This report was prepared based on our Sustainability Management Steering Wheel which was defined from the two perspectives of stakeholder interest and business impact. To ensure the consistency of report content, the Focus Areas illustrate our 2011 achievements and 2012 plans.

Reporting Period and Scope
This report covers the 2011 fiscal year (Jan. 1, 2011~Dec. 31, 2011) and the quantitative data span the past 3 years. Included in this report are the head office in Anyang, 4 Korean business sites and part of the overseas subsidiaries. Our financial performance data were prepared in accordance with separate standards that apply K-IFRS principles and social and environmental performance partially covers overseas subsidiaries in China, the U.S. and other regions. The scope of this report will be expanded to include all of our business sites in Korea and overseas in accordance with the integrated sustainability management roadmap.

Reporting Framework
This report was prepared under the supervision of the Sustainability Report Editorial Meeting, which consists of the Sustainability Management Steering Group and the Sustainability Management Executive Office. To further assist readers in understanding this report, the GRI (Global Reporting Initiative) G3.1 guidelines and ISO 26000 were also utilized in writing this report.

Assurance
This report was assured by an external independent assurance provider to ensure the reliability of report data and content. The outcomes appear in the Third-party Assurance Statement section of this report.

LS Mtron’s Sustainability Report Publication Schedule
(Publishing Annually)
Previous report: May of 2011
This report: July of 2012
Next report: 2013

For further information on this report, you contact us at
TEL. +82-31-689-8232
FAX. +82-31-689-8279
E-mail. sm@lsmtron.com

LS Mtron publishes its 3rd Sustainability Report.

Our definition of sustainability management is to generate economic, social and environmental values in conjunction with all stakeholders based on our management vision to become an ‘Innovative Technology Partner to Create a Convenient and Comfortable World’. To this end, our integrated sustainability management framework has been up and running since 2009. This report outlines our achievements in 2011 and future plans for 2012. We hope that this report serves as a meaningful communication channel for LS Mtron’s stakeholders.
We care for people and nature. It is with outstanding insight and the spirit of challenge that we produce industrial machines that drive the growth of the humanity.
We look beyond today into the future. The industry-leading cutting-edge components drive our commitment to a truly special future.
“Sustainability management is the foundation for us to build a true LSpartnership.”

Christopher Koo, Chairman and CEO

“It is with heartfelt sincerity that we practice sustainability management in a sustained and substantial way.”

Jae-Seel Shin, President and CEO

Chairman’s Message

LSpartnership® represents LS Group’s new management philosophy to create greater values through respect, care, trust and cooperation. This shares the same spirit with the sustainability management driven by stakeholders, trust and integration that LS Mtron has been committed to over the last three years.

Our sustainability management values trust, transparency, people and the environment. This is the foundation for us to grow into a trustworthy and strong business partner and to deliver a flourishing life for stakeholders including customers through sustained technological innovation. All LS employees are fully dedicated to these endeavors.

In 2011, we were challenged by the global economic slow down and declining demand of client companies. Nevertheless, we took long-term perspectives to tap the global market continuously and undertook operational innovation and R&D investments. This enabled us to achieve $100 million in exports in the Tractor Division and a 37% increase in the sales of eco-friendly products from the previous year.

In order to build sustainability management into our corporate DNA, top management will take the lead and provide continuous training opportunities. Moreover, we aim to expand channels and opportunities to engage and communicate with stakeholders as we believe that understanding wide-ranging stakeholders and building a trust-based relationship with them is the key to our success.

Our Sustainability Report published this year will be available in Korean, English and Chinese as well, which demonstrates our commitment to enhanced understanding of and communication with stakeholders as a global provider of industrial machines and cutting-edge components. Your proactive participation and feedback will be highly appreciated.

In particular, our sustainability management is being expanded from 2011 in order to assist resource substitution in improving competitive edge and stabilizing their operation as the first step to develop a global-level sustainability management system. This report partially illustrates these endeavors and is available in English and Chinese as well to widen our communication with stakeholders in the global community.

Since our sustainability management was fully initiated in 2009, LS Mtron has been publishing M Story sustainability reports and this is our third M Story.

Principles and Values of Sustainability Management

Our sustainability management continues to value ethics management, transparent management and communication & innovation. This serves as a basis for us to build business competitive edge in order to grow together and share the value of trust with stakeholders.

In publishing sustainability management reports, our top priority is to transparently disclose our endeavors, achievements and future plans in creating economic, social and environmental values and to illustrate relevant data in a complete manner.

In particular, our sustainability management is being expanded from 2011 in order to assist resource substitution in improving competitive edge and stabilizing their operation as the first step to develop a global-level sustainability management system. This report partially illustrates these endeavors and is available in English and Chinese as well to widen our communication with stakeholders in the global community.

Foundation for Sustainable Growth

Companies today are threatened by unprecedented challenges due to the global economic crisis, unpredictable business environments and increasingly diversified social issues. I personally believe that the most critical factors in leading the future market and successfully addressing changing environments include: understanding stakeholders, predicting and managing business trends and risks and expanding concerted efforts and engagement in building a better society. In short, our goal of sustainability management is not confined to short-term financial outcomes but rather oriented to building a corporate culture that allows for long-term perspectives in conducting business with consistent strategies and a strong commitment to the attainment of the set targets.

To this end, both regular and non-regular dialogue channels were developed at LS Mtron to deepen our understanding of stakeholders through continued dialogue and communication. The stakeholder feedback that is collected through these channels is translated into sustainability management strategies and action programs.

Moreover, we are building systems and manuals to identify non-financial risks (environmental, social, operational and management risks) and to prevent and manage these risks systematically by undertaking company-wide initiatives to develop an integrated risk response system based on sustainability management. This is further completed by the diversification of our engagement initiatives that contribute to the resolution of social issues.

In our “Global Happy Village” project, the representative social contribution program at LS Mtron, our employees are fully committed to strengthening internal stability, presenting a sustainable business innovation model in the global machinery and component industry and evolving into a respected and trusted company by practicing sustainability management with heartfelt sincerity.

Jae-Seel Shin, President and CEO
LS Mtron-Company Profile

As a global provider of industrial machinery and cutting-edge components, LS Mtron is committed to sustainable development and the creation of stakeholder values in the entire conduct of business based on its management philosophy of LSpartnership® - ‘Greater Value Together’

Company Overview

Company Name: LS Mtron Co., Ltd.
CEO: Cho Yol Koo, Jae-Seol Shim
Type of Business: Manufacturing
Date of Establishment: July 1, 2008
No. of Employees: 9,651 (LS Mtron Ltd./including subsidiaries)
Credit Rating: NICE Investors Service A+/Korea Investors Service A+ (credit rating is as of May 8, 2012)
Turnover: KRW 938.9 billion / KRW 1.575 trillion (LS Mtron Ltd./including subsidiaries)
Asset: KRW 1.002 trillion
Debt: KRW 426.3 billion
Equity: KRW 576.1 billion
Capital: KRW 776.1 billion
Capital adequacy ratio: 57.4%
Debt to equity ratio: 70.9%
Main Exporting Markets: USA, China, Europe, South East Asia, Middle East and etc.

Vision

At LS Mtron, we declared our vision in 2009 and embarked on new challenges. Our vision for a ‘convenient and comfortable world’ is based on our commitment to a flourishing life of customers through our products and services and “Innovative Technology Partner” embodies our aspiration to contribute to society while growing together with customers through sustained technological innovation.

Management Philosophy

LSpartnership® drives LS employees with integrity and ownership to generate outstanding outcomes through mutual respect, caring mind and trustworthy behaviors and to seek open-minded cooperation externally shared growth.

All LS employees are dedicated to creating greater values for future generations with global partners all around the world by putting LSpartnership® into action.

2015 Goals:
KRW 4 Trillion in Sales and 10% Increase in Operating Profit

Business Division Profile

A convenient world delivered through creative technology is the future that we dream of at LS Mtron.

We are fully committed to delivering greater values to customers and society based on innovative products and services. We have 8 divisions/teams in operation under the two overarching business units of the Machinery Division and the Component Division.

Machinery Division

Tractor

Development of core technology through sustained R&D efforts and proactive overseas marketing initiatives drive the growth of our Tractor Division into a world-class agricultural machinery brand. Our Jeonju site and Chinese subsidiary in Qingdao are capable of manufacturing 20,000 units per year and our new investments in the Brazilian subsidiary starting from 2012 will secure another engine of growth in the upcoming years.

Injection Molding

Our Injection Molding Division comes with a wide-ranging product line-up spanning from cutting edge products regarding display, home appliances and automobiles to super-large injection molding machines. With outstanding technological capabilities proven in 50 countries around the world, the division exports more than 30% of its production volume.

Special Business

Our Special Business Division manufactures categories that deliver leading-edge functionalities for tanks, armored vehicles and other combat mobility equipment and secure mobility under rugged road conditions.

Component Division

Electronic Component

Our Electronic Component Division delivers core components of cutting-edge devices ranging from cell phones, flat panel display, and connectors & antennas for various electronic devices.

CFC(Copper Foil)

With core technology in electropolishing, surface treatment, and ultra-thin handling, our CF Division produces and supplies special copper foil for semiconductor packaging as well as ordinary copper foil for rigid PCBs and lithium-ion batteries, enabling small form factors for cutting-edge electronic devices and contributing to development of the rechargeable battery industry.

FCCL(Flexible Copper Clad Laminate)

LS Flex is our FCCL Division’s brand for core display materials and its reputation is supported by best-in-class thin-film plating technology.

Automotive Component

Our Automotive Component Division interacts with customers across the globe through high-quality and safety, supplying various hose assembly products to be installed in vehicles to transmit fluid and hydraulic pressure.

UC(Ultra Capacitor)

Our UC Division produces energy storage devices that will be a leader in the future energy market. Their applications include auxiliary power units and power back-up devices that require higher output.
Economic Value Creation

LS Mtron believes that the creation of economic values constitutes a critical commitment toward sustainability management. Under the ‘Soaring-off Management’ philosophy, we were fully dedicated to generating outstanding financial outcomes in spite of the global economic downturn and falling demand of client companies in 2011.

The Tractor Division posted $ 100 million in exports in less than a decade since it fully entered the overseas market. The Injection Molding Division dramatically increased its productivity and profitability through innovation as well as improving its sales in the domestic and overseas markets by 14% and 51% respectively, from the previous year. The CF Division successfully attracted Japanese customers and is establishing its position as a global leading player in the electro foil market. The Electronic Component Division secured large-scale global clients. The UC and Automobile Component Divisions further solidified their foundation for future growth.

Revenues by Region

<table>
<thead>
<tr>
<th>Category</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Korea</td>
<td>6,554</td>
<td>6,855</td>
<td>6,501</td>
</tr>
<tr>
<td>China</td>
<td>4,301</td>
<td>5,170</td>
<td>5,080</td>
</tr>
<tr>
<td>North America</td>
<td>252</td>
<td>541</td>
<td>949</td>
</tr>
<tr>
<td>South America</td>
<td>33</td>
<td>129</td>
<td>159</td>
</tr>
<tr>
<td>Europe</td>
<td>219</td>
<td>419</td>
<td>626</td>
</tr>
<tr>
<td>Asia(excluding China)</td>
<td>210</td>
<td>226</td>
<td>711</td>
</tr>
<tr>
<td>Others</td>
<td>212</td>
<td>47</td>
<td>29</td>
</tr>
<tr>
<td>Total</td>
<td>6,915</td>
<td>9,263</td>
<td>9,389</td>
</tr>
</tbody>
</table>

* K-IFRS standards were applied between 2009 and 2011. (Data discrepancies are due to the change in the accounting standards)

Economic Value Distribution

<table>
<thead>
<tr>
<th>Category</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Values Distributed</td>
<td>5,030</td>
<td>7,044</td>
<td>7,527</td>
</tr>
<tr>
<td>Purchasing Expenses(suppliers)</td>
<td>3,403</td>
<td>6,579</td>
<td>6,457</td>
</tr>
<tr>
<td>Labor expenses (employees)</td>
<td>880</td>
<td>1,019</td>
<td>598</td>
</tr>
<tr>
<td>Taxes and public dues</td>
<td>38</td>
<td>58</td>
<td>58</td>
</tr>
<tr>
<td>Donations (community)</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Capital (noncreditors)</td>
<td>127</td>
<td>108</td>
<td>120</td>
</tr>
<tr>
<td>Capital expenses (creditors)</td>
<td>-</td>
<td>19</td>
<td>1</td>
</tr>
</tbody>
</table>

1) Combination of salary, retirement payments and benefits
2) Combination of taxes, public charges and corporate taxes

We at LS Mtron has 21 establishments including domestic and overseas production sites and sales departments. A total of 3,500 employees are working at LS Mtron today.

Sales and Operating Profits

<table>
<thead>
<tr>
<th>Category</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>7,431</td>
<td>10,404</td>
<td>15,757</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>245</td>
<td>539</td>
<td>1,165</td>
</tr>
</tbody>
</table>

* K-IFRS standards were applied between 2009 and 2011. (Data discrepancies from the 2009, 2010 report are due to the change in the accounting standards)

Overseas Subsidiaries

<table>
<thead>
<tr>
<th>Category</th>
<th>Type of Business</th>
<th>Equity Ownership(%)</th>
<th>Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daesung Electric Co., Ltd.</td>
<td>Manufacturing and sales of automobile components</td>
<td>100</td>
<td>Korea</td>
</tr>
<tr>
<td>LS Machinery(Wuxi) Co., Ltd.</td>
<td>Manufacturing and sales of injection molding machines</td>
<td>100</td>
<td>China</td>
</tr>
<tr>
<td>LS Electronic-Devices(Dinghai) Co., Ltd.</td>
<td>Manufacturing and sales of electronic components</td>
<td>100</td>
<td>China</td>
</tr>
<tr>
<td>LS Agricultural Equipment(Dinghai) Co., Ltd.</td>
<td>Manufacturing and sales of agricultural machinery</td>
<td>100</td>
<td>China</td>
</tr>
<tr>
<td>LS Tractor USA, LLC</td>
<td>Sales of agricultural machines</td>
<td>100</td>
<td>USA</td>
</tr>
<tr>
<td>Daesung Electric Co., Ltd.</td>
<td>Manufacturing and sales of industrial machinery</td>
<td>100</td>
<td>Korea</td>
</tr>
<tr>
<td>YanTai Lighting Solution Auto Parts Co., Ltd.</td>
<td>Manufacturing and sales of automobile components</td>
<td>50</td>
<td>China</td>
</tr>
<tr>
<td>LS Mtron Brasil LS MTRON INDUSTRIA DE MAQUINAS AGRICOLAS (s.a.)</td>
<td>Sales of injection molding machines and manufacturing and sales of agricultural machinery</td>
<td>100</td>
<td>Brazil</td>
</tr>
</tbody>
</table>

Balance Sheet

<table>
<thead>
<tr>
<th>Category</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>8,093</td>
<td>8,921</td>
<td>10,024</td>
</tr>
<tr>
<td>Current Assets</td>
<td>3,450</td>
<td>3,882</td>
<td>3,981</td>
</tr>
<tr>
<td>Non-current Assets</td>
<td>4,643</td>
<td>5,039</td>
<td>6,043</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>3,502</td>
<td>4,139</td>
<td>4,263</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>3,263</td>
<td>3,706</td>
<td>4,084</td>
</tr>
<tr>
<td>Non-current Liabilities</td>
<td>241</td>
<td>383</td>
<td>1,179</td>
</tr>
<tr>
<td>Total Capital</td>
<td>4,844</td>
<td>4,717</td>
<td>5,182</td>
</tr>
<tr>
<td>Share Premium</td>
<td>-207</td>
<td>60</td>
<td>1,867</td>
</tr>
<tr>
<td>Accumulated Other Comprehensive Income</td>
<td>-15</td>
<td>-20</td>
<td>-15</td>
</tr>
</tbody>
</table>
Materiality Analysis

At LS Mtron, we directly reflect the expectations of wide-ranging stakeholders in our conduct of business to ensure that stakeholder satisfaction initiatives become an inherent part of our daily operation at LS Mtron. Major expectations of our stakeholders are specifically incorporated into our sustainability management key performance indicators, further boosting our executive capabilities.

Annual Implementation Process

We at LS Mtron ensure stakeholder engagement throughout the entire process of sustainability management from planning to reporting of outcomes. First of all, wide-ranging internal/external considerations regarding sustainability management are analyzed to set up a pool of issues in the planning stage. In 2011, 55 issues were identified and evaluated by stakeholder interest and business impact to establish the 2011 Steering Wheel. The 2011 Steering Wheel, which consisted of 2 integrated management areas, 6 focus areas (15 managerial issues) and 2 general areas, was used as a central axis to present criteria to evaluate action strategies and accomplishments for the past one year. In Focus Areas, top priority issues were specifically designated as sector-specific KPIs and reflected in assessing top-executives and division leads. On a department level, activities to be undertaken in the implementation stage were translated into departmental or individual specific target plans. The Sustainability Management Steering Group monitored progress as measured against the set operational plans including 9 KPIs every two months and discussed ways to facilitate outcomes and strategies that require further improvement. The final stage was to measure our sustainability management outcomes during the year-end company-wide performance evaluation period and to publish sustainability management reports based on such outcomes to communicate with stakeholders.

To ensure the continuity of our sustainability management initiatives, action plans were defined and are being put into action in 2012 in accordance with the 2011 Steering Wheel. The final stage was to measure our sustainability management outcomes during the year-end company-wide performance evaluation period and to publish sustainability management reports based on such outcomes to communicate with stakeholders.

Outcomes of Sustainability Management Initiatives in 2011

<table>
<thead>
<tr>
<th>Materiality Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Creation of the 2011 pool of sustainability management issues (55)</strong></td>
</tr>
<tr>
<td><strong>Evaluation of stakeholder interest</strong></td>
</tr>
<tr>
<td><strong>Evaluation of business impact</strong></td>
</tr>
<tr>
<td><strong>2011 Steering Wheel</strong></td>
</tr>
<tr>
<td><strong>Establishment of sustainability management operational plans</strong></td>
</tr>
<tr>
<td><strong>Implementation and performance monitoring</strong></td>
</tr>
</tbody>
</table>

**Issue Pool Considerations**

- LS Mtron Vision and Mid-term Strategies
- Management review results and decisions made by the Sustainability Management Steering Group
- Sustainability management plan and policies
- Completion of previous year’s implementation task targets
- Current status of department-specific strategic indicators

**Materiality Analysis**

<table>
<thead>
<tr>
<th>Ranking Key Management Issues</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. GHG emissions control</td>
<td>44</td>
</tr>
<tr>
<td>2. Sustainable energy policy</td>
<td>20-24</td>
</tr>
<tr>
<td>3. Development of ESH regulations/norms</td>
<td>46-47</td>
</tr>
<tr>
<td>4. Renewable energy usage</td>
<td>30-32</td>
</tr>
<tr>
<td>5. Employment and promotion of future talent</td>
<td>19</td>
</tr>
<tr>
<td>6. Employment and promotion of physically-challenged</td>
<td>38-41, 50</td>
</tr>
</tbody>
</table>

**Major Expectations by Stakeholder Group**

**Overview of Stakeholder Survey in 2011**

- Supervisors: Sustainability Management Steering Group
- Period: Aug. 2011 - Nov. 2011
- Method: Online survey / Mail
- Respondents: 150 employees
- 21 local community organizations
- Survey forms
  - Assessment of business impact by focus areas
  - Assessment of interest level by stakeholder group
  - Level of satisfaction with LS Mtron’s sustainability management in 2011
  - Preferences regarding communication channels

**The introduction of each focus area presents stakeholders’ communication channels, the level of stakeholder interest and satisfaction and detailed task plans and performance outcomes.**

**What is LS Mtron’s sustainability management methodology?**

- LS Mtron Vision and Mid-term Strategies
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**LS Mtron’s sustainability management methodology**

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**The introduction of each focus area presents stakeholders’ communication channels, the level of stakeholder interest and satisfaction and detailed task plans and performance outcomes.**
Integrated Sustainability Management

Given the inherent characteristics of sustainability management that covers a broad range of issues of economy, society, environment, and ethics, we at LS Mtron manage all relevant activities in an integrated manner in order to ensure the consistency of strategic directions and to boost company-wide executive capabilities.

How do we manage sustainability management initiatives at LS Mtron?

**Integrated Sustainability Management**

The Sustainability Management Steering Group (SMSG) is the top decision-making body in charge of sustainability management and meets bi-monthly. The SMSG formulates the overall vision and strategic directions for sustainability management and appoints committees and task forces to implement them. The committee holds 21 meetings each year and more than once semi-annually under the leadership of the Sustainability Management Steering Group (SMSG). The SMSG is composed of executives in charge of strategy planning (supervision) and 10 department heads including the Business Management & Planning Team, Sustainability Management Executive Officer.

**Sustainability Management Steering Group**

The SMSG is the top decision-making body in charge of sustainability management and meets bi-monthly. The SMSG is composed of executives in charge of strategy planning (supervision) and 10 department heads including the Business Management & Planning Team, Sustainability Management Executive Officer.

**Sustainability Management Executive Officer**

Our Sustainability Management Executive Officer is a permanent body that provides general support for the operation of the Sustainability Management Steering Group and sustainability management subcommittees. It is also responsible for the integrated management of all relevant activities, stakeholder dialogue, and the creation of our sustainability reports.

Major Agendas of the Sustainability Management Steering Group in 2011

**Meeting** | **Major Agenda** | **Decisions and Actions**
--- | --- | ---
8th Jun. 24 | Joint response to the CSR Checklist with client companies | Requirements of relevant stakeholders are consistently and accurately submitted to the Sustainability Management Executive Officer, which is formed as an ad-hoc team.
7th Feb. 21 | Formal review of the publication of the Sustainability Management Report 2010 | An ad-hoc Sustainability Management Steering Group meeting was held to conduct final reviews of the report content under the leadership of the Sustainability Management Executive Officer. Each section of the report was approved and addressed by the assurance team.
8th Mar. 21 | Eco-friendly product management development and management support | The definition of sustainability management is prepared and to be proposed to the sustainability steering committee.
9th May. 28 | Sustainability management framework for overseas subsidiaries | Starting from 2012, Chinese regulations and norms regarding sustainability management will be investigated and improvements will be identified and put into action.
10th Jul. 28 | Comprehensive sustainability management training | The training was prepared as part of the company-wide training initiatives.
Integrated stakeholder survey | The Sustainability Management Executive Officer planned the survey on a company-wide level and the survey was conducted by departments working at contact points with stakeholders through the most optimized channels.
11th Sep. 19 | Risk management manuals for the Tractor Business Division | The risk management manuals for the Tractor Business Division were developed to address core risks.
12th Nov. 28 | Eco-friendly raw materials and hazardous substances management system | The Eco-friendly Supply Chain Sub-committee was established under the supervision of the Quality Management Team at the headquarters.

How do we manage risks at LS Mtron?

**Integrated Risk Management**

We at LS Mtron developed the integrated management system to enable sustainability management to contribute to preventing and responding to risks. Possible risks are identified annually and related costs of losses and opportunity values are managed to strengthen our business continuity and build trust-based relations with stakeholders.

**Integrated Risk Management System**

The establishment of risk prevention and response processes through the company-wide sustainability management action framework allows us to enhance our executive capabilities across the board and to build such processes into each department efficiently. The Business Management & Planning Team driven by CSOs is responsible for company-wide risk management and develops and monitors strategic directions for risk prevention and response. Each department and major support divisions are focused on such preventive practices as creation of risk response manuals and training & education. Moreover, the Sustainability Management Steering Council meets bi-monthly to discuss corporate directions and accomplishments in responding to risks and to designate roles and responsibilities that should be undertaken by each working-level department, strengthening its function as a manager and monitor. Our business divisions are building risk prevention and response systems with an emphasis on business and operational risks and the headquarters is more keen on addressing non-financial risks including social, environmental and ethical risks. Our ultimate goal is to develop risk response manuals for more than 5 risks in each business division by 2014.

**Development of Business Division Risk Response Manuals**

Our aim is to develop business division-specific risk response manuals to identify risks that are hidden in our sustainability management and to build proactive management systems. In 2011, the Tractor Division played a central role in identifying 6 core risks covering quality, production, operation and disasters. Included in the developed risk response manuals were the discovery of phase-specific likely scenarios, identification of operational R&R, work flow of response operations and detailed implementation measures. In 2012, these manuals are being disseminated to all the other divisions and once their development is completed, year-round response activities and training & education will be undertaken to ensure timely response to risks.

**Risk Response Manual Development Process**

1. Define processes to enable departments in charge to establish common target operations and collaborate in accordance with the scenarios
2. Define detailed implementation measures and management data in each department in accordance with the manual action plan
3. Define detailed scenarios where chances risks may occur and define response options

**Establishment of Local Legal Risk Management Systems at Overseas Subsidiaries**

We aim to establish a global sustainability management system and to consider management in accordance with local laws and regulations in China. In particular, we chose 18 issues covering labor, human rights, environment, safety, tax and quality in analyzing relevant national and provincial governmental laws. The next step will be to evaluate the level of management of these issues in each subsidiary and to identify future improvement directions.
LS Mtron’s Sustainability Management Steering Wheel offers an at-a-glance view of our sustainability management directions and area-specific managerial issues. Our 2011 Sustainability Management Steering Wheel was modified in accordance with strengthened integrated management functionality: integrated management of sustainability initiatives is at the center of the wheel and relevant activities are connected along integrated risk management, which serves as the outer edge of the wheel. This enables the more clarified presentation of relevant meanings and roles.

**2011 Sustainability Management Highlights**

- **Quality innovation for customer satisfaction**: Winning the Special Award at the 37th National Quality Management Awards.
- **Seeds of hope for the future**: Consecration of Banfu Elementary School in Vietnam and dispatch of employee volunteers.
- **Government as a corporate culture model**: Chosen as one of Korea’s 100 Great Work Places.
- **Building communities of sustainability management**: Sustainability management training offered to all employees: 9,394 employees (participation rate: 98%)
- **Stronger endeavors toward green management**: Eco-friendly products accounting for 35% of the total sales (37% up from the previous year).
- **Stronger endeavors toward green management**: 9 projects (KRW 3.35 billion) were undertaken.
- **Let the world know about LS Mtron**: Tractor Division posting $100 million in exports for the first time in corporate history.
- **Substantial and innovative growth**: Rated No. 1 in innovative and executive capability by the ‘Seeds of hope for the Future’ Project and No. 2 in innovative and executive capability by the ‘Seeds of hope for the Future’ Project.
- **Winning the Silver Tower Order of Industrial Merit**: At the 38th National Quality Management Awards.
- **Seeds of hope for the future**: Consecration of Banfu Elementary School in Vietnam and dispatch of employee volunteers.
- **Firm commitment to a corporate culture**: Winning the Presidential Golden Award at the 37th National Quality Circle Competition.
- **Building communities of sustainability management**: WINNING the Presidential Golden Award at the 37th National Quality Circle Competition.
Innovation Initiatives

Perspective to look beyond the shop floor, ability to put special ideas to action:
These constitute the unstoppable engine behind our innovation initiatives at LS Mtron. Innovation to break through limitations as the first-mover and faster than anybody else! This is the driving force to guide us into a better world.

• Declaration
We at LS Mtron pursue customized innovation that aims to deliver customer satisfaction and substantial outcomes through a ‘think-outside-the-box’ and innovation change in the way we think. To this end, we are dedicated to establishing an innovation culture to open up a new future and becoming a key driver in creating economic and social values.

• Implementation System
Department in charge: Innovation Team (under the direct control of the CEO)

• 2011 Achievements and 2012 Plans
Managerial Issues

<table>
<thead>
<tr>
<th>Major Achievements in 2011</th>
<th>Major Plans for 2012</th>
<th>Deadline</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Customized Innovation Activities were undertaken (42 items completed, 16 items in progress, 3 items not completed)</td>
<td>To undertake quality circle tasks and innovation activities of overseas subsidiaries</td>
<td>Continuous activity</td>
</tr>
<tr>
<td>2) Building of big Y task implementation system in the Staff sector</td>
<td>To facilitate communication</td>
<td>Continuous activity</td>
</tr>
<tr>
<td>3) I-like theme-based tasks in the areas of operation/communication/competency/innovation</td>
<td>To support the establishment of an innovation culture</td>
<td>Continuous activity</td>
</tr>
</tbody>
</table>

- Stakeholder Engagement

Stakeholder Expectations in 2012
To continue and strengthen customized innovation initiatives to generate sustained business outcomes

To pursue creative innovation which generates new values and ambitious innovation which boosts business capabilities
To establish a 3S3C-driven Mtron Way culture

1) 3S3C: (Simple, Speed, Smart), (Innovation, impact, Communication)

Outcomes of Interviews with in-house innovation officers and innovation experts

Building stronger consensus of the innovation core - 31%
Offering stronger position-specific innovation training - 23%
Making stronger alignment among business objectives - 23%
Supporting innovative activity management systems - 15%
Expanding and internalizing innovation culture - 8%

Interview

In-gook Cho, General Manager, Electronic Component Division

Our Electronic Component Division has been relentlessly committed to the ECPS innovation initiatives over the past 3 years under the vision to become a “Global Player in the Electronic Component Market”. In 2011, our ECPS activities became more compact and were taken intensively in the following 3 ways.

Firstly, we put our innovation on the shop floor, under which self-driven, on-site improvement and maintenance was made through target management and immediate implementation activities were undertaken to ensure the speedy resolution of problems on the shop floor. Secondly, our endeavors continued to secure the ‘survival’ cost. This aimed to ensure that our overseas subsidiaries secure the minimum level of cost to guarantee their own survival as a business. While only 54% of the target set was achieved due to the delay in localizing semi-manufactured products, we reaped a great success in cost improvement of the plating process which challenged to meet extremely high targets and this made great contributions to securing the survival cost. Lastly, we strived to nurture innovation talent. Altogether, 20 innovation leaders were fostered including 3 Six Sigma MBBs by the end of 2011. Value Engineering of circuit/communication/competency innovation was performed to enhance the accuracy of indicators by re-setting standard time. Our Electronic Component Division, entering the 2nd phase of its innovation initiatives (ECPS 2.0) in 2012, is undertaking innovation activities under the slogan of “JUMP 2”, to take another leap forward. In this end, the division is expanding the scope of its innovative activities into sales and M&B, focusing on innovative talent, and taking customized innovation initiatives led by team leaders. We will secure global customers and advance into the global market through our JUMP ECPS initiatives in order to drive the sustainable growth of our Electronic Component Division.

In-gook Cho, General Manager, Electronic Component Division IVS
Operation of Integrated Innovation System

At LS Mtron, our innovation initiatives aim to contribute to creating corporate economic and social values and have continued steadily since our inception in 2008. In 2011, wide-ranging communication channels were up and running to extend the scope of innovation activities and to build solidarity between management and employees and among employees through the creation of innovation culture.

Expansion of the Scope of Innovation Initiatives

- **Innovation Initiatives among Office Employees**
  - Our innovation activities newly launched in the Staff sector in 2011 had an aim to expand the focus of our innovation activities from the shop floor into the entire spectrum of our business conduct. Every last Friday of each month was designated as ‘5S Day’ for our employees to organize and clean up to improve their workspace environment. We proactively encouraged staff-level employees to participate in the idea suggestion system and this led to the identification and completion of more than 1 waste elimination task per employee by the entire staff-level employees.

- **Expansion of the Sales and Marketing Capability Enhancement Project on a Company-wide Level**
  - The sales and marketing capability enhancement project, which was initiated in 4 business divisions in 2010, was expanded into the rest of the divisions. This project assisted in enhancing individual sales employee’s capability and creating systemized and scientific solutions to major sales issues.

- **Expansion of Innovation Initiatives into Chinese Subsidiaries**
  - Innovation initiatives at our Chinese subsidiaries, which were primarily focused on training in 2010, were combined with quality circle activities to help them generate practical outcomes in diversification of communication channels. Our monthly Meetings with CEO allowed the company CEO and employees to engage in honest dialogue and the quarterly CEO MBWA (management by wandering around) enables our CEO to visit every business site himself and watch and encourage innovation activities being undertaken on the shop floor. We also publish Newsletters to share latest trends and progress of corporate innovation initiatives.

Facilitation of Communication

- **Diversification of Communication Channels**
  - Our monthly Meetings with CEO allowed the company CEO and employees to engage in honest dialogue and the quarterly CEO MBWA (management by wandering around) enabled our CEO to visit every business site himself and watch and encourage innovation activities being undertaken on the shop floor. We also publish Newsletters to share latest trends and progress of corporate innovation initiatives.

Efficient Operation System

- **Improvement of the Productivity Management System**
  - We initiated a project to improve our productivity management system, which remained unchanged even after the split from LS Cable & System, to bring it up to date to reflect the reality of LS Mtron. To this end, customized productivity standards were developed and 7 indicators were created to reflect division-specific business features. These improved productivity indicators are shared through our SAP and management information system in real time manner in order to serve as important management data.

Internal Capability for Cost Innovation

- **Expansion of VE Activities**
  - In 2011, our cost innovation initiatives moved beyond mere cost reductions of raw materials into VE activities that aim for the systemized creation of ideas and the implementation of cost reduction tasks, thereby building stronger internal capabilities. The scope of our VE activities extended from design to process and the share of VE cost of the total cost innovation rose from 55% in 2010 to 43% in 2011.

Stronger COM Activities

- **Our COM initiatives aims to promote mutually-beneficial cooperation between LS Mtron and suppliers by working jointly in generating cost reduction ideas and sharing the outcomes. In 2011, 10 and 11 suppliers of the Tractor Division and the Injection Molding Division were chosen respectively. LS Mtron had sincere discussions with these suppliers to come up with cost reduction ideas and offered them training and technical support to generate outcomes.**

Promotion of Customized Innovation Talent

- **Fostering innovation talent, the driver of our innovation initiatives, is a sustained activity at LS Mtron. In 2011, a total of 41 new innovation talents were nurtured including 4 new MBWBs. Moreover, VE, BBs, and COM improvement experts were fostered in addition to 6 Sigma Yellow Belts and Black Belts who are problem-solving experts. Quality matters and quality circle coaches were also nurtured to lead innovation activities at the shop floor.**

Performance Verification of Innovation Initiatives

- **Our expert employees thoroughly verified whether our innovation activities were redundant or erroneous regarding relevant financial performance and concluded that the contributions made by these activities to our financial performance amounted to 33% of operating profit.**
Corporate Collaboration & Prosperity Activity

Values are closely bound together to create a new level of potential. Unchartered territories are explored and passionate minds are united as one along this journey. Our capacities reach their full potential when we are together, our journey is meaningful when we grow together. Shared growth, this is LS Mtron’s keyword for a sustainable future.

• Declaration
  - We will establish the virtuous cycle of mutually-beneficial partnership to seek shared growth with suppliers based on a transparent and fair culture of transaction and secure competitive edge for sustained growth in the global market.
  - To build sustainable partnership through shared growth, we will offer suppliers a place to participate in and practice sustainability management.
  - To extend the value chain for enhanced competitive edge in the global market.
  - To operate win-win partnership funds worth KRW 10 Billion.

• 2015 Mid-term Implementation Directions
  - To Build sustainable partnership through shared growth
  - To extend the value chain for enhanced competitive edge in the global market.
  - To operate win-win partnership funds worth KRW 10 Billion.

• Implementation System
  - Manager in charge: CPO
  - Department in charge: Corporate Collaboration & Prosperity Team
  - Subcommittee: Corporate Collaboration & Prosperity Subcommittee

• 2011 Achievements and 2012 Plans

  |
  | Evaluating Major Achievements in 2011 | Major Achievements in 2012 | Deadline |
  | Secured Competitiveness for Shared Growth | | |
  | • Shared growth agreement between large companies and SMEs was signed | • To offer customized support to boost supplier’s competitive edge | Under review |
  | • SRM system was built | • To complete and initiate the SRM system | |
  | • Private-public joint investment technology projects were initiated | • To establish private-public joint investment technology development projects | Under review |
  | • New win-win partnership funds were created (KRW 5 Billion) | • To participate in the Technology Research Council with Sungkyunkwan University | Under review |
  | • 100% full cash or cash-equivalent payments were made to suppliers | • To participate in the health & safety cooperation project of the Ministry of Employment and Labor | |
  | • Assistance for suppliers in securing competitive edge (managing personnel) | • To improve the integrated purchasing system | |
  | | • To conduct sustainability management surveys | |
  | Supplier Engagement and Communication | | |
  | • Online dialogue channels were operated (29 times) | • To open canalized dialogue channels | |
  | • Business division heads performed MBWA | • To improve the integrated purchasing system | |
  | • Sustainability management surveys were conducted (35 suppliers) | • To conduct sustainability management surveys | |

• Our Achievements in Numbers

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Investment in Win-Win Partnership 1)</td>
<td>KRW 940 Billion</td>
<td>KRW 1.09 Billion</td>
<td>KRW 1,271 Billion</td>
</tr>
<tr>
<td>Work Training for Suppliers</td>
<td>183 training sessions</td>
<td>105 training sessions</td>
<td>100 training sessions</td>
</tr>
<tr>
<td>Selection of O-Partner Suppliers</td>
<td>18 suppliers</td>
<td>32 suppliers</td>
<td>34 suppliers</td>
</tr>
<tr>
<td>Private-Public Joint Investment Technology Development Projects</td>
<td>3 projects KRW 1.55 Billion</td>
<td>9 projects KRW 3.35 Billion</td>
<td></td>
</tr>
</tbody>
</table>

• Stakeholder Engagement

  | Stakeholder Satisfaction in 2011 | Stakeholder Expectations in 2012 |
  | | |
  | Performance-sharing events with suppliers | 9 | 14 |
  | Customer feedback is actively collected | 14 | 12 |
  | Embraces are made to help suppliers with better management | 3.7 | 3.7 |
  | Win-win partnership programs offer practical support | 3.6 | 3.7 |

<sup>1) Including management support consulting, purchase-conditional, private-public joint investment technology development projects, etc.</sup>
Secured Competitive Edge for Shared Growth

In the global business market, the competition is taking place not among individual companies but networks of companies which consist of parent companies and their suppliers. At LS Mtron, we are fully aware of this paradigm shift and are committed to moving toward a better tomorrow for shared growth in accordance with the values of LS partnership which was declared in 2011.

Financial Support for Operational Stability

LS Win-Win Partnership Funds: Our LS Mtron Win-Win Partnership Funds worth KRW 5 Billion have been up and running in conjunction with Joon Bok Bank since 2010 in order to enable our suppliers who are in need of financial resources for facility investments and other purposes to benefit from preferential interest rates.

In June 2011, we created additional KRW 5 Billion together with Korea Bank to further expand the funds, which will enable financial support for even more LS Mtron suppliers nationwide.

P-CBO (Primary-Collateralized Bond Obligations): We issued KRW 95 Billion worth of corporate bonds for shared growth with 6 suppliers in 2011. The initiative, led by LS Mtron, not by the Korean government, allowed our suppliers, who were not able to issue their own corporate bonds due to low credit ratings, to secure large-scale funds with 6.7~7.5% annual interest rates without collateral.

Terms of Payment for Suppliers: Since October 2010, all our suppliers have been benefited from 100% cash or cash equivalent payments to ensure their operational stability. Our major suppliers are entitled to bi-weekly payments and 100% full cash payments are made if the total amount is under KRW 5 Million or the receiver is our Q-Partner supplier.

Joint Innovation Initiatives

CDM Activities: Our CDM (Cost Development Method) activities represent our own performance sharing system under which we discover ideas for cost reduction together with suppliers and share the outcome equally for two years. In 2011, 18 of our suppliers participated in this system to identify 460 such ideas, which were then verified for effectiveness and taken into action to produce KRW 700 Million of cost savings annually.

ESI Activities: Our ESI (Early Supplier Involvement) initiative allows our suppliers to participate in the early stage of LS Mtron’s product development. Daechang Co., Ltd. joined this initiative in 2011 to prevent the possible loss of business opportunities and improved performance by 30%. Close cooperation began with the company in the designing stage of a new cabin for mid/large-size tractors in order to meet increasing customer needs and we began the manufacturing of mass production model after 10-month joint endeavors. With the timely launch of the model in the peak season, our status in the market was further solidified.

Q-Partner System

We at LS Mtron are fully aware that the source of competitive edge lies in our suppliers and this is why we operate the Q-Partner system to identify top-performing suppliers and nurture them into strategic partners through fair supplier assessments. In 2011, the number of our Q-Partners rose by 2 from the previous year to 34 in total, composed of 5 Platinum Partners and 29 Gold Partners. All of our Q-Partners are entitled to 100% full cash payments and offered opportunities for joint activities regarding win-win partnership programs and innovation initiatives. These endeavors assist us in creating a culture of shared growth and achieving the true spirit of LS partnership.

Corporate Collaboration & Prosperity Subcommittee’s Activities in 2011

The Corporate Collaboration & Prosperity Subcommittee is in operation under the supervision of the Corporate Collaboration & Prosperity Team in order to ensure the company-wide, systemic implementation of various initiatives which aim for the establishment of a culture of fair transaction and shared growth with suppliers. The subcommittee met 3 times in 2011 in conjunction with the Finance Team and the Legal Affairs Team to discuss such agenda items as the development of additional win-win partnership programs and the creation of new win-win partnership funds in alignment with financial institutions.

Signing of the Shared Growth Agreement between Large Companies and SMEs

To fulfill our economic and social responsibility and establish a sustainable and sharing-driven corporate culture, we at LS Mtron signed the North Jeolla Province Shared Growth Agreement between large companies and SMEs. At the signing ceremony, we declared our commitment to shared growth through mutually-beneficial management with suppliers which includes enhancing the financial health of suppliers, improvement of payment conditions and facilitation of technology development.

Establishment of the SRM System

Our SRM (Supplier Relationship Management) project has been up and running since 2011 to ensure the rapid sharing of information and storage-based relationships with suppliers. Initiated in this project are such activities as securing a real-time sharing of payment order information in accordance with the production plans set and modified, supplementing supplier evaluation systems and tightening supplier post-management based on evaluation outcomes and building伙伴关系 systems. The objective of this project is to prevent any losses of business opportunities caused by instability in supply and demand, minimize the waste of management resources and thus create the optimized supply chain management system between LS Mtron and suppliers.

Win-Win Partnership Model

<table>
<thead>
<tr>
<th>Objective</th>
<th>“Seek shared growth through the strengthened strategic partnership”</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>System</th>
<th>Support for management development</th>
<th>Joint innovation activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>G &amp; H Partners System</td>
<td>P-CBO (Primary-Collateralized Bond Obligations)</td>
<td>Journey to technology-focused future</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Program</th>
<th>Support for technology development</th>
<th>Support for capacity building</th>
</tr>
</thead>
<tbody>
<tr>
<td>G &amp; H Partners System</td>
<td>R&amp;D in joint technology development project</td>
<td>Technology certification project formation and consulting support</td>
</tr>
</tbody>
</table>

Purchase by Country

(char: KRW 100 Million)

<table>
<thead>
<tr>
<th>Category</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Korea</td>
<td>3,044</td>
<td>5,374</td>
<td>5,011</td>
</tr>
<tr>
<td>China</td>
<td>366</td>
<td>496</td>
<td>403</td>
</tr>
<tr>
<td>Japan</td>
<td>330</td>
<td>496</td>
<td>403</td>
</tr>
<tr>
<td>Europe</td>
<td>206</td>
<td>235</td>
<td>241</td>
</tr>
<tr>
<td>ROW (U.S., India, etc.)</td>
<td>18</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>3,902</td>
<td>6,570</td>
<td>5,957</td>
</tr>
</tbody>
</table>

Corporate Collaboration & Prosperity Subcommittee’s Activities in 2011

Additionally, the subcommittee held 10 business presentations and quality agreement signing ceremonies held for suppliers.
Private-Public Joint Investment Technology Development Project

- Our R&D funds worth KRW 20 Billion, created through the agreement with the Small Business Administration and the Large & Small Business Cooperation Foundation, aim to assist our suppliers in boosting their R&D capabilities. Under the private-public joint investment technology development project, the Korean government and large companies provide cash to support 70% of the development cost of outstanding R&D initiatives, while SMEs cover the remaining 30%. This allows SMEs to reduce the high cost of technology development and explore new markets. R&D is enhanced through the pre-diagnosis of their current status and to provide on-the-job training (OJT) consulting to help them boost the comprehensive competitive capability of these companies. We shoulder 90% of the cost our suppliers have to bear to participate in this project.

Training and Consulting Support
- PMS Certification: We support our suppliers with capacity building in various ways. The PMS (Productivity Management System) Certification Project, led by the Korea Productivity Center, aims to assist our suppliers in achieving productivity gains. This project helps identify potential directions in nurturing companies in their own customized manner through the pre-diagnosis of their current status and to provide OJT consulting to boost the comprehensive competitive capability of these companies. We shoulder 90% of the cost our suppliers have to bear to participate in this project.

Training Support for Suppliers: Included in our endeavors for strengthened capabilities of suppliers is free-of-charge training on such topics as quality/production management, global linkages, and customer service. In the year we had 12 such projects under progress which aim to develop domestic technology and new technology. These endeavors will help us and our suppliers in strengthening competitive edge continuously.

Expansion of Sustainability Management at Suppliers
- To encourage our suppliers to practice sustainability management more widely, we incorporate major sustainability management factors into our annual supplier evaluation system. These factors cover environment/safety, labor-management relations, legal compliance and accident and security management. In 2011, evaluation items were revised through the concerted efforts made by the Emergency Planning Team, Green Management Team, and QM Teams of the Win-Win Partnership Subcommittee. Moreover, a win-win partnership team is under development to ensure health and safety of supplier employees, which is led by the Green Management Team. Our support for sustainability management at suppliers will continue to expand through cooperation among relevant departments.

Performance Sharing Event with Suppliers
- Our annual performance sharing events with suppliers aim to share outstanding practices and recognize top-performing suppliers as certified Q-Partners. The meaning of quality in the Q-Partner system extends from simple product quality to company-level quality and covers the entire quality spectrum of basic capabilities (Quality/Cost/Delivery), financial systems, organization and the overall infrastructure. The performance sharing event in 2011 served as a venue to share best practices of suppliers for the past one year. The CSI activities, case studies of improved productivity, quality, and R&D endeavors that were presented at this event were possible due to the efforts made by our suppliers through the mutually-beneficial partnership initiatives. They garnered tremendous attention from employees working at suppliers as well as LS Mtron employees.

Regular Supplier Visits by Division Heads
- Heads of respective business divisions at LS Mtron regularly visit their suppliers to explore ways to enhance quality and support overall win-win partnership activities, thereby promoting the mutually-beneficial relationship. Such practices will be further expanded to fully establish our CSI partnership.

Guiding CEOs of Suppliers for Chinese Subsidiaries to LS Mtron Head Office
- To boost the loyalty of suppliers for our overseas subsidiaries and to promote their benchmarking of Korean companies and technology exchanges, 6 CEOs of suppliers for LS Mtron Head office in charge of producing tractor and 27 CEOs of suppliers for LS Mtron China subsidiary in charge of producing injection molding system toured around our jinhae plant and suppliers in North Jeolla Province. We are dedicated to increasing exchanges with suppliers working for our overseas subsidiaries in the upcoming years.

Supplier Engagement and Communication
To express our commitment to the mutually-beneficial cooperation with our suppliers and maintain a healthy relationship with them, we undertake various engagement and communication initiative covering sharing events, discussion meetings, surveys, and interviews. We also make sure that the feedback that was collected from suppliers is fully reflected in our future win-win partnership policies and strategies.
Customer Satisfaction and Quality Management

Customers’ support is the greatest source of energy for LS Mtron. Their passionate cheering encourages us to complete our race towards the perfect quality. We will deliver the highest-quality products and even greater contentment by expanding channels to interact with customers and sincerely listen to their voices.

• Declaration
We at LS Mtron define customers as our core stakeholder and are fully committed to delivering products that meet customer needs through sustained quality enhancement activities. We offer best-in-class services to earn trust from our customers and touch their heart.

• 2011 Achievements and 2012 Plans

<table>
<thead>
<tr>
<th>Major Achievements in 2011</th>
<th>Major Plans for 2012</th>
<th>Due Date</th>
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</thead>
<tbody>
<tr>
<td>Establishment of Product Quality Competitive Edge</td>
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<tr>
<td>Quality diagnosis and improvement for overseas subsidiaries (14 cases)</td>
<td></td>
<td></td>
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<tr>
<td>Quality diagnose and improvement for overseas subsidiaries (14 cases)</td>
<td></td>
<td></td>
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<tr>
<td>Establishment of the evaluation scheme for Quality-Management System (QMS)</td>
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<tr>
<td>Establishment of quality talent promotion system</td>
<td></td>
<td></td>
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<tr>
<td>Improvement and optimization of division-specific systems</td>
<td></td>
<td></td>
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<tr>
<td>Product quality enhancement activities and diagnosis of management systems</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality diagnoses and improvement guidance for suppliers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Support for overseas subsidiaries in improving quality management systems</td>
<td></td>
<td></td>
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<tr>
<td>Operation of quality training courses (7 courses)</td>
<td></td>
<td></td>
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<tr>
<td>Meeting of ISO 9001 examiners</td>
<td></td>
<td></td>
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<tr>
<td>Nurturing of quality talent nurturing systems</td>
<td></td>
<td></td>
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<tr>
<td>Establishment of product environmental management systems</td>
<td></td>
<td></td>
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<tr>
<td>Strengthening activities of division-specific customer satisfaction activities</td>
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</tbody>
</table>

Customer Engagement and Communications

| Participation in and supervising product exhibitions and seminars (10 occasions) | | |
| Customer satisfaction surveys | | |
| Strengthening activities at customer contact points | | |
| Customer satisfaction surveys | | |

- Stakeholder Engagement

- Stakeholder Expectations in 2012 (importance)
- To secure product quality competitive edge
- To secure technological competitive edge
- To build a prompt after-sales services response system
- To strengthen after-sales services
- To expand systems toward collection of customer feedback

- Stakeholder Satisfaction in 2011 (on a scale of 1 to 5)

- 2015 Mid-term Implementation Directions
To maximize customer satisfaction through customer-driven management
To expand customer contact points and strengthen customer services

- Implementation System
Department in charge: Quality Management Team (under the direct control of the CEO)
Subcommittee: Customer and Quality Improvement Subcommittee, Eco-friendly Supply Chain Subcommittee

- Sustainability management survey
- Collection of VOC (Voice of Customers)
- Product presentations/films
- Customer satisfaction surveys
- Strengthening activities at customer contact points
- Continued operation of division-specific customer satisfaction activities
- Participation in and supervising product exhibitions and seminars (10 occasions)
- Customer satisfaction surveys

- Our Achievements in Numbers

<table>
<thead>
<tr>
<th>Year</th>
<th>Internal Failure Cost (improvement from the previous year)</th>
<th>Loss from Customer Complaint (improvement from the previous year)</th>
<th>Percentage of ULS 301I Customers (against the number of employees in the entire quality segment)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>42.7%</td>
<td>10.1%</td>
<td>13%</td>
</tr>
<tr>
<td>2011</td>
<td>1.0%</td>
<td>12.8%</td>
<td>18%</td>
</tr>
<tr>
<td>2012</td>
<td>2.4%</td>
<td></td>
<td>30%</td>
</tr>
</tbody>
</table>

LS Mtron tractors are outstanding in fuel efficiency as well as performance and design compared to their competitors. They are designed for optimum customer safety and their ergonomic interior design allows for remarkable convenience including the easy operation of various levers equipped. Moreover, prompt after-sales services greatly contribute to improved reliability and customer satisfaction. LS Mtron PLUS is a model improvement from the previous PLUS model, which was not without shortcomings while positively reviewed by customers, and also one of the greatest achievements of the company in 2011. It is with great pride that I say that this new model helped the company increase its market share and grow into a top-notch tractor manufacturer in Korea. This astonishing growth, however, should be accompanied by even faster and trusted after-sales services and slow response to component needs and recurring product failures caused by insufficient alertness and delayed improvement should not be neglected. Tractors are prone to failures because they are used under highly tough agricultural conditions. If LS Mtron supplies and addresses necessary components as soon as possible when failures occur and does its best in delivering these services so that its agricultural machines offer full support to users who are engaged in time-sensitive farming work, this will greatly boost the company’s brand image. LS Mtron needs to cooperate with its authorized dealers to share problems and work together in addressing them in a swift manner. Turning its ears to the voice and requirements of customers and committing itself to becoming more attentive and making progress will ensure that LS Mtron stands on a firmer ground to grow further.

Song-Jean Lee, President, Buan-Iksan Integrated Agent

Interview
Establishment of Product Quality Competitive Edge

We fully recognize that our endeavors to deliver customer satisfaction should start from securing a solid competitive edge in quality and we are fully dedicated to providing high-quality products and services. To this end, we undertake wide-ranging initiatives that include strengthened quality cooperation systems with suppliers in addition to the operation of quality management systems optimized for specific features of respective business divisions and the establishment of employees’ quality capabilities.

Operation of Quality Performance Improvement Systems

Optimization of Quality Management Systems To ensure the effective operation of quality management activities that aim for customer satisfaction and quality improvement, all our business divisions are examined by certified bodies of their qualifications for the quality management systems under ISO 9001 and ISO/TS 16949. Moreover, continuous improvements are underway to establish the quality management systems optimized for specific features of respective divisions.

Improvement in Quality Failure Costs At the beginning of each year, quality failure cost reduction targets are set and division-specific outcomes are analyzed regularly to make further improvements at LS Mtron. The quality performance indicators that we manage include internal failure costs and loss from customer complaints. Out of the 8 business divisions at LS Mtron, the Electronic Component Division improved its loss from customer complaints and internal failure costs by 87% and 26% respectively from the previous year.

1) Ratio of internal failure cost: Internal failure cost/Sales
2) Ratio of loss from customer complaints: Loss from customer complaints/Sales

Quality Competition Edge Improvement Activities To secure a strong competitive edge in product quality, we undertake such wide-ranging activities as the improvement of product quality defects, diagnosis and improvement of quality management systems, and diagnosis and guidance of quality management systems at suppliers.

Strengthen Quality Cooperation System with Suppliers

We fully recognize that our competitive edge comes from that of our suppliers and this is why we are engaged in varied initiatives to assist suppliers in securing their competitive edge in product quality. Taesin Technology, a supplier for our Tractor Division, created its own task force team made up of its KA employees in the Tractor Division and members of the Quality Management Team and undertook improvement activities for 3 months from October 2011. Such endeavors were credited for a 150% increase in productivity at Taesin in addition to enhanced quality in small tractors and tractor front axle components through the maintenance of inspection systems.

Quality Agreement Signing Ceremony

At LS Mtron, we and our suppliers come together in signing the agreement which specify outcomes in 2011, business prospects and quality improvement directions for 2012, and quality targets for 2013. In so doing, we are fully committed to the sustained enhancement of product quality in cooperation with suppliers. Our Injection Molding Division held a quality improvement agreement signing ceremony attended by 60 employees from its suppliers in February 2011. The Electronic Component Division also hosted Partnership Day to discuss ways to support mutually beneficial cooperation and promote quality management operation with supplier CEOs and quality officers from suppliers in attunement with an aim to seek shared growth with suppliers.

Customer and Quality Improvement Subcommittee Activities in 2011

Our Customer and Quality Improvement Subcommittee is up and running to set company-wide directions on customer satisfaction and quality improvement, build detailed strategies in consideration of division-specific characteristics and share relevant information. Composed of the Quality Assurance Teams in each business division under the supervision of the Quality Management Team, the subcommittee met twice in 2011.

Support for Overseas Subsidiaries

- LS(Nanjing, China, tractors production), one of our overseas subsidiaries, was provided with support to stabilize its quality of mass production for 3 months between January and April 2011. As it was a newly established site in China, basic-level quality management systems were created and problems were identified through the diagnosis of its quality systems. Our Korean expert employees worked in conjunction with local employees in order to strengthen processes, secure component quality and enhance the quality of pilot products.

LSWQ(Qingdao, China, injection molding machinery), an overseas subsidiary in the injection molding business, undertook quality system optimization activities from October 2011 to ensure that the knowledge and know-how accumulated in the Korean counterpart is transferred to the local Chinese site. This was combined with verification of and support for local LSMW suppliers. LSEQ (Qingdao, China, electronic component production) in the electronic component business discussed quality cooperation measures with the Korean Electronic Component Division at the beginning of the year and was engaged in training local Chinese inspectors and enhancing detection capabilities through the support offered by expert employees from the Korean counterpart division. It also strived to secure quality of in the transfer to mass production.

2011 Quality Innovation Festival

We held the Quality Innovation Festival 2011 at our Gumi site. The event aimed to share both successes and failures regarding quality management, present detective products, disclose the outcomes of customer satisfaction surveys and offer invited expert lectures in order to evaluate quality performance for the year comprehensively and to establish our own unique quality management culture. The top quality management award which recognizes the business division that achieved the greatest quality improvement for the year went to the Electronic Component Division for the consecutive years since 2008. Moreover, top performer and top performing teams with outstanding quality innovation activities for the past one year were honored with the quality achievement award. The entire LS Mtron business divisions took this event as an opportunity to be aware of the importance of quality and commit themselves to greater business outcomes through quality innovation in 2012.
Strengthening Quality Management Capabilities

Creation of Quality Talent Promotion Systems

Undoubtedly, competitive edge in quality constitutes a core element that determines a company’s overall competitive edge. At LS Mtron, our strategy to enhance quality and secure competency is geared towards investment in and trust in people. It is only natural that the quality of products is enhanced when the person who produces these products has high-quality capabilities. This is why we at LS Mtron built the optimized quality training systems that meet our own distinct characteristics. Our quality talent nurturing systems emphasize problem-solving capabilities, communication skills, practical knowledge, teamwork skills, and increase quality awareness in order to improve our competitive edge in quality. Our plan for 2012 is to put into practice the individual-specific and job-specific training systems that were built the previous year.

Operation of Quality Training Programs

To ensure sustained enhancement in quality competency, we provided regular quality training programs that cover basic courses and advanced courses to 40 employees working in the development/production/quality assurance section in each business division. Moreover, external lecturers were invited to train 200 employees in our Jeonju site on the topic of ‘corporate survival strategy and quality management in the shop floor’. Varieties of innovation activities in their respective fields based on their interaction of quality management systems to optimize our quality management system.

In 2011, heads of quality departments and chosen team members were trained on the basic requirements of the ISO 9001 quality management system and encouraged to become qualified international certification examiners through the external training program delivered by independent third parties. Those quality innovation leaders who qualified to become international certification examiners strived to strengthen our in-house quality level, working in the forefront of wide-ranging innovation activities. They also diagnosed our overseas subsidiaries and suppliers of their quality management systems and offered improvement guidelines. We continue to provide our employees with capability and career development opportunities to build our quality competency.

Nurturing Quality Innovation Leaders

To secure new capabilities required on an organizational level, we at LS Mtron are fostering quality innovation leaders who serve as a main pillar of our quality innovation initiatives. These leaders undertake varied innovation activities in their respective fields based on their knowledge of quality management systems to optimize our quality management system.

Our annual customer satisfaction surveys aim to compare/assess the level of customer satisfaction as experienced by customers with that of our competitors, identify possible improvements, and contribute to the delivery of customer-driven services and quality enhancement. The survey items include quality, delivery, marketing and service and its scope was expanded to the entire 7 business divisions. The company-wide survey demonstrated that the overall performance was improved in all survey items from the previous year but customer complaint handling and product prices were rather poorer when compared to competitors. In 2012, the survey will be performed of customers in the entire business divisions and we will be further dedicated to improving customer satisfaction.

Provision of Product Information and Marketing

To prevent any misuse of our products and expand customer’s convenience, we at LS Mtron faithfully provide product-related information. To this end, we regularly invite our customers for new product presentations and exhibitions in addition to the provision of product instructions and user manuals.

Management and Expansion of Customer Contact Points

To deliver greater customer satisfaction and enhance our brand image in the longer term, we manage our contact points with customers continuously. In 2011, basic sales/service courses and advanced special technology courses were provided to strengthen the qualifications and capabilities of our employees as CS experts. In particular, the Tractor Division extended the scope of such training to include the CS employees of its overseas subsidiaries and employees of client companies and offered training on new products.

Deployment of the Integrated Call Center

Our integrated call center has been up and running since March 2012 to expand our contact points with customers regarding service instructions and user manuals. To prevent any misuse of our products and expand customer’s convenience, we at LS Mtron faithfully provide product-related information. To this end, we regularly invite our customers for new product presentations and exhibitions in addition to the provision of product instructions and user manuals.

Protection of Customer Information

Every LS Mtron employee considers the protection of customer’s private information as the top priority and manages such sensitive data in full compliance with the relevant principles and policies. Moreover, we have designated private information managers to be in charge of improving relevant processes and continue to offer training to raise the awareness and understanding of private information protection.

Customer Engagement and Communication

Customer Satisfaction Survey

We define customers as our core stakeholder and have undertaken wide range of customer satisfaction programs supported by our clear understanding of and cooperation with customers. We will commit ourselves to expanding our contact points with customers and proactively collecting customer’s feedback, thus incorporating it into our endeavors to improve products and services in a substantial manner.

Fostering of quality innovation leaders: ISO 9001 examiner deployment course

01. Invited lecture on ‘corporate survival strategy and quality management in the shop floor’
02. Advanced quality training program: Quality function deployment course
03. Advanced quality training program: Practical reliability course
04. Fostering of quality innovation leaders: ISO 9001 examiner training course

01. Presentation of customer survey outcomes
02. Tractor Division: ‘Green Agricultural’ Machinery Expo 2011
03. Tractor Division: General meeting of authorized retail stores nationwide in 2011
04. UF/UC Divisions: Battery Exhibition in Japan
05. LSAC: Advanced training to improve maintenance capability
**Social Contribution**

Warm helping hands are extended to create the warmest light. With darkness gone, all is light and a way opens for all of us to go together.

LS Mtron will embrace our neighbors with warm hearts and loving arms. We aim to serve as a guiding light to enlighten our society and the wider world.

### • Declaration
- We are connected to corporate philanthropic initiatives in order to fulfill our social responsibility as a company and to promote the development and growth of local communities where we operate. Moreover, our employees are encouraged to undertake volunteering activities on their own initiative to create a beautiful world where everyone lives in harmony.

### • 2015 Mid-term Implementation Directions
- Improving corporate reputation through representative social contribution activities
- Maintaining solidarity and building trust with local community
- Enhancing employee's CSR mindset and expanding volunteering activities

### • Implementation System
Manager in charge: Business Support Team
Department in charge: Business Support Team
Subcommittee: Social Contribution Subcommittee (planning), LS Mtron Employee Volunteering Team (implementation)

### • 2011 Achievements and 2012 Plans
[Table: 2011 Achievements and 2012 Plans]

### • Stakeholder Engagement

#### Engagement Channels
- Consultation with local communities (Birang City, Wanju-gun Office, etc.)
- Cooperation with NGOs (partner in undertaking programs)
- One Company One School, One Company One Village
- Support for cultures, art, sports and social care in cooperation with local community
- Sustainable management survey
  - Method: Mail / E-mail
  - Respondents: 21 local community organizations

#### Stakeholder Satisfaction in 2011

<table>
<thead>
<tr>
<th>Stakeholder Satisfaction in 2011</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>LS Mtron strives to support local community</td>
<td>5.6/10</td>
</tr>
<tr>
<td>LS Mtron fulfills its corporate citizenship</td>
<td>5.6/10</td>
</tr>
<tr>
<td>Local stakeholder feedback is proactively collected</td>
<td>5.6/10</td>
</tr>
</tbody>
</table>

#### Stakeholder Expectations in 2012 (importance)

<table>
<thead>
<tr>
<th>Stakeholder Expectations in 2012</th>
<th>Importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment and nurturing of new-generation talent</td>
<td>50.3%</td>
</tr>
<tr>
<td>Improvement of welfare for vulnerable populations</td>
<td>42.5%</td>
</tr>
<tr>
<td>Prevention of local cultural, art, sports activities</td>
<td>14.1%</td>
</tr>
<tr>
<td>Support for green initiatives in local community</td>
<td>7%</td>
</tr>
</tbody>
</table>

### • Our Achievements in Numbers

<table>
<thead>
<tr>
<th>Social Contribution Investment</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total No. of Social Volunteering Hours</td>
<td>330</td>
<td>1,000</td>
<td></td>
</tr>
</tbody>
</table>

### • Interview

On behalf of all the teachers and students here in Banfu Elementary School in Banfu Village, Tuyen Quang Province, I’d like to extend my sincere gratitude and appreciation to all our partners at LS Mtron, Korea. Banfu Elementary School, newly built in accordance with the guidelines from the Ministry of Education, will initiate its operation from the new semester between 2011 and 2012. The village council and parents as well as teachers and students have high expectations of Banfu Elementary School and its construction shall be an ungrateful gift to the entire Banfu Village.

It is not just support for the construction of Banfu School but also volunteering activities taken by the LS Mtron Employee Volunteering Team to support our village that left such positive impact and impressions on all of us in Banfu Village. We learnt the value of hard work and sharing by watching these LS Mtron employees volunteering for us. Despite the unfavorable weather and living conditions and all the other difficulties, they never failed to demonstrate their deep determination in the volunteering initiative and their positive impact on all, including teachers and students.

Once again, we would like to express our heartfelt gratitude to LS Mtron on behalf of 450 teachers and students at Banfu Elementary School. Your support was pivotal to the development of our school and we would like to ask for continued interest and support for the development of Banfu Village down the road.

Nguyen Thi Thanh, Head Teacher of Banfu Elementary School
Operation of Representative Social Contribution Programs

Our representative corporate philanthropic programs have been up and running since 2010 to ensure that such programs are undertaken in a way that is systemized and sustained. Company-wide endeavors to implement social contribution programs, in addition to employee’s volunteering initiatives taken on their own, support our commitment to fulfilling our social responsibility as a corporate citizen.

LS Mtron Global Happy Village Campaign

Our ‘Global Happy Village campaign’, initiated in 2011 to fulfill our role as a global corporate citizen befitting our rapid growth in the global market, has established itself as a representative global social contribution program of LS Mtron.

The program enabled us to build Banfu Elementary School in Taum Quang Province, a less-developed region in Vietnam, in 2011, and to send a 10-strong employee volunteering team to provide their helping hand in the construction site and engage in various programs with students including sports competition, music class and art class.

Moreover, the program was planned in full consideration of local needs and situations in Vietnam and constituted the first global social contribution program at LS Mtron as a beneficiary-driven one based on the close network forged in the local community. We will continue to undertake our Global Happy Village campaign each year to grow into a company that is respected in the global market.

Construction of Banfu Elementary School

Banfu Elementary School, first built with earth bricks 20 years ago, suffered from aging facilities which failed to provide an adequate learning environment and was run under the double-shift system due to a significant shortage of classrooms to accommodate students. LS Mtron helped build a new 2-story learning building, an administrative building and flush toilets to allow students there to enjoy learning in a pleasant and comfortable environment.

Today, Banfu Elementary School is recognized as a top-performing school in the local community and facing a new turning point in its history due to our volunteering activities at LS Mtron.

Sending Global Happy Volunteers

After our support for the construction of Banfu Elementary School, the LS Mtron Employee Volunteering Team embarked on short-term volunteering initiatives following thorough 2-month preparations covering research of local conditions and the development and arrangement of volunteering programs on their own. The volunteering initiatives were categorized into the following three areas: student education programs including physical education, music, art and hygiene training, volunteering programs that require volunteers’ physical engagement including the construction of school flower gardens and wall painting, and local community volunteering including environment improvement projects, and support for children from low-income families.

Our student education programs provided a huge stimulus to the head master and teachers instructing local children there. Physically-engaging volunteering programs were also recognized as a leading example of volunteering work among local education experts.

Our employees who sincerely worked with sweat running down their body in spite of the scorching weather in Vietnam encouraged local teachers and residents to join hands voluntarily. Moreover, local community leaders and parents as well as school employees came to join forces to discuss pending issues regarding education or local community and participated in the volunteering work.

It was my first time to be engaged in such full-fledged volunteering work and though it was tough, it also gave me rewarding and pleasant experiences. I never realized before that taking action for the happiness and future of someone else, getting out of my usual life style that values myself only, would be this much enjoyable. The volunteering work also allowed me to be aware of the social responsibility that I have to bear as an LS Mtron employee as well as a member of our society. With this pleasant memory staying deep in my heart, I will participate in these fruitful initiatives in the upcoming years if another chance comes along to do so and commit myself to fulfilling my social responsibility as an individual member of our society.

Zhao Xiaomin, Assistant Manager, Korean Sales Team, Electronic Component Division

Various Activities Undertaken by the Global Happy Volunteering Team

01. First semester since the opening of the new facility
02. Completion ceremony
03. Newly built learning building
04. Inside view of a newly built classroom
Community Engagement and Support

At LS Mtron, we incorporate the expectations and needs of local community in undertaking our corporate philanthropic activities and ensure that this forms the basis to pursue shared growth with local community. In addition to the proactive volunteering initiatives taken by our employees, we also engage in practical local community volunteering activities covering local community welfare projects and culture, art, sports projects.

Launching the LS Mtron Employee Volunteering Team

- Our employee volunteering activities that were previously undertaken by respective business sites evolved and integrated into the company-wide volunteering team. Included in our efforts to provide systemized support to these activities are the maintenance of the informal volunteering format in each business site so that the original autonomy and voluntariness stay unchanged and the creation of additional systems such as volunteering team operation systems and the Social Contribution Subcommittee.

Our company-wide Volunteering Team began to receive membership applications in May 2011 and is comprised of the four business sites in Jeonju, Anyang, Jeongeup and Indong. So far, 460 LS Mtron employees have joined the team. Our employee volunteering team aims to maintain its informal format and thus is open to family members of employees as well as LS Mtron-employees.

The site-specific volunteering teams identify volunteering activities that may be aligned with local communities where they operate and undertake volunteering activities regularly, spreading the ‘Volunteering Virus’ across the organization through the united Volunteering Team on a company-wide level.

Sarang Nanseonhoe (Love Practicing Team) in Jeonju: Our Sarang Nanseonhoe attended by employees in the Tractor Division, Injection Molding Division and Special Business Team engages in worthwhile activities main in Jeonju. As a regular sponsor for ‘Da Ae Community’, the volunteering team visits the facility every month to engage in various volunteering activities including the construction of facilities and production ofitchedas as well as experience programs such as waterfront excursions.

Sarang Silcheonhoe (Love Practicing Team) in Anyang: Our Sarang Silcheonhoe in Anyang is composed of employees working in the Anyang region including the head office, Anyang site, sales departments and research institutes. They help with both taking, clean-up and meal-taking at Yanji House, a rehabilitation facility for those with cerebral palsy near the business site, on a monthly basis.

Sarang Silcheonhoe (Love Practicing Team) in Jeongeup: Our Sarang Silcheonhoe in Jeongeup volunteers for the physically-challenged: Its volunteers visit households with physically-challenged people in the local area every month in conjunction with the welfare agency for the physically-challenged in Jeongeup City and assist in building fences and supporting their visits. They also pay a visit to local long-term care facilities to take care of patients.

Sharing Hope Team in Indong: Our ‘Sharing Hope Team’ is made up of employees in the Automotive Component and UC Divisions and engages in monthly bath volunteering activities under the sisterhood ties it forged with ‘Shelter of Love’, a local short-term care facility for those with intellectual disabilities.

Social Contribution Subcommittee Activities in 2011

- The Social Contribution Subcommittee is responsible for setting strategic directions for our various social-giving activities including representative programs and facilitating the sharing of information across the organization. The subcommittee is supervised by the Business Support Team at the headquarters and consists of coordinators in each business site, the Chairman and general affairs manager of our Informal Volunteering Team.

- The Social Contribution Subcommittee Secretariat is open during the summer season to provide swimming classes to students.

- Under the sisterhood ties it forged with ‘Shelter of Love’, a local short-term care facility for those with intellectual disabilities.

Sponsorship for Cultural/Art/Sports Projects

- We offer sponsorship to cultural and social events each year to help promote local culture, art, sports and enhance the quality of life in local community. Specifically, we are a continuous supporter of the Jeonju International Film Festival and Jeonju World Souk Festival, the two representative cultural festivals in North Jeolla Province where our Jeonju site is located. Our sponsorship for the Geongju Film Festival held in Gyeongju, Gyeongsang Province, also helped create a venue for communication that can be attended and enjoyed by local people. As a sponsor for the Korea Cycle Federation, we also contribute to the development of daily sports and public health.

- We will continue to sponsor these local festivals to enhance our corporate image and pursue mutual existence and prosperity with local community.

Environmental Preservation in Local Community

- We joined the volunteering program led by Gyeongju Province to improve the quality of indoor air for facilities venerable to environmental pollution in November 2011. We also provided environmental technology to companies who suffer the lack of such technology in North Jeolla Province. Under the One Company One Stream campaign, we participated in the Anyang Stream Clean-up Day event in September, where we released weather fish into the stream and cleaned up the surrounding area to improve the quality of water. On the occasion of the ‘World Water Day’ in March 2012, we proactively participated in the eco-friendly stream cleaning activities.

Welfare Projects for Local Community

- We are a regular supporter and proactive volunteer for low-income families and senior citizens living alone in local community where we operate. In Chudong Village with which we forged sisterhood ties, we help operate farmer’s markets and weekend farms. We also enable local residents in the village to tour around other well-functioning villages regularly each year to help the village develop further under close bilateral cooperation.

- In Bongdong Village, we donated tractors to the local agricultural work site, a volunteering initiative aligned with our tractor business, in order to assist the village in nurturing next generation young farmers.

Support for Talent Nurturing

- We assist in fostering talented individuals for the future in various ways. Under the One Company One School Initiative, we created ties with Bongdong Elementary School to offer scholarships regularly and the swimming pool in our company dormitory is open during the summer season to provide swimming classes to students.

- In addition, we sponsor and participate in sports events and other school events. Included in our endeavors to provide a better learning environment for these students is the donation of chairs and the free-of-charge subscription to Kids Hankook Daily to help students acquire information and knowledge. Moreover, our donation of tractors to the College of Agriculture & Life Sciences at Chonbuk National University, a top-notch local university, contributed to the generation of R&D outcomes for university students. We also join hands with various local universities including Korea Polytechnic through industry-academia cooperation programs in order to foster talented individuals.

01. Awarded with the Plague of Appreciation on the Day of the Film and Visual Entertainment Industry in Jeonju
02. Donation of tractors to Chonbuk National University
03. One Company One Village campaign
Green Management

Flourishing nature is the foundation of life and a shelter that provides peace of mind for human beings. To ensure that the clean air and the generous earth is here to stay forever, LS Mtron pursues the cooperation between the nature and people in creating this greener world. Green management is our guiding principles and philosophy in protecting the world today and nurturing a better tomorrow.

• Declaration
We at LS Mtron take sustained initiatives to create climate change strategies to reduce our energy consumption and to conduct business to reduce GHG emissions. Central to our commitment to becoming a global leading green company in the industrial machinery and cutting-edge component market is the expansion of eco-friendly products and the scope of our green business.

• 2015 Mid-term Implementation Directions
To respond to climate change through the reduction of GHG emissions and to expand the scope of eco-friendly products and green business
To operate a safe, healthy and eco-friendly business site

• Implementation System
Manager in charge: Business support (CHO)
Department in charge: Green Management Team, Technology Management Team Sub-committee: Green Management Sub-committee, Eco-friendly Product Sub-committee

• 2011 Achievements and 2012 Plans
<table>
<thead>
<tr>
<th>Managerial Issue</th>
<th>Major Achievements in 2011</th>
<th>Major Plans for 2012</th>
<th>Deadline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Response to Climate Change</td>
<td>• Third-party verification of the company-wide GHG emissions</td>
<td>• Calculation of GHG emissions at the entire business sites</td>
<td>May</td>
</tr>
<tr>
<td></td>
<td>• Response to the GHG/energy target management system</td>
<td>• Revision of GHG management policies and inventory</td>
<td>May</td>
</tr>
<tr>
<td></td>
<td>• Monitoring efforts to respond to climate change</td>
<td>• Nurturing GHG management experts</td>
<td>◯</td>
</tr>
<tr>
<td></td>
<td>• Creation of a mid/long-term reduction targets and plans</td>
<td></td>
<td></td>
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</table>

| Operation of Advanced ESH Business Sites | | |
|-------------------------------------------| | |
| | • Creation of communication methods on environmental indicators based on total volumes and intensity | | |
| | • Creation of improvement activities and monitoring through environmental impact assessments | | |
| | • Support for the creation of ESH management system at overseas subsidiaries | July |
| | • Localization of the ESH management system at overseas subsidiaries | Sept. |
| | • Establishment of a transparent environmental information disclosure system | | |

| Strengthened Development of Eco-friendly Products | | |
|-----------------------------------------------| | |
| | • Review of progress against the mid/long-term eco-friendly technology development roadmap | ◯ (R&D) |
| | • R&D investment in eco-friendly products and sales data | ◯ |
| | • Sales of eco-friendly products (KRW 123.8 Billion, 35%) | | |
| | | | |

Our Achievements in Numbers

<table>
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<tr>
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<tbody>
<tr>
<td>2010</td>
<td>99,778 (t)</td>
<td>1,900 (t)</td>
<td>91.2%</td>
<td>83.3%</td>
<td>24%</td>
</tr>
<tr>
<td>2011</td>
<td>100,233 (t)</td>
<td>1,933 (t)</td>
<td>92.2%</td>
<td>81.4%</td>
<td>15%</td>
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Stakeholder Engagement

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Engagement Channels</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental NGO</td>
<td>• Environmental policy statements held by the central and local governments</td>
</tr>
<tr>
<td></td>
<td>• Discussions with environmental NGOs and environmental engineer councils</td>
</tr>
<tr>
<td>Customers</td>
<td>• Green company information disclosure</td>
</tr>
<tr>
<td></td>
<td>• Local Agenda 21 in Anyang</td>
</tr>
<tr>
<td>Employees</td>
<td>• Sustainability management survey</td>
</tr>
<tr>
<td></td>
<td>• Method: Mail / E-mail</td>
</tr>
<tr>
<td></td>
<td>• Respondents: 21 local community organizations</td>
</tr>
</tbody>
</table>

| Stakeholder Expectations in 2012 (importance) | | |
|-----------------------------------------------| | |
| | Reduction of GHG emissions | 17.3% |
| | Conservation of resources and energy investment in eco-facilities and process improvement | 12.7% |
| | Expansion of eco-friendly product | 10% |
| | Reduction of pollutant generation | 10% |

| Stakeholder Satisfaction in 2011 (on a scale of 1 to 5) | | |
|-----------------------------------------------| | |
| LS Mtron is good in protecting green management | 4.3 pts. |
| LS Mtron is committed to the conservation of energy and resources | 4.0 pts. |
| LS Mtron is committed to the development of eco-friendly products | 3.8 pts. |

Interview

LS Mtron's strong commitment to the environment is well-documented in its company-wide green management policies and the definition of eco-friendly products. Given that the company proclaimed its commitment through internal policies and targets set throughout to stakeholders, LS Mtron would benefit from having a detailed roadmap to meet set goals and report relevant outcomes in its future reports in addition to the statement of its goal to reduce GHG emissions by 30% by 2020 in the production sector. For example, readers would hope to see that LS Mtron continues to fulfill its social responsibility to its extended meaning through green-win-win management as outlined in its company-wide green management policies in its future reports. Another emerging trend is the integration of sustainability reports and annual reports. This does not mean a simple integration of two different reports but rather a company’s extended meaning through green-win-win management as outlined in its company-wide green management policies in its future reports. Another emerging trend is the integration of sustainability reports and annual reports. This does not mean a simple integration of two different reports but rather a company’s extended meaning through green-win-win management as outlined in its company-wide green management policies in its future reports.

Kwang-Lim Ooi, Ph.D. The Korea Chamber of Commerce & Industry, Business Institute for Sustainable Development
Response to Climate Change

At LS Mtron, climate change is recognized as a managerial issue and under intensive management in order to comply with Korean government’s guidelines in responding to climate change and to fulfill our social responsibility in the environmental sector.

GHG and Energy Target Management

At LS Mtron, our system ensures that our GHG emissions are reported and our obligations to reduce GHG emissions in line with and effective way in accordance with the GHG and energy target management system of the Korean government. Starting with the submission of our GHG emissions and energy targets to the government, our GHG emissions reduction projects are identified and their feasibility is assessed. Relevant action plans and reduction strategies are set and all of these endeavors are followed by implementation and monitoring. Our greenhouses, sites, chosen to be the subject to the target management system, prepared detailed reports on its GHG emissions. They were verified by a third-party organization before being submitted to the government in March 2012. As the entire business sites are expected to come under the energy and GHG target management system within the first half of 2012, we will complete the revision of our GHG management policies and inventory in the first half of 2012 as well. While our GHG emissions rose by 0.4% from the previous year due to the expansion of facilities caused by business growth in 2011, the intensity as measured against our sales was down by 5.9%, which is attributed to our investment in reducing the consumption of electricity and thermal energy and energy-saving efforts regarding building equipment. By emission intensity, indirect sources account for 32.4% of the majority of the total emissions and direct sources including fixed and mobile combustion account for 73.6%.

GHG Emissions Reduction Initiatives

- The task force team in charge of reducing GHG emissions at LS Mtron conducts cost-benefit analysis each year to translate reduction plans into action and investment projects are undertaken accordingly. The installation of freeze pump inverters, replacement of lighting devices into power-saving ones and temperature control of steam pipes led to a reduction of 1,019 CO2ton last year. In 2012, the integrated operation of newly-built production lines and freezers and the application of high-efficiency inverters will generate 842 CO2ton worth reduction. Moreover, our Cool Biz campaign allows employees to wear informal attire during the summer season (Jun-Aug) to save indoor energy consumption and to enhance work efficiency.

Nurturing Climate Change Experts

- Managers and working-level employees in charge of GHG emissions are provided with expert training courses to develop their capabilities and those courses were completed in each business site.

Green Management Subcommittee Activities in 2011

Our Green Management Subcommittee is responsible for presenting company-wide directions for green management and discussing relevant issues. The Subcommittee is responsible for green management at the headquarters and consists of the Green Management Teams and Facility Management Teams in respective sites. In 2011, the subcommittee met four times to discuss the establishment of the GHG inventory and our environment.

Operation of the ESH Management System

- At LS Mtron, climate change is recognized as a managerial issue and under intensive management in order to comply with Korean government’s guidelines in responding to climate change and to fulfill our social responsibility in the environmental sector.

GHG Emissions Reduction Initiatives

- The task force team in charge of reducing GHG emissions at LS Mtron conducts cost-benefit analysis each year to translate reduction plans into action and investment projects are undertaken accordingly. The installation of freeze pump inverters, replacement of lighting devices into power-saving ones and temperature control of steam pipes led to a reduction of 1,019 CO2ton last year. In 2012, the integrated operation of newly-built production lines and freezers and the application of high-efficiency inverters will generate 842 CO2ton worth reduction. Moreover, our Cool Biz campaign allows employees to wear informal attire during the summer season (Jun-Aug) to save indoor energy consumption and to enhance work efficiency.

Nurturing Climate Change Experts

- Managers and working-level employees in charge of GHG emissions are provided with expert training courses to develop their capabilities and those courses were completed in each business site.

Green Management Subcommittee Activities in 2011

Our Green Management Subcommittee is responsible for presenting company-wide directions for green management and discussing relevant issues. The Subcommittee is responsible for green management at the headquarters and consists of the Green Management Teams and Facility Management Teams in respective sites. In 2011, the subcommittee met four times to discuss the establishment of the GHG inventory and our environment.

Operation of the ESH Management System

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- Managers and working-level employees in charge of GHG emissions are provided with expert training courses to develop their capabilities and those courses were completed in each business site.
Strengthened Development of Eco-friendly Products

Our own in-house definition that determines the scope of eco-friendly products and eco-friendly designing processes have facilitated our endeavors to develop eco-friendly products since 2010. The development of eco-friendly products is central to our sustained endeavors to deliver new value to customers and fulfill our environmental responsibility to minimize our environmental footprint during our efforts to develop eco-friendly products on a company-wide level and enhancing eco-friendly designing factors set internally serve as the basis to identify eco-friendly designing factors in the product development planning stage.

Eco-friendly Product Subcommittee Activities in 2011

- Our Eco-Friendly Product Subcommittee is responsible for taking the lead in developing eco-friendly products on a company-wide level and enhancing eco-friendly features in the product development process. Under the supervision of the head of technology development, the subcommittee is composed of the Central Research Center, division-specific research centers and the Technology Management Team. There were 4 subcommittee meetings in 2011 to share the status of major investment plans regarding the development of eco-friendly products and sales data as well as to discuss company-wide strategies to respond to climate change and relevant product plans regarding the development of eco-friendly products and sales data as well as to discuss company-wide strategies to respond to climate change and relevant product plans.

Endeavors to Expand Eco-friendly Products

- Incorporation of Eco-friendly Designing Factors during Gate Review: The basic eco-friendly design factors set internally serve as the basis to identify eco-friendly design factors in the product development planning stage. Designing targets are determined in the implementation stage to assess the outcomes of development efforts.

LS Mtron’s Eco-friendly Products

- At LS Mtron, we classified eco-friendly products into resources-saving, hazardousness-reducing, GHG emissions-reducing and environmentally-enhancing in accordance with the set basic eco-friendly designing factors. We have a total of 23 such basic design factors. Each year, internal standards are used to define eco-friendly products in accordance with changes in basic designing factors or inherent product features. We are fully dedicated to developing eco-friendly products and increasing their sales.

Creation of the Eco-friendly Product Development Roadmap

- To ensure that the development of eco-friendly products is strategic and consistent, the mid-term technology development strategy (eco-friendly product development roadmap) is created and put into action in each business division annually.

Ratio of Green Products in the R&D Investments and the No. of Relevant Projects

<table>
<thead>
<tr>
<th>Components</th>
<th>Resources-saving</th>
<th>GHG emissions-reducing</th>
<th>Hazardousness-reducing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automotive Component</td>
<td>24%</td>
<td>18%</td>
<td>58%</td>
</tr>
<tr>
<td>Electronic Component</td>
<td>18%</td>
<td>16%</td>
<td>56%</td>
</tr>
</tbody>
</table>

Sales and Percentage of Green Products

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2011</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales (KRW 10 Million)</td>
<td>2,211</td>
<td>3,283</td>
<td>4,181</td>
</tr>
<tr>
<td>Ratio (19%)</td>
<td>32.5%</td>
<td>39.0%</td>
<td></td>
</tr>
</tbody>
</table>

Business Domain | Target and Strategy | Details (2015)
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tractor</td>
<td>Development of hybrid tractors</td>
<td>• ISU hybrid: 15% increase in fuel efficiency and output, applicable to mid-size tractors • Establishment of full hybrid line-up, first application to 180 HP models</td>
</tr>
<tr>
<td>Eco-friendly engine and application (Tier 4)</td>
<td>Above 75 HP: Application development of FPT engines • Under 75 HP: Step 1 (engine downsizing), Step 2 (decreasing internally-developed engine)</td>
<td></td>
</tr>
<tr>
<td>Injection Molding</td>
<td>Improvement of energy efficiency and reduction of hydraulic fluid loss</td>
<td>• Use of hybrid systems that reduce electricity cost • Design factors to ensure the invariance of hydraulic fluid</td>
</tr>
<tr>
<td>Automotive Component</td>
<td>Development of clean diesel automotive components</td>
<td>• Development of high heat resistance exhaust hose products to respond to Euro V regulations • Development of non-cutting methods and low-weight products • Development of products free from heavy metals and ozone-depleting materials</td>
</tr>
<tr>
<td>CF</td>
<td>Development of exhaust filter for high-efficiency electric vehicles</td>
<td>• Development of new exhaust filter for ambient temperate, high-capacity and reliability requirements</td>
</tr>
<tr>
<td>Electronic Component</td>
<td>Resources-saving and reduction of hazardousness</td>
<td>• Industry/Press design standards • Development sample Metal Sheet that is unplated</td>
</tr>
<tr>
<td>UC</td>
<td>Creation of eco-friendly product designing, manufacturing</td>
<td>• Application to R&amp;D of EOL products and material creation of relevant BB • Reduction of raw material loss (Waste management) • Improvement of energy efficiency</td>
</tr>
</tbody>
</table>

Major Eco-friendly Products in 2011

<table>
<thead>
<tr>
<th>Business Domain</th>
<th>Application Model</th>
<th>Scope of Eco-friendliness</th>
<th>Major Features (Outcomes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tractor</td>
<td>ISU applied products (North America, Europe)</td>
<td>Hazardousness-reducing</td>
<td>Partial emissions were reduced and engine efficiency improved</td>
</tr>
<tr>
<td>Injection Molding</td>
<td>DE/ME/SE models</td>
<td>GHG emissions-reducing</td>
<td>Efficiency rose by 25%, 45%, 25% respectively compared to existing models (D/M/E)</td>
</tr>
<tr>
<td>Special Business</td>
<td>Caterpillar</td>
<td>Resources-saving</td>
<td>Product life-cycle increase compared to existing models (7 years ~ 12 years)</td>
</tr>
<tr>
<td>Electronic Component</td>
<td>All products</td>
<td>Hazardousness-reducing</td>
<td>Responded to RoHS, Halogen (F/Cl/Br/I/At) and Be-free</td>
</tr>
<tr>
<td>CF</td>
<td>All products</td>
<td>Resources-saving</td>
<td>Copper contained in the copper foil washing water was recovered for recycling</td>
</tr>
<tr>
<td>Automotive Component</td>
<td>CACO-charged Air Coolant hose</td>
<td>Hazardousness-reducing</td>
<td>Components satisfied Euro V automobile exhaust gas regulations (criteria)</td>
</tr>
<tr>
<td>UC</td>
<td>All products</td>
<td>Environmentally enhancing</td>
<td>Applied to eco-friendly energy sectors (covering electric vehicles and wind power plants)</td>
</tr>
</tbody>
</table>
Employee Value Enhancement

Our key talented employees recruited based on a strong sense of trust constitute the most cherished assets at LS Mtron. We pay attention to each and every small thought to create a great workplace. We build an advanced corporate culture where individual employee’s capability is accurately assessed and fully nurtured.

• Declaration
At LS Mtron, we consider our employees as the source of our corporate value as well as core stakeholders. We are dedicated to creating a corporate culture that ensures human rights of individual employees are fully respected, their competency development is supported and employee Engagement and Communication is assured. Moreover, we will commit ourselves to delivering a safe, healthy and human rights of individual employees are fully respected, their competency development is supported and employee Engagement and Communication is assured. Moreover, we will commit ourselves to delivering a safe, healthy and employee-centered work environment.

• 2015 Mid-term Implementation Directions
Advancement of HR systems to the level of global leading companies Establishment of corporate competitive edge through the capacity development Strengthening trust-based labor-management relations and the protection of human rights Operation of a safe, health and eco-friendly workplace

• Implementation System
Manager in charge: Business support (CHO)
Department in charge: HR Development Team, Green Management Team

• 2011 Achievements and 2012 Plans

<table>
<thead>
<tr>
<th>Focus Area Performance</th>
<th>06. Employee Value Enhancement</th>
</tr>
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<tbody>
<tr>
<td>No. of New Recruits</td>
<td>2009</td>
</tr>
<tr>
<td>(male/female)</td>
<td>167/45/30</td>
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<tr>
<td>No. of Female Employees</td>
<td>48 (2.3%)</td>
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<tr>
<td>No. of Physically-challenged Employees</td>
<td>35 (2.4%)</td>
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<tr>
<td>Per-Capita Training Hours</td>
<td>145</td>
</tr>
<tr>
<td>Industrial Injury Rate</td>
<td>0.127%</td>
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</table>

• Stakeholder Engagement

<table>
<thead>
<tr>
<th>Stakeholder Engagement</th>
<th>Stakeholder Expectations in 2012 (importance)</th>
</tr>
</thead>
</table>
| Engagement Channels | • Engagement and cooperation enhancement council • Working level labor-management council and meetings (company-wide, Jeonju) • Labor-management discussion meetings (Ap-ang, Jeongeup, Indong) • Grievance Resolution Committee • Employee communication meetings • Organizational capacity survey • Industrial Health & Safety Committee and committee meetings • Cyber Civilian • Sustainability Management Committee
| Stakeholder Satisfaction in 2011 (on a scale of 1 to 5) |
| Stakeholder Expectations in 2012 (importance) |
| Stakeholder Satisfaction in 2011 (on a scale of 1 to 5) |

<table>
<thead>
<tr>
<th>Management Issue</th>
<th>Major Achievements in 2011</th>
<th>Major Plans for 2012</th>
<th>Deadline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establishment of the corporate scholarship student system</td>
<td>Improvement of the overall employee evaluation system by enforcing fairness</td>
<td>Jan.</td>
<td></td>
</tr>
<tr>
<td>Creation of the LS Mtron type HR system for technical employees</td>
<td>Creation of the HR risk management system</td>
<td>Dec.</td>
<td></td>
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<tr>
<td>Creation of job-specific training roadmap</td>
<td>Revision of employee training policies</td>
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<tr>
<td>Creation of the HR risk management system</td>
<td>Enhancement of the industrial scholarship student system</td>
<td>Nov.</td>
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<tr>
<td>Creation of the company-wide production line evaluation system</td>
<td>Revision of the rating system for job evaluation</td>
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Interview
“LS Mtron is committed to the development of employee capacity. We are committed to creating a workplace where everyone can enjoy what they do with contentment and rewarding experiences while treating each other and communicating freely. The reason behind our being chosen as a great workplace in Korea in 2011 lies in the corporate culture that we have at LS Mtron that encourages all employees to treat each other just as their own family members. Each and every LS Mtron employee will continue to dedicate themselves to fully establishing such a family-like corporate culture.”

Myung Ho Park, General Manager, HR Development Team
Advancement of HR Systems

At LS Mtron, we undertake sustained improvement initiatives for fair and reasonable HR systems, manage diversity and deliver a great workplace.

Recruitment and Job Creation

We hold company PR events and recruitment consultations at major universities every year to fulfill our social responsibility through sustained job creation and to secure talented individuals who meet our personnel needs. In 2011, we hired 281 new recruits and experienced employees. More than 30% of the 177 new hires with university degrees were master or doctoral degree holders.

Improvement of the Industrial Scholarship System

Our industrial scholarship system was improved to the highest possible level in the industry in order to secure top-performing talent earlier than others to nurture core R&D workforce. Application criteria were specifically revised ambitiously to include major areas, extracurricular activities, research outcomes and relevance with our business domains, which will assure truly qualified students are selected as beneficiaries.

Securing Globally-talented Individuals

In order to secure talented individuals who have experiences regarding the market and culture of technology-leading nations, we visited 15 universities in Japan, the U.S. and other advanced nations to forge ties with and interview Korean students there. To this end, networking systems were built to align LS Mtron employees and students studying overseas so that LS Mtron’s business, and interview Korean students there. To this end, networking systems were built to align LS Mtron employees and students studying overseas so that LS Mtron’s business,

Employee Evaluation and Compensation Schemes

Under our company-wide employee evaluation system, all LS Mtron employees are subordinated to performance evaluations and competency evaluations every year. Our compensation system is composed of fixed pay determined by employee’s potential capacity and expected capacity and variable pay aligned with individual performance. Fixed pay is equally paid to employees in the same job level regardless of gender difference. Our new recruits are guaranteed salary levels above the legal minimum wage regardless of gender difference and the location of business sites.

Improvement of HR Systems at Overseas Subsidiaries

With our growing business in China, we modified the HR systems of our Chinese subsidiaries by reflecting local cultural characteristics, local employers’ way of thinking and distinct features of the Chinese labor market. As a result, the job-based pay system was newly introduced to meet local needs to replace the previous system which was similar to that of our Korean business sites. The job-based pay system is being adopted by many global companies doing business in the Chinese market. Under this scheme, employees working in a specific standardized job grade are paid in accordance with the set standards in the market. In designing this system, we analyzed the job hierarchy of industry peers of similar size and finalized the standardized job grades from grade 1 (shop floor workers) to grade 17 (chief executive officers). The scheme will be put into action by utilizing further elements that meet local business regarding the promotion of Chinese subsidiaries and evaluation and training systems.

Diversity Management

LS Mtron is fully committed to creating an environment where all our stakeholders are guaranteed equal opportunities. Discrimination on the grounds of gender, nationality, religion, disabilities or age is strictly prohibited at LS Mtron. As of 2011, the number of our female employees stood at 353(5.9%), up by 37% from the previous year’s 262. The number of physically-challenged employees also rose by more than 10% to 40 (2.5%) from the previous year’s 36.

Given the inherent characteristics in the machinery/component manufacturing industry, the employment of socially-vulnerable populations including women and physically-challenged people is relatively low. As such, the above data clearly demonstrate that LS Mtron is deeply interested in helping vulnerable populations in our society and rapidly expanding the recruitment of these vulnerable people. We will ensure that the recruitment of socially-vulnerable people increases gradually and guarantees an equal opportunity of participation to them.

Creation of a Great Work Place

Chosen as One of the Top 100 Great Work Places in Korea

LS Mtron was recognized as one of the Top 100 Great Work Places in Korea by GWP (Great Work Place) KOREA. We were specifically awarded with the top prize in the manufacturing sector for our endeavors to build a great corporate culture by practicing sustainability management covering the right-way management, talent management and green management. Moreover, our Jeonju site was selected as a great work place by the Connected In-Hope launching ceremony hosted by the Ministry of Knowledge and Economy and the North Jeolla Provincial Government to align university students and top-performing local companies. Our business stability, growth potential and top-notch corporate culture were solely known across the local community where we are based through the event.

Flexible Working Time Pilot Project

Our flexible working time scheme started in 2011 to enhance researcher’s work engagement by providing an environment that suits the R&D work cycle of researchers and to maximize research outcomes through creating workplace atmosphere. The 3-month pilot operation of flexible working time for researchers at the Central Research Center enabled us to identify optimal operational conditions and the system was expanded to the entire employees in the technology development sector in December 2011. The system allows all employees in the technology development sector, including researchers at the Central Research Center to maximize their work efficiency through the effective operation of work schedules, self-development and the right work/life balance. Once the flexible working time system is fully established in the technology development sector, its adoption will widen to cover office technical workers.

Benefits Package

At LS Mtron, we have diverse benefits schemes up and running to promote the work/life balance of employees and respect their economic, social and cultural rights as well as various forms of social engagement. (For more detail, please see the HR system/benefits package menu in the HR management section of our website at https://www.ls-mtron.co.kr.) In 2011, our benefits schemes amounted to KRW 16.6 Billion. Our employee holiday scheme regarding condolences and congratulations was partially improved and overall benefits package was further expanded through the increase of value of gifts for employee birthdays and wedding anniversaries and the raise of meal expenses which aimed to enhance the quality of employee meals.

Total No. of Employees (unit: No. of people)

<table>
<thead>
<tr>
<th>Category</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
</table>
| No. of New Employees (unit: No. of people)
| Male | 233 | 270 | 280 |
| Female | 227 | 248 | 270 |

No. of Maternity Leave and Childcare Leave

<table>
<thead>
<tr>
<th>Category</th>
<th>Maternity Leave</th>
<th>Childcare Leave</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>LS Mtron</td>
<td>16</td>
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 Ideal LS Mtron Employee

- Continual self-development
- Positive acceptance
- Receptive to change
- Business process management/innovation
- Frontal decision making and strong operation

No. of New Employees (unit: No. of people)

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</table>
Strengthening Capacity-Building

At LS Mtron, we have varied capacity-building programs up and running to promote individual employee’s growth and organizational capacity enhancement simultaneously. Equal opportunities are also offered to employees in each job level and position. In 2011, we continued to support leadership training including company-wide sustainability management courses and foreign language training to assist leaders in building their global capacities.

HR Promotion System

Our job level hierarchy is made up of assistants (grade 4), assistant managers (grade 3), managers/deputy general managers (grade 2), general managers (grade 1) and executives. Under our HR promotion system, employees assistants and assistant managers can be promoted into Team Leaders, managers/deputy general managers into Emerging leaders, general managers into Team Leaders and executives into Business Leaders. In 2011, per capita training expenses amounted to KRW 1,789,603 and training hours amounted to 148 hours.

Major Programs

- Team Leadership Program: With the growing importance of leadership due to rapidly changing business environments, we at LS Mtron offer training courses to help leaders at each level grow their leadership skills. In 2011, our company-wide team leadership training was provided with a theme of ‘overcoming limitations and communication’. The courses were attended by 65 team leaders and 3 chief plant officers, who learned skills to integrate innovative behaviors and facilitate communication and committed themselves to becoming a leader who takes the initiative and finely communicates with his/her team members.

Global Capacity-Building Programs: We assist our employees in enhancing their global capacities to ensure a more effective entry into the overseas market. In 2011, a total of 27 global capacity courses were open and attended by 221 employees to global capacities to ensure a more effective entry into the overseas market. In 2011, our company-wide sustainability management training in 2011 aimed to assist all employees in building sustainability management into their daily operation and enhancing their executive capabilities. The training, attended by a total of 1,363 (completion rate 98%), enabled these employees to learn the progress made in 2011 and to realize their respective role in practicing sustainability management as a future survival strategy of LS Mtron as well as to understand the basic concepts and background of sustainability management. The training will continue and evolve into advanced courses to cover the entire staff in 2012.

Work Capacity-Building Training: In 2011, work capacity-building training was offered especially in the first and second half in accordance with the common sales employee training scheme. In the 1st half, 133 sales workers attended courses on practice of trade, collection of information, and customer satisfaction Mind-up. In the 2nd half, 150 sales employees completed more than two courses per person on such topics as accounting principles, cost analysis, bond management, legal basics, collection and analysis of information and document creation skills. We plan to continue the operationalization and improvement of common sales employee training and build a new training scheme for production line employees in 2011.

New Hire Training: At LS Mtron, new hires including experienced workers are provided with various training programs to settle down early and cultivate their work capacity. New recruits are eligible for LS Group LS Mtron introductory courses, DA courses, overseas subsidiary training, WorkSmart courses, career-making process and mentoring courses for one year. Experienced workers who make a new start as an LS Mtron employee are provided with LS Group LS Mtron introductory courses and mentoring courses.

Company-wide Sustainability Management Program: Our company-wide sustainability management training in 2011 aimed to assist all employees in building sustainability management into their daily operation and enhancing their executive capabilities. The training, attended by a total of 1,363 (completion rate 98%), enabled these employees to learn the progress made in 2011 and to realize their respective role in practicing sustainability management as a future survival strategy of LS Mtron as well as to understand the basic concepts and background of sustainability management. The training will continue and evolve into advanced courses to cover the entire staff in 2012.

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Creation of a Safe Workplace

At LS Mtron, our aim is to create a safer and healthier workplace and thus deliver an injury-free industrial environment.

Promotion of Experts

- Members of the Environmental Safety Committee and environmental safety & health management supervisors are trained regularly every year and environmental safety training is also provided to all employees in each production line on a monthly basis. In 2011, company-wide special health & safety training materials were developed specifically for workers dealing with high-risk machines and devices. In 2012, we plan to support supervisors and managers across the board with attending specialized fire safety training in order to nurture fire-fighting experts in each plant line.

Employee Health Management

- Our comprehensive medical check-up program ensures that employees may choose specific examination items that meet their needs. This custom-made program provides diverse and specialized items by disease category. Top-notch medical institutions were designated across the nation under this program to allow our employees to receive health check-up services whenever they are. In particular, employee families and supplier employees are also entitled to the same level of health check-up services. Follow-up measures are taken including physical therapy and cerebrocardiovascular disease treatment in accordance with health outcomes.

Symbiotic Cooperation with Suppliers

- We at LS Mtron aspire to become a leader in environmental safety in conjunction with our suppliers. To help support and maintain eco-friendly, mutually beneficial management of our suppliers, risk assessment, technological support, and the awards for suppliers with outstanding environmental safety and quality performance were established as part of our corporate culture. Symbiotic cooperation program was established for the year-end Green Partner award ceremony will be provided. These endeavours will help create a safer and healthier workplace and thus deliver an injury-free industrial environment.

Prevention of Electrical Fires

- We operated a special task force team to prevent fires caused by electricity, one of the major causes of fire. Comprehensive inspections made earlier this year of major fire factors in the entire domestic business sites led to the identification of 250 such factors in total covering the lack of use of rated capacity, damaged clothing, disconnection and overheated connections. Improvement measures were taken and completed accordingly. We will prevent these risk factors from elevating into any occurrence of fire through regular monitoring that will assist us in maintaining and managing the improvements made. Moreover, our overseas subsidiaries will be subject to electrical safety assessments and improvement initiatives in the upcoming years.
Protection of Employee Human Rights

We are fully aware of the importance of human rights protection for our employees as our top priority and engage in various activities to protect the dignity of employees and improve their human rights. We strictly comply with labor-related laws including the Labor Standards Act and stipulate and observe national labor norms in our employment regulations covering the prohibition of child labor and forced labor, unfair treatment and discrimination. Employees’ rights of organization, collective bargaining and collective action prescribed in Article 33 of the Constitution are fully guaranteed here, which led to formation of the labor union that stress to protect and empower employee human rights.

Human Rights Protection and Improvement Channels

To guarantee employee’s human rights and enhance their dignity, the Sustainability Management Executive Office and HR departments in each business site are responsible for constantly monitoring any violations of employee human rights. Our Cybele Ombudsmen, grievance resolution and counseling services allow us to report and address violations of employee human rights. If inappropriate treatment or legal violations occur, these issues are handled by due disciplinary measures in accordance with the procedures set by corporate regulations to prevent any recurrence of such events. Our in-house training covering prevention of sexual harassment and ethics management ensures that any infringement on employee human rights is prevented before it does occur.

Moreover, we plan to hire more women continuously to secure best-in-class workforce. We will continue to work to create a women-friendly work environment.

 establishment of Communication Culture

At LS Mtron, various communication channels are up and running to establish a corporate culture of communication that allows our employees to successfully recognize the corporate vision and goals and to freely express their opinion to top management. Meetings with CEO serve as a venues that encourages free communication between the company CEO and staff-level employees and quarterly discussion meetings supervised by division heads allow management to share its voice and philosophy with employees, listen to grievances or suggestions from employees and offer prompt feedback. Moreover, mountain climbing to confirm commitment to the achievement of set goals and the in-house baseball competition hosted by the labor union chair and other events to facilitate organizational activities are part of our initiatives to create a pleasant workplace through communication.

Dialogue with CEO: Q&A

1. How do we define the work/life balance from my perspective as the CEO?

While being engaged in one’s work was critical in the past, the right balance between work and life is emerging as a critical requirement today. Your generation puts a greater value on the present moment than the far-off future and pleasures in life than achievement in workplace. This is why we need to take this new paradigm shift seriously as a company.

Therefore, we make sure that employees focus on their work to be fully engaged in their job and do not stay late to complete their job. We will continue to be committed to this mutual understanding and importance of this new work ethics.

Moreover, we plan to hire more women continuously to secure best-in-class workforce. We will continue to work to create a women-friendly work environment.

*Excerpts from the Dialogue with CEO in March and May, 2011*

Creation of Value-Creating Labor Relations

We guarantee the freedom of the labor union’s activities, and comply with international labor laws including ILO labor standards. Our labor union had 630 members as of December 2011 (i.e., 42.3% of all employees) and their election and decision-making rights are protected. At LS Mtron, management and the labor union are fully committed to forming labor relations that are value-driven as well as cooperative based on mutual respect and trust. Management and the presiding council of the labor union share current business conditions and business strategy directions through collective bargaining and the company-wide engagement and cooperation enhancement council. They also cooperate to improve labor conditions for employees and enhance their economic and social status. At the business site level, labor-management discussion meetings and the labor-management working-level meetings are held to discuss a variety of pending issues and labor-management trust council meetings are held monthly in each department to help resolve employee grievances and improve the work environment.

Improvement of the Grievance Resolution System

Our policies and procedures regarding grievance resolution and ban on discrimination are disclosed at our in-house online bulletin boards to help our employees easily understand and utilize the problem-solving process. Moreover, counseling rooms are up and running at our Jeonju site, Jeongeup site and research centers to ensure that our employees are emotionally stable and their grievances are addressed in a preventive and professional manner. In 2011, a total of 602 employees were assisted in dealing with various problems through professional individual or group counseling services and the counseling system was instituted as part of our grievance resolution program.

Notification of Changes

We are mandated by the Collective Agreement to notify and consult with the labor union or concerned parties when union members are transferred or relocated to other departments or major changes occur in the conduct of business covering factory relocation or disposal of facilities. Notices are posted on the corporate bulletin board or through personal e-mail or written appointments.

Employee Satisfaction Survey

At LS Mtron, organizational capacity surveys of staff-level employees and researchers and employee satisfaction surveys of technical workers are conducted every year. The outcomes are notified to each business division to enhance our organizational capacity and activities and various improvement activities are taken to enhance these areas with low satisfaction levels. These endeavors enable us to deliver a happier and more-level workplace.

Employee Engagement and Communication

Employee Engagement and Communication Activities in 2011

<table>
<thead>
<tr>
<th>Name of Channel</th>
<th>Type</th>
<th>Details</th>
<th>No. of Meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engagement and Cooperation Enhancement Council</td>
<td>Council</td>
<td>Improvement of HR and benefits schemes, Discussion on the development of business</td>
<td>8</td>
</tr>
<tr>
<td>Labor-Management Discussion Meeting (Workshop/Departmental)</td>
<td>Discussion Meeting</td>
<td>Expansion of welfare facilities</td>
<td>11</td>
</tr>
<tr>
<td>Social Contribution Steering Committee</td>
<td>Committee</td>
<td>Social contribution activities (Mentoring at Jeonju)</td>
<td>1</td>
</tr>
<tr>
<td>Industrial Health &amp; Safety Committees and Meeting</td>
<td>Committee</td>
<td>Review and improvement of working conditions</td>
<td>10</td>
</tr>
<tr>
<td>Grievance Resolution Committee</td>
<td>Committee</td>
<td>Support of grievances and difficulties</td>
<td>Year-round</td>
</tr>
<tr>
<td>Top Management’s On-the-Spot Dialogue</td>
<td>Open Dialogue</td>
<td>Meetings with CEO, dialogue with division heads</td>
<td>20</td>
</tr>
<tr>
<td>Organizational capacity survey/On-site Satisfaction Survey</td>
<td>Survey</td>
<td>Survey of employee’s work satisfaction and grievances</td>
<td>2</td>
</tr>
</tbody>
</table>
Corporate Governance

After the creation of LS Group’s holding company, we at LS Mtron has established a corporate governance structure driven by professional management and the board of directors in order to improve the independence and transparency of corporate governance, committing ourselves to the creation of sustainable corporate values. LS Mtron remains a privately-owned company.

Board of Directors

- Our Board of Directors consists of 3 inside directors and one auditor. Our BOD is the highest decision-making body within the company and the directors fulfill their duty of care and loyalty as a manager in good faith in conformity with commercial laws. Our auditor performs audits regarding accounting and business operation in order to secure operational transparency and legal compliance and may access management information if deemed necessary. Directors are compensated in accordance with relevant compensation regulations within the limit approved by the general shareholders’ meeting.

BOD Composition (as of March 1 of 2012)

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Position</th>
<th>Gender</th>
<th>Experience</th>
</tr>
</thead>
</table>
| Cho-Ye Koo    | CEO            | Chairman (Chairman of the board) | Male   | • Business management major at Korea University | CEO major at Korea University • Former director at LG International Corporation • Former vice president at LG Investment & Securities
| Jan-See Shin  | CEO            | President                    | Male   | • Mechanical engineering major at Hansung University | CEO major at Hansung University • Former vice president at LG Cable
| Ki-Won Nam    | CFO            | Executive Vice President     | Male   | • Business management major at Seoul National University | CFO major at Seoul National University • Former director at LG Cable
| Seo-Hong Lee  | Auditor        | Outside director             | Male   | • Electrical engineering major at Seoul National University | Auditor major at Hanyang University • Former professor at Hanyang University

Changes in Business Domains or Major Business Areas

- Our air conditioning business, which manufactured and sold cooling/heating facilities and air conditioning facilities, was transferred to LS Electronics as of May 1 of 2011 in order to secure financial resources to expand the global market in accordance with the selection and concentration strategy. (Related disclosure: Apr. 4 of 2011: Business transfer was decided)

Ethics Management

We define integrity as the most basic and core element in generating outcomes and comply with ethical principles and norms. The entire conduct of business is transparent and reasonable at LS Mtron. This forms the basis upon which we run ethics management systems and undertake wide-ranging activities to help employees learn and practice business ethics in their daily operation.

Management and Responsibility Regarding Sustainability Management

- The sustainability management action framework was built to ensure the company-wide implementation and integrated management of sustainability management in 2005. In 2010, the Sustainability Management Steering Group supervised by CEO (Chief Strategy Planning Officer) was run as the top decision-making body. The group is also responsible for managing sustainability management principles and operation guidelines.

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Operation of Ethics Management Programs

- Cyber Ombudsman System: Cyber Ombudsman and Ethics Counseling are operated at our corporate website. Inquiries are entitled to the protection program which includes the protection of confidentiality, protection of identity and exemption of information responsibility to ensure that stakeholders such as LS Mtron employees, customers and suppliers may feel free to report any wrongdoing. All reported issues so far have been addressed and due actions were taken.

Issues Raised through Cyber Ombudsman

- Category 2009 2010 2011 Total
- Number of items 36 13 13 54
- Clean Company System: The voluntary bribery-reporting system supports our commitment to building a clean corporate culture. We ensure that all the bribes taken inevitably are voluntarily reported. All the submitted bribery-taking cases so far were addressed in accordance with relevant policies and measures were taken to prevent the recurrence of such practices.

Reports of Bribery-Taking

- Category 2009 2010 2011 Total
- Number of items 3 3 2 8

Ethical Level Evaluation

- Communication with LS Mtron Stakeholders: We have our ethical level evaluated by stakeholders each year. In 2011, the significance and satisfaction levels regarding sustainability management was also evaluated by our suppliers.

- Category 2009 2010 2011
- Total Evaluation (on a scale of 1 to 5) 4.3 4.3 4.4
Major Quantitative Indicators

Environment Data

<table>
<thead>
<tr>
<th>Type</th>
<th>Unit</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major Raw Materialsa</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Copper</td>
<td>ton</td>
<td>10,992</td>
<td>13,803</td>
<td>14,876</td>
</tr>
<tr>
<td>Carbon and rubber</td>
<td></td>
<td>724</td>
<td>801</td>
<td>1,436</td>
</tr>
<tr>
<td>Synthetic resin</td>
<td></td>
<td>88</td>
<td>97</td>
<td>94</td>
</tr>
<tr>
<td>Winterb</td>
<td>Amount of usage Industrial water</td>
<td>ton</td>
<td>42,236</td>
<td>52,860</td>
</tr>
<tr>
<td></td>
<td>Freshwater water</td>
<td></td>
<td>69,804</td>
<td>58,640</td>
</tr>
<tr>
<td></td>
<td>Underground water</td>
<td></td>
<td>32,814</td>
<td>28,800</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
<td>144,854</td>
<td>139,240</td>
</tr>
<tr>
<td>Pollutant emissions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Air</td>
<td>kg</td>
<td>5,638</td>
<td>4,700</td>
<td>12,100</td>
</tr>
<tr>
<td>Water quality CO2</td>
<td></td>
<td>4,100</td>
<td>3,616</td>
<td>2,871</td>
</tr>
<tr>
<td></td>
<td>SS</td>
<td>2,677</td>
<td>4,271</td>
<td>4,969</td>
</tr>
<tr>
<td>Waste Water</td>
<td></td>
<td>215,934</td>
<td>338,825</td>
<td>338,618</td>
</tr>
<tr>
<td>Discharges</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recycling amount</td>
<td></td>
<td>387,431</td>
<td>348,496</td>
<td>542,703</td>
</tr>
<tr>
<td>Recycling rate</td>
<td>%</td>
<td>75.7</td>
<td>81.2</td>
<td>92.1</td>
</tr>
<tr>
<td>Waste</td>
<td></td>
<td>3,377</td>
<td>4,225</td>
<td>5,080</td>
</tr>
<tr>
<td>Amount General</td>
<td></td>
<td>176</td>
<td>194</td>
<td>392</td>
</tr>
<tr>
<td>Specific</td>
<td></td>
<td>1,500</td>
<td>4,600</td>
<td>4,310</td>
</tr>
<tr>
<td>Recycling rate</td>
<td>%</td>
<td>80.0</td>
<td>80.3</td>
<td>81.4</td>
</tr>
<tr>
<td>Green Disposing Materialsc</td>
<td>kg</td>
<td>28,050</td>
<td>12,760</td>
<td>3,000</td>
</tr>
</tbody>
</table>

Social Data (as of December 31, 2011)

- Employment Type by Region

<table>
<thead>
<tr>
<th>Category</th>
<th>Jeonju</th>
<th>Jeongeup</th>
<th>Anyang</th>
<th>Indong</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full-time</td>
<td>683</td>
<td>236</td>
<td>228</td>
<td>135</td>
<td>1,181</td>
</tr>
<tr>
<td>Part-time</td>
<td>78</td>
<td>11</td>
<td>35</td>
<td>2</td>
<td>137</td>
</tr>
<tr>
<td>Total</td>
<td>761</td>
<td>247</td>
<td>263</td>
<td>137</td>
<td>1,489</td>
</tr>
</tbody>
</table>

- Employees by Age

<table>
<thead>
<tr>
<th>Category</th>
<th>20's</th>
<th>20's</th>
<th>40's</th>
<th>50's</th>
<th>Above 60's</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of employees</td>
<td>258</td>
<td>440</td>
<td>411</td>
<td>314</td>
<td>19</td>
<td>1,140</td>
</tr>
</tbody>
</table>

Government Subsidies

- Total government subsidies amounted to KRW 3.83 Billion and technology expenses redemption amounted to KRW 1.92 Billion in 2011.

Disciplinary Actions Taken against LS Mtron

1) Date of Action: Dec. 28, 2011
2) Target of Punishment or Action: LS Mtron
3) Reasons for Disciplinary Actions: Omission of the report of modifications regarding overseas direct investments
4) Details of Disciplinary Actions: Penalties worth KRW 38 Million were imposed and capital transactions were suspended for one month (Financial Services Commission)
5) Legal Ground: Article 18 and 32 of the Foreign Exchange Transactions Act
6) LS Mtron’s Compliance with the Disciplinary Actions or Actions Taken: Voluntary report of the modifications made regarding overseas direct investments was completed and penalties were voluntarily paid within the opinion statement period (Jan. 10, 2012)
7) Measures to Prevent Recurrence: Training on foreign exchange management regulations and dissemination of training materials

Legal Compliance

<table>
<thead>
<tr>
<th>Category</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Penalties and non-financial sanctions imposed due to violations of environmental regulations</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Legal actions taken for unfair competition and monopolistic behavior (price fixing and etc.)</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Violations regarding product-related customer health and safety</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Violations regarding product-related information disclosure (labeling and etc.)</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Violations regarding marketing and communication</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Violations regarding customer information security</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Violations regarding supply of other products</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>

Awards

<table>
<thead>
<tr>
<th>Category</th>
<th>Date of Awards</th>
<th>Name of Awards</th>
<th>Host</th>
<th>Details (relevant department)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual</td>
<td>Jan. 10</td>
<td>North Jeonju Province Quality Circle Competition</td>
<td>Ministry of Knowledge and Economy</td>
<td>Excellence Awards (Innovation and technology)</td>
</tr>
<tr>
<td></td>
<td>Jan. 10</td>
<td>Great Work Place Awards</td>
<td>One of the 100 Great Work Places in Korea</td>
<td>Great Work Place (Jeonju site)</td>
</tr>
<tr>
<td></td>
<td>Aug. 22</td>
<td>National Quality Circle Competition</td>
<td>Korean Standards Association</td>
<td>Presidential Gold Prize (Injection molding team, facility/ environmental safety division of Jeongeup site)</td>
</tr>
<tr>
<td></td>
<td>Dec. 10</td>
<td>Korea’s 100 Great Work Place Awards</td>
<td>One of the 100 Great Work Places in Korea</td>
<td>Great Work Place (Jeonju site)</td>
</tr>
<tr>
<td></td>
<td>Jan. 10</td>
<td>North Jeonju Province Quality Circle Competition</td>
<td>North Jeonju Province</td>
<td>Knowledge and Economy (Ministry’s Award)</td>
</tr>
<tr>
<td></td>
<td>Jan. 15</td>
<td>Quality Management Competition in Gyeongbuk Province</td>
<td>Gyeongbuk Province</td>
<td>Contribution for contributions to quality management</td>
</tr>
<tr>
<td></td>
<td>Aug. 22</td>
<td>National Quality Circle Competition</td>
<td>Korean Standards Association</td>
<td>Quality Master</td>
</tr>
<tr>
<td></td>
<td>Dec. 13</td>
<td>National Quality Management Competition</td>
<td>Korean Standards Association</td>
<td>Silver Tower Order of Industrial Service Merit</td>
</tr>
</tbody>
</table>

Membership

HR11 Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms

Assessment

HR10 Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments

SO7 Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.

Anti-Competitive Community

SO9 Operations with significant potential or actual negative impacts on local communities

Compulsory Labor

HR7 Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor

Human Rights Disclosure on Management Approach

HR6 Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor

HR5 Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights

HR4 Total number of operations, including the number of employees trained, that have undergone human rights screening

HR3 Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations

LA2 Total number and rate of employee turnover by age group, gender, and region.

LA1 Percentage of employees with formal retirement plans

H10 Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening

PR7 Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship by type of operation

PR6 Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship

PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction, including advertising, promotion, and sponsorship

PR4 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship

PR3 Total number of incidents of non-compliance with laws and regulations concerning the promotion of goods and services

PR2 Total number of incidents of non-compliance with laws and regulations concerning the promotion of goods

PR1 Total number of incidents of non-compliance with laws and regulations

ENGL SMS, ENG, SO2: The possibility of negative impact and diminished relevance with the company’s key issues is too low regarding the issue of concern and performance measurement processes are insufficient

UNGC Index

We joined the UN Global Compact on September 2, 2011 and comply with 10 principles in the four areas of human rights, labor, environment and anti-corruption. All employees and executives at LS Nihon will take the lead in creating a fair and transparent society by complying with the UN Global Compact in the four areas, fulfilling duties and actions required for a corporate citizen.

The Ten Principles

LEADERSHIP

Principle 1: Businesses should respect the human rights to which they are parties under international or national law.

Principle 2: Businesses should make every effort to ensure that they are not complicit in human rights abuses.

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

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Principle 10: Businesses should support and respect the protection of human rights to which they are parties under international or national law.

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INNOVATION & VALUE CHAIN

In terms of direct involvement with communities, 2011 also saw the start of employee volunteering on a significant scale, with the community.

One of the challenges that face the company, especially given the nature of the business, is the gender balance of its workforce. Despite its efforts, the proportion of female employees is low. Nevertheless the company has been recognised as a good employer through national-level awards and it is piloting the introduction of flexi-time where appropriate. The rise in employee suggestions, while being helpful for the drive to quality, is also an indication of high staff morale.

While this report reflects a year of achievement in sustainability as well as in commercial terms, LS Mtron also has goals for the longer term. In particular it is welcome to see that there are plans to encourage suppliers to adopt their own sustainability management practices. There are also plans to implement a target management system at further sites. It would be welcome to see more quantifiable targets and plans in further areas of sustainability in future reports.

The Report leaves open the question of what sustainability really means for LS Mtron. So far the picture has mainly been one of working towards improvements in direct impacts, such as energy use, combined with ever-closer integration with customers and suppliers. The achievement of a sustainable future may also require a better understanding and vision of what LS Mtron will need to be like in the long term.

Adrian Henriques (the auditor) undertook independent assurance of the LS Mtron 2011 Sustainability Management Report (the Report).

This statement is based on an analysis of LS Mtron’s 2011 Sustainability Management Report, supported by interviews with those involved in the preparation of the Report.

The auditor was not involved in the preparation of any part of the Report.

The Independent Assurance Statement includes the following information:

- **SCOPE AND OBJECTIVES**
- **RESPONSIBILITIES OF THE DIRECTORS OF LS MTRON AND OF THE ASSURANCE PROVIDERS**
- **BASIS OF OPINION**
- **FINDINGS & OPINION**
- **CONCLUSION**

For more details, please refer to the full independent assurance statement provided in the document.
Sustainability Management Guideline

I. Purpose
The Sustainability Management System and Action Guidelines outline basic principles to ensure systematic implementation of our SM initiatives and to lay the foundation to provide stakeholders including customers with the best value as a global leader in the machinery and component business.

II. Integrated SM Management System

1. Establishment of Policy
   1.1 Integrated SM Framework
   In order to ensure systemic implementation of sustainability management, the Sustainability Management Steering Group, a Board of Directors and top management level bodies, serve as a top decision making group and company-wide SM management responsibilities lie with managers in charge of the departments.
   1) SM Steering Group
   This is an enterprise-wide consultative group to deploy SM initiatives and its main roles are as follows.
   (1) Discussing directions and strategies to practice SM
   (2) Identifying company-wide SM issues and discussing ways to improve such SM issue
   (3) Publishing SM Reports and building dialogue with stakeholders
   (4) Supplementing SM-related policies and systems
   (5) Sustainability Management Executive Office
   The SM Executive Office is the supervising body for SM initiatives and its main roles are as follows.
   (1) Setting SM directives, strategies and education plans
   (2) Diagnosing and evaluating company-wide SM activities
   (3) Supervising the SM Steering Committee
   (4) Publishing SM Reports
   (5) Creating and managing SM-related policies

2. SM Materiality Test
   The SM Executive Office, in charge of practical SM matters, performs SM materiality tests every year through stakeholder engagement in order to understand stakeholder interest and business impact, which form the basis for building SM strategies.

3. Regular diagnosis and monitoring
   LS Mtron’s in-house SM diagnosis model, which includes SM-related global standards, is utilized to conduct SM Focus Area, determine future implementation directions, and report progress and compliance in meeting SM Reports.

4. Company-wide Education and Consensus Building
   LS Mtron strives to systemically manage and respond to not just financial risks but also non-financial risks including SEE(Social, Environmental, Ethical) risks. Every SM Focus Area is considered as a core risk issue and company-wide response is ensured through the integrated risk management framework of the SM Steering Group.

Sub-committees were created to boost executive capabilities in each SM Focus Area and to encourage proactive participation of each business division and they should report progress made in the annual planning.

LS Mtron's in-house SM diagnosis model, which includes all SM-related global standards, is utilized to conduct SM Focus Area, determine future implementation directions, and report progress and compliance in meeting SM Reports.

5. SM Reporting Framework
   LS Mtron has developed SM Reports every year since 2005 and will continue to improve SM reports to respond to expectations and requirements of stakeholders, the second phase to set goals and detailed plans and then SM diagnosis to conduct integrated direct dialogue or survey, which is followed by the results implemented and incorporated in the next annual SM Focus Area.

6. Operation of Sub-committee
   Each SM Focus Area is divided into one or two sub-committees and they should report progress made in the annual planning.

III. Stakeholder Dialogue and Fulfillment of Promises

1. Stakeholder Dialogue
   Regular and official dialogue opportunities created by building dialogue channels with core stakeholders are set in annual diagnosis plans and SM Focus Area, determine future implementation directions, and report progress and compliance in meeting SM Reports.

2. Identifying company-wide SM issues and discussing ways to improve each SM issue
   The SM Executive Office, in charge of practical SM matters, performs SM materiality tests every year through stakeholder engagement in order to understand stakeholder interest and business impact, which form the basis for building SM strategies.

3. Regular diagnosis and monitoring
   LS Mtron’s in-house SM diagnosis model, which includes SM-related global standards, is utilized to conduct SM Focus Area, determine future implementation directions, and report progress and compliance in meeting SM Reports.

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IV. Management of Non-Financial Risks
   LS Mtron strives to systemically manage and respond to not just financial risks but also non-financial risks including SEE(Social, Environmental, Ethical) risks. Every SM Focus Area is considered as a core risk issue and company-wide response is ensured through the integrated risk management framework of the SM Steering Group.

Apr. 1, 2010 (The third edition)