of ESG management.

Safety and Health

Strategy

Embedding Safety Management and Safety & Health Culture into Every Corner

Putting our employee safety and health at the heart of our business operations, we have stepped up our safety and health management system, ensured compliance with the Serious Accidents Punishment Act, operated a safety and health system, conducted campaigns to raise awareness, and provided education under the direction of 'creating a safe and clean work environment.' In 2022, we obtained the safety and health management system certification. All these efforts combined have reinforced our company-wide safety and health risk management.

Our Safety and Health Management Policy

With the purpose of solidifying our commitment to safety and health management and presenting consistent safety and health policy, we follow the ISO 45001, based on which our policy has been formulated and disclosed.

Practical Guidance on Safety and Health

❶ We comply with safety and health laws and regulations, and seek for continuous improvement.

❷ We strive to create a culture of safety where people adhere to the basics, and forge a healthy and safe workplace.

❸ We actively educate and train our employees to help them better understand safety and health.

❹ All our employees join activities to promote safety and health, thereby fulfilling their responsibilities and duties.

❺ We faithfully communicate with stakeholders and transparently disclose our data to discharge our corporate responsibilities.

Safety and Health Organizational Structure

We have selected the issue of safety and health for all stakeholders, including employees and suppliers, as an overarching task, and established an annual plan for safety and health, which is reported to the BOD for approval. And the organization fully responsible for safety and health operates the Occupational Safety and Health Committee attended by employees, managers, and supervisors to deliberate and make decisions on related issues.

Board of Directors
ESG Committee
Manage and supervise safety and health

CEO
Manage the operation of the Occupational Safety and Health Committee

Occupational Safety and Health Committee
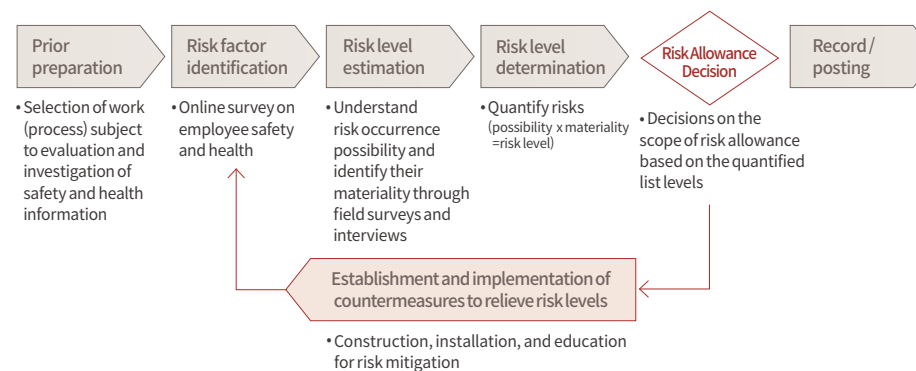Deliberate and make decisions on the issues concerning safety and health management

Target

Under the goal of achieving zero safety incidents, we have operated a TF for the management of serious accidents and safety and health-related issues. The TF assumes the roles of strengthening workplace safety, and working with the organization in charge to come up with countermeasures. Its ultimate goal is to constantly refine our safety and health system. Moreover, we have prepared the criteria for supplier safety evaluation to help them sharpen their safety management. Additionally, with the establishment of safety action plans and manual, we have endeavored to safeguard not only our employees' but also suppliers' safety and fitness.

Assessment

Workplace Risk Assessment

As part of the efforts to step up safety and health management across the company, we evaluate our business sites in terms of risks. Risk elements are classified into six groups and defined to be evaluated. And based on the results, a wide range of activities are being carried out to eliminate and prevent risk factors.

Procedures for Risk Assessment

Prior preparation → Risk factor identification → Risk level estimation → Risk level determination → Risk Allowance Decision → Record / posting

Prior preparation
• Selection of work (process) subject to evaluation and investigation of safety and health information

Risk factor identification
• Online survey on employee safety and health

Risk level estimation
• Understand risk occurrence possibility and identify their materiality through field surveys and interviews

Risk level determination
• Quantify risks (possibility x materiality =risk level)

Risk Allowance Decision
• Decisions on the scope of risk allowance based on the quantified list levels

Establishment and implementation of countermeasures to relieve risk levels
• Construction, installation, and education for risk mitigation

Risk Assessment Results

A total of 324 employees were surveyed to identify risk and hazard elements within our business sites. Safety and health managers grasped and evaluated the severity of the identified risks based on the survey results and the detailed guidelines on risk assessment. Through the due diligences, we also discovered risk factors, and reviewed the areas of improvement. Finally, a total of 20 risk and hazard factors related to machines & electricity, and work nature and environment were identified.

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Precision Safety Diagnosis of Labs

We regularly conduct precision safety diagnosis to identify risk factors to prevent accidents at our labs and take corrective measures for improvement. When there is a grave defect detected, an additional assessment is made, followed by the analysis of root causes. Based on the outcome, corrective measures by risk level are taken within three months. And we also ensure the maintenance of the measures.

Ranking	Safety status of lab
1	There are no issues with the lab in terms of safety environment and maintenance
2	Some flaws have been found in the lab's safety environment and research facilities and improvement needs to be made, but they do not significantly affect safety.
3	Safety violations are identified and the work environment needs to be improved
4	Serious safety violations are identified in research environment or facilities and therefore, they should be restricted.
5	The work environment or facilities should be shut down immediately due to a high risk of accidents and serious safety violation.

Safety and Health Management (ISO 45001) Certification

In August 2022, LX Semicon has acquired the ISO 45001 certification for all its business sites in an effort to reinforce its safety and management system. Based on this, we assess potential risks that could occur at our business sites on a regular basis, and establish countermeasures to prevent workplace accidents, and improve work environment to ramp up our safety management.
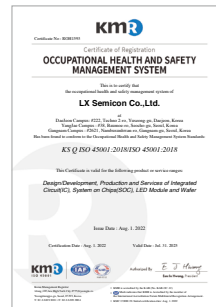
Performance

We have in place a variety of programs that raise safety and health awareness among our employees and promote health management. As part of the efforts, we carried out an in-house campaign under the theme of safety and health. And we plan diverse activities to promote safety and health for all our employees, thereby raising employee perceptions about safety and health, and embedding the safety-first culture into every corner.

Category	Details
Health improvement for employees	Cardiac resuscitation training, three major diseases (blood pressure, dyslipidemia, blood sugar), smoking cessation / diet programs
Safety and health awareness improvement	Conducting safety and health campaigns (theme: safe right turn, disease prevention, etc.)
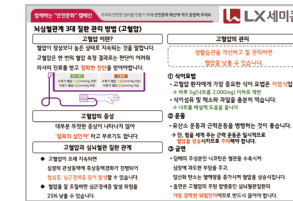
Category		Unit	2020	2021	2022
Occupational safety and health training	Training hours	Hours	24,096	30,072	39,408
	No. of participants	Persons	1,003	1,253	1,545

Category		Unit	2020	2021	2022	2022 Target
Employee	No. of Lost-time injuries	Cases	0	0	0	0
	Occupational accident rate	%	0	0	0	0
Partner company	No. of Lost-time injuries	Cases	0	0	0	0
	Occupational accident rate	%	0	0	0	0

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Sustainable Supply Chain

Strategy

Supplier Code of Conduct

LX Semicon has established a Supplier Code of Conduct on the basis of the code of conduct of the Responsible Business Alliance (RBA), aiming at responsible supply chain management. We disclose the Supplier Code of Conduct on our website as well as our supplier purchasing portal so that partner companies can comply with it. Going forward, we will continue to work with our partner companies to manage supply chain risks.

Chapter 1: Overview of Code of Conduct
Chapter 2: Subject to Application
Chapter 3: Working Conditions and Human Rights
Chapter 4: Safe Workplace
Chapter 5: Environment
Chapter 6: Ethics
Chapter 7: Conflict Mineral Management
Chapter 8: Management System

Partner Company Management

To systematically manage our partner companies, we established the Supplier Management Regulations and defined clear evaluation standards that we use to assess the competitiveness of suppliers. We perform corporate credit evaluation annually to identify financial risks and competency evaluation biannually to measure business capabilities and ESG levels of business partners. In the competency evaluation, we added 'ESG management' as a fifth criterion (along with technology, quality, cost, and delivery) to strengthen non-financial risk management of our partner companies.

Risk Management of Partner Companies

In response to the ESG risk management expectations of various stakeholders amid business growth and changes in relevant domestic and international regulations, we have established a system to inspect and manage risks in the supply chain operation. For this purpose, we categorize risks by type that may arise in the semiconductor industry and apply appropriate risk management measures for partner companies.
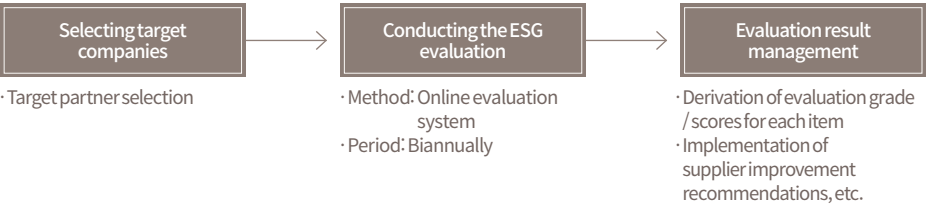
Risk Types

Items that may significantly affect the supply chain and necessitate prompt action	Items that demand continuous monitoring to align with internal processes or prevent recurrence	Items that have a positive impact on enhancing mutual communication

Criteria	Classification
Finance	Risks of bankruptcy of others based on information such as profitability, debt, and cash flow
Operation	Risks of supply and demand disruptions and quality defects associated with technology, manufacturing, logistics, quality, etc.
Commercial	Risk management regarding contracts, payment, etc.
ESG	Compliance risks related to environment, labor, safety and health, and ethics
Geopolitics	Risks of supply chain issues and supply disruption due to disputes

ESG Evaluation of Partner Companies

We have operated an online ESG evaluation system to enable our partner companies to participate in ESG risk management. The ESG evaluation comprises four categories (environment, human rights / labor, ethics / governance, product / service responsibility). In 2022, we conducted ESG evaluation of 20 major suppliers. The results showed that 16 companies received A rating and 4 received B rating. We shared relevant information with our partner companies and suggested improvement for the areas that have potential risks.

Partner Company Evaluation Process

Selecting target companies	Conducting the ESG evaluation	Evaluation result management
· Target partner selection	· Method: Online evaluation system · Period: Biannually	· Derivation of evaluation grade / scores for each item · Implementation of supplier improvement recommendations, etc.

Evaluation Item

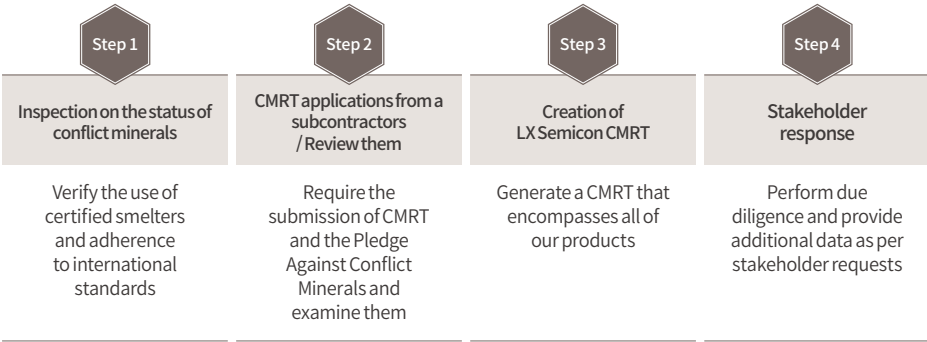| Category	Details
Environment	Environmental management system, GHG, water / effluent, waste, air quality
Human rights / Labor	Human rights / labor standards and practices, workplace safety and health, human rights / labor within supply chain
Ethics / governance	Ethical management, ESG management / information disclosure, corporate governance
Product / service responsibility	Responsible management of chemical and hazardous substance, raw material sourcing, use of renewable energy, etc.

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Conflict Mineral Management

Process

LX Semicon has joined the international community in its efforts to avoid negative issues such as human rights abuses and environmental damage that arise from mineral extraction in major overseas conflict zones. For this purpose, we have set up a management system and process to ensure that our supply chain does not use conflict minerals that may finance armed groups in conflict areas.

Step 1
Inspection on the status of conflict minerals

Verify the use of certified smelters and adherence to international standards

Step 2
CMRT applications from a subcontractors / Review them

Require the submission of CMRT and the Pledge Against Conflict Minerals and examine them

Step 3
Creation of LX Semicon CMRT

Generate a CMRT that encompasses all of our products

Step 4
Stakeholder response

Perform due diligence and provide additional data as per stakeholder requests

Management Policy

We are committed to safeguarding the human rights of all stakeholders in the global supply chain and to sourcing minerals responsibly in an ethical and sustainable manner. Based on our conflict minerals management policy, we manage and monitor our partner companies to ensure that minerals produced in conflict areas do not enter the company's supply chain. We also require partner companies to submit the questionnaire about the use of minerals in the conflict areas and Pledge Against Conflict in a written format.

Category	Description
Responsible Mineral Sourcing Policy	Participation in the international community's efforts to stop using conflict minerals and disclosure of management policies
Conflict Minerals Management Policy	❶ Supplier management / monitoring in order to prevent the inflow of conflict minerals into the company's supply chain ❷ Inspection of the use of conflict minerals by each partner company and request for the submission of a confirmation of non-use of conflict minerals
Supplier Code of Conduct (Article 6)	❶ Establishment of a policy to prevent the use of raw materials procured through illegal, negative environmental impact or unethical methods ❷ Conflict minerals provisions should be included in the supply chain policy, and establishment of a system to ensure that the minerals used in raw materials, parts, and products supplied to LX Semicon (tantalum, tin, tungsten, gold: hereinafter 3TG) do not directly or indirectly provide financial resources or benefits to armed forces that seriously violate human rights in the Democratic Republic of the Congo or neighboring countries ❸ Efforts to check the origin and supply chain of 3TG minerals in raw materials, parts, and products supplied to LX Semicon ❹ Cooperate in providing relevant data such as the origin of 3TG minerals, information on smelters and refiners, and others upon request from LX Semicon and LX Semicon clients

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Information Security

Strategy

LX Semicon has set up Information Security Management System (ISMS) in accordance with global standards, implementing information security policies to tighten its corporate responsibility in the sector. On the foundation of company-wide security regulations and guidelines, we have applied 9 guidelines to securely safeguard our corporate assets and address information security policies and security incidents.
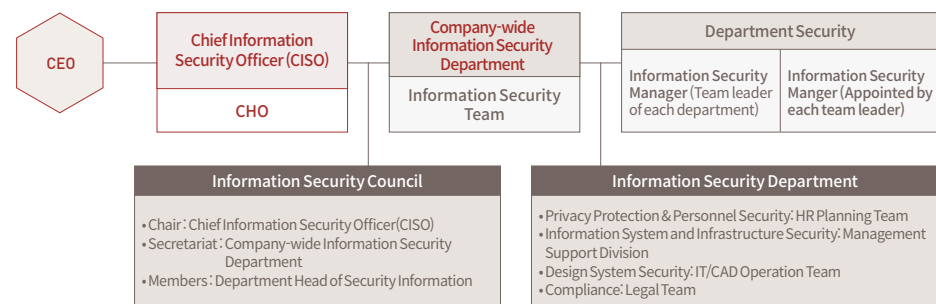
Information Security Guidelines

Chapter 1. Operation of Information Security Organization	Chapter 4. Security Response	Chapter 7. Physical Security
	Chapter 5. Legal Compliance & Security Management by Business Characteristics	Chapter 8. PC & Mobile Security
Chapter 2. Asset Management		Chapter 9. IT Security
Chapter 3. Personnel Security	Chapter 6. Security Audit	

Information Security System

We comply with the Personal Information Protection Act and have established the 'Privacy Policy' to specify the information protection obligations of business associates and business managers. To implement this, we appoint a CPO who supervises personal information processing, proactively responds to risks and infringement issues related to personal information processing, and conducts oversight and training for personal information handlers. In light of the increasing corporate responsibilities and response due to the diversification of IT products and services and changes in the global market environment, we set up the company-wide security regulations and guidelines that integrate asset management, manpower security, security incident response, physical security, and information technology security to enhance the security management system. Company-wide, we appoint a CISO to define responsibility for information security, and operate an Information Security Council under the CEO to continuously improve information protection and address related issues.

Company-wide Security Organization

- CEO
- Chief Information Security Officer (CISO)
  - CHO
- Company-wide Information Security Department
  - Information Security Team
- Department Security
  - Information Security Manager (Team leader of each department)
  - Information Security Manger (Appointed by each team leader)

Information Security Council
- Chair : Chief Information Security Officer(CISO)
- Secretariat : Company-wide Information Security Department
- Members : Department Head of Security Information

Information Security Department
- Privacy Protection & Personnel Security : HR Planning Team
- Information System and Infrastructure Security : Management Support Division
- Design System Security : IT/CAD Operation Team
- Compliance : Legal Team

Response to Risks and Opportunities

There has been a rise in cyber-attacks by international hacking groups and the distribution of hacking emails that exploit social issues, advanced persistent threats (APT), and electronic financial fraud. Additionally, attacks aimed at stealing confidential corporate information are increasing due to intensifying global market competition. To address these risks, we are committed to ensuring that our systems and corporate confidentiality are protected. We will accomplish this by strengthening the management of key data and personal information for all stakeholders through ongoing innovation efforts, providing reliability.

Target

We have tightened personal information protection management by adhering to the Personal Information Protection Act and establishing the personal information processing policy. Furthermore, based on the global-level information security management system (ISMS), we are contributing to the attainment of ESG management goals by preventing the potential of internal and external information security risks.

Assessment

We obtained ISO 27001 (information security management system) in 2022 to enhance the information security system and manage risks. Through this, we will improve the information management of the organization and our stakeholders, aiming for continuous risk management.

Performance

Network Security

We monitor the internet gateway 24/7 to prevent and track external intrusion through the Internet network. When an external intrusion occurs, it is promptly notified to the person in charge through a smartphone text message, and others. Then, the Computer Emergency Response Team (CERT) is established to address the intrusion in accordance with the company's internal procedures. Once established, the CERT collaborates with external analysts and government agencies to counter attacks and implement relevant measures to minimize damage. Furthermore, we operate the Demilitarized Zone (DMZ), which is situated between the internal and external network sections, to protect important data. Furthermore, we protect major networks such as DMZ and work / design networks through firewall operation, and simultaneously monitor traffic continuously. The firewall permits only trusted traffic to communicate on the network and blocks network communication for untrusted traffic. On top of that, we have built and operated Wireless Intrusion Prevention System (WIPS) to allow wireless network connection only for authorized devices. It permits only the use of wireless devices for work while blocking unauthorized wireless devices, such as personal smart devices, from connecting to the network.

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Network Segmentation for Security of Critical Data

Network segmentation is a technology that divides networks into multiple segments to create a completely isolated environment. We operate our core competency, an isolated network from general tasks for semiconductor design. To transfer data from a segmented network to a general work network, authorization is required according to separate procedures, which prevents breaches of design-related information security. A virtualization process is carried out through the Virtual Desktop Interface (VDI) on the employees' PCs. Upon completion, the general work network and the network with internet access are segmented. As a result, any inflow of malicious code from the outside and security breaches of confidential information are prevented, and security management is enhanced in response to threats and risks. We also provide a secure and safe VDI environment even when those who access the network from outside the company telecommute.

Physical Security

We grant access only for pre-authorized personnel by operating an access control system. Anyone who has accessed the premises is required to pass through an X-ray scan with their belongings as they do in airports and undergo security screening through a metal detector upon when exiting to prevent taking out storage media such as laptops and USB drives. We also install the Mobile Device Management (MDM) application on all employees' smart devices to prevent information leakage through taking photos. The MDM works in conjunction with the access management system for automatic application of in-house security policies when entering the office, restricting certain functions of smart devices, such as cameras. However, when leaving the office, outside security policies are automatically applied, enabling all functions of smart devices to be used again. Based on such security measures, we are fundamentally preventing potential security violations that may occur at any time through personal devices, Bring Your Own Device (BYOD) usage.

PC Security

Security solutions including anti-virus applications are installed on all employees' business PCs to prevent security breaches and protect personal data. Network Access Control (NAC) is in operation to ensure that only PCs with required security solutions have access to the company network, and PCs with security vulnerabilities are restricted.

Raising Security Awareness of Employees

We conduct information security training, promotions and campaigns on a regular basis to enhance employees' awareness in security. Training sessions are organized for all employees including new recruits every year, and in the event of a security breach that becomes a social issue, case analysis and precautions are shared among employees through the internal message board. Also, monthly security newsletters are sent to deliver the latest news on various hacking and security incidents around the world as part of our efforts to enhance security awareness. Most of hacking and cyber security threats that have recently become a social issue are committed using social engineering techniques. This technique uses intrusions that bypass normal security protocols by exploiting people's trust through human interaction. Recently, there has been an increase in the number of incidents involving e-mails containing web addresses for information leakage purposes or malicious files. We regularly organize simulated training for employees in response to security threats using the social engineering techniques. In the training, simulated e-mail messages with well-known web portals and impersonations of government agencies are sent to employees to verify their access to mail contents and phishing sites, as well as disclosure of personal information in order to enhance security awareness.

Security Management of National Key Technologies

LX Semicon was recognized by the Ministry of Trade, Industry and Energy as a company possessing OLED DDI design technology for driving display panels in the national core technology semiconductor field in March of 2023. To safeguard the sensitive information of national core technology, departments and personnel involved in handling related technologies undergo security training and are classified accordingly. We also diligently participate in the annual fact-finding surveys of institutions possessing national core technology conducted by the government.

Information Security Training and Investment

Category		Unit	2020	2021	2022
Information security training	Total training hours	Hours	3,240	3,723	1,241
	No. of participants	Persons	1,080	1,241	1,241
	Training hours per capita (responsible personnel)	Hours	1,862	1,862	414
Investment in the information security sector	Ratio of investment in information security	%	0	5.2	8.1

Information Security Accidents

Category		Unit	2020	2021	2022
Violations in regard to information	No. of damages involving personal information	Cases	0	0	0
	Penalty	KRW	0	0	0

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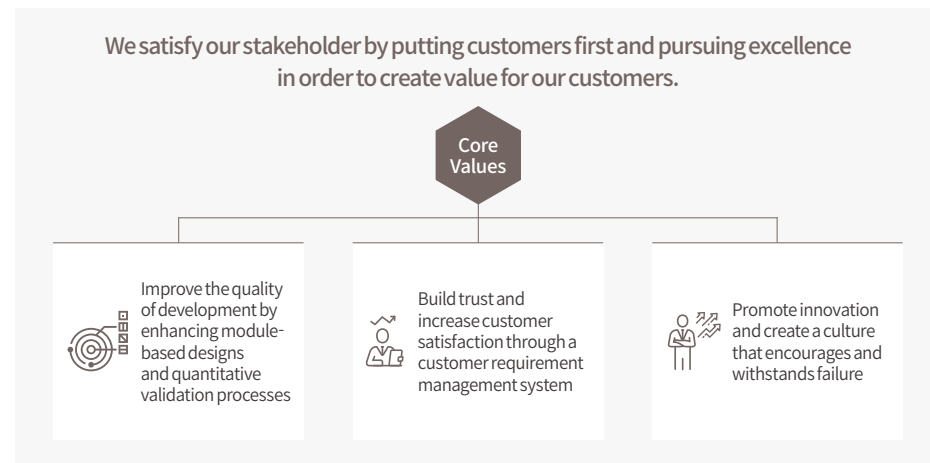BEST TECHNOLOGY, BETTER FUTURE

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Quality Management

Strategy

LX Semicon established a process-based quality management system to ensure that our customers receive high-quality products and services. By providing top-notch semiconductors, we help our customers maintain the quality of their systems. We are continuously improving our quality management system in all stages, including product design, development, and production, to meet customer needs. We have made continued efforts to establish a quality policy based on the ISO 9001 standard and core values for quality management. We have actively followed the code of conduct for the managers responsible for quality management. We also hold quarterly open communication with our employees to address their needs.

Quality Policy

We satisfy our stakeholder by putting customers first and pursuing excellence in order to create value for our customers.

Core Values

- Improve the quality of development by enhancing module-based designs and quantitative validation processes
- Build trust and increase customer satisfaction through a customer requirement management system
- Promote innovation and create a culture that encourages and withstands failure

Managers Responsible for Quality Management - Managers Making a Creative and Innovative Organization

Code of Conduct for Managers

1. Become a manager who articulates the vision and business direction and mentors them.
2. Become a manager who respects members and communicates candidly based on trust.
3. Become a manager who assumes responsibility for business results based on expertise.
4. Become a manager who takes the lead in everything.
5. Become a manager who combines care for people and passion for work.
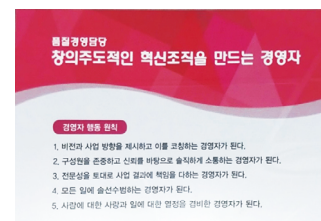
Assessment

We strive for continuous quality improvement and customer satisfaction enhancement, and maintain ISO 9001 certification, which demonstrates our adherence to international quality requirements. Aiming to attain differentiated competitiveness, we have adapted our quality management system to international certification standards and are operating a customer-oriented quality management system. On top of that, the scope of certification has been enlarged according to the development of new businesses and expansion of business sites.

Quality Management System Certification
- Standard : ISO 9001:2015
- Scope : IC, SoC designs/development, production service
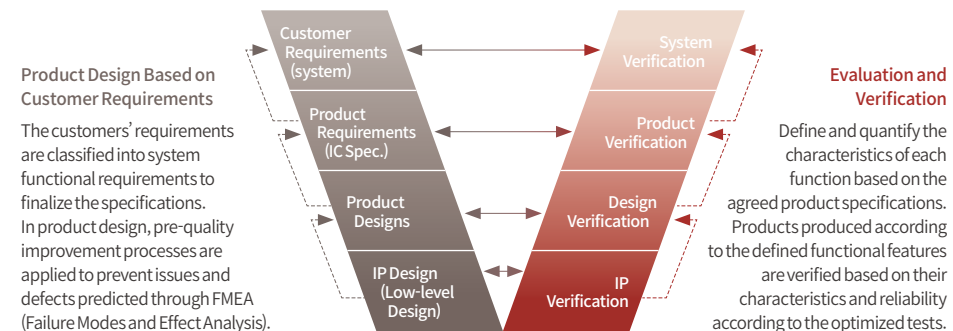- Certifier : Korea Management Registrar (KMR)

Performance

Product Development and Verification Process

LX Semicon conducts preliminary verification activities throughout the entire product development process according to the V-Cycle Development Process, and strives to meet customer requirements through performance and reliability tests.

V-Cycle Development Process

Product Design Based on Customer Requirements

The customers' requirements are classified into system functional requirements to finalize the specifications. In product design, pre-quality improvement processes are applied to prevent issues and defects predicted through FMEA (Failure Modes and Effect Analysis).

Customer Requirements (system)
Product Requirements (IC Spec.)
Product Designs
IP Design (Low-level Design)
System Verification
Product Verification
Design Verification
IP Verification

Evaluation and Verification

Define and quantify the characteristics of each function based on the agreed product specifications. Products produced according to the defined functional features are verified based on their characteristics and reliability according to the optimized tests.
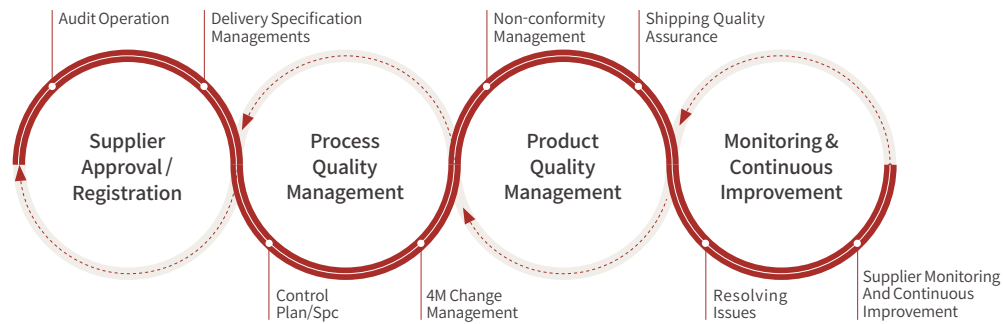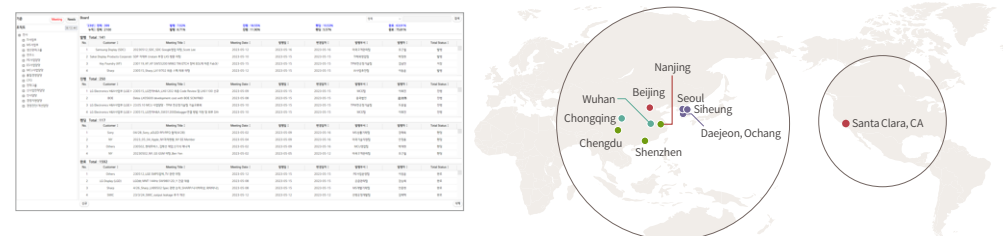
Quality Management of Partner Companies

We evaluate, approve, and register the process according to the standards agreed upon through rigorous verification of partner companies that produce and ship products. We ensure shipment quality through verifying all products produced and thorough process, product, and quality management. Partner company evaluation is yearly conducted for each supplier by fostering VDA 6.3 auditors, and the auditor conducts an objective assessment based on the ISO 19011 inspection guidelines.

Closed Loop of Quality

Audit Operation Delivery Specification Managements Non-conformity Management Shipping Quality Assurance

Supplier Approval / Registration → **Process Quality Management** → **Product Quality Management** → **Monitoring & Continuous Improvement**

Control Plan/Spc 4M Change Management Resolving Issues Supplier Monitoring And Continuous Improvement

Response to Customer Complaints and Quality Requirements

We make it a priority to quickly address any defects in our products to minimize the impact on our clients. In the event of a quality issue, we track and manage product failure results, and use the data to analyze and implement improvements and preventative measures. As part of our efforts to ensure customer satisfaction, we have set up an analysis room to internalize our analysis skills and maintain a database to reduce TAT in case of customer defects. Additionally, we dispatch quality personnel to major countries to stay ahead of potential issues and provide prompt support to our customers.

Nanjing
Wuhan Beijing Seoul
Chongqing Siheung
Chengdu Daejeon, Ochang
Shenzhen

Santa Clara, CA

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Board of Directors

Strategy

LX Semicon's board of directors (BOD) deliberates and makes crucial decisions on company management capitalizing on their diverse experiences and expertise. To ensure transparency and proper decision-making, more than half of the board members are independent directors. The candidates who meet the qualifications for independent directors as well as who have expertise and responsibility are selected, and we appoint directors at the general shareholders' meeting.

Director Appointment Criteria

Independence	Those who are engaged in company business, large shareholders of the company, those who have a significant interest in the company, employees who have served within the last two years are restricted from independent director activities.
Transparency	All directors are appointed through a resolution at the general shareholders' meeting.
Expertise	Independent director candidates are selected after considering expertise and relevant experience in areas, such as management, economy, accounting, law, technology, and sustainable management.
Diversity	When selecting a candidate, there is no restrictions on religion, race, gender, country or region of origin, areas of expertise, and others.

BOD Composition

LX Semicon has the BOD composed of six members; two executive directors, three independent directors, and one other non-executive director. The BOD members are selected based on their independence, diversity, and expertise. We respect and value the different gender, race, religion, and political or other cultural backgrounds of its directors and does not engage in any discrimination. The BOD discusses and decides on issues that are required by laws or the articles of incorporation, issues that are delegated from the general shareholders' meeting, fundamental policies of corporate governance and significant issues concerning business performance. The CEO is responsible for matters concerning business performance that are not specified as issues for deliberation in the BOD regulations while overseeing the directors' fulfillment of their duties.

BOD Skill Matrix

Category	Bo-ik Sohn	Sung-kwan Choi	Kyeong-woo Wee	Il-gu Yun	Young-soo Shin	Jin-seo Roh
	Executive director	Executive director	Independent director	Independent director	Independent director	Other non-executive director
Related industry experience	●			●	●	
Management	●					●
Finance / Risk		●				
Accounting		●	●			
ESG			●			

Assessment

BOD Evaluation

LX Semicon carries out self-evaluation to enhance the accountability and transparency of the BOD. The performance evaluation of the board is based on a comprehensive assessment of the attendance rate, contribution, independence, and expertise. We also receive a governance evaluation from the Korea Institute of Corporate Governance and Sustainability (KCGS), an external organization, and the evaluation results are presented to the BOD.

Performance

BOD Operation

The board of directors is required to convene regular board meetings at least once every quarter. The BOD discussed and decided on a total of 11 agenda items for reporting and 22 agenda items for approval concerning the overall management of LX Semicon, including the 2022 business plan, financial performance, committee establishment, insider trading, and ESG. The majority of the board members attended the board meeting held in 2022 (total attendance rate of 98%) to make crucial and strategic decisions for the company, fulfilling their obligations and duties.

Category		Unit	2020	2021	2022
No. of board meetings held		Times	7	7	10
BOD agenda deliberation	Approved	Cases	12	21	22
	Reported		8	7	11
BOD participation rate	Executive	%	100	100	100
	Independent		100	100	96
	Other non-executive		50	100	100
	Total		89	100	98

Control of Insider Trading and Self-dealing

We specified 'approval of transactions between directors and the company' as a resolution of the BOD in Article 11 of the BOD regulations. Directors who have a vested interest in the decisions of the BOD are not allowed to exercise their voting rights, which enhances the oversight of insider trading and self-dealing.

Organization Supporting BOD

Our Legal Team supports the operation of the BOD and the performance of duties of independent directors.

Department	No. of personnel	Position	Major activities
Legal Team	4	3 managers, 1 senior assistant	Provide advance explanation of board agenda items for independent directors Assist with items necessary for the performance of independent directors Conduct workshops and seminar training for independent directors

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Remuneration

Executive directors' compensation comprises salaries and bonuses. Bonuses are granted in accordance with executive compensation regulations approved by the board of directors, taking into account quantitative indicators (sales, operating profit, etc.) and qualitative indicators (contribution level, role and responsibility level). The ceiling on compensation for registered directors, including executive directors, is determined at the general shareholders' meeting.

Board Training and Liability Exemption

To enhance the expertise of the board of directors for discussion and decision, four training sessions and workshops were conducted in 2022 on topics such as the operation of internal audit and internal accounting management system, the role of the Audit Committee, compliance control, and the responsibilities of independent directors. Furthermore, in case of management risks, we subscribe to and manage 'executive liability insurance' to safeguard shareholder rights and interests. In the articles of association of the BOD, the scope of exemption was established by including the clause of 'exemption of directors' liability to the company.'

Committee

Audit Committee

To enhance financial and accounting transparency, all independent directors are appointed to ensure their independence. Moreover, the Legal Team under the CFO and the Management Diagnosis / Improvement Team under the Management Diagnosis / Improvement Department support related tasks to ensure smooth operation of the Audit Committee.

Finance Committee

It consists of executive directors, the CEO and the CFO, aiming to discuss and decide on the agenda for the Board of Directors and daily financial matters.

ESG Committee

The ESG Committee was newly established in July 2022. We appointed an independent director as the chairperson of the committee to deliberate and decide on ESG and insider trading agenda items. And all independent directors and the CEO participate in the deliberation and decisions in the meetings. In two meetings held in 2022, one report on ESG management progress and plans, the appointment of the chairperson of the ESG Committee, and five approvals were granted, including self-transactions with affiliates.

Category			Unit	2020	2021	2022
Deliberation / Decisions	ESG	Cases reported	Case	–	–	1
		Cases approved		–	–	1
	Inside trading	Cases reported		–	–	–
		Cases approved		–	–	4

* The ESG Committee was newly established in 2022.

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Jeong-Do Management

Strategy

LX Semicon acknowledges the significance of corporate ethics and social responsibility, making various efforts to establish a sound and transparent management culture. We have established the LX Management Principles and the LX Code of Ethics to ensure that all members and stakeholders comply with them. We also operate a number of Jeong-Do Management programs to practice company-wide corporate ethics.

LX Jeong-Do Management

LX's Jeong-Do Management refers to LX's code of conduct to compete fairly and create results by continuously developing capabilities based on ethical management.

Transparency	**Fair Treatment**	**Fair Competition through Performance**
Ensure transparency based on the principles and standards	Provide equal opportunity and treat fairly in every trading	Develop competency and compete fairly

We recognize the importance of corporate ethics and social responsibility and strive to establish a healthy and transparent management culture. All employees and stakeholders of LX Semicon make endeavors to become a company that is trusted and respected by all stakeholders by practicing LX Jeong-Do Management through various programs.
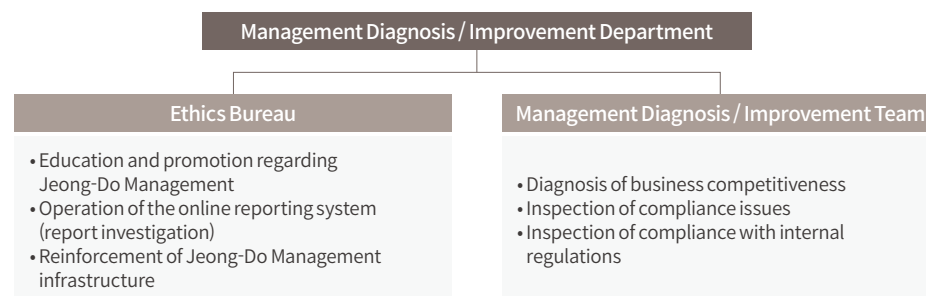
LX Code of Ethics

We uphold the free market economic order. As part of our effort, we strive for free and fair competition, and seek common interests with all stakeholders based on mutual trust and cooperation. In order to continuously evolve into a world-class excellent company, all our employees should adhere to the proper behavior and values. As a criterion for judgment, we have established and applied the Code of Ethics.

Chapter 1
Responsibilities and Duties to Customers
❶ Respecting Customer
❷ Creating Value
❸ Providing Value

Chapter 2
Fair Competition
❶ Pursuing Free Competition
❷ Complying with Laws and Regulations

Chapter 3
Fair Transactions
❶ Equal Opportunity
❷ Fair Transaction Process
❸ Pursuing Mutual Growth

Chapter 4
Basic Ethics for Employee
❶ Basic Ethics
❷ Accomplishing Missions
❸ Self Development
❹ Fair Handling of Job
❺ Avoiding Conflict of Interests with the Company

Chapter 5
Corporate Responsibilities
❶ Respecting Humanity
❷ Fair Treatment
❸ Promoting Creativity

Chapter 6
Responsibilities to the Environment, Society, and Stockholders
❶ Conservation of the Environment
❷ Contributing to Social Development
❸ Protecting Stockholders' Returns

Organizations Pushing forward Jeong-Do Management

We run a management diagnosis / improvement organization under the CEO to practice ethical management and improve management efficiency and transparency. This organization is actively carrying out on-site support activities to avoid ethical risks at business sites in advance and promote members' autonomous practice of Jeong-Do Management.

Management Diagnosis / Improvement Department	
Ethics Bureau	**Management Diagnosis / Improvement Team**
• Education and promotion regarding Jeong-Do Management • Operation of the online reporting system (report investigation) • Reinforcement of Jeong-Do Management infrastructure	• Diagnosis of business competitiveness • Inspection of compliance issues • Inspection of compliance with internal regulations

Performance

Pledge for Jeong-Do Management Practice

As part of the practice activities to establish a culture of Jeong-Do Management, all our employees have annually pledged to practice Jeong-Do Management. Through the pledge of practice, we take this as an opportunity to pledge to comply with the code of ethics, including anti-corruption laws and regulations that prohibit improper acts such as unreasonable collusion, illegal political subsidy or bribery, and practice of ethical management.

(as of Jan. 2023)

No. of people pledged for Jeong-Do Management practice

1,570 (100%)

Jeong-Do Management Training for Employees

We provide all our employees with online and offline education on ethics, such as anti-corruption, ethical standards, sexual harassment prevention, and workplace bullying prevention.

Category		Unit	2020	2021	2022
Jeong-Do Management Training	Total training hours	Hours	293	1,409	2,225
	No. of participants	Persons	195	939	1,483

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Voluntary Practice of Jeong-Do Management

We make a multifaceted efforts to create a culture in which all members voluntarily practice Jeong-Do management. For instance, a newsletter is regularly sent to help employees understand Jeong-Do Management and the ways to deal with various situations. In addition, 'Jeong-Do Management Story' is posted every month. We are building an environment in which members are not exposed to ethical risks by sharing regulations, systems and procedures through the content.

Bribery Reporting System

Under the Code of Ethics, all members of LX Semicon do not accept money or valuables from stakeholders regardless of the reason. Every year on Lunar New Year's Day and Chuseok, the CEO directly sends out a No gift-giving or receiving or receiving' notice to employees, suppliers, and business partners, asking them to create a fair trade culture. In the case of receiving money or gifts, they must be courteously refused and returned, and only when return is unfeasible, the item must be reported to the Ethics Bureau. Items received are immediately donated to welfare organizations or proceeds are used for social contribution activities through conducting auctions in the company.

Ethics Hotline Reporting

We operate an online reporting system (https://ethics.lxmdi.co.kr) where you can report unfair acts that violate the code of ethics. Reports can be made anonymously, and the received reports are verified through on-site investigations. For the cases where misconduct is confirmed, follow-up measures such as disciplinary action, work process improvement, and Jeong-Do Management training are carried out to ensure a transparent and fair organizational culture.

Informant Protection

Based on the principle of non-disclosure, we rigorously safeguard the identity of the informant, the evidence submitted by the informant, the information gathered pertaining to the report, the matters that may implicate the suspect, and the follow-up actions for the outcomes after the report.

Grievance Handling Channels

All members have the opportunity to report issues related to ethics and human rights (including bullying and sexual harassment) through the 'Grievance Handling Talk' and 'Sexual Harassment / Workplace Bullying Report' menus within the intranet. We also provide other various reporting channels for offline reports, such as visiting the Ethics Bureau, and sending mails.

Reports and Handling Status

Category		Unit	2020	2021	2022
Violation of the Code of Ethics	No. of violations	Cases	6	3	2
	No. of people violated	Persons	7	3	2
Measures against violations of the Code of Ethics	Dismissal	Cases	0	1	0
	Demotion		1	0	1
	Suspension from duty		5	2	1
	Probation		1	0	0
	Reprimand		0	0	0
	Others (advice to resign)		0	0	0

Application of Code of Ethics

Category		Unit	2020	2021	2022
Application ratio of the Code of Ethics	Employees	%	100	100	100
	Contractors / Providers / Service providers		100	100	100
Recognition in writing	Employees		100	100	100
	Contractors / Providers / Service providers		100	100	100

Anti-corruption

Pledge Compliance with Anti-corruption Regulations ｜ All employees annually sign the online pledge for 'Anti-Corruption Law Compliance' to reinforce their ethical commitment and adherence to laws and regulations in the performance of their duties.

Reward for Reporting Corruption ｜ We implement a reward system to incentivize reporting corruptions, ensure transparency and accountability, and persist in efforts to prevent corruption that compromises our customers' value.

Participation in Anti-corruption Pledge ｜ We participated in the 'Anti-corruption Pledge' to foster an anti-corruption environment and support the activities of the 'Business Integrity Society (BIS)' initiated by the UN Global Compact Korea Association and the Korea Sustainability Investing Forum in 2022.

Evaluations and Violations Concerning Anti-corruption

Category		Unit	2020	2021	2022
No. of violations of laws		Cases	0	0	0
Evaluation of corruption risks	Total business sites	Numbers	2	2	3
	No. of business sites conducting corruption risk evaluations	Numbers	2	2	3
	Ratio of conducting corruption risk evaluations	%	100	100	100

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Compliance Management

Strategy

LX Semicon has formulated internal regulations such as the LX Code of Ethics and Practice Guidelines as well as Fair Trade Compliance Guidelines. Based on them, we have implemented a compliance risk management system since 2019. We perform annual evaluations of compliance control standards and effectiveness while examining compliance risks on a regular basis to continuously enhance compliance management.

Code of Ethics (Chapter 3. Fair Transactions)

All business transactions are based on the principles of fair competition, with equal opportunity guaranteed to all entities. We build trust and cooperative relationships through fair and transparent transactions. Such relationships are built based on long-term mutual growth.

❶ **Equal Opportunities**
  ① We offer equal opportunities to all qualified companies seeking to become our business partners.
  ② We register and select all applicants in a systematic manner, following a fair and objective evaluation process.
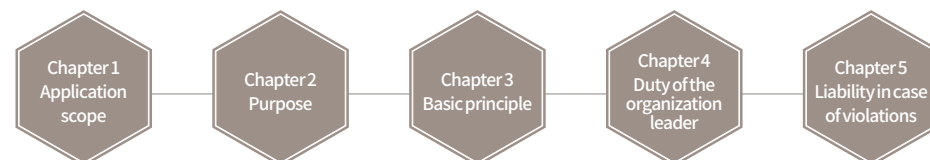
❷ **Fair Transaction Process**
  ① We conduct all business transactions under equal circumstances. The terms and procedures of the transaction are thoroughly discussed between the parties involved
  ② We never engage in any form of unfair transaction taking advantage of any superior position.
  ③ We exchange transaction information through appropriate procedures in a timely manner. Transaction results are evaluated on a regular basis and mutual cooperation measures are taken.

❸ **Pursuing Mutual Growth**
  ① We support the long-term growth of our partner companies by enhancing their competitiveness through technological and managerial assistance. We share the profits derived from business innovations.
  ② We pursue mutual efforts and cooperate with our partner companies in promoting a healthy business environment and maintaining fair business processes.
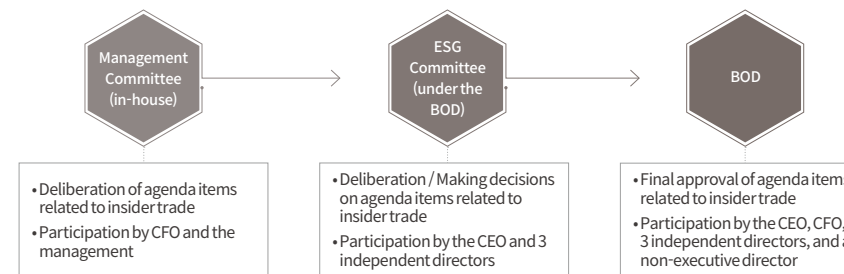
Fair Trade Compliance Guidelines

In 2018, we created the 'Fair Trade Compliance Guidelines' to follow fair trade laws and regulations, updating them on a regular basis to ensure compliance. Our goal is to prevent any harm to the company and our employees resulting from violations of laws involving fair trade. We aim to establish a trustworthy relationship with our clients and partner companies by promoting fair competition and transactions in line with relevant business guidelines.

Chapter 1 Application scope → Chapter 2 Purpose → Chapter 3 Basic principle → Chapter 4 Duty of the organization leader → Chapter 5 Liability in case of violations
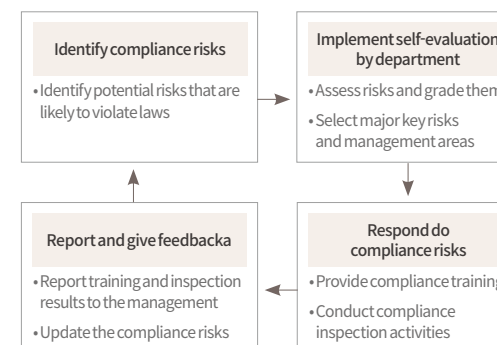
Compliance Management System

We pursue fair and transparent business performance based on legal compliance. As part of our efforts, we have formulated compliance control standards for responsible compliance management and designated a compliance officer in order to verify if laws, regulations, internal policies, and internal regulations are well observed by employees. Furthermore, when an agenda that necessitates the approval of the BOD by law, such as a large-scale insider trade, arises, we conduct a preliminary review led by the Management Committee and the ESG Committee before final approval is obtained by the BOD, aiming to reinforce internal transaction management.

Management Committee (in-house)
• Deliberation of agenda items related to insider trade
• Participation by CFO and the management

ESG Committee (under the BOD)
• Deliberation / Making decisions on agenda items related to insider trade
• Participation by the CEO and 3 independent directors

BOD
• Final approval of agenda items related to insider trade
• Participation by the CEO, CFO, 3 independent directors, and a non-executive director

Assessment

We periodically identify compliance risks in advance, conduct self-evaluation in each department, assess the risk level of the risk, and derive major risk management areas related to the company's business based on this. Moreover, we verify if the compliance control standards are well followed every year and evaluate the effectiveness of the compliance control system, followed by reporting the results to the BOD.

Management / Evaluation Process

Identify compliance risks
• Identify potential risks that are likely to violate laws

Implement self-evaluation by department
• Assess risks and grade them
• Select major key risks and management areas

Respond do compliance risks
• Provide compliance training
• Conduct compliance inspection activities

Report and give feedbacka
• Report training and inspection results to the management
• Update the compliance risks

Major Risk Management Pool

Areas of Compliance Risk Management: Purchase, Logistics, Sales & Marketing, Quality, R&D, HR, Environment & Safety, Business Support, Management

Compliance Training for Employees

We safeguard the company and our employees against various legal risks through compliance risk management activities, striving to embed a culture of legal compliance. We have provided company-wide compliance training targeting all employees as part of our training and prevention activities as well as compliance risk monitoring. Going forward, we plan to support continuous improvement of employees' awareness by offering more face-to-face education and content.

Category		Unit	Participants	Note
Compliance training in 2022	Target employees	Persons	1,673	Online training
	Employees completed the training		1,525	

Raising Awareness for Employees

We endeavor to comply with fair trade laws and prevent unfair trade by sending a letter to all our employees in the name of the CEO, which expresses our commitment to fair trade and compliance. It also contains the requests and information on compliance items to encourage employee participation. Furthermore, the trade newsletter, which includes the objective of the fair trade system and trends in fair trade regulations, is monthly distributed to share cases of violating related laws and regulations, aiming to raise the awareness of compliance.

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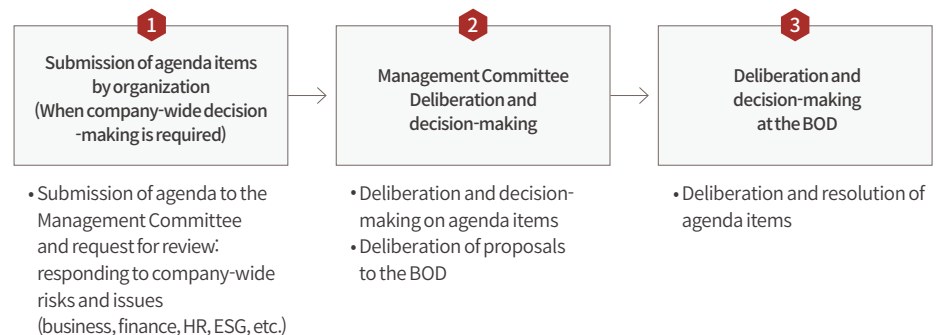BEST TECHNOLOGY, BETTER FUTURE

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Risk Management

Strategy

Although risks are inevitable during business operations, it is vital to handle and address them effectively to maintain sustainable management practices. At LX Semicon, all employees including top management comprehend the significance of risk management, and we employ a comprehensive risk management system across the company to ensure a stable business structure. We have established a structured management system for managing both internal and external business-related risks, proactively identifying potential risks at an early stage and implementing measures to prevent them from becoming an issue. On top of that, we have regularly conducted monitoring and established a collaborative system between related departments so that we can swiftly respond to risks.

Risk Management System

We utilize an internal Management Committee to facilitate collaboration among the key executives of each organization. This enables timely and efficient decision-making on management issues that emerge during business operations. The CEO and CFO are among the participants, and together they discuss and make decisions regarding integrated management and response to potential risks that could affect the company's business, financial and ESG activities. The BOD is also informed and involved in resolving any major agenda items.

1 Submission of agenda items by organization (When company-wide decision-making is required)

2 Management Committee Deliberation and decision-making

3 Deliberation and decision-making at the BOD

- Submission of agenda to the Management Committee and request for review: responding to company-wide risks and issues (business, finance, HR, ESG, etc.)

- Deliberation and decision-making on agenda items
- Deliberation of proposals to the BOD

- Deliberation and resolution of agenda items

Risk Management Process

We prioritize risk management to handle any highly adverse effects that could arise from unplanned major events, accidents, misunderstandings, or rumors. Our risk types and management plans are regularly updated to prevent incidents and accidents that could harm the company, such as damage to our reputation and financial loss so that in times of crisis, we can be prompt and effective in implementing alternative measures.

LX Semicon Risk Management Process

Step 5

Monitoring
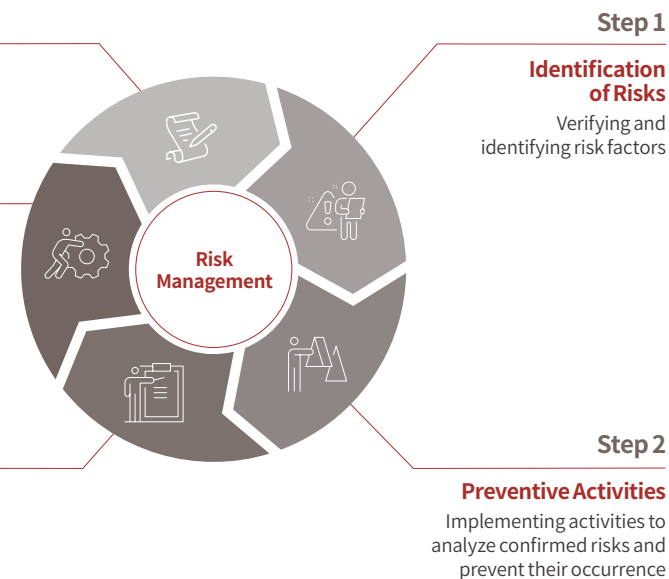Conducting monitoring to prevent additional issues

Step 4

Recovery and Recurrence Prevention Efforts
Taking corrective action after identifying the cause of incidents

Establishing and providing regular education programs

Step 3

Response to Risks
Making decisions and establishing countermeasures after discussing the risks

Risk Management

Step 1

Identification of Risks
Verifying and identifying risk factors

Step 2

Preventive Activities
Implementing activities to analyze confirmed risks and prevent their occurrence

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04

Appendix

OVERVIEW

ESG MANAGEMENT

ESG FACTBOOK

APPENDIX

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Financial Performance

Consolidated Financial Statements

(Unit : KRW)

Item	24th	23th
I. Assets		
(1) Current assets	1,009,649,198,828	1,031,063,337,504
Cash and cash equivalents	188,365,134,297	135,613,700,789
Short-term financial instruments	130,501,257,585	470,000,000,000
Trade receivables	143,347,796,852	175,265,047,069
Other receivables	30,339,286,252	20,459,407,455
Other current assets	34,539,288,607	28,607,668,627
Financial assets at FVPL	0	0
Inventories	482,556,435,235	201,117,513,564
(2) Non-current assets	279,969,343,305	141,467,644,416
Investments in associates and joint ventures	39,730,521,788	11,668,130,191
Non-current other receivables	15,729,501,307	12,361,412,928
Tangible assets	105,170,569,415	50,262,602,385
Right-of-use assets	17,009,677,694	7,679,130,585
Intangible assets	63,798,898,823	50,215,624,104
Non-current other assets	10,161,318,572	879,900,722
Defined benefit assets	18,301,443,497	0
Deferred tax assets	10,067,412,209	8,400,843,501
Total assets	1,289,618,542,133	1,172,530,981,920

(Unit : KRW)

Item	24th	23th
II. Liabilities		
(1) Current liabilities	324,401,670,974	363,583,458,447
Trade payables	196,211,140,403	213,463,276,070
Other payables	68,951,899,343	59,424,740,446
Current lease liabilities	8,158,860,041	3,576,706,160
Other current liabilities	10,732,740,461	12,793,771,468
Current tax liabilities	40,347,030,726	74,324,964,303
(2) Non-current liabilities	14,856,222,405	8,614,815,226
Non-current other payables	2,001,160,000	20,000,000
Non-current lease liabilities	7,727,740,706	3,927,949,636
Defined benefit obligations	0	620,647,109
Non-current other liabilities	5,127,321,699	4,046,218,481
Total liabilities	339,257,893,379	372,198,273,673
III. Equity		
(1) Equity attributable to owners of the parent	950,360,648,754	800,332,708,247
Capital	8,132,150,000	8,132,150,000
Capital surplus	76,343,170,500	76,343,170,500
Other capital items	(781,710,611)	15,303,715
Retained earnings (loss)	866,667,038,865	715,842,084,032
(2) Non-controlling interest	0	0
Total equities	950,360,648,754	800,332,708,247
Total equities and liabilities	1,289,618,542,133	1,172,530,981,920

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GRI

Statement of use	LX Semicon follows the GRI standards to disclose its information regarding sustainable management from January 1, 2022 through December 31, 2022.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	Not available as of now (the standards applicable to the logistics industry where we belong are not published as of the date of issuance in June 2023)

GRI Standard 2021		Indicators	Page	Note
General Disclosures				
GRI 2: General Disclosures 2021	2-1	Organizational details	8	
	2-2	Entities included in the organization's sustainability reporting	2	
	2-3	Reporting period, frequency and contact point	2	
	2-4	Restatements of information	21	Energy consumption was recalculated in line with IPCC guidelines
	2-5	External assurance	53	
	2-6	Activities, value chain and other business relationships	8, 9	
	2-7	Employees	23	
	2-8	Workers who are not employees	23	
	2-9	Governance structure and composition	39, 40	
	2-10	Nomination and selection of the highest governance body	39	
	2-11	Chair of the highest governance body	-	
	2-12	Role of the highest governance body in overseeing the management of impacts	12, 39	Refer to page 203 of our Business Report 2022.
	2-13	Delegation of responsibility for managing impacts	12, 39	
	2-14	Role of the highest governance body in sustainability reporting	12, 39	
	2-15	Conflicts of interest	39	
	2-16	Communication of critical concerns	12, 39	
	2-17	Collective knowledge of the highest governance body	40	
	2-18	Evaluation of the performance of the highest governance body	39	Refer to page 52 of our Governance Report 2022

GRI Standard 2021		Indicators	Page	Note
General Disclosures				
GRI 2: General Disclosures 2021	2-19	Remuneration policies	40	
	2-20	Process to determine remuneration	40	
	2-21	Annual total compensation ratio	-	Not disclosed based on our internal principles
	2-22	Statement on sustainable development strategy	5	
	2-23	Policy commitments	19, 31, 37	
	2-24	Embedding policy commitments	29	
	2-25	Processes to remediate negative impacts	29	
	2-26	Mechanisms for seeking advice and raising concerns	29	Ethics Hotline
	2-27	Compliance with laws and regulations	43, 44	
	2-28	Membership associations	10, 12	
	2-29	Approach to stakeholder engagement	17	
	2-30	Collective bargaining agreements	-	We only operate the Employee Council and the Grievance Handling Council
Material Topics				
GRI 3: Material Topics 2021	3-1	Process to determine material topics	14	
	3-2	List of material topics	14	
	3-3	Management of material topics	15, 16	

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GRI Standard 2021		Indicators	Page	Note
Climate Change Response				
GRI 3: Material Topics 2021	3-3	Management of material topics	14	
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	20	
	305-2	Indirect (Scope 2) GHG emissions	20	
GRI 306: Waste 2020	306-3	Waste generated	22	
Energy Management				
GRI 3: Material Topics 2021	3-3	Management of material topics	14	
GRI 302: Energy 2016	302-1	Energy consumption within the organization	21	
Talent Securing and Nurturing				
GRI 3: Material Topics 2021	3-3	Management of material topics	14	
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	28	
	404-2	Programs for upgrading employee skills and transition assistance programs	27, 28	
Expansion of Diversity and Inclusion				
GRI 3: Material Topics 2021	3-3	Management of material topics	14	
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	23	
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	29	
Occupational Safety and Health				
GRI 3: Material Topics 2021	3-3	Management of material topics	14	
GRI 403: Occupational Health & Safety 2018	403-1	Occupational health and safety management system	31	
	403-2	Hazard identification, risk assessment, and incident investigation	31, 32	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	31, 32	
	403-9	Work-related injuries	32	

GRI Standard 2021		Indicators	Page	Note
Sustainable Supply Chain Management				
GRI 3: Material Topics 2021	3-3	Management of material topics	14	
GRI 308: Supplier Environmental assessment 2016	308-2	Negative environmental impacts in the supply chain and actions taken	33, 34	
GRI 414: Supplier Social Assessment 2016	414-2	Negative social impacts in the supply chain and actions taken	33, 34	
Information Security				
GRI 3: Material Topics 2021	3-3	Management of material topics	14	
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	36	
Enhanced Ethics and Compliance Management (Jeong-Do Management)				
GRI 3: Material Topics 2021	3-3	Management of material topics	14	
GRI 206: Anti-competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	42	
Transparent Governance				
GRI 3: Material Topics 2021	3-3	Management of material topics	14	
NON-GRI		No related topic standards to this		
R&D Investment and Technology Innovation				
GRI 3: Material Topics 2021	3-3	Management of material topics	14	
NON-GRI		No related topic standards to this		

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SASB

Topic	Accounting Metric	Code	Achievements in 2022	Page
Greenhouse Gas Emissions	(1) Gross global Scope 1 emissions	TC-SC-110a.1	916 tCO_2eq (Based on Daejeon / Yangjae / Gangnam campuses)	20
	(2) Amount of total emissions from perfluorinated compounds		N/A	-
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	TC-SC-110a.2	We have announced our goal to achieve carbon neutrality by 2050 and have developed a roadmap and reduction plan to achieve it. We expect a temporary increase in emissions as we expand our business, but we are committed to reducing our carbon footprint across the company in the medium and long term to reach our goal.	20
Energy Management in Manufacturing	(1) Total energy consumed	TC-SC-130a.1	106,889 GJ	21
	(2) Percentage grid electricity		To be disclosed	-
	(3) Percentage renewable		N/A	-
Water Management	(1) Total water withdrawn	TC-SC-140a.1	63,669 m^3	22
	(2) Total water consumed		63,669 m^3	-
	(3) Percentage of each in regions with High or Extremely High baseline water stress		89.1%	-
Waste Management	Amount of hazardous waste from manufacturing, percentage recycled	TC-SC-150a.1	As a fabless company with no production process, we do not generate hazardous (hazardous-designated) waste.	-
Employee Health & Safety	Description of efforts to assess, monitor, and reduce exposure of employees to human health hazards	TC-SC-320a.1	We have performed a workplace risk assessment and devised risk elimination and prevention activities based on the assessment outcomes. We also carry out regular detailed safety inspections for laboratory safety management and execute improvement actions for the potential hazards detected.	31, 32
	Total amount of monetary losses as a result of legal proceedings associated with employee safety and health violations	TC-SC-320a.2	None	-
Recruiting & Managing a Global & Skilled Workforce	(1) Percentage of employees that are foreign nationals	TC-SC-330a.1	0.9 %	23
	(2) Percentage of employees that are located offshore		7.7 %	23
Product Lifecycle Management	Percentage of products by revenue that contain IEC 62474-declarable substances	TC-SC-410a.1	We do not use materials related to IEC 62474.	37, 38
	Processor energy efficiency at a system level for : (1) servers, (2) desktops, and (3) laptops	TC-SC-410a.2	N/A	-
Materials Sourcing	Description of the management of risks associated with the use of critical materials	TC-SC-440a.1	We fully endorse the global initiative to combat adverse effects like human rights violations and environmental harm that often accompany mineral mining in major overseas conflict zones. We actively engage in relevant endeavors to support this. To achieve this, we have implemented a robust management system and process to ensure that funds do not end up in the hands of armed groups in conflict areas, and that we do not use conflict minerals in our supply chain.	34
Intellectual Property Protection & Competitive Behavior	Total monetary losses as a result of legal proceedings associated with anticompetitive behavior regulations	TC-SC-520a.1	N/A	-

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TCFD

Recommendations		Page
Governance		
a	Describe the board's oversight of climate-related risks and opportunities	12, 19, 20
b	Describe management's role in assessing and managing climate-related risks and opportunities	12, 19, 20
Strategy		
a	Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	19, 20
b	Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	19, 20, 21
c	Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios	20
Risk Management		
a	Describe the organization's processes for identifying and assessing climate-related risks	19, 20
b	Describe the organization's processes for managing climate-related risks	19, 20
c	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	19, 20
Metrics and Targets		
a	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	20
b	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	20
c	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	20

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GHG Emissions Assurance Statement

Scope
- The annual GHG emissions for 2022 calendar year
- Direct GHG emissions (Scope 1) and indirect emissions (Scope 2) of domestic business sites
- Other indirect GHG emissions (Scope 3) from employee commuting

Data Verified
- Annual direct (Scope 1) and indirect (Scope 2) GHG emissions in 2022

(Unit: tCO2e)

Business site	Scope 1 emissions	Scope 2 emissions	Total emissions in 2022
Daejeon Campus	65.567	689.225	754.792
Yangjae Campus	539.392	2,798.550	3,337.942
Gangnam Campus	310.957	661.670	972.627
Yangjae Gun Building	-	74.032	74.032
Ochang Site	-	340.079	340.079
Siheung Campus	-	5.070	5.070
Total amount	915.916	4,568.626	5,484.542

- Annual other indirect (Scope 3) GHG emissions in 2022

(Unit: tCO2e)

Category	Details	Emissions in 2022
Employee commuting	Excluding the use of personal vehicles and public transportation, the calculation was limited to commuter buses for which activity data can be collected.	219.877

※ Scope 3 GHG Emissions were accounted according to 「The GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard of WRI/WBCSD」and assumptions are described in the assurance report.

GHG Criteria & Protocols used for Verification
The verification was carried out at the request of the LX Semicon Co., Ltd. using
- Guideline for Reporting and Certification of Emissions in the Greenhouse Gas Emissions Trading Scheme
- The GHG Protocol of the WRI/WBCSD
- ISO14064-1:2018 & ISO 14064-3:2019
- BSI GHGEV Manual

The standard confidentiality principle of BSI Group Korea is applied to the all verification activities.

Verification Opinion
Group Korea's verification opinions on the result of carrying out verification in accordance with the GHG criteria and protocols mentioned above are as follows.
- This scope 1&2 verification for domestic business sites of LX Semicon was conducted to provide reasonable assurance level verification in accordance with the 'Guideline for Reporting and Certification of Emissions in the Greenhouse Gas Emissions Trading Scheme' and Scope 3 other indirect emissions were verified under the limited assurance level.
- Data quality was considered acceptable in meeting the key international principles for greenhouse gas emissions verification.
- No material misstatement during the verification process for emissions was found, it was confirmed that relevant activity data and evidences were properly managed. Therefore, the BSI Group Korea Verification Team provides a verification opinion that is "appropriate".

For and on behalf of BSI:
Issue: 03/04/2023

Managing Director Korea, SeongHwan Lim

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Third-Party Assurance Statement

To The Stakeholders of LX Semicon

Introduction and objectives of work

BSI Group Korea (hereinafter "the Assurer") was asked to verify LX Semicon 2022-2023 Sustainability Report (hereinafter "the Report"). This assurance statement applies only to the relevant information contained in the scope of the assurance. LX Semicon is solely responsible for all information and assertion contained in the report. The responsibility of the assurance is to provide independent assurance statement with expert opinions to LX Semicon by applying the verification methodology and to provide this information to all stakeholders of LX Semicon.

Assurance Standards and Levels

This assurance was based on the AA1000AS v3 (2020) Assurance Standard and confirmed that the report is prepared in accordance with the GRI Standards. The assurance level was based on the Type 1 that confirmed compliance with the four principles of AA1000 AP (2018) in accordance with the AA1000 AS and the Type 2 assurance that verified the quality and reliability of the information disclosed in the report. The Type 2 assurance was applied to the following disclosure of the GRI Topic Standards related to material topics:

• Topic Standards: 302-1, 305-1&2, 306-3, 403-1, 403-9, 418-1

Scope of Assurance

The scope of assurance applied to this report is as follows

- Based on the period from January 1st to December 31st 2022 included in the report, some data included 2023.
- Major assertion included in the report, such as sustainability management policies and strategies, goals, projects, and performance, and the report contents related to material issues determined as a result of materiality assessment.
- Conformity, appropriateness and consistency of internal processes and systems for information, data collection, analysis and review.

The following contents were not included in the scope of assurance.

- Financial information presented in the report.
- Disclosures in the international standards and initiatives index excluding GRI presented in the report.
- Other related additional information such as the website, business annual report.

Methodology

As part of its independent assurance, the assurer has used the methodology developed to collect relevant evidence to comply with the verification criteria and to reduce errors in the reporting, and has performed the following activities

- Review of the system for sustainability management strategy process and implementation
- Review of materiality issue analysis process and verification of the result to determine verification priorities
- Review of the evidence to support the material issues through interviews with senior managers with responsibility for them
- Verification of data generation, collection and reporting for each performance index

Limitation

The assurer performed limited verification over a limited period based on the data provided by the reporting organization. This means that no significant errors are found during the verification process, and that there are limitations associated with the inevitable risks that may exist. The assurer does not provide assurance for possible future impacts that cannot be predicted or verified during the verification process and any additional aspects related thereto.

Assurance Opinion

As a result of the assurance, the verifier did not discover data or descriptions that were not appropriate in this report. We judge that this report was prepared in accordance with the GRI Standards. And our opinions on the four principles presented by AA1000 AP (2018) are as follows.

Four principles presented by AA1000 AP

Inclusivity: Stakeholder engagement and opinions presented

LX Semicon selected its customers, employees, shareholders and investors, and local communities and suppliers as their key stakeholders. The company has operated channels to communicate with stakeholders, collected various opinions and expectations by key stakeholder group through its process aimed at engaging stakeholders, reflected them in its decision-making concerning sustainability issues, and disclosed these processes through reports.

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Materiality: Identification and reporting of material sustainability topics

LX Semicon established a strategy related to sustainable management and established a process to derive reporting issues and evaluate business relevance and social impact across major ESG issues pools to determine the importance of the issue, select 10 critical issues and publish the process in the report.

Responsiveness: Responding to material sustainability topics and related impacts

LX Semicon established the management process for key reporting issues determined by the materiality assessment. In order to respond appropriately to the expectations of stakeholders, LX Semicon disclosed the process including policy, indicator, activity and response performance on key reporting issues in the report.

Impact: Impact of an organization's activities and material sustainability topics on the organization and stakeholders

LX Semicon established the process to identify and evaluate the impact on organizations and stakeholders related to key reporting issues. LX Semicon used impacts, risk and opportunity factor analysis results for key reporting issues to make decisions to develop response strategies for each issue, and disclosed the process in the report.

Key areas for ongoing development

To the extent that the results of the verification are not affected, the following comments were made

- As per the material issues assessment process, LX Semiconductor is making efforts to include 10 material issues in the report. The impact of environmental and safety concerns on sustainable management is increasing. In future reports, we recommend providing more extensive information related to climate change response, energy management and occupational safety and health performance identified as material issues.
- To understand stakeholder issues, the issue pool includes a wide range of topics related to sustainability. However, in order to more clearly reflect the diverse stakeholder issues, it is necessary to strengthen communication channels for each stakeholder, enhance external stakeholder participation, and improve issue selection criteria.
- To manage performance compared to goals for sustainable management, it is recommended to establish a system for regularly collecting and managing performance data in each area of the economy, environment, and people aspects. This system should be integrated with internal audit processes to ensure reliable data management.

Statement of independence and competence

The assurer is an independent professional institution that specializes in quality, environment, safety and health, energy and anti-bribery, compliance related ESG management with almost 120 years history in providing independent assurance services. No member of the assurance team has a business relationship with LX Semicon. The assurer has conducted this verification independently, and there has been no conflict of interest. All assurers who participated in the assurance have qualifications as AA1000AS assurer, have a lot of assurance experience, and understand the BSI Group's assurance standard methodology

Evaluation against GRI 'In Accordance' Criteria

The assurer confirmed that this report is prepared in accordance with the GRI Standards, and the disclosures related to the following Universal Standards and Topic Standards Indicators based on the data provided by LX Semicon, the sector standard was not applied.

[Universal Standards]

2-1 to 2-5 (The organization and its reporting practices), 2-6 to 2-8 (Activities and workers), 2-9 to 2-21 (Governance), 2-22 to 2-28 (Strategy, policies and practices), 2-29 to 2-30 (Stakeholder engagement), 3-1 to 3-3 (Material Topics Disclosures)

[Topic-specific Standards]

206-1, 302-1, 305-1&2, 306-3, 308-2, 403-1.2.7&9, 404-1&2, 405-1, 406-1, 414-2, 418-1

June 21, 2023

BSI Group Korea Managing Director S. H. Lim

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