

## Response to Proxy Advisory vote recommendations issued 'against' the Spin-Off Agreement proposed by Board of Directors to streamline businesses of LG Corp.

Dear Valued Shareholders,

We thank you for carefully considering the proposed strategic realignment plan recommended by LG Corp in your independent evaluation and remaining closely engaged with us ahead of an important milestone vote designed to unlock long-term value for minority shareholders within the Group.

This material aims to remove any doubt our esteemed shareholders might have in respect to voting in favour of resolution one (1) the Spin-Off Agreement, in view of the adverse vote recommendations from Proxy Advisors ahead of the scheduled AGM on 26 March 2021. The Board is compelled to respond to misleading assertions that it has other motivations behind the transaction in pursuit of individual interests, thus risking equity funds of our independent shareholders. This is completely unsubstantiated. Furthermore, the subsequent inaccurate reporting made thereto despite making available a series of public disclosures beyond the standard corporate reporting framework in the spirit of transparency to minority stockholders concerns LG Corp. In keeping with commitments made to enhance communication, your kind attention is drawn to the merits of the proposed spin-off.

As you know, large group reorganizations take place all the time and often entail a set of complex transactions involving multiple companies in efforts to simplify operations and improve governance oversight. Ours is no different, consisting of thirteen (13) listed entities each operating in diverse industries competing internationally against peers in overseas territories. Under the current structure, it is clear to us that from "select and focus" perspective, the spin-off will work as a method to reduce complexity in the group structure and strengthen reinvestment strategies to improve capital management.

In recent months, LG Chem, a listed subsidiary under the group, successfully undertook a strategic change with its own business lines by splitting the EV battery segment into an independently managed company in order to focus capital investment plans to nurture future growth. The vote was placed before shareholders at the Special General Meeting on 30 October 2020 and received overwhelming support by minority shareholders. As the group continues to restructure, we're excited about what the second phase of the reorganization has to offer from a future performance perspective in the process of refining our strategic focus on high growth potential businesses and addressing capital management concerns that have been raised to LG Corp.

Whilst independent investors are encouraged to review into the details of the proposed resolution, the Board also welcomes external research providers the opportunity to analyze the transaction for institutional clients.

However, it is deeply disappointing to learn that proxy advisors subsequently advised you to vote against the plan. Please read diligently into our response which we feel compelled to address in the spirit of transparency and openness as trusted custodians of your wealth in LG Corp.

## Response to Issue #1

### 1 Re: claim that the spin-off will not improve overall corporate value due to lack of business synergy among spun-off entities

- Business synergy is not the sole determining factor
  - For a spin-off, business synergy among the spun-off entities is not the sole determining factor that leads to increased corporate value.
  - Rather, this determination is based on a combination of multiple factors – e.g., (i) increased management efficiency based on specialization, (ii) re-evaluation of businesses that had not been previously prioritized, and (iii) improving information asymmetry by gaining access to specialized data – and business synergies among the spun-off entities is merely one of many factors that could improve the Company's corporate value as a result of the Spin-off.
- We anticipate the Spin-off will deliver increased corporate value
  - The spun-off entities have not enjoyed the benefit of specialized management due to their low strategic priority in the Company's current structure, which will be addressed through the Spin-off.
- Spun-off entities will enhance their competitiveness through independent management
  - Following the Spin-off, the spun-off entities will be under the guidance of independent and autonomous management, which will renew focus on their core business and lead to enhanced competitiveness.
  - Moreover, we expect the entities will actively expand into non-captive markets, which will help NewCo achieve increased corporate value.
- Following the Spin-off, NewCo will implement the following strategies to improve corporate value for the respective spun-off entities:
  - LG International: Enhance business expertise and improve portfolio
  - LG Hausys: Focus resources on the “total interior” business
  - LG MMA: Accelerate skill development related to new products and processes
  - Silicon Works: Discover new external sales channels and expand the digital semiconductor business
  - Pantos: Discover new external sales channels so as to position itself as a specialized 3PL service provider

## Response to Issue #2

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### Re: claim that NewCo's lack of scale would limit institutional investors' participation and result in additional management costs

- Spin-off will increase corporate value for both LG Corp and NewCo
  - LG Corp's corporate value will increase because, due the Spin-off, it will be able to focus more of its resources and capabilities on its flagship businesses, and thus improve growth potential and stability.
  - Even if certain institutional investors are unable to enjoy the increased corporate value of NewCo due to their investment strategies that bar them from holding equities in the NewCo for some period of time, they would benefit even more from the improved corporate value of LG Corp, which is much larger than NewCo.
- NewCo will have stable corporate value
  - Despite its small market capitalization, we expect NewCo's corporate value to stabilize given institutional investors' general focus on mid- to small-cap markets, and increased trading volume expected post Spin-off.
- LG Corp's corporate value is expected to increase based on empirical evidence
  - Based on empirical analyses (see Appendix #1) performed on change in corporate value following spin-offs and the benefits of focusing on select investment portfolios, we expect LG Corp's corporate value to increase and reduce the NAV discount.
- Spin-off will reduce costs and enhance efficiency
  - Concerns have been raised that establishing NewCo will involve additional labor and administrative costs. However, the Spin-off would actually reduce administrative costs and increase efficiency of LG Corp's resource management, and we expect these savings to outweigh any NewCo-related costs. Furthermore, the Spin-off would increase NewCo's growth potential by having specialized management take charge.
  - While NewCo may incur costs (e.g., establish certain systems) following the Spin-off, these costs can be minimized by ensuring the systems are tailored to each spun-off entity's scale and business strategy. We are working to design NewCo's systems to have maximum efficiency based on its business needs and personnel size (e.g., systems that are adjustable depending on future revenue size).
- NewCo's management will consist of professional leadership to help achieve its growth potential
  - CEO Bon Joon Koo is a semiconductor expert and former CEO of LG Semiconductor and LG-Philips LCD, and with his experience of serving as LG Corp's new business task force manager, he is most qualified person to lead NewCo. COO Chi Ho Song is a logistics expert and will help increase corporate value of LG International and Pantos. CFO Jang Soo Park, with his experience in the petroleum and chemical industry, will contribute to LG Hausys and LG MMA.

## Response to Issue #3

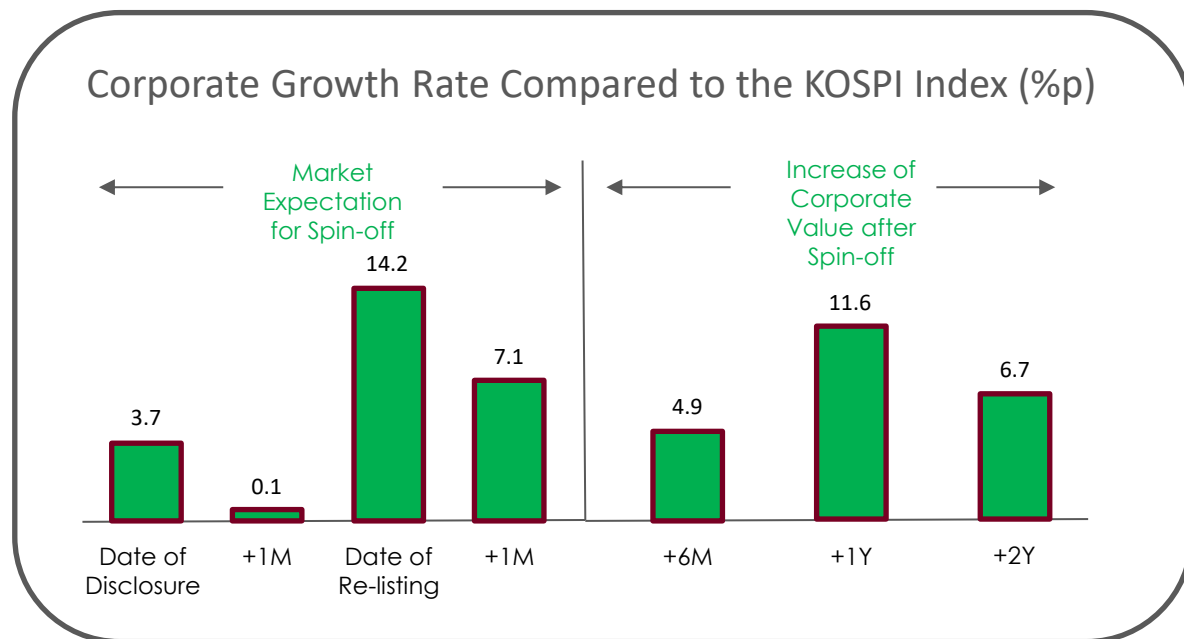
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### Re: claim that more measures to reduce the NAV discount issue should be implemented (e.g., capital allocation plans)

- Company is committed to establishing a sustainable capital allocation plan
  - While the Company is aware of our shareholders' demands for a capital allocation plan, it would be difficult for the Company to propose one at this moment, largely due to the uncertainties in the global economy caused by the COVID-19 pandemic.
  - We would like to emphasize that the Company is not intentionally delaying this process because of the Spin-off. In fact, the Company will be able to propose a more proactive and definitive capital allocation plan after the Spin-off, since this will help the Company successfully implement its portfolio advancement strategies and alleviate uncertainties in its management.
- Company is committed to resolving NAV issue
  - As specifically described in the Discussion Material dated March 12, 2021 and the material for the Minority Shareholder Discussion, the Company is fully aware of the NAV discount issue and has been continuously committed to—and will put even more efforts into—resolving this issue.
  - Moreover, the Company will proactively implement a shareholder return policy (e.g., maintain high dividend payout ratio) and use its liquidity efficiently and effectively via significant investments into future growth businesses.
  - Aside from a capital allocation plan, the Company's portfolio advancement strategies are also part of the measures to minimize the NAV discount. We expect the Spin-off will diversify LG Corp's investment risks, advance its business portfolio, promote business-specific expertise, and strengthen its overall competitiveness. We believe this will help to significantly reduce the NAV discount, and we address below some of the market factors that sources have pointed out to be the cause of the NAV issue:
    - ✓ The target stock price of the Company based on market expectations has been increased because the Spin-off will (i) enhance growth potentials by, for example, discovering new businesses (NH Investment & Securities, January 14, 2021) and (ii) bring about positive management changes such as concentrating business resources in key businesses (Daeshin Securities, January 22, 2021).
    - ✓ Since December 2020, the Company's stock price has risen sharply since the Company announced its business restructuring plan and plans to make new investments. We believe this increased price reflects the market's positive reaction and anticipation of the Company's accelerated growth after the Spin-off.

## Appendix #1: Empirical Analysis of Change in Corporate Value Following Spin-off <sup>(1)</sup>

Overall, companies that have completed spin-offs over the past five years have experienced on average an increase in corporate value. This reflects the market's expectations that spin-offs enhance corporate value.



- Consistent with a number of research results that have found that spin-offs have a positive impact on a company's stock price, companies that publicly disclosed spin-offs generally experience growth at rates higher than the market on average.
- The increase in the stock price in the period immediately following the public disclosure of a spin-off and relisting can be seen as the market's positive reaction to the spin-off.
- If a company continues to increase in value after the public disclosure of the spin-off, compared to the company's value prior to the spin-off, then this effect could be interpreted as the spin-off improving the long-term corporate value of the company.

### <Method of Analysis>

- Case study of 28 companies that spun-off during the five years between 2016 and 2020
- Compared the rate of change in aggregate corporate value three months before and after the spin-off public disclosure to the KOSPI Index during the same period
- Corporate growth rate is calculated as the difference (the average of the 28 cases) between rate of change in aggregate corporate value and rate of change in KOSPI Index

### Notes

1. Analysis Data from LG Economic Research Institute

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