

LS Mtron Sustainability Report 2013 Vol. 05

M STORY

A journey to the future, together



M STORY

A journey to the future, together

LS Mtron presents its fifth sustainability report to share its endeavors undertaken and future plans to advance sustainable growth.



Cover Story

This continuous M shape symbolizes how we communicate and grow hand-in-hand with diverse stakeholders. This also embodies LS Mtron's commitment to sustainability management that leads towards a Journey into the Future, Together.

Overview of LS Mtron's Sustainability Report 2013

Reporting Principle	GRI G4 INDEX, CORE
Reporting Boundary	All domestic business sites and subsidiaries
Reporting Scope	Economy(On a K-IFRS basis), society and the environment in general
Reporting Period	Jan. 2013~Dec. 2013(On a fiscal year basis), 2011~2013 and Jan. 2014~May 2014 for a portion of the achievements made
Assurance	Third-party independent assurance
Reporting Cycle	Annual publication (Previous report issued in May 2013, the next report set for publication in May 2015)
Content Organization Criteria	LS Mtron's Sustainability Management Steering Wheel
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Q. Five years have passed since the inception of LS Mtron. Can you tell us about the endeavors and achievements made by LS Mtron over the past five years?

Customer satisfaction and shared growth with stakeholders have been our top priorities and they served as the basis for our rapid growth. LS Mtron has continued to grow over the last five years, and in 2013, our sales reached KRW 2 trillion, which is up 2.5 times from when the company was first established. This would not have been possible without all our employees who were united behind our business policies to ‘Build a stronger a global competitive edge’, ‘Breakthrough limitations’ and ‘No. 1 Mtron People’. Another significant contributor to these achievements is our corporate culture that encourages employees to do whatever they can to deliver both customer satisfaction and satisfaction among the wider group of stakeholders.

CEO Message

LS Mtron pursues partnerships that grow hand-in-hand with its stakeholders through sustainability management.



Q. What are the values and achievements that have been created through the sustainability management initiatives undertaken so far?

Initiated along with the inception of the company, our sustainability management forms the foundation of LS Mtron and boosts our business fundamentals. It is through sustainability management that we build upon our steadfast business fitness that enables us to grow, even in the face of rapidly shifting business conditions. At LS Mtron, our sustainability management initiatives are integrated on a job and department level and contribute to improving work practices and facilitating a corporate culture. In return, this helps our employees recognize sustainability management as an essential part of their daily operations and practice sustainability management in close alignment with their responsibility. **Specifically, the ‘Sustainability Management Steering Group’, whose operations have been ongoing over the last five years, has been positioned as a representative instrument in enabling inter-departmental communication and collaboration. Our sustainability report ‘M-Story’ (which celebrates its fifth anniversary this year) is also crucial in improving the value of LS Mtron and the pride of our employees in being part of the company.** Behind all these achievements is the convergence of communication, teamwork and LS Mtron’s unique value that our employees live by: LS Mtron people ‘immediately’ take action ‘no matter what’ ‘until they reach their goal’. It is only natural that these accomplishments, in turn, lead to sustainable growth.

Q. What are LS Mtron's top priorities in advancing sustainability management in 2014?

To strengthen our capability as a Global Player based on sustainability management, we will focus on the following initiatives in 2014.

- First,** we will conduct in-depth customer interviews and surveys concerning our tractor and injection molding operations, as a way to build further communication capabilities and credibility with our stakeholders.
- Second,** we will assist our overseas subsidiaries (mainly in China) in establishing sustainability management systems to secure a global competitive edge in sustainability management. Specifically, our Chinese subsidiaries will be directly evaluated on their sustainability management initiatives and financial performance to help them build stronger executive capabilities.
- Third,** we will take a comprehensive approach in managing risks (preventing the risk of local regulatory violations) while aiding overseas subsidiaries with improving their local operational capabilities.
- Fourth,** eco-friendly design factors that reflect division-specific characteristics will be developed to take the lead in developing green products and to respond to the growing green product market.
- Fifth,** we will not only disseminate sustainability management to our suppliers, but also assist them in advancing sustainability management so as to facilitate shared growth along our value chain.

Q. How do you see LS Mtron's sustainable growth vision for the next five years?

After five years of remarkable progress, people might suspect that such success could lead us straight into the trap of complacency. Yet, we at LS Mtron will not fall into that trap. Rather, we will continue to endeavor great pursuits, return to the basics and start anew. We are faced with severe uncertainties and fluctuations in our company, both internally and externally and this challenges us to make fundamental changes and sustainable innovations. Thus, we will focus on improving the quality of our operations, with an emphasis on efficiency.

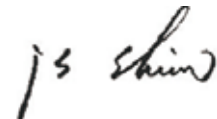
Specifically, the key initiative for our sustainable growth in the next five years will be listening to the voice of our stakeholders and doing our utmost to deliver greater satisfaction and credibility to them. We believe in the importance of seamless communication with stakeholders as a way to take the lead in developing quality products. It is also instrumental in preemptively responding to the expectations and requirements of customers, markets and other stakeholders. It is through such endeavors that we are taking the lead in gaining market intelligence and that we are leading changing market conditions and creating forward-looking value (eco-friendly products).

Q. What is the purpose and what are the applicable principles of LS Mtron's sustainability report?

LS Mtron's sustainability reports enable us to reflect on the past year and identify necessary improvements and they also serve their basic role, as a communication channel for our stakeholders. **We at LS Mtron, vow to present what we are as a company—a company that operates in a transparent and credible manner through sustainability reporting.** In addition, our sustainability reports will evolve as a communication channel to take a mutually-beneficial approach in overcoming challenges and seeking shared growth with our customers, suppliers and any other stakeholders who may interact with us. This year's M-Story summarizes our activities from the past five years and presents our commitment to reach new frontiers. All LS Mtron employees, including myself, believe that our top priority is to communicate with our stakeholders more proactively. Based on an in-depth understanding of our stakeholders, we will pursue sustainable business that creates both credibility and value.

Dear Stakeholder, Your sincere interest and honest feedback on our fifth M-Story will be greatly appreciated. Thank you.

Jae-Seol Shim President & CEO



LS Mtron's Growth and Development in 2013

Growth and

Our Growth and Development through the Perspective of Business Policy

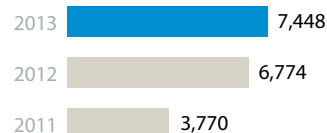
Build a Stronger Global Competitive Edge



- Signing global supply contracts to deliver **59,000** tractors
- Becoming the **world's first** to mass-produce **6 μ m** battery copper foil
- Increasing sales by **21%** in the Chinese market from the previous year
- Initiation by the **UC** Division to supply the Chinese hybrid bus market
- Establishing **three overseas** subsidiaries in Brazil, Vietnam and other regions (2013~2014)

Global Sales Growth

(On a consolidated basis, KRW 100 million)



Breakthrough Limitations



- Posting **36.5%** in CAGR since the inception
- Maintaining **No. 1** position in market share in the domestic **tractor** market
- Nurturing **232** innovation talents through in-house certification programs
- Undertaking **211** innovation projects (Breakthrough Limitations project and others)

Contribution of Innovation Initiatives to Operating Profit

(On a consolidated basis, KRW 100 million)



No. 1 Mtron People



- Receiving the Korea's Top 100 Great Work Place Award
- Receiving **the CEO Award**
- Receiving the Grand Prize in the manufacturing segment for **three straight years**
- Receiving **The Golden Presidential Award** at the National Quality Circle Competition
- Reaching **43%** in the ratio of quality management engineers

Ratio of Certified Quality Management Engineers

(Total quality workforce, %)

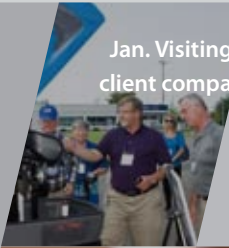


Development

LS Mtron endeavors to respect economic, social and environmental value in its entire business conduct and grow hand-in-hand with its stakeholders.

Our Monthly Growth and Development

Jan. Visiting the client company CNHi



Feb. Launching company-wide innovation 3C courses



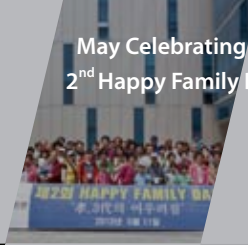
Mar. Becoming the world's 1st to mass-produce and sell 6 μ m battery copper foil



Apr. Completing the Hi-Tech Center in Anyang



May Celebrating the 2nd Happy Family Day



Jun. Hosting the ground-breaking ceremony for a tractor engine plant



Jul. Holding a dialogue with the CEO held in celebration of the 5th anniversary of LS Mtron



Aug. Initiating the We Love Farming Village Volunteer Group



Sep. Becoming the industry leader in launching carbon-labelled tractors



Oct. Completing a tractor production/sales subsidiary in Brazil



Nov. Receiving the CEO Award and the 'Korea's Top 100 Great Work Place' Award from GWP Korea for three straight years



Dec. Signing global tractor supply contracts



LS Mtron's Sustained Growth Since Its Inception

Sustainable Growth

Between 2009 and 2013,
Our Sales Increased by

214%

Our Operating Profit
Increased by

4 times

Sales and Operating Profit

(Unit: KRW 100 million, on a consolidated basis)

Sales —
Operating Profit —●—



* 2009~2010 performance was not audited due to a change in accounting standards in 2011

* The data excludes discontinued operations (The Air Conditioning Division was transferred in May 1 of 2011)

<LS Tower>

LS Mtron was established in 2008 as a manufacturer of industrial machinery and cutting-edge components with a global competitive edge and a stronger expertise under the LS Group.

Business Philosophy

Greater value together!
LS Partnership



LS is a faithful and reliable business partner
 Collaboration with LS people leads to greater success

Vision

Green and comfortable world

**INNOVATIVE
TECHNOLOGY
PARTNER**



Core Value



Trust

Belief/Respect/
Cooperation



Passion

Engagement/Persistence/
Accountability



Spirit of Challenge

Sense of purpose/
Confidence/Execution

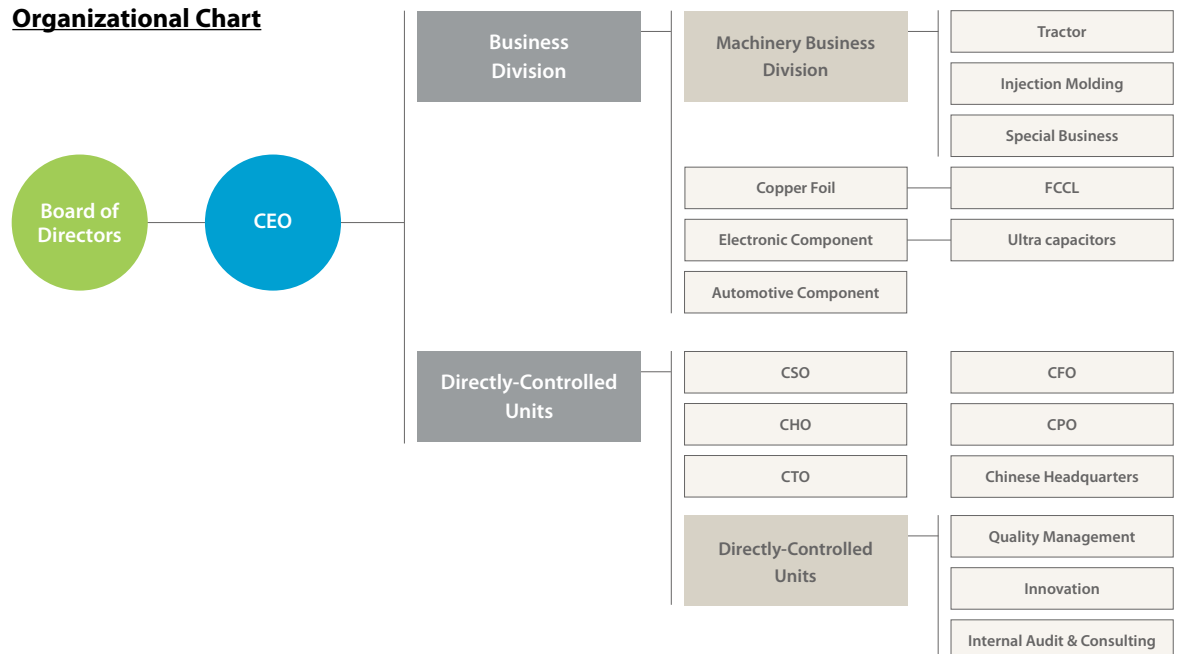
Company Overview

*As of December 31 of 2013

Company Name	LS Mtron Ltd.
Date of Establishment	July 1 of 2008
Head Office	LS Tower, 127, LS-ro, Dongan-gu, Anyang City, Gyeonggi Province, Korea
Employees	3,737/1,726 (including subsidiaries/Head Office)
Main Products	Tractors, Injection molding machines, Copper foil, Connectors, Automotive rubber hose, Caterpillars, Ultra capacitors, FCCL (Flexible Copper Clad Laminate)

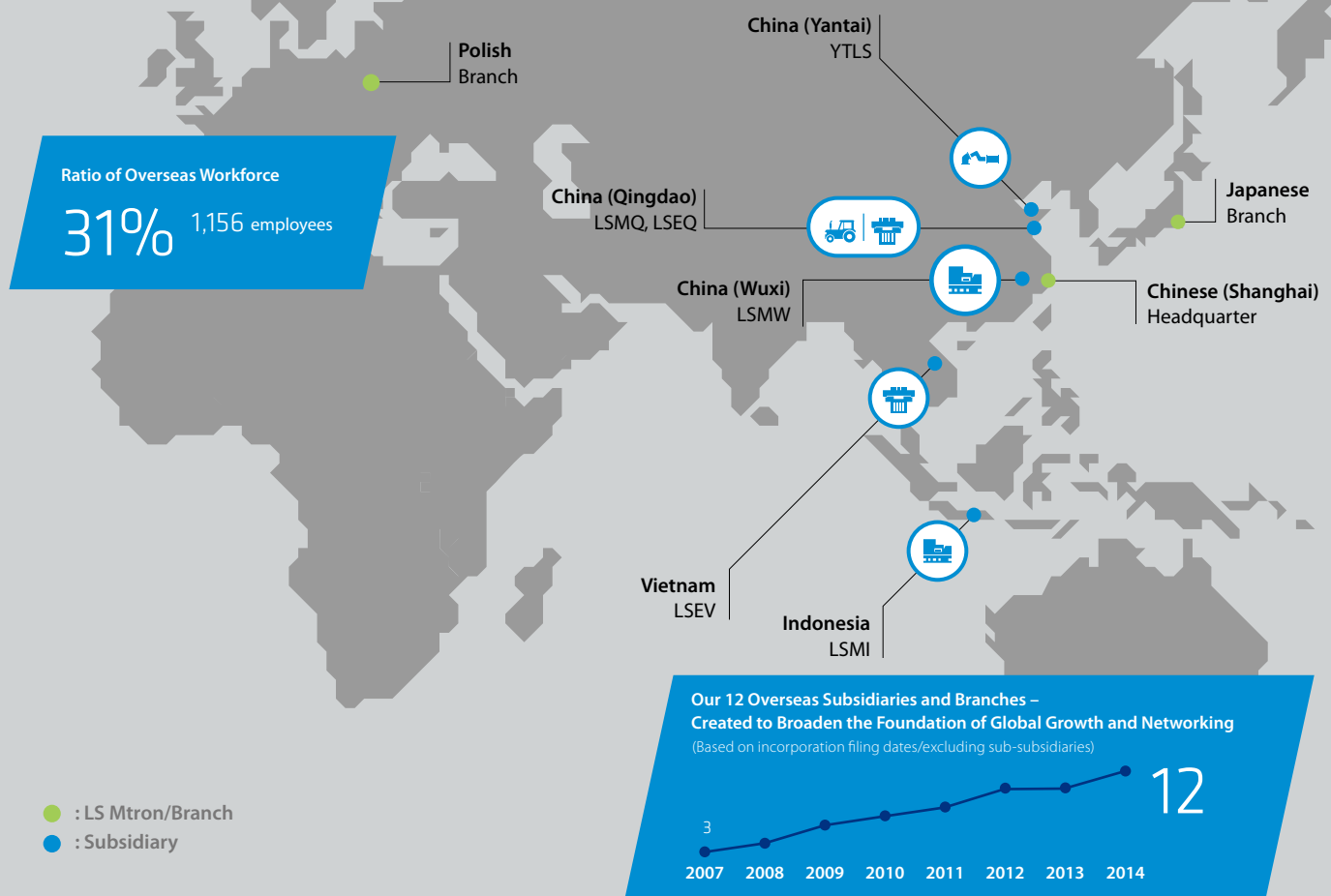
Gross Sales	KRW 1.7968 trillion/KRW 1.0204 trillion (On a consolidated/non-consolidated basis)
Operating Profit	KRW 67 billion/KRW 46.3 billion (On a consolidated/non-consolidated basis)
Total Assets	KRW 1.6845 trillion (On a consolidated basis)
Liabilities	KRW 1,1191 trillion (On a consolidated basis)
Capital	KRW 565.4 billion (On a consolidated basis)

Organizational Chart



LS Mtron, Expanding its Global Presence

Global Expansion



Major Business

Tractor



Injection Molding



Copper Foil



FCCL



Major Customers

General farmers and trusted farming businesses

Samsung Electronics, Hyundai Mobis, Hanil E-Wha, PT.YASUNLI, etc

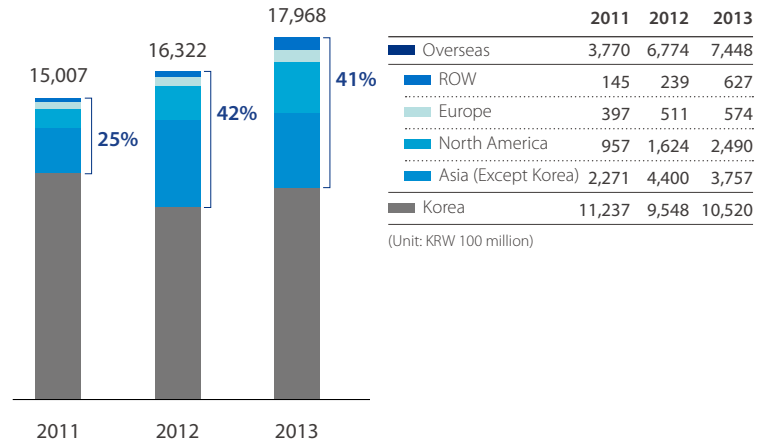
LG Chem, Samsung SDI, LG Innotek, Doosan Electro-Materials, DAEDUCK GDS, Panasonic, Sony, BYD, etc.

LG Innotek, STEMCO(Samsung subsidiary), etc.

LS Mtron has 12 overseas locations in China, Brazil, the U.S., Vietnam and other parts of the world and has a total of 3,700 employees across the globe.

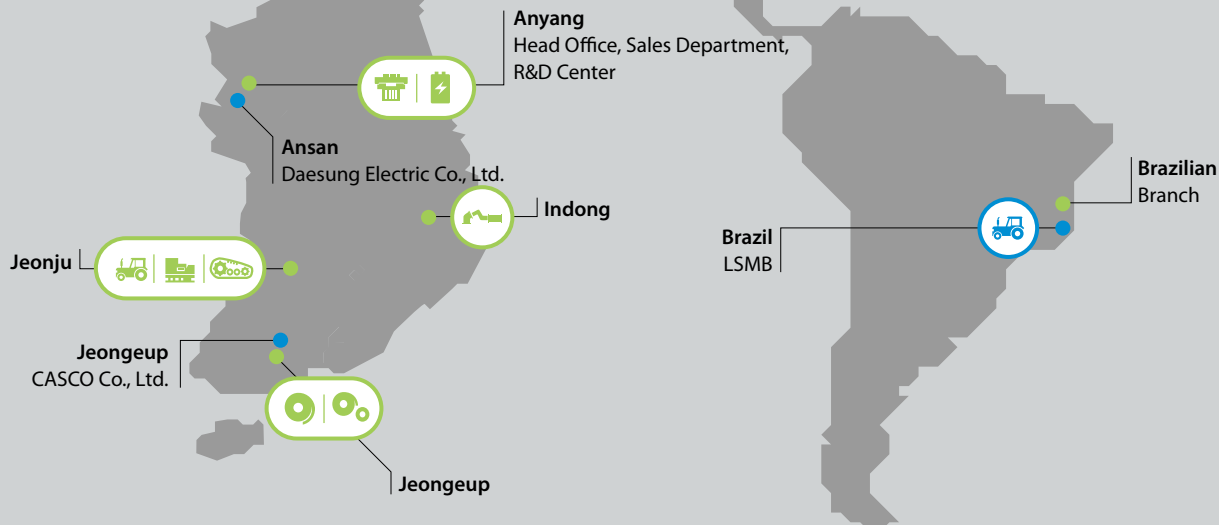
Ratio of Overseas Sales

(On a consolidated basis, KRW 100 million)



Ratio of Overseas Sales in 2013

41% KRW 744.8 billion



Electronic Component



Samsung, LG, Large Chinese customers, etc.

Automotive Component



GM, Hyundai Motor Company, Renault, Nissan, etc.

Special Business



Defense Acquisition Program Administration(DAPA), combat mobility equipment manufacturers, overseas defense companies, etc.

Ultra Capacitors



Global companies in the wind power, solar power, electricity and vehicle industries

Tractor

Supplying to more than
40 countries across the
globe as Korea's
No. 1 tractor company

Major Achievements in 2013

- Completed the construction of a tractor plant in Brazil
- Signed a contract to supply 24,750 units to ASI (state-owned agricultural machinery company in Uzbekistan)
- Expanded and extended the contract with CNHi to supply 34,000 units
- Topped the domestic market in market share

Major Plans for 2014

- To complete the construction of an eco-friendly engine plant
- To strengthen the competitive edge of localized models in China, Brazil and other regions
- To sign a win-win cooperation agreement with the National Agricultural Cooperative Federation to promote the consumption of domestically-grown agricultural products

2013 Business Highlight

Fully tapping the Central and Latin American markets through the completed tractor plant in Brazil

5,000 Unit

Manufacturing 30~100hp tractors in a cutting-edge plant with annual capacity of 5,000 units

Strengthening the global tractor production network through the completion of the 3d plant in Brazil (Followed by Korea and China)

Emerging into one of the global top five tractor makers through strengthened global presence

LS Mtron developed tractor production sites in Brazil, after Korea and China and declared its goal of becoming a global tractor maker. In October 2013, we completed the construction of a cutting-edge tractor plant with an annual capacity of 5,000 units in the city of Garuba, Santa Catarina, a key agricultural area in Brazil. This plant consists of office and manufacturing buildings, as well as a test drive course on a 80,000m² site, and will primarily produce tractors in the 30~100 hs range. As these tractors will be shipped to Brazil and other neighboring countries, the completion of this plant will help LS Mtron establish an outpost, allowing easier access to the wider Central and Latin American market. Our goal is to reach KRW 150 billion in sales and 15% in market share (based on 100hs and under tractors) in Brazil to evolve into a Top Tier brand.

Major Product Category

XR SERIES

Premium Compact Tractor

- Improved operator ease through small compact cabins
- 32 forward and 16 reverse gears, including a super low speed mode
- Designated for spraying pesticide
- Best-in-class high capacity fuel tank
- Easier use of implements through four auxiliary hydraulic ports
- Improved work efficiency through electro-hydraulic power steering

XU SERIES

High Durability and Exceptional Workability

- Improved fuel efficiency and durability through eco-friendly tier4 engines
- Enhanced air cleaning functionality and management efficiency within the engine
- Easier use of implements through four auxiliary hydraulic ports
- Best-in-class hydraulic lift force
- Increased night-time work convenience through the installation of rear lighting

Plus SERIES

Comfortable Cabin and Higher Fuel Efficiency

- Significantly improved output, torque and fuel efficiency through the installation of direct injection engines, turbochargers and intercoolers
- Increased safety and durability through the application of automatic 4WD hydraulic brakes and cerametallic clutches
- Enhanced operational convenience through front/rear wheel electro-hydraulic LSD (limited slip differential)
- Maximized transmission efficiency through optimized power transmission pathways
- Best-in-class hydraulic lift force

U SERIES

Operator-driven Options and Exceptional Workability

- Reduced engine oil consumption through best-in-class output & fuel efficiency as well as optimization matching
- Pressure correction applied to power shuttle clutches
- Increased additional front/rear weight
- Improved filter replacement cycles and filtration performance through the installation of seven-inch high capacity air cleaners



Shibaura ISM Tier 4 Engine
Meets EPA's most stringent emission standards while delivering rated horsepower quietly with low vibration



Independent PTO
Independent PTO easily operated by switch on the dashboard



Hydrostatic Power Steering
Hydrostatic Power Steering offers an easy control and helps reduce fatigue largely



New Front Design
More stylish Crom plated front design

Injection Molding

Eco-friendly injection molding system with improved productivity and diverse product line-up

Major Achievements in 2013

- Developed new products and key technologies
 - Super large-scale hydraulic upgrade (LGH-SII) series
 - 350EII and 400EII
 - Double-color/dissimilar material-enabled new clamping mechanism

Major Plans for 2014

- To build stronger capabilities in key overseas locations in Indonesia, Poland and other countries
- To develop new products
 - Electric fine-pitch connector injection molding machine
 - Y/L-type mid-to-large double-color injection molding machine
 - Vertical injection molding machine

2013 Business Highlight

Years of committed effort in building a stronger R&D platform that led to the development of numerous new products

Developing a super large-scale hydraulic upgrade

Model **SII**

Developing a double-color, dissimilar material-enabled new clamping mechanism

Model **TK**

LS toggle-type energy-saving

Model **LTE**

At LS Mtron, we have continuously invested our resources in building a stronger R&D platform, from research capabilities to molding technology, with the goal of developing world-class injection molding machines. In 2013, this commitment enabled us to introduce numerous new products. Furthermore, strategic research projects were undertaken to move ahead of competitors. Examples of such projects included: precision molding and control technology, plasticization devices to respond to wide-ranging resin and molding compounds and next-generation controllers to deliver diverse functionalities. It was based on such platform technology that we developed the super large-scale hydraulic SII model. The upgraded functionalities and performance of the SII saved more than 50% in electricity costs, showed a 20% improvement in plasticization performance and enhanced mold open-close reproducibility, improvement in oil leaks and noise attenuation when compared to standard injection molding machines. Furthermore, we developed special injection molding machines with double-color/dissimilar material-based new mechanisms through the strategic technology partnership with a Japanese special injection molding machine maker. Our toggle-type LTE model was also designed to meet customer needs for energy saving in consideration of increasing electricity costs and to maximize productivity gains.

Major Product Category

MII SERIES

- Reduced power consumption as well as hydraulic fluids and cooling water consumption
- Improved plasticization performance L/D:22
- Enhanced precision of mold open limit locations
- Reduced dry-cycle time
- Product line-up: 450 tons, 550 tons, 650 tons, 850 tons and 1,050 tons

E SERIES

- High-speed injection through the application of high-output high-response AC servo motors
- Five-point toggle-type high-strength clamping device and high-speed injection mechanism
- Energy-saving (60% reduction against the hydraulic type) and low-noise, clean molding
- Double-color/dissimilar material-enabled and super high-speed injection, light guide plate injection molding machines, and other product line-ups
- Product line-up: 30~550 tons

SII SERIES

- Reduced dry-cycle time
- Reduced clamping load through improved hydraulic circuits
- Improved precision of mold open limit locations
- Established work convenience through cylinder booster improvement
- Product line-up: 1,300 tons, 1,800 tons, 2,000 tons, 3,000 tons

LTE SERIES

- Hi-speed, precision molding through the application of high-response servo motors
- Energy-saving (50% reduction against the conventional toggle-type), low-noise (70Db)
- High-strength, ultra-lightweight clamping devices
- Application of one cylinder-type, easily-installed precision molding devices
- Product line-up: 90~380 tons



20% Reduction in Installation Space

Compact two-platen new clamping mechanism reduces installation spaces by more than 20% against existing pressure technology



55% Reduction in Hydraulic Oil

Separation of mold-clamping cylinders from mold open-close cylinders reduces the consumption of hydraulic fluids by 55% against the conventional approach



30% Saving in Energy Consumption

P/Q-controllable variable pump system helps save more than 30% in energy consumption against conventional systems



30% Reduction in Cycle Time

Short-stroke four cylinders and high-pressure design help shorten pressure boosting time while being chosen as a back pressure-relieving standard



< LGH-1300S >



< Battery Copper Foil >

■ Battery Copper Foil Applications



■ FCCL Copper Foil Applications



Copper Foil

Core materials that lead the electronic circuit and rechargeable battery industry

Major Achievements in 2013

- Became the world's first to mass-produce $6\mu\text{m}$ battery copper foil
- Developed a fine-pitch FCCL copper foil formula with improved chemical resistance
- Developed very low-profile copper foil for package and HDI PCB applications

Major Plans for 2014

- To improve the efficiency of battery production through the long-distance supply of battery copper foil
- To develop high-strength battery copper foil for high-capacity batteries
- To develop copper foil for LDD (Laser Direct Drilling) applications
- To establish a FCCL copper foil line-up including E-FX copper foil as a replacement of rolled copper foil

2013 Business Highlight

World's 1st to produce $6\mu\text{m}$ battery copper foil

1/17

One seventeenth of A4-sized paper in thickness

75%

Improving battery capacity while reducing thickness to 75% of that of the conventional $8\mu\text{m}$ battery copper foil

LS Mtron became the world's first to successfully mass-produce $6\mu\text{m}$ battery copper foil and it is currently supplying this foil to major global battery makers. Rechargeable batteries that power mobile phones, notebooks, IT devices and even electric vehicles are composed of cathode, anode, electrolyte, and separator. Battery copper foil plays a key role as a negative current collector and thus the manufacturing of it demands advanced technology. Since the introduction of $8\mu\text{m}$ copper foil for rechargeable battery applications seven years ago, there unfortunately has been no further progress due to challenges with manufacturing technology. LS Mtron, however, successfully developed and mass-produced $6\mu\text{m}$ battery copper foil based on its top-notch plating and roll-to-roll technology. Specifically, $6\mu\text{m}$ equals only one seventeenth of A4-sized paper in thickness or 75% of a conventional $8\mu\text{m}$ copper foil in thickness, and thus this thinner copper foil is expected to deliver a slimmer form factor while significantly prolonging battery life. Demand for $6\mu\text{m}$ battery copper foil is expected to continuously rise in order to meet the needs of increased battery capacity and to reduce the thickness of mobile phones.

Major Product Category

Battery Copper Foil

- Used as a negative current collector for rechargeable batteries that power mobile phones, notebooks and ESS (Energy Storage System)

LSB-STN (Standard) • Mass-producing $6\mu\text{m}$ copper foil for the 1st time in the world to deliver reduced thickness and increased battery capacity against the conventional copper foil

- Developing proprietary technology to produce and supply wide-width, long-distance products \Rightarrow Assisting customers in saving on costs
- Delivering uniform properties (strength, elongation) and appearance (thickness, profile and section) to improve battery reliability

LSS-HSN (High-strength) • Copper foil developed to respond to metal-based active materials as a way to increase the capacity of lithium-ion batteries

- Battery copper foil with tensile strength twice the height of standard copper foil ($33\text{--}65\text{kgf/mm}^2$) \Rightarrow Assisting customers in improving the productivity of the roll-to-roll manufacturing process (yield, flux, etc.)
- Thermal stability secured to maintain high-strength following the battery manufacturing process
- Glossy property maintained on both sides of the copper foil to secure uniformity in the application of active materials
- World's 1st to develop $4\mu\text{m}$ battery copper foil (potential to increase battery capacity and reduce battery thickness)

FCCL (Flexible Copper Clad Laminate) Copper Foil

- Used for FPCB (Flexible Printed Circuit Board) mounted on smartphones and other digital devices

LSU-FXR • Assisting customers in improving processing (flux, yield) through reverse treatment process

LSE-FXN • Maintaining properties that are equal to or above those of rolled copper foil (tensile strength, elongation, elasticity, price, etc.)

- Supplying $7\mu\text{m}$ ultra-thin copper foil that maintains high-strength at room temperature \Rightarrow Assisting customers in handling thin copper foil during the manufacturing process, while enabling fine pitch for FPCB applications

LSB-FXN • Standard-type copper foil that responds to general-purpose FCCL products

Circuit Copper Foil

- Used for PCB (Printed Circuit Board) and CCL (Copper Clad Laminate), raw materials for PCB

LSU-LPN • Enabling fine pitch through ultra-thin and very low-profile copper

LSB-LPV • foil while securing high peel strength through surface treatment technology

LSU-DTN • Enabling laser drill processing (without separate blackening treatment), while reducing processing costs and lead time through the elimination of the blackening process for PCB companies

FCCL

Core materials that lead the display industry

Major Achievements in 2013

- Identified new overseas customers in Japan and other regions
- Developed double-sided FCCL products
- Ranked second in global market share

Major Plans for 2014

- To reach 30% in global market share
- To develop new products for display applications
- To secure world-class productivity

2013 Business Highlight

No. 2 in global market share! Taking a leap forward towards global No. 1 in M/S

Expanding sales through increased production capacity

Building the competitive edge of its products through improved yields

Establishing a quality competitive edge through top-notch quality

Establishing a competitive edge in price through cost savings

FCCLs are used as circuit materials for bendable FPCBs that are mounted on mobile phones, displays and other electronic products. Presently, the global FCCL market is dominated by three companies: LS Mtron and two other Japanese competitors. As Korea’s sole FCCL maker with its own proprietary technology, LS Mtron produces FCCL films and these products are shipped to medium-to-large display companies such as Samsung and LG through LGIT and STEMCO. This year, we are establishing business relationships with Japanese and Taiwanese clients to further expand our market dominance. Recently, ‘flexible’ is emerging as a key term in the smartphone market and this will further expand the application of FCCLs that we produce at LS Mtron. In addition, we are developing touch screen materials on the basis of the roll-to-roll sputtering technology and advancing into the EMI shield material market segment as a way to tap newly-emerging, high value-added markets.

Major Product Category

Display Circuit Materials

FCCL	
COF Applications	• Flexible materials to be mounted on LCD display devices
Semi-additive Applications	• New technique for the existing COF process
Applications	• Single/double-sided COF for mobile applications

FPC Applications (Mobile Display Applications)

Double-sided Materials	• Used for 55 pitch and under products for smartphone applications
	• Lower surface profile against casting-type FCCL is advantageous in high-speed data transmission
Single-sided Materials	• Main product category for FPC applications
	• LCD display application
	• Need for Cr-free and highly-etchable materials

EMI Shield Products (EMI Shield Applications)

PCB Gasket Materials	• Used for polymer-based finger strip gaskets
	• High-elongation EMI films to respond to increasingly thinner high signal IT products

Display FCCL Applications



Touch Panel Materials Metal Mech Applications



< Display (COF) FCCL >

Electronic Component

Global maker with top-notch quality and independent technology development capability

Major Achievements in 2013

- Laid the foundation for growth by reinforcing the domestic captive market
- Developed customized products and innovative processing technology for mass-production
- Successfully completed the relocation to Anyang Hi-Tech Center

Major Plans for 2014

- To increase sales to Samsung and LG through the "Business Development" sales approach
- To accelerate the creation of outcomes with large Chinese customers and global customers
- To develop new standard mobile I/O
- To build a global competitive edge by establishing a subsidiary in Vietnam

2013 Business Highlight

Taking the 'business development' approach by developing customized products that meet client needs

Global

Top 5

Proactively tapping the global market so as to rank in the global top five in the mobile phone connector market by 2018

Connector

m-USB

Increasing sales of m-USB connectors through differentiated ideas and mass-production

LS Mtron's Electronic Component Division has continued to progress through customer-driven sales, innovative technology and exceptional quality. Specifically, since 2012, the division has been taking the "business development" sales approach to deliver customer value through the development of customized products that satisfy customer needs. Sustained commitment to "business development" sales led to notable outcomes in working with Samsung, LG and other major domestic client companies in 2013. The division is building on its successful achievements to take the same "business development" approach to large, rapidly-growing Chinese and global customers. Such endeavors are positively welcomed by potential customers and are producing tangible outcomes. The Electronic Component Division vows to make LS Mtron a global component supplier through the customer-driven perspective, innovative quality and the never-ending spirit of challenge.

Major Product Category

Connector

- B2B connector to connect the main board and different types of modules
- Designed to respond to customer demand for reduced mounting areas aligned with the increasing capacity of smartphone batteries
- Micro USB connectors for charging and data transmission
- Designed to respond to such smartphone requirements as fast data transmission and fast charging as well as customer requirements for higher mounting strength

Board to Board Connector

Part Number	Type	Pitch	Width	Height	Pin Variation
GB042-xxP-H10-E3000	Plug	0.4mm	3.9mm	1.0mm	10, 14, 20, 24, 28, 30, 34,
GB042-xxS-H10-E3000	Receptacle				40, 44, 50, 54, 60, 64, 70
GB04Q-xxP-H08-E5000	Plug	0.4mm	2.5mm	0.8mm	10, 14, 16, 20, 24, 30,
GB04Q-xxS-H08-E5000	Receptacle				34, 40
GB35K-xxP-H08-E5000	Plug	0.35mm	2.5mm	0.8mm	24
GB35K-xxS-H08-E5000	Receptacle				
GB301-xxP-H08-E5000	Plug	0.3mm	1.9mm	0.8mm	24
GB301-xxS-H08-E5000	Receptacle				

Micro USB Connector

Part Number	Pin No.	Type	Mount Type	USB Spec.
GU07C-5P-E2000	5	Receptacle	Standard & Top Mount	2.0
GU07D-7P-E1500	7	Receptacle	Standard & Top Mount	2.0
GU07G-7P-E2000	7	Receptacle	Reverse & Mid-Mount	2.0
GU07H-7P-E2000	7	Receptacle	Standard & Mid-Mount	2.0
GU07K-11P-E2000	11	Receptacle	Standard & Top Mount	3.0(compatible)
GU07L-11P-E2000	11	Receptacle	Standard & Mid-Mount	3.0(compatible)

Antenna

- Covering the broadband operational frequency range, to be applied to wide-ranging wireless communication systems
- Efficient space utilization design technology to enable slim form factor and to respond to reduced antenna mounting areas
- Application: LTE, Wi-Fi, GPS, BT

SIMA Antenna

Radiator No.	Radiator Met.	Frequency Band
2	STS	GSM850, 900, 1800, 1900 WCDMA900, 2100
2	Copper(Ni plated)	DCN/USPCS, LTE B13

FPCB Antenna

Radiator No.	Radiator Met.	Frequency Band
1	Copper	LTE B5/B3
1	Copper	GPS/GNSS

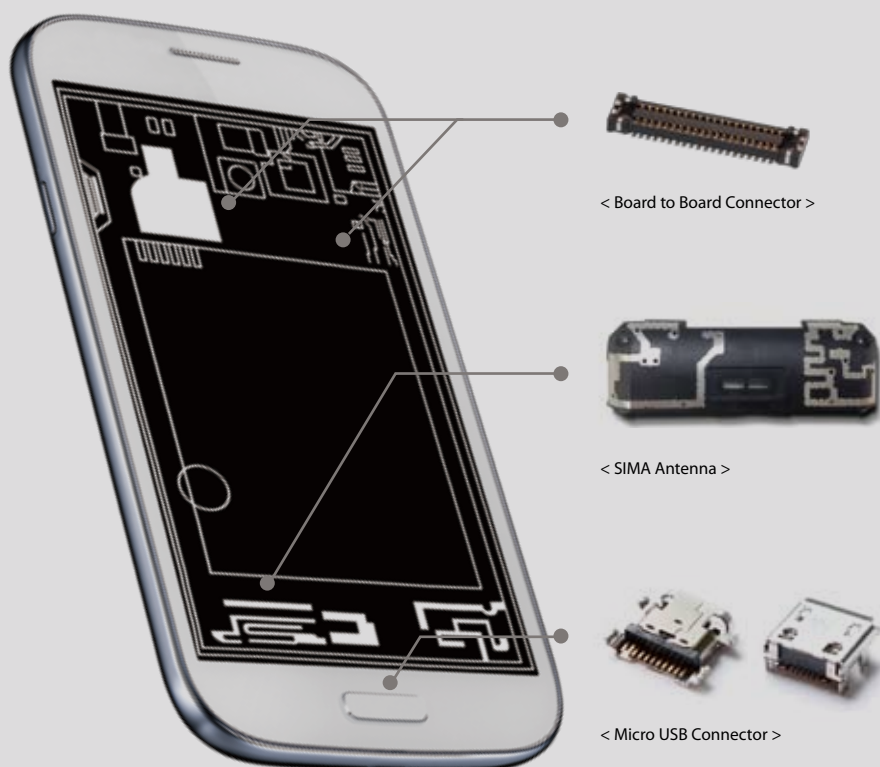
LMA Antenna

Radiator No.	Radiator Met.	Frequency Band
1	Ni/Copper Plated	GSM, LTE, UMTS, GPS
1	Ni/Copper Plated	GSM, LTE, UMTS, GPS

GPS Module

Condition	Chipset	Frequency Band
VCC = 5.0V	SIRFstarV	GPS, GLONASS
Interface = USB/UART		

Connector & Antenna Applications



Automotive Component

Manufactured through exceptional technology and cutting-edge facilities to guarantee top-notch quality and safety

Major Achievements in 2013

- Posted more than 10% growth in sales against 2012
- Established a global competitive edge in brake hose assembly prices

Major Plans for 2014

- To initiate efforts to supply brake hose products to Honda
- To fully launch key overseas manufacturing locations
- To develop automated brake hose assembly lines

2013 Business Highlight

Due primarily to the presence of diesel vehicles aligned with high-efficiency and eco-friendly trends, a continual rise in automotive hose operations is expected

Aiming to reach KRW

350 billion

in sales by 2016

KRW 35 billion-worth contracts signed with Hyundai/Kia Motors, KRW 15 billion worth contracts signed with Renault

Completing the expansion of manufacturing facilities with the KRW 20 billion investment

Manufacturing just one single vehicle requires approximately 60 different types of hoses. The Automotive Component Division produces wide-ranging high and low pressure hose assembly components that are mounted on vehicles for the transmission of fluid and hydraulic pressure. Its mainstream products include brake hoses and power steering hoses, as well as ultra-low expansion brake hoses that were developed in response to market requirements for more eco-friendly and efficient automobiles. Furthermore, the division successfully expanded its production line of CAC (Charged Air Cooler) hoses that fully comply with EURO V standards, the most stringent environmental standards in the world. In 2009, the division signed a \$120 million CAC hose supply contract with General Motors of the U.S. to serve GM plants all over the world. In 2013, the division signed contracts with Hyundai · Kia Motors and Renault of France to deliver brake hoses and power steering hoses totaling KRW 50 billion. In this same year, the division also completed the expansion of its Indong Plant after investing KRW 20 billion, which went to expand its shipment area by 1686m² and create a new 496m²-sized testing lab. The division plans to set up overseas production locations in Brazil and Indonesia to scale up its business operations.

Major Product Category

Brake Hose

- Transmitting the hydraulic pressure of brake fluids when the brake pedal is applied
- Delivering products that meet customer requirements concerning exceptional durability, high pressure and low expansion, as the highest security grade is required among other automotive components that are directly related to driver safety

Category	Size	Materials	Standard	Customers
HTLV	Φ3.2 x Φ10.2	EPDM / PVA / EPDM	DOT3 DOT4	Co.H, Co.G, Co.R
HDLV	Φ4.8 x Φ12.0	EPDM / PVA / EPDM+CR	DOT3 DOT4	Co.H, Co.R

* Testing standards : FMVSS 106, SAE J1401

CAC (Charged Air Cooler) Hose

- Transmitting the charge air that is supplied through the turbo charger to the intercooler engine and the engine combustion chamber
- Serving as a core component to improve engine combustion efficiency, leading to increased engine output and reduced gas exhaust emissions.

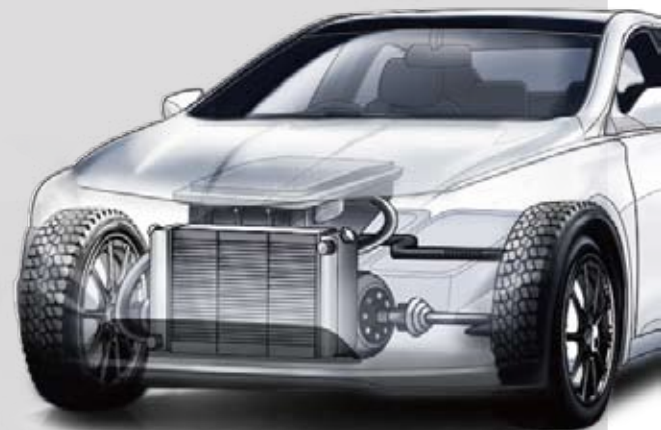
Category	Materials			Operating	Customers
	Inner Tube	Layered Yarn	Outer Tube		
Type	FKM/VMQ	ARAMID	VMQ	210°C (peak : 240°C)	Co. G
of	AEM	ARAMID	AEM	160°C (peak : 180°C)	Co. G
Extrusion	ACM	ARAMID	ACM	170°C (peak : 190°C)	Co. G
	NBR	ARAMID	CR	100°C (peak : 110°C)	Co. G

Brake Hose & CAC Hose Applications



< Brake Hose >

< CAC (Charged Air Cooler) Hose >



Special Business (Caterpillars)

Evolving into a global maker through stable quality and ceaseless technological innovation

Major Achievements in 2013

- Posted 18% growth in sales against the previous year
- Received the National Defense Minister's Commendation

Major Plans for 2014

- To initiate the full-fledged mass-production of caterpillars for the next-generation flagship tank K2
- To secure forward-looking, market-leading technology (highly durable and lightweight)
- Laying the foundation for business growth and receiving the National Defense Minister's Award

2013 Business Highlight

Paving the way for business growth and receiving the National Defense Minister's Commendation

Trust

Building trust with customers as an outstanding defense company

Sustained commitment to future leading technology and diversified overseas customer portfolio

Chosen as a top-performing defense company and honored with the DAPA Commissioner's citation

LS Mtron is Korea's sole manufacturer of caterpillars, which are responsible for supporting the load of combat mobility equipment (tanks, armored vehicles, self-propelled artillery) and securing mobility under rough road conditions. Since 1975, the Special Business Division has been supplying the nation's armed forces for more than three decades and its commitment was recognized in early 2013 when the company was chosen as a representative outstanding defense company by the DAPA (Defense Acquisition Program Administration) Commissioner. In late 2013, LS Mtron was also honored with the National Defense Minister's Commendation for its remarkable export outcomes. In 2013, our endeavors to diversify our customer portfolio in the national and global markets led to an 18% growth in sales from the previous year and this increase allowed us to set a new record in sales. We will continue to deliver new products based on emerging, forward-looking and market-leading technology (durable and lightweight), while increasing the sales at our overseas operations as part of our sustained endeavors for sustainable growth. Our goal is to develop new products through cutting-edge technology and establish a stronger global presence so as to evolve into a global top maker and pioneer the advancement of the defense industry.

Major Product Category

K2 Caterpillar

- 60-ton grade high strength available
- Designed to respond to high mobility requirements
- Developing high-durability rubber materials

K55A1 Caterpillar

- Designed to respond to improved vehicle performance
- Improving the durability of rubber pads
- Considering scalability into other vehicles in the same vehicle family

K1A1 Caterpillar

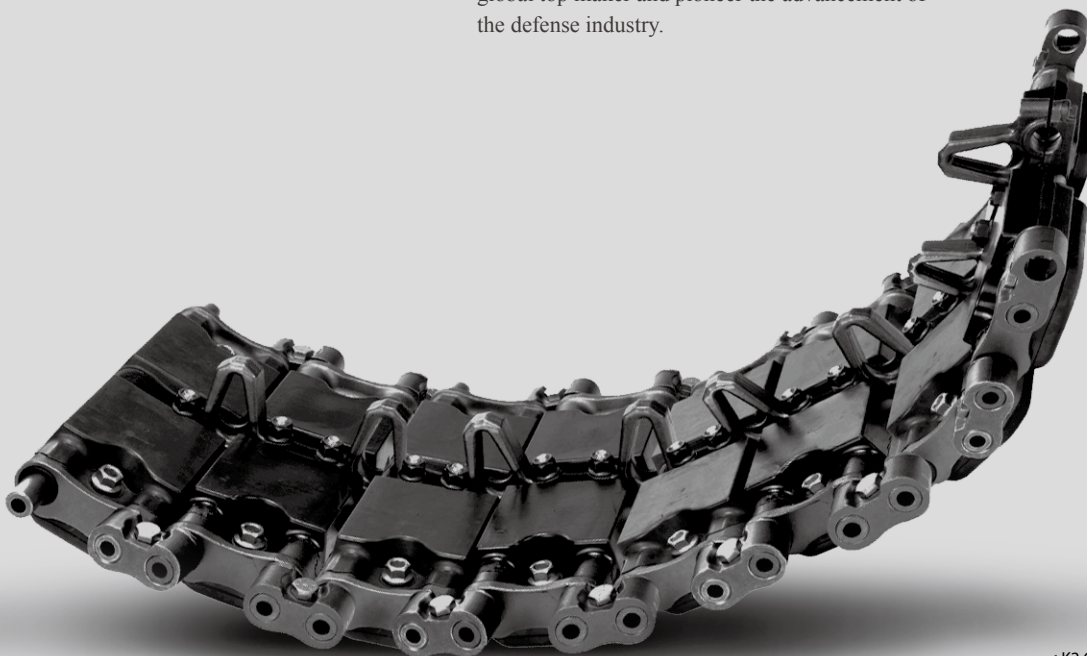
- Improving component-specific strength stability
- Increasing durability life significantly
- Exceptional affordability

K9 Caterpillar

- Contributing to reducing imports through the localization and replacement of imports
- Considering the unique terrain/operational features of Korea
- Ensuring stability in satisfying caterpillar/pad life requirements

REVTMENT-KIT

- High-durability through the use of specialty steel
- Variation in shape to meet diverse purposes
- Easy to install and disassemble due to the bolt-fastening mechanism



< K2 Caterpillar Assembly >

■ UC Applications



< LSUC >

Ultra Capacitors

LSUC, leading the next-generation ESS market

Major Achievements in 2013

- Initiated mass production and supply to Chinese hybrid bus companies and Japanese industrial facility companies
- Achieved innovation in productivity gains through new coating technology and its application to mass production
- Increased production capacity through the relocation of production sites to Anyang Hi-Tech Center

Major Plans for 2014

- To increase market share in major global markets and tap into new markets
- To expand the production capacity of C-type products
- To launch high-voltage cells (2.85V) and new technology-enabled modules

2013 Business Highlight

Initiating mass production and supply to the Chinese hybrid bus market

3,000F

Mass-producing and supplying 3000-farad UC cells to one of the three major hybrid bus makers in China

10,000 UC-equipped hybrid buses manufactured in 2013, which is set to grow to 20,000 units a year starting from 2014

Pilot operation of hybrid buses in 10 regions in China, to be extended to 25 regions in 2014

Standardization of UC-equipped HEV and PHEV buses

Since January 2013, LS Mtron's UC Division has been supplying 3000-farad UC cells to Company A, one of the big three hybrid bus makers in China. In 2013, the division delivered 180,000 cells (worth KRW 6 billion), to Company A, and expects there to be an explosive growth in its sales from 2014 onward. Since the initiation of the pilot hybrid bus project in 2008 to time the Beijing Olympics, the Chinese government has been taking the lead in operating hybrid buses. Since the announcement of the "notice on the new & renewable energy vehicle distribution and application" in September 2013, the Chinese government has been taking broader policy initiatives to distribute eco-friendly vehicles in mega cities and key locations by 2015. Accordingly, the number of hybrid bus project areas rose from 10 to 25 and this will lead to a significant growth in the size of relevant markets. Therefore, LS Mtron is working with Chinese suppliers to accelerate its endeavors to tap the Chinese market while making additional facility investments to expand its production capacity. Once such investment is completed, it will afford the company production capacity to generate KRW 20 billion in annual sales.

Major Product Category

Cell Category	Part#	Voltage	Capacitance	DC ESR	Type
S-type	LSUC 002R8S 0100F EA	2.8V	100F	9.00mΩ	Snap-in
	LSUC 002R8S 0120F EA	2.8V	120F	9.00mΩ	Snap-in
L-type	LSUC 002R8L 0350F EA	2.8V	350F	3.20mΩ	Lug
	LSUC 002R8L 0400F EA	2.8V	400F	3.00mΩ	Lug
C-type	LSUC 002R7C 0650F EA	2.7V	650F	0.57mΩ	Cylindrical
	LSUC 002R7C 1200F EA	2.7V	1200F	0.33mΩ	Cylindrical
	LSUC 002R7C 1500F EA	2.7V	1500F	0.28mΩ	Cylindrical
	LSUC 002R7C 2000F EA	2.7V	2000F	0.27mΩ	Cylindrical
	LSUC 002R7C 3000F EA	2.7V	3000F	0.23mΩ	Cylindrical
	LSUC 02R8SC 3000F EA	2.85V	3000F	0.23mΩ	Cylindrical

Module

Part#	Rated Voltage	Max. Voltage	Nominal Capacitance	DC ESR
LSUM 016R8L 0058F EA	16.8V	18.0V	58.3F	22mΩ
LSUM 016R2C 0500F EA	16.2V	17.1V	500F	1.7mΩ
LSUM 048R6C 0166F EA	48.6V	51.3V	166F	5.0mΩ
LSUM 086R4C 0093F EA	86.4V	91.2V	93F	11.3mΩ
LSUM 129R6C 0062F EA	129.6V	136.8V	62.5F	13.2mΩ

Casting Materials

Korea's single largest and market-leading cast-making company



With 24,000 tons in annual production capacity, we deliver wide-ranging super-large-sized and large-sized casting products. Based on continued R&D and differentiated quality, we continue to expand our market presence.

Overview

- Year of Establishment: 2005
- Main Products: Marine engine frames, gas turbine parts, wind power generator parts, casting products or injection molding machines
- Main Customers: Manufacturers of marine engines, wind power generators and injection molding machines
- Employees: 107

Major Achievements in 2013

- Led the large-sized, medium-speed engine parts and materials market
 - Mass-production of the 6L50DF crankcase
 - Development of the 12V50DF crankcase
- Supplied stove coolers to overseas steel mills
 - Brazil, Indonesia, etc.

Major Plans in 2014

- To expand our market share in the medium-speed engine market
 - Mass-production of the 12V50DF crankcase
 - Market diversification through new product development
- To respond to the recovering vessel engine market
- To develop large-sized materials for industrial machinery

2013 Business Highlight

Tap into new markets to boost our status as Korea's single largest cast-making company

Korea's 1st to develop the 12V50DF engine block

A breakthrough that was achieved through proprietary technology in the large-sized engine material segment

By successfully developing the 12V50DF medium-speed engine block in October 2013, we became the nation's 1st to localize large-sized DF engine materials for LGN ships, which had previously been completely dependent on imports from Europe. This was another significant breakthrough that demonstrated the further-evolving technological capabilities of CASCO, whose strength lies in such large-sized casting materials. In the rapidly-growing large-sized, medium-speed engine materials segment, CASCO, as the nation's single largest cast-making company, developed and mass-produced this new product to solidify its status as a leader in the domestic materials industry. CASCO will initiate the mass-production of its large-sized, medium-speed engine materials from 2014 onward and signed a contract to supply more than 30 units of the 12VDF engine block per year to Wartsila-Hyundai by 2017, which is expected to generate more than KRW 6 billion in sales per year.

Major Product Category

Large-sized Ship Engine Cylinder Block

Low-speed engine cylinder blocks, composed of high-strength cast iron materials, were localized in 1985 and are now being supplied to major vessel engine makers in Korea and overseas.

Win Power Hub/Main Frame

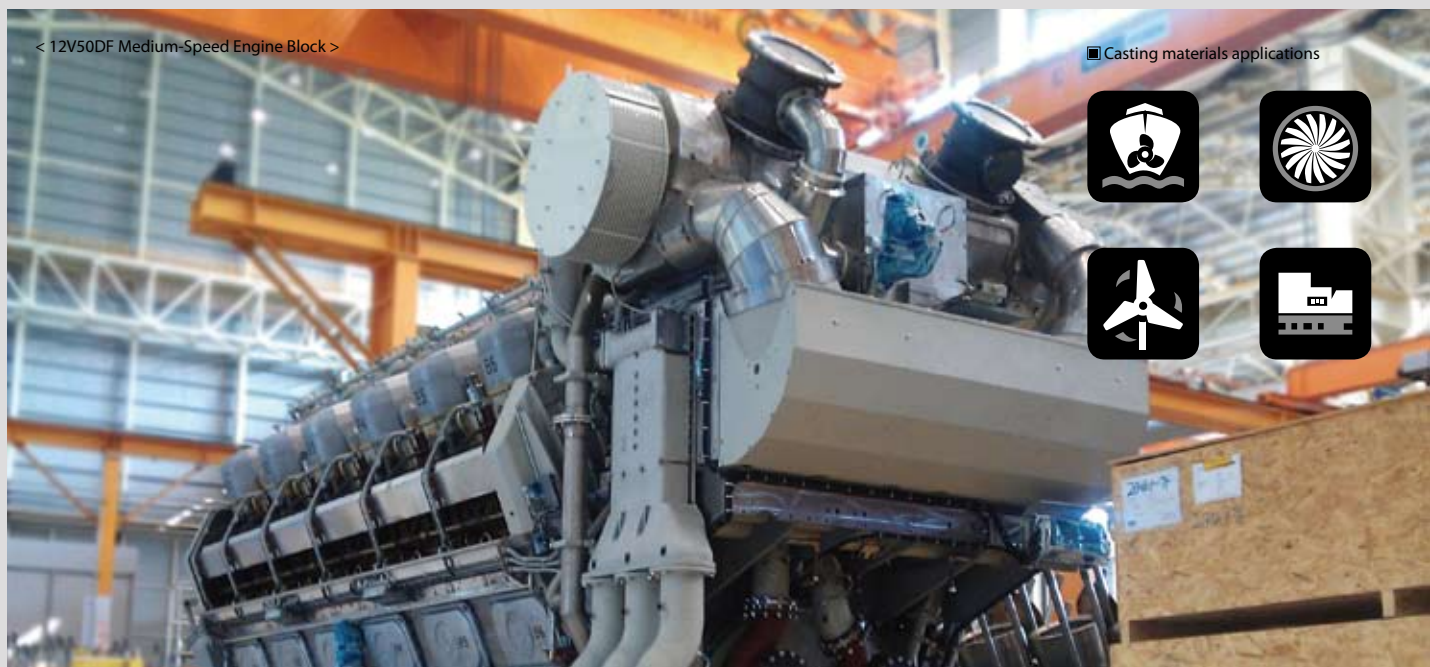
Cast iron materials for wind power generation applications are used in low-temperature conditions and are used to generate wind power turbines. Our 5MW Hub excluded alloy in the development process and is being supplied to major domestic wind power companies.

Inlet Case

Designed specifically for its application in LNG-powered combined cycle power generators, our Inlet Case is made of nodular cast iron materials and has been supplied to GE in the U.S. for more than two decades.

Stave Cooler

Developed in 1996 for the first time in Korea with an aim to extend the life span of blast furnaces under high-temperature operating conditions, our stave coolers are capable of producing cooling effects and improving the lifespan of furnaces by more than 50%.



China

We value the Chinese market as a strategic location to build a 'robust global competitive edge'. Presently, we operate in a total of four business areas: tractors, injection molding, electronic components and automotive components.



Chinese Headquarters (Shanghai Branch)

- Year of Establishment: 2010
- Support business operations in China

LS Machinery (Wuxi) Ltd. (LSMW)



LSMW has an established sales and service network in 20 major cities in China. LSMW is improving its quality and expanding its customer base while exporting to India, Thailand, Indonesia, Brazil and the rest of the world.

- Year of Establishment: 2004
- Flagship Product: Injection molding machines
- Major Customer: Automotive parts companies (automotive parts, home appliance parts, electronic parts, etc.)
- No. of Employees: 265

Yantai Leading Solution Auto Parts Co., Ltd. (YTLS)



YTLS specializes in manufacturing automotive brake hoses, through its joint venture relationship with Yantai Asia Victory Automation, and is building on its automated processing facilities and robust quality management system. With its extensive sales network, YTLS is supplying high-quality automotive hoses to Shanghai GM, and Shanghai Automotive Industry Corporation.

- Year of Establishment: 2005
- Flagship Product: Automotive brake hose
- Main Customer: Automotive makers
- No. of Employees: 80

LS Machinery (Qingdao) Co., Ltd. (LSMQ)



LSMQ's annual production capacity amounts to 20,000 and the subsidiary is supplying 55~100hs tractors optimized for local Chinese conditions to 253 dealers nationwide. Thanks to its exceptional product performance, LSMQ is expanding its export markets into the U.S., Brazil, and Uzbekistan.

- Year of Establishment: 2007
- Flagship Product: Tractors
- Major Customer: Farmers
- No. of Employees: 205

LS Electronic-Devices Qingdao Co., Ltd. (LSEQ)



With its full quality-commitment to customers LSEQ is evolving into a partner that delivers a truly impressive customers, experience. The mobile phones and display parts manufactured through LSEQ's differentiated automation technology and quality management system are supplied to Samsung, Apple, ZTE and other global top players.

- Year of Establishment: 2007
- Flagship Product: Micro USBs for cell phones, small-sized FPCs for FPD applications, etc.
- Main Customer: Mobile phone and display makers
- No. of Employees: 460

LS Machinery (Qingdao) Co., Ltd. (LSMQ)

Major Achievements in 2013

- Increased domestic (Chinese) sales by 130%
- Initiated exports to Brazil and Uzbekistan
- Identified and nurtured top-performing/new dealers
 - Secured 253 dealers (including 73 new dealers)

Major Plans for 2014

- To refine the distribution network and strengthen customer contact points
- To build robust C/S capabilities (Preventive inspections in each area, etc.)
- To develop localized models in Uzbekistan and other export markets
- To expand the product line-up to include 70hs, 80hs, and 85hs tractors
- To develop combines

2013 Business Highlight

8,300km tractor ride spanning across China: 85 days in the thick of Chinese agriculture

Moving towards becoming No. 1 in the Chinese medium-to-large tractor market through sustained technology development and innovation

In May 2013, the 'World's 1st Cross-China LS Tractor Ride' campaign was initiated in Harbin to help those affected by the devastating earthquake that hit Sichuan Province. LSMQ offered free-of-charge tractors to Gi-Tae Kang, a professional tractor traveler. Embarking on a feat that has never been attempted by anyone in China, we were both excited and concerned. Our LS tractors, started their journey with Gi-Tae Kang in Jiamusi City, Heilongjiang Province, and traveled a total of 8,300km over a period of 85 days until they reached their final destination in Liuzhou City, Jiangxi Province. During this expedition, local farmers and 29 tractor dealers were visited and temporary stops were made at schools in rural areas to launch pro bono activities and help farmers. This challenge not only helped to raise customers' awareness regarding the capabilities of LS tractors, it gave us an optimal opportunity to prove our excellence and technological prowess.

LS Machinery (Wuxi) Ltd. (LSMW)

Major Achievements in 2013

- Increased domestic (Chinese) sales by 40%
- Undertook company-wide quality innovation initiatives to fully realign management/technology standards and improve employees' quality capabilities
- Operated preliminary service and regular touring service systems
- Improved the competitive edge of small-sized injection molding machines (development of toggle-type machines)

Major Plans for 2014

- To expand the domestic (Chinese) customer base
- To expand preliminary services, regular touring services, and technology exchange meetings
- To improve the performance of electric type machines and secure their cost competitive edge
- To generate substantial outcomes from quality innovation initiatives

*Before Service: Services that are provided to inspect possible product failures before such failures occur

2013 Business Highlight

Networking with core customers in the Yancheng automotive parts industry to speed up its advancement into the Chinese automotive parts market

Injection molding machines that dare to deliver unbeatable quality and service in China

China is both the world's largest automobile producer, and consumer. This is why global automotive parts makers turn their eyes to the growing Chinese market and are making stronger inroads to car makers in China. In line with this market trend, LSMW strove to partner with influential customers in the automotive parts industry. These endeavors led to a success in supplying 40 injection molding machines to such representative automotive parts companies in Yancheng as Hanil, Hyundai Mobis, Nifco and Kohsan. Securing these core customers in Yancheng is expected to have a positive impact in terms of expanding into the automotive parts market of other regions. In 2014, LSMW will attract even more new local customers to diversify its customer base.

LS Electronic-Devices (Qingdao) Co., Ltd. (LSEQ)

Major Achievements in 2013

- Sales increased by 40%
- Expanded investment in localizing highly-advanced half-finished products
- Improved productivity by investing in inspecting & packaging machines
- Secured increased production capacity by expanding plant facilities

Major Plans for 2014

- To establish a product line-up for high value-added mobile phone connectors (USB 3.0, waterproof connectors, etc.)
- To expand the scope and ratio of localized half-finished products
 - Pd-plating → Advanced bending
 - Localization target 30% → 50%
- To expand the global customer base

2013 Business Highlight

The key to securing customer credibility in quality lies in expedient execution of innovation initiatives and quality-driven partnerships with suppliers

Electronic components that deliver customer satisfaction on the basis of a global top-notch competitive edge in manufacturing

From the initial stage of introducing new products in its product line-up, LSEQ established a Cross Functional Team (CFT) in conjunction with the Head Office in Korea to embark on daily status management and the expedient execution of innovation initiatives. This firm commitment enabled LSEQ to satisfy stringent quality and delivery due date requirements and to expand its supply volume, as well as the scope of its product supply. Furthermore, LSEQ increased its investment in inspection & packing machines (which are cutting-edge image inspection devices), as part of its automated production lines, along with its dielectric inspection devices, to build a more robust competitive edge in manufacturing and build trust with its customers. LSEQ also recognizes its suppliers as business partners who share the ultimate goal of securing higher quality for its customers. Its technology support for suppliers led to a success in localizing I/M half-finished products for mobile phones and half-finished sophisticated shell press products, in addition to the added advantage of speeding up to customer requirement responses and delivery due dates. LSEQ also focuses on identifying and nurturing local suppliers to expand the localization of half-finished products and local sourcing, as a way to contribute to community development.

Major Product Category

- Kai Series (55hs): Economical, easy-to-operate tractor with extensive functionalities
- U Series (55hs): Medium-sized tractor suitable for paddy field farming for its ease in operation and multi-stage transmission functionality
- P Series (70-100hs): Lightweight medium-to-large sized tractor perfect for multi-functional long-term operations

P Series

- Adoption of the latest hydraulic system and rain-proof technology
- Enclosed cabin design decreases noise and vibration
- Available transmission gears of: 12 forward and 12 reverse
- Minimized steering diameter (3.31m) ensures operability, even in limited areas
- Suitable for both paddy fields and dry fields (due to its optimized front and rear weight ratio)



< LS1004 >

Major Product Category

- Medium-to-Super Large Sized 2-Platen Series (450~3,200t): Developed through proprietary technology, reduced installation areas, lower operating cost
- Small-sized Precision Series (80~350t): Exceptional and smooth injection molding and back pressure measuring control
- Electric-type Series (50~300t): Energy-saving, low-noise and clean molding
- Toggle-type Series (80~380t): Power-saving effects through the adoption of the servo-control system as well as high-strength templates



Medium-to-Super Large Sized 2-Platen Series (450M~3,200t)

- Smaller installation areas, higher efficiency and lower operating cost
- User-centric installation of controllers
- Dramatic reduction in noise and functionality to generate energy through the optimized design of hydraulic devices
- Minimized mold deformations through high-strength, ultra-lightweight templates
- 50% reduction in the consumption of hydraulic fluids

< LGH 1050 ES-GC >

Major Product Category

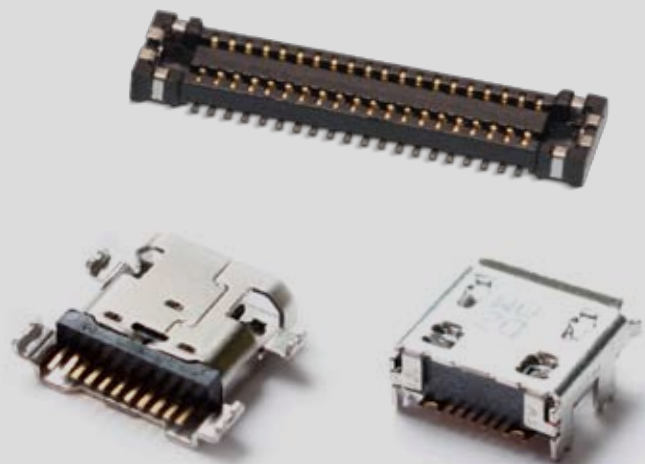
- Precision Connectors for Cell Phones : Micro USBs, batteries, RF connectors
- Precision Connectors for FPD Applications : I/O, FPC connectors

Micro USB for Mobile Phones

- Effective prevention of smartphone plasticity risks through the VCC-averting S.P structure
- Quality that can be trusted by customers through all-out vision automated inspections
- Simultaneous production of standardized products through the double-form design of packaging materials (respond to international micro USB product size standards)

Small-Sized FPC for FPD Applications (0.4mm/0.5mm pitch)

- Advancing into the new product pad market while responding to the development of existing TV monitors, FPD technology (0.4 pitch, 0.8mm in height)
- Improved SMT performance by reducing the number of golden leads on connectors
- Compliance with internationally-mandated eco-friendliness standards



< Board to Board Connector >

< Micro USB Connector >

LS Mtron's corporate governance is led by the board of directors (BOD) and other professional executives.

Corporate Governance

Board of Directors (BOD)

The members in our board of directors (BOD) are selected for their expertise in their respective fields, as well as for their job capabilities. The BOD is the highest decision-making body in the company. In 2013, the BOD met five times (with a 100% attendance rate) to approve all 16 of its agenda items. Presently, LS Mtron remains a non-listed company.

The CEO and the BOD chair act separately, while a professional executive is appointed as the CEO and the President in charge of the general company management. Aside from matters stipulated by relevant laws or by the Article of Association, any remaining matters that require BOD approval are decided on by the CEO or through management meetings. As a way to prevent any conflicts of interest between the company and its board members, directors who have any interest in the agenda items to be voted on by the BOD cannot exercise their voting rights on such matters. Our directors are compensated in accordance with relevant regulations within the limit approved at the general shareholder meeting. In 2013, registered members of the BOD received KRW 21.62 million in compensation.

Composition of the BOD (As of May, 2014)

Name	Position	Experiences
Cha-Yol Koo	Chairman of the BOD	<ul style="list-style-type: none"> • Business management major at Korea University • Former director at LG International Corporation • Former Vice President at LG Investment & Securities
Jae-Seol Shim	CEO	<ul style="list-style-type: none"> • Mechanical engineering major at Hanyang University • Former Vice President at LS C&S
Sung-Wook Yoon	CFO	<ul style="list-style-type: none"> • Accounting major at Chonbuk National University • Former head of the Finance Team at LS Mtron
Soo-Taek Choi	Auditor	<ul style="list-style-type: none"> • Mechanical engineering major at Pusan National University • Former CEO, Schmidlin-Korea

Authority and Responsibility of the Auditor

In accordance with the corporate Articles of Association, there is one auditor at LS Mtron. The auditor is responsible for performing audits on our accounting and business practices in order to ensure the transparency and legality of our business conduct. To this end, the auditor may request the directors to brief him/her on business operations and investigate the company's operations and asset status, whenever the need arises.

Shareholder Composition

As of the end of 2013, the number of LS Mtron's issued shares stood at 9,000,000 and they are wholly owned by LS Corporation. LS Mtron is not listed on the stock market and thus is not subject to the adoption of the concentrated vote system, the adoption of either written ballot or electronic ballot voting, nor is it subject to exercise minority shareholder rights.

Management Meeting

Monthly management meetings, presided by the CEO, serve as a decision-making venue to discuss business directions, review business results (in relation to company-wide business conduct) and to report major issues in the economic, social and environmental fields.

Agenda

- **Discuss Business Directions**
 - Review business results and discuss issues to reach set targets
- **Report Major Issues Concerning Company-wide Business Conduct**
 - Business philosophy and mid/long-term vision
 - Business management improvement, market/industry/competitor trends, etc.
 - Follow up on major management indicators as a way to respond to risks
 - Improve the target alignment
 - Outcomes of management evaluation, status of quality/productivity and other management indicators
 - Status of innovation initiatives and sustainability management
 - Review capital/facility/R&D investments, along with company-wide policies

Operation

- **Attendees:** CEO, executives, business team leaders and other major teams
- **Hosted:** Monthly
- **Supervising Department:** Business Management & Planning Team

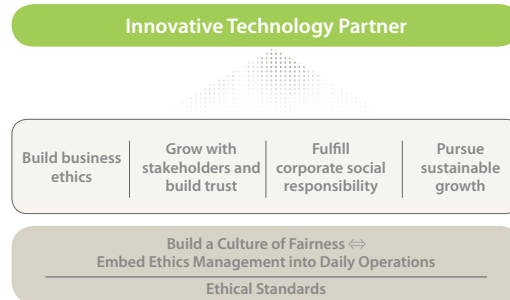
Major Reports Prepared and Information Shared in 2013

- **Economy**
 - Approval of major investment plans and follow-up evaluations
 - Business results and forecasts
 - Establishment of overseas subsidiaries
 - Mid-term strategy and business plans
 - Outcomes on the review of financial performance from the 2012 innovation initiatives
- **Society & Environment**
 - Outcomes of the 2012 customer satisfaction survey
 - Trends in relation to labor law revisions
 - Status of customer complaints and plans to improve operational standards
 - Plans to establish a LG childcare center
 - Progress of public-private joint investment technology development projects
 - Directions to advance sustainability management at the Chinese Headquarters
 - Sharing of information concerning transactions with high-risk nations

Ethics & Integrity are the building blocks that create outcomes at LS Mtron.

Ethics & Integrity

Operational Directions and an Action Framework



- **Responsible Organization:** Ethics Executive Office within the Internal Audit & Consulting Team under the direct leadership of the CEO
- **Major Responsibilities:** Set and implement the ethics management strategy, operate ethics practice programs, promote ethics culture and offer training
- **Code of Ethics:** Standards employees live by in directing the ethical implications of their actions and value judgments

Chapter1/ Responsibility and Obligation to Customers

Chapter2/ Employee Ethics

Chapter3/ Fair Competition (Competitors)

Chapter4/ Fair Trade(Suppliers)

Chapter5/ Corporate Responsibility to Employees

Chapter6/ Responsibility to Society and the Nation

※The full version of LS Mtron's Ethical Standards is available on :
<http://ethics.lsmtron.co.kr/rule/law.asp>

Ethics Management Systems

Ombudsman/Ethics Counseling Office

The Cyber Ombudsman and Ethics Counseling Offices are currently available on our corporate website. Furthermore, informant protection programs are provided to ensure that stakeholders (such as employees, customers and suppliers) feel free to report or be counseled on any issues they may have. Such programs include confidentiality, identity protection and exemptions. In 2013, a total of nine reports were submitted. Following the investigation of these reports, any violations against regulations or unethical practices were addressed with appropriate action in accordance with relevant corporate policies.

Complaints Submitted and Handled through the Cyber Ombudsman

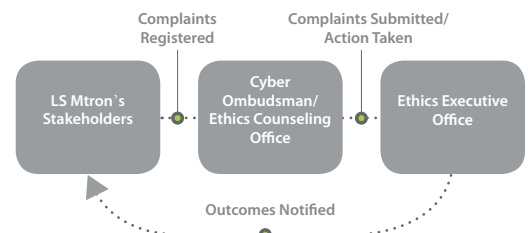
Ethical Standards	Responsibility and Obligation to Customers	Employee Ethics	Fair Trade
No. of Complaints	3	2	4

Clean Company

We established a system to allow employees to voluntarily report and return any bribes that were inevitably accepted. In cases where it is impossible to return these bribes, they are donated to local social welfare facilities.

Procedures to Handle Violations

LS Mtron set forth behavioral rules that govern unethical behaviors. If these rules are violated, the Disciplinary Committee is convened to handle such cases. The committee determines the severity of disciplinary measures and executes them in accordance with the causes for such actions and their review standards.



Initiatives to Strengthen Ethics Management Capabilities



Hosting the Compliance Management Declaration Ceremony

At the 2014 kick-off meeting, LS Mtron officially declared its commitment to compliance management, as a way to further dedicate the company to advancing ethics management.

Offering Employee Training on Ethical Standards

Following the ethical standards training for all employees, new recruits are required to complete mandatory introductory training on ethical standards, while expatriate employees are trained on ethics management prior to their assignment. In 2013, three sessions of regular training (79 employees) and 16 sessions of year-round training (32 employees) were provided.

Conducting Ethics Performance Surveys

We survey our domestic suppliers, as well as the local suppliers of our Chinese subsidiaries, on our ethics performance every year. Specifically, in 2013, LS Mtron's materiality test for sustainability management and shared growth initiatives were promoted in alignment with the annual ethics performance survey.

Undertaking Consistent Promotional Activities

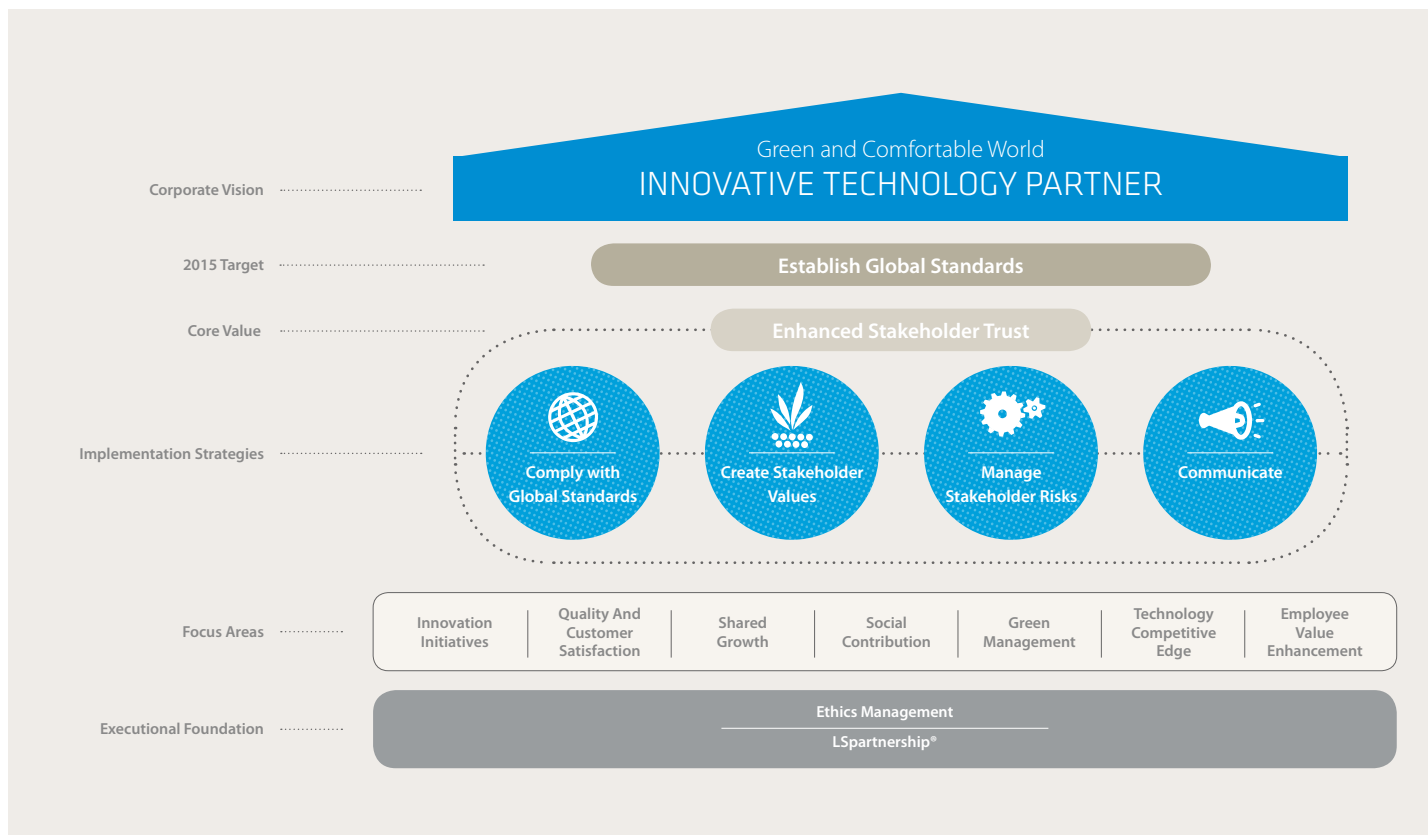
We consistently share actual examples and messages in relation to ethics management through internal/external bulletin boards in order to build a stronger ethics awareness among employees and to encourage stakeholders to engage themselves in these activities.

LS Mtron sets company-wide SM goals and strategies in the fields of the economy, society and the environment and evaluates its achievements accordingly.

Sustainability Management (SM) Framework

Vision

LS Mtron's 2nd-term SM was initiated in 2013. The 2nd-term goal is to 'Establish Global Standards' as a way to proactively comply with standards and norms required of corporate citizens in the global market environment. Under this overarching goal are four Implementation Strategies and seven Focus Areas while LSpaartnership, LS Group's business philosophy, and ethics management serve as the foundation to take action.



Strategy Setting and Performance Evaluation System



Since 2010, LS Mtron has selected economic, social and environmental strategic indicators for SM and made evaluations accordingly. In 2013, such indicators were considered in evaluating the Head of the Staff Division and the Heads of Departments under the direct leadership of the company CEO, accounting for 10% of the total performance indicators. Meanwhile, divisions and departments independently set SM targets for 2013 and reported to the CEO through final consultations with the Business Management & Planning Team. Once these targets are approved, progress is monitored through the bi-monthly SM Steering Group meetings supervised by the CSO. The steering group is operated by the Business Management & Planning Team, which is the supervising department of management meetings.

Performance evaluations are made three times: at the end of H1, Q3 and at the end of each year. After the end-of-the-year internal evaluation, an inspection is made by an official evaluation team and the final result is approved by the CEO. This final outcome bases remuneration in each division. Each division also sets departmental and individual targets to empower employees and fully engage them. As for major issues, progress and results are directly reported at management meetings and disclosed to stakeholders through sustainability reports.

Operational System

LS Mtron takes an integrated approach in managing its SM initiative through various systems and meetings. Specifically, the bi-monthly SM Steering Council launched in 2010, serves as a decision-making body that ensures the balanced growth of all stakeholder values. The SM Executive Office, under the Business Management & Planning Team, is responsible for the operation of the council and integrated SM.

A Total of 11 Reports
Made in 2013

11



Company-Wide SM
Steering Group Meetings
Hosted

27 meetings

(2010~ Mar. 2014)

2013 Operational Outcomes of the SM Steering Council

In 2013, six rounds of company-wide SM Steering Group meetings were held (20th~25th). The 20th meeting was held in January to report SM plans for each division and disclose plans to expand green products while the 2012 sustainability report was being approved by the CSO at the 21st meeting. The 22nd meeting held in May, set H2 plans to review the progress of SM tasks. The following three meetings (from the 23rd to 25th meetings) allowed each division to report progress and outcomes in implementing the set plans. Major topics addressed through these meetings include supporting the carbon labelling certification, facilitating social contribution, responding to the shared growth index, establishing a LG childcare center, improving job training systems for each job category, advancing SM at overseas subsidiaries and reviewing the outcomes of the GHG emissions IT system development.

Integrated Risk Management

We take an integrated approach in risk management to address both financial and non-financial risks as a way to advance sustainable growth. To this end, risk issues are identified and addressed throughout the entire life cycle of business operations each year. To ensure efficient response to major risks, manuals are developed to launch the work flow, as well as detailed action plans for each step of the risk occurrence, from development to deterioration. In 2013, a preemptive risk monitoring process was developed, in addition to the revision and improvement of existing risk response manuals, in order to detect and prevent the possibility of risks year-round. In cases where it is highly likely that a specific risk occurs as a result of such constant monitoring, this is reported to the top decision-making body and appropriate action is taken.

LS Mtron defines its stakeholders as anyone who directly/indirectly interacts with the company in business conduct.

Stakeholder Engagement and Materiality Test

LS Mtron's Stakeholders

In initiating our 2nd term of SM, we redefined our stakeholders through the analyses of global trends and through our stakeholders. Our key stakeholders include customers, employees, suppliers, global/local communities, and the environment (earth/ecology) itself. Our general stakeholders include central/local governments and shareholders/investors.



Outcomes of the 2013 Materiality Test

LS Mtron conducts the materiality test each year to plan its SM for the following year. This year, we identified 25 SM issues to be addressed in 2014, in consideration of diverse internal/external conditions. We surveyed our stakeholders to gauge their level of interest, while gathering feedback from top management and other employees to understand the levels of business impact. The outcomes were used to classify these issues into High Materiality, Medium Materiality and Low Materiality issues and were used in setting a SM strategy for 2014.

High Issues from the Previous Materiality Tests

2012

1. Quality competitiveness
2. Technological competitiveness
3. New business development
4. Business results
5. CRM
6. Fair trade
7. Employee health & safety

2011

1. GHG emissions reduction
2. Quality competitiveness
3. CRM
4. Strengthen after-sales activities
5. Gathering supplier feedback
6. Fair trade
7. Shared growth

2013 Materiality Test Matrix

Business Impact	Medium area	High area
	<ul style="list-style-type: none"> • Risk management • Fair evaluation/remuneration • New business development • Employee health & safety • Innovation 	<ul style="list-style-type: none"> • Technological competitiveness • Quality competitiveness • Work/life balance • Talent recruitment and fostering • Fair trade • Ethics management • CRM
Stakeholder Interest	Low area	Medium area
	<ul style="list-style-type: none"> • Management of pollution and harmful substances • Labor relations management • Social contribution • GHG emissions reduction • Governance • Contribution to local economies • Water resource • Management 	<ul style="list-style-type: none"> • Patent management • Shared growth • Information security • CSR dissemination to suppliers • Energy/raw materials management • Eco-friendly products/facilities

Issues Considered in Conducting the Materiality Test

Internal

- LS Mtron's vision and mid-term strategy
- Management meeting reports and decisions made at the SM Steering Council
- SM principles and regulations
- Completion of implementation task targets set in the previous year
- Team-specific strategic indicators

External

- GRI(G3.1), ISO 26000, UNGC principles and etc.
- Opinions made by SM advisory groups
- Trends of competitors and industry leaders
- Customer's CSR check list index and questions raised by external organizations
- Issues addressed by the media in relation to LS Mtron

Survey of Stakeholder Expectations and Requirements

In 2013, we surveyed the suppliers and employees among our key stakeholders to identify their expectations and requirements, as a way to create value for these stakeholders and to respond to relevant risks. From 2014 onward, the scope of this survey will extend to cover customers, local communities and earth/ecology areas of interest to fully reflect the voice of our stakeholders in our operations.

LS Mtron's Achievements and Understanding of and Response to High Materiality Issues in 2013



Technological and Quality Competitiveness

→ Related Pages: P.34-36, 48-50

Technological and quality competitiveness was selected as our top-priority issue, from 2012. LS Mtron firmly believes that these two issues are instrumental in gaining customer credibility and laying the foundation for growth. Our response is to forge even closer industry-academia partnerships to secure the platform technology that constitutes the core of our business. In 2013, Open Innovation was selected as an SM issue and our strategic labs were expanded to 19. Meanwhile, we recognize that organizational quality competitiveness comes from that of each individual employee. Therefore, we are operating a company-wide quality talent nurturing system to build an even stronger competitive edge in quality. As of 2013, our quality management engineers and ISO 9001 examiners accounted for 43% and 45% of the total quality workforce and their ratios are increasing continuously.

Work/Life Balance

We made a big jump on the list when it came to work/life balance in 2013. We at LS Mtron, are committed to improving the quality of life of our entire staff and delivering a great workplace. The 2nd Happy Family Day event held in 2013, brought the family members of all our employees together under the theme of 'Respect the elderly and seek cross-generational harmony' and offered a meaningful opportunity for parents and their children to spend quality time together. Our unique Refresh Leave program encourages employees to take a concentrated half-yearly leave for at least three days and up to five days, as a way to promote the full use of their yearly leave. Furthermore, our welfare and benefits programs provide a wide array of support opportunities in childcare, health (of employees and their families) and housing. These endeavors and achievements won us the Great Work Place Award for three straight years and the CEO Award by GWP Korea in 2013.

Talent Recruitment and Nurturing

→ Related Pages: P.50, 53-55

LS Mtron is rapidly growing in size and new recruits accounted for approximately 16% of the total workforce in 2013. This prompted us to recognize talent recruitment and career development management as a highly material issue in terms of business impact. This was further evidenced in the results of our 2013 stakeholder survey conducted of our employees: approximately 68% of the 728 respondents selected talent recruitment and nurturing as one of their major expectations. To respond to this organizational trend, we selected support for new recruits in adjusting to the company early on, strengthened our endeavors to retain staff and established job training systems for each job category, while taking action accordingly.

Fair Trade and Ethics Management

→ Related Pages: P.25, 37, 39

Fair trade and ethics management have been consistently ranked high on our list of material issues over the past three years. In consideration of recent business conditions, shared growth with suppliers has become an essential prerequisite for LS Mtron, as a manufacturing company. We specifically selected fair trade as one of our management issues of 2013: our basic contract form was updated in accordance with the standard subcontract form proposed by the Fair Trade Commission and fair trade guidelines were incorporated into our corporate policy to protect the rights and interests of our suppliers. Furthermore, with the belief that suppliers are specifically critical, among other stakeholders in our organizational ethics, we conduct anonymous ethics surveys of our supplies each year. The outcomes are reported to the CEO and reflected in our shared growth initiatives.

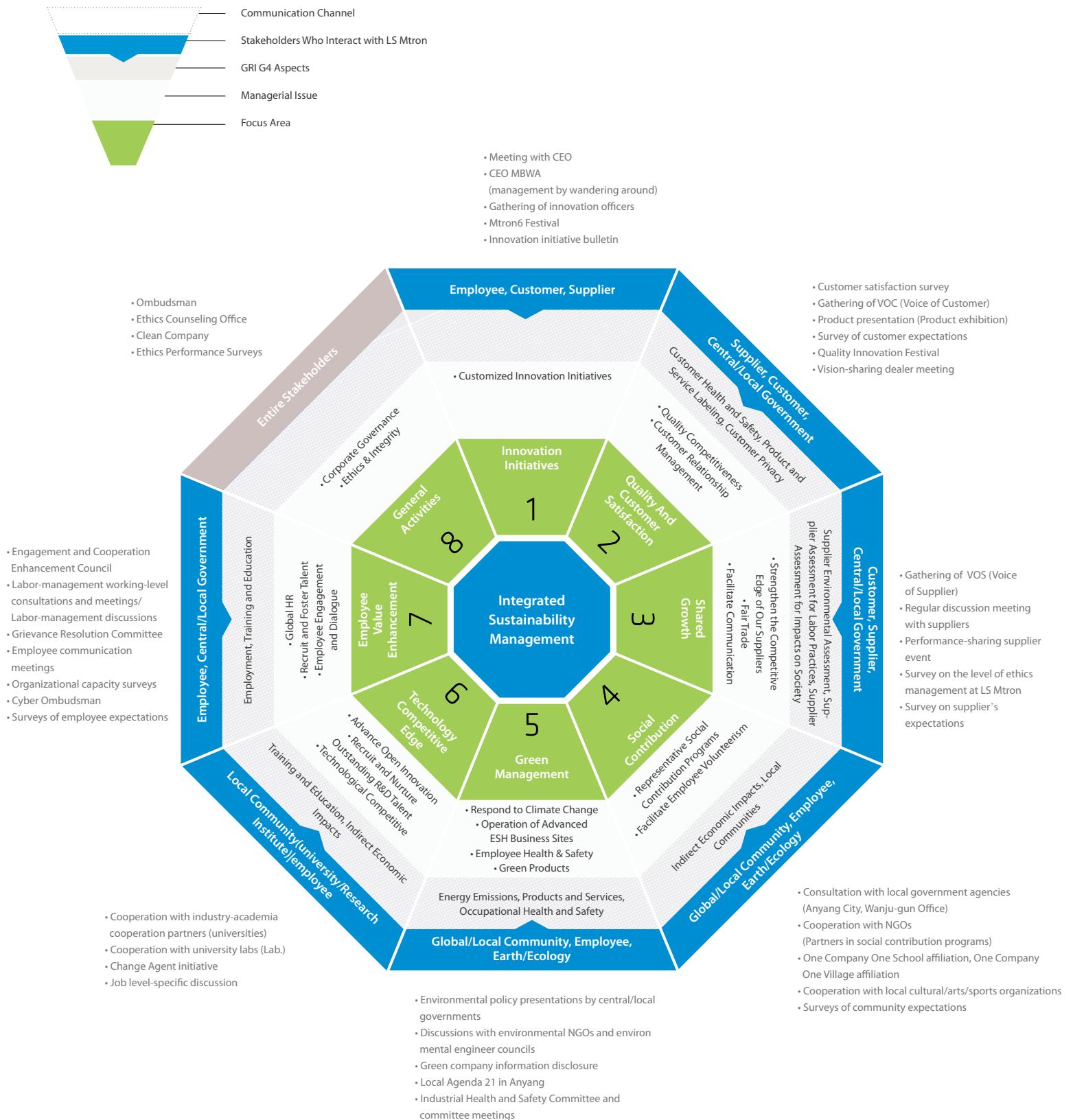
CRM (Customer Relationship Management)

→ Related Pages: P.34-36

We expect there to be significant improvements in our CRM initiatives for 2014. Specifically, we will collaborate with an external professional survey organization to enhance the reliability of our customer satisfaction surveys, which form the foundation of CRM. The scope of our previous surveys was limited to quality, marketing, after-sales services and deadlines. However, these surveys will go further to include in-depth interviews with our customers regarding our overall SM—ranging from purchasing, ordering and product/service activities—to customer responsibility and needed improvements.

LS Mtron presents the SM Steering Wheel that defines its SM focus areas based on the outcomes of the annual materiality test.

2013 SUSTAINABILITY MANAGEMENT STEERING WHEEL



01	INNOVATION INITIATIVES <i>P.32-33</i>
02	QUALITY & CUSTOMER SATISFACTION <i>P.34-36</i>
03	SHARED GROWTH <i>P.37-39</i>
04	SOCIAL CONTRIBUTION <i>P.40-43</i>
05	GREEN MANAGEMENT <i>P.44-47</i>
06	TECHNOLOGY COMPETITIVE EDGE <i>P.48-50</i>
07	EMPLOYEE VALUE ENHANCEMENT <i>P.51-55</i>

In 2013, LS Mtron presents seven Focus Areas of SM.

The 1st page of each Focus Area presents a summary of major relevant details.

The 1st page of each Focus Area summarizes the declaration of value pursued by each area, achievements against the set plans for each SM issue for 2013, and stakeholder benefits from such achievements, in addition to major 2014 plans for each issue. As for top priority tasks undertaken by each department, their progress is reviewed regularly. In so doing, we do our utmost to keep our promises with stakeholders.

The body section aims to present a detailed and focused picture of the most critical 2013 achievements and 2014 plans.

This 2013 report is LS Mtron's 5th sustainability report. We believe that the previous four reports offered sufficient information on our basic management framework and systems.

Thus, this report focuses on the value we created for the concerned year, as well as the key points to disclose to stakeholders.

Our sustainability reports provide a cross-sectional view of LS Mtron's on-going growth. We hope that our readers can glean how we are evolving even further. LS Mtron is a corporation deeply committed to sustainability reporting and fully onboard with the principles of social responsibility.

INNOVATION INITIATIVES

24.2 billion

in Financial
Outcomes Generated

Creating Financial Outcomes from Innovation Initiatives

Our innovation initiatives produced KRW 24.2 billion in financial outcomes and contributed to 44.3% of the operating income. It is through the identification of challenging and creative innovation initiatives, along with the enthusiasm to reach over any obstacle to meet our goals, that we—through sustained innovation initiatives—lead to create even greater business success.



Securing a Technological Competitive Edge through Breakthrough Limitations Tasks

The completion of 12 'Break Through Limitations' tasks paves the way for our employees to strengthen our global competitive edge and build capabilities to evolve into a Global No. 1 company.

12

Initiatives Completed

Declaration LS Mtron will undertake customized innovation initiatives that create substantial outcomes. These outcomes will create a culture of innovation that ushers in a new future which will become a key driver in creating economic and social value.

2013 Achievements against the Set Plans

● Completed, ◐ Partially Completed, ○ Not Completed, ◎ Continuous Activity

SM Issue	Plans	Achievements	Benefits (Business and Stakeholders)	Month	Evaluation
Customized Innovation Initiatives	To offer training to embed innovation initiatives into daily behaviors	• Completed by all employees, 4.4 points in trainee satisfaction (against the 5 point full mark)	Embedding 3C* (behavioral patterns that define LS Mtron's innovation initiatives) into daily operations * 3C: Challenge/Creativity/Communication	Jun.	●
	To create financial outcomes from innovation initiatives	• KRW 24.21 billion generated in financial outcomes from 200 innovation tasks (Big Y for executives, VE, 6Sigma)	Contributing to the business performance of LS Mtron	Dec.	●
	To secure a technological competitive edge through Breakthrough Limitations tasks	• 12 tasks completed - Upgraded level of development capacity through secured key technology	Strengthening our market competitive edge	Dec.	●
	To strengthen daily innovation initiatives	• 98.8% of the employees made suggestions (20 suggestions per person on average) • 121 value creation tasks completed in the Staff Division • 20 quality circle tasks completed at overseas subsidiaries, 4th round of Immediate Practice training offered	Strengthening business fitness through daily innovation initiatives, Securing innovation capabilities at overseas subsidiaries	◎	●

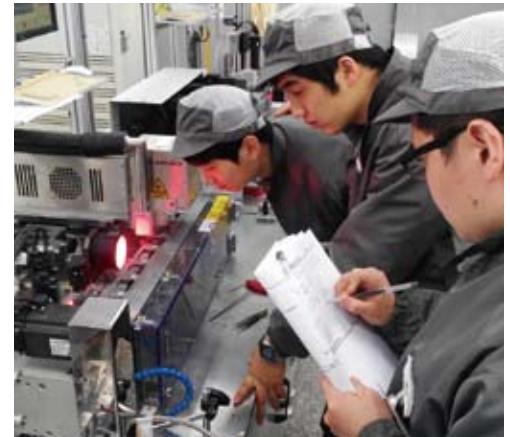
2014 Plans

SM Issue	Plans
Ensure the Stability of the 1 st -term Innovation, Fully Launch the 2 nd -term Innovation	<ul style="list-style-type: none"> • To develop and operate a thorough waste management program to build an innovation-driven culture • To develop LS Mtron's unique problem-solving methodology • To offer team leader innovation training to strengthen innovation leadership • To set directions for and undertake 3P Break Through Limitations tasks for each innovation target • To develop a multi-dimensional innovation initiative evaluation mechanism • To strengthen basic innovation initiatives continuously: Elevate the level of 5S initiatives, Improve the quality of suggestions

5S: Arrangement, Organization, Cleaning, Cleanliness, Discipline

(Note) These five activities are referred to as 5S because these words, originated in the Japanese manufacturing industry, begin with the alphabet 'S' when translated into Japanese

Our growth continues from a culture of innovation and this culture is what drives us to take immediate action to reach our established targets, regardless of any obstacle.



Customized Innovation Initiatives

LS Mtron has been undertaking customized innovation initiatives since the inception of the company. The 1st-term innovation helped us establish our unique innovation model Mtron 6 and this laid the groundwork for customized innovation initiatives. The 2nd-term innovation began in 2013 to further advance our innovation initiatives. This extended the scope of these initiatives, from the production and shop floor, to the Staff Division. In 2013, a total of 27 company-wide 3C training sessions were provided to realign our basic capabilities, built through the 1st-term innovation initiatives, and to embed such initiatives into the fabric of our corporate DNA. For us at LS Mtron, 'Challenge' means that we fearlessly challenge ourselves to reach even higher goals (Global No.1). 'Creativity', means that we dare to present creative ideas, that we break through limitations and that we don't let fear of failure impede our ability to think outside the box. 'Communication' means that we maximize our organizational capabilities through a culture of free and developmental communication.

Accomplishments from Breakthrough Limitation Tasks

Maximize customer satisfaction through the 'Business Development' sales approach taken by the Electronic Component Division

Suggest product improvements to help solve customer complaints

To resolve quality problems that occur in the use phase, we explored improvements on connectors. We redesigned our products by using spaces that had never been used before. This successfully addressed and solved the problem that our customers had been unsatisfied with. It was through creative thinking and an enterprising spirit (rather than a conventional approach) that we presented a product that exceeded customer expectations and maximized their satisfaction.



Secure a global technological competitive edge through Breakthrough Limitations tasks

Become the world's 1st to launch mass-produced 6 μ m battery copper foil

Battery copper foil plays a key role as a negative current collector and only a few companies are capable of supplying this cutting-edge material worldwide, as its manufacturing has required advanced technology. LS Mtron secured world-class plating technology (manufacturing battery copper foil with uniform thickness and properties) as well as web-handling technology (transporting and rolling thin battery copper foil without creasing or tearing) to become the world's 1st to mass-produce 6 μ m battery copper foil.



2014 PLAN

Operational Directions of the 2nd-term Innovation

We plan to develop and operate wide-ranging programs to embed '3C innovation behaviors' into daily operations so that our employees easily recognize them and change the way they work to ultimately generate tangible outcomes. In addition, we will focus on expanding the problem-solving methodology TRIZ as well as 6Sigma DFSS (Design for Six Sigma), improve project capabilities to intensively undertake Breakthrough Limitations tasks, strengthen daily innovation initiatives (making suggestions and 5S) and disseminate innovation initiatives into our overseas subsidiaries. While building a culture of innovation, we will also set directions for Breakthrough Limitations tasks in each of the 3P areas, realign customized innovation tools and strengthen the internal innovation capabilities of each division. The definition of waste will be expanded to encompass more stringent waste-elimination initiatives concerning corporate culture and indirect office operations, so as to deliver a more efficient and productive organization.

QUALITY & CUSTOMER SATISFACTION

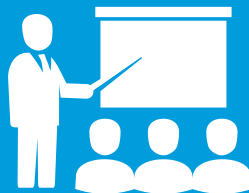
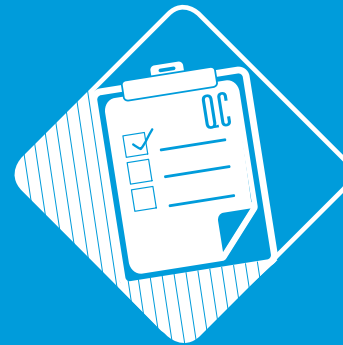
Quality Management
Engineers Accounting for

43%

of the Total Quality Workforce

Improve Quality Capabilities and Nurture Improvement Experts

Our commitment to nurturing a professional technical workforce, capable of fully adopting and disseminating quality management systems to cater to shifting customer needs, allowed 43% of our quality workforce to become certified in quality management in 2013.



ISO 9001 Certification Examiners Accounting for 45% (of the Total Quality Workforce)

Our endeavors to nurture experts with the ISO quality management system and strengthen quality innovation systems, as well as quality management capabilities, enabled 45% of our quality workforce to become certified ISO 9001 examiners in 2013.

ISO 9001 Certification
Examiners Accounting for

45%

of the Total Quality Workforce

Quality Policy We recognize customers as the foundation for our existence and provide products and services that satisfy customer expectations and requirements, so as to deliver credible and impressive customer experience.

2013 Achievements against the Set Plans

● Completed, ◐ Partially Completed, ○ Not Completed, ◎ Continuous Activity

SM Issue	Plans	Achievements	Benefits (Business and Stakeholders)	Month	Evaluation
Quality Competitiveness	To nurture quality talent	<ul style="list-style-type: none"> 43% of the workforce became certified quality management engineers 45% of the workforce became certified ISO9001 examiners The plan to nurture 50% of the workforce as internal quality examiners expanded to a quality talent nurturing system 	Visits to major customers/monitoring and technical seminars Nurturing experts on the ISO quality management system Improving the internal examiner nurturing process	Jun. Dec. Dec.	● ◐ ●
	To offer quality training courses	<ul style="list-style-type: none"> ISO/TS16949 requirements and core tool Supplier quality diagnoses and evaluations 	Securing quality capabilities		◎ ●
	To establish an environmental harmful substance management system	<ul style="list-style-type: none"> Offline management system developed or under sustained supplementation 	Securing a quality competitive edge and responding to environmental risks		◎ ●
	To secure a quality competitive edge	<ul style="list-style-type: none"> 21 improvements on quality defects, 46 system realignments, 16 cases of support for overseas subsidiaries, 99 cases of support for suppliers 	Securing quality capabilities		◎ ●
Customer Relationship Management	To deliver differentiated service quality that leads to real-life benefits to customers in the Tractor Division	<ul style="list-style-type: none"> The scope of activities extended (2014~) Product quality and brand awareness 	Setting business strategy through the identification/analyses of customer needs	Dec.	○
	To conduct customer satisfaction surveys	<ul style="list-style-type: none"> Plans set to improve on the existing research methods in terms of evaluation scales and surveys only 	Improving the reliability of customer satisfaction surveys	Dec.	◐
	To continuously undertake division-specific customer satisfaction initiatives and strengthen customer contact points	<ul style="list-style-type: none"> Service staff capabilities strengthened Visits to major customers/monitoring and technical seminars 	Delivering customer satisfaction		◎ ●

2014 Plans

SM Issue	Plans	SM Issue	Plans
Quality Competitiveness	<ul style="list-style-type: none"> To conduct customer satisfaction surveys (commissioned to professional survey service providers)(Targets: Tractor/Injection Molding Divisions) To Undertake division-specific customer satisfaction initiatives continuously and strengthen customer contact points 	Customer Relationship Management	<ul style="list-style-type: none"> To Implement the quality talent nurturing system and nurture talent To Secure a competitive edge in quality(expanded operation of quality training for overseas subsidiaries) To Develop an environmental harmful substance management system

LS Mtron's sustained growth is the result of its commitment to quality management that puts customers first.

Quality Talent Nurturing System

In 2013, our quality talent nurturing system was realigned to build global-level quality capabilities, offer training and undertake job level-specific quality initiatives. This improved system aims to nurture talented individuals who understand the 3P (People/Process/Product) strategy, LS Mtron's basic quality strategy, and who take the lead in positive change. To this end, approximately 230 employees from all divisions were surveyed and interviewed to identify capability items required to advance quality management. The outcomes were based on the development of a quality talent nurturing system roadmap. We used a process approach to the quality system to analyze area-specific job capabilities (quality planning, quality management, quality assurance, quality improvement) and job level-specific required capabilities, in order to establish a nurturing system. Our quality training consists of mandatory courses that are classified into quality basics/basic/advanced courses for office and technical workers, as well as specialized courses that include ISO/TS16949 Core Tool, reliability, and supplier quality management, improvement and guidance. Our quality talent nurturing system, to be launched in the beginning of 2014, will offer more quality training opportunities to all our employees, nurture quality innovation leaders in each area and establish a quality-driven culture, so as to strengthen our quality innovation system and quality management capabilities.



Quality Management that Caters to Customer Needs

In the face of increasingly fiercer competition, we are continuously committed to delivering impeccable, high-quality products and services that reflect customer requests. Our quality management system was designed to monitor the thoughts and suggestions of diverse customers in real-time and improve on any weaknesses, so as to put customer satisfaction first and deliver perfect, quality products. We also have a process to immediately report customer feedback and relevant outcomes to the CEO, so as to handle customer requirements in the shortest time frame and minimize the risk of customer complaints. Furthermore, we conduct annual customer satisfaction surveys to perfect our quality and customer-centered management system by attentively attending to their feedback and/or suggestions.

2014 PLAN

What are the plans for customer satisfaction surveys in 2014?

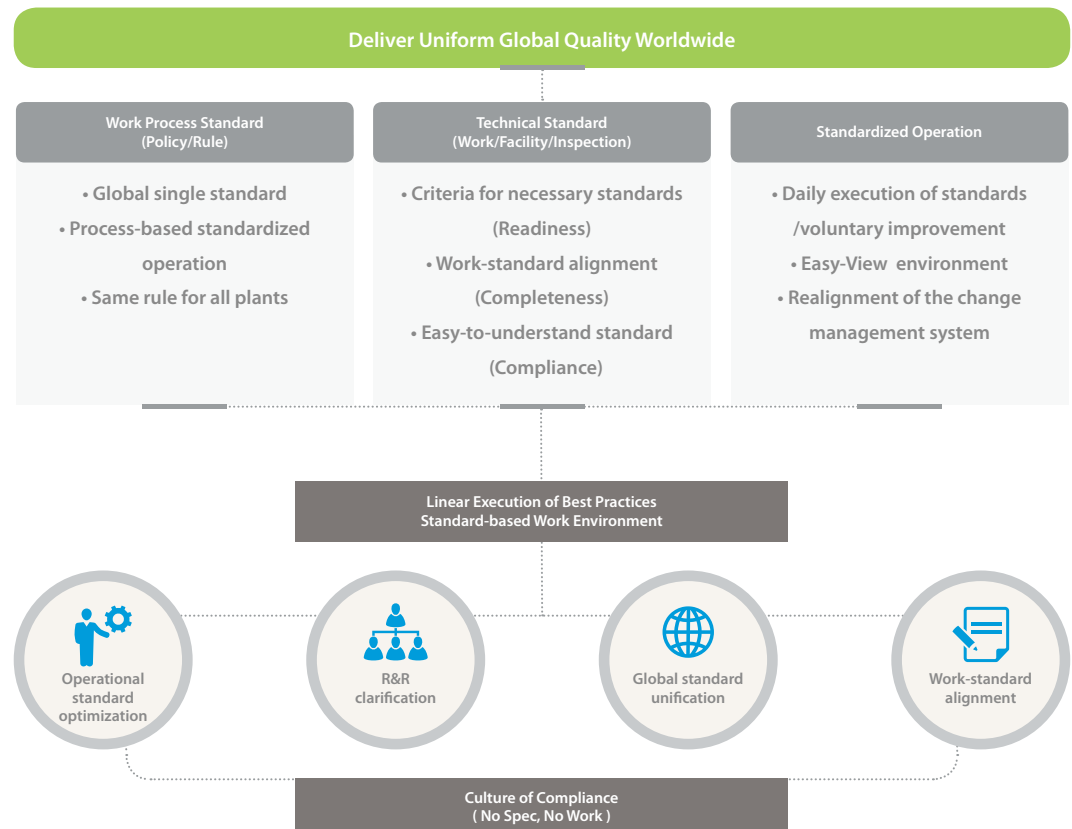
To improve the credibility of our customer satisfaction surveys, we plan to collaborate with external professional agencies in conducting such surveys. While we primarily conducted customer satisfaction surveys on such limited categories as quality, marketing, after-sales services and deadlines, we will now include in-depth customer interviews. These interviews will help us identify their response to our overall operations from purchasing and ordering, to product & service activities, as well as their requirements for necessary improvement. In 2014, this new survey method will target our Tractor Division, whose main customers are farmers. Customer satisfaction surveys that specifically cover agricultural machinery will allow us to identify product strategy directions for customers in each segment and to develop detailed product strategies by evaluating the adoption of new products and identifying appropriate price levels for each product. Furthermore, the features of our products & services, as well as their counterparts from competitors, will be evaluated and measures to improve on them will be developed. In so doing, we will be able to identify top priority tasks related to pricing and quality, which are representative factors that influence purchasing decisions. In addition, we will be in a better position to undertake sustained improvement to deliver even greater customer satisfaction.

LS Mtron vows to set the standard for customer satisfaction—from anywhere in the world.



No Spec, No Work! Quality Innovation Initiative

No Spec, No Work represents the quality improvement initiative undertaken by the Injection Molding Division. This aims to firmly establish standard compliance practices and voluntarily improve on existing unreasonable practices, to deliver uniform quality in the global market. Work and technology that demand absolute compliance are standardized and area-specific quality innovation tasks are undertaken to establish a Zero Defect system. This was done in conjunction with quality capability reinforcement training to ensure that work process and technology standards are continuously realigned, in addition to the improvement of the standard system. Furthermore, continuous monitoring ensures that the set standards are abided by and that improvement is made voluntarily. In July 2013, the quality innovation rally was hosted to widely disseminate the purpose and action plans of the No Spec, No Work initiatives and customers were invited to the demonstration of electric injection molding machines. LS Mtron vows to continuously endeavor to develop self-initiated problem-solving capabilities, establish a quality-driven culture where anyone can fulfill his/her responsibility through process improvement and efforts towards greater customer satisfaction.



SHARED GROWTH

KRW

7.6 billion

In Total Expenditures

Public-Private Joint Investment Technology Development Projects

LS Mtron is undertaking public-private joint investment technology development projects as part of its R&D funding support policy, in conjunction with the Small & Medium Business Administration (SMBA) and the Large & Small Business Cooperation Foundation. In 2013, a total of 10 projects were undertaken and a total of KRW 7.6 billion was invested.



Declaration LS Mtron will establish a virtuous cycle of mutually-beneficial cooperation that pursues shared growth on the basis of fair trade and secure competitive capabilities to expand its presence in the global market.

2013 Achievements against the Set Plans

● Completed, ◐ Partially Completed, ○ Not Completed, ◎ Continuous Activity

SM Issue	Plans	Achievements	Benefits (Business and Stakeholders)	Month	Evaluation
Strengthen the Competitive Edge of Our Suppliers	To offer customized support for an improved competitive edge	<ul style="list-style-type: none"> • PMS certification consulting offered to seven suppliers • Quality consulting offered to four suppliers 	Strengthening suppliers' capabilities and improving the stability of each other's quality	◎	●
	To undertake public-private joint investment technology development projects	<ul style="list-style-type: none"> • 10 projects undertaken, a total of KRW 7.6 billion invested (development of a bean harvester, etc.) 	Developing key components and contributing to parts localization	Nov.	●
	To operate the FTA system and offer training	<ul style="list-style-type: none"> • OCS (origin-of-country management system) training offered • FTA training offered 	Managing country-of-origin data, Preventing FTA-related risks	Dec.	●
	To operate the Win-Win Partnership Fund	<ul style="list-style-type: none"> • The Win-Win Partnership Fund increased in size and its loans improved in 2013 • Prime rates reinforced 	Improving the financial stability of suppliers	◎	●
Fair Trade	To maintain 100% cash-equivalent payment	<ul style="list-style-type: none"> • 100% cash equivalent payment 	Improving the financial stability of suppliers	◎	●
	To update the basic transaction contract form	<ul style="list-style-type: none"> • The standard subcontracting form from the Fair Trade Commission reflected • Subcontractors taking precedence in the contract form update, followed by SMEs and large companies 	Improving the stability of transactions through the update of the transaction contract form	Sep.	●
	To comply with the four guidelines from the Fair Trade Commission	<ul style="list-style-type: none"> • Four guidelines disclosed and integrated into the corporate policy • Four guidelines reflected in the basic transaction contract form 	Protecting the rights of suppliers	◎	●
	To elevate the level of LS Mtron's business ethics	<ul style="list-style-type: none"> • 4.34 points in ethics level (against the five-point full mark) 	Improving business ethics and disseminating ethics awareness to suppliers	Sep.	●
Facilitate Communication	To operate wide-ranging offline communication channels (half-yearly in each division)	<ul style="list-style-type: none"> • Direct dialogue channels operated such as business presentations and performance-sharing supplier events 	Enhancing the understanding of operations and communication	◎	●

2014 Plans

SM Issue	Plans	SM Issue	Plans
Strengthen the Competitive Edge of Our Suppliers	<ul style="list-style-type: none"> • To sign the shared growth agreement and to undertake relevant initiatives • To undertake public-private joint investment technology development projects and launch additional projects • To improve the FTA system and offer training • To increase deposits in the Win-Win Partnership Fund 	Fair Trade	<ul style="list-style-type: none"> • To complying with the four guidelines
		Facilitate Communication	<ul style="list-style-type: none"> • To host business presentations and performance-sharing supplier events

Working together, not only with our brain, but also with our heart,
is what defines the partnership between LS Mtron and its suppliers.

Six Shared Growth Initiatives

Status of Suppliers

Indicator	Unit	2013
Suppliers(Domestic/Overseas)	No. of suppliers	2,034/186
Purchases Made	Korea KRW billion	497.9
	China KRW billion	79.2
	Europe KRW billion	42.8
	Japan KRW billion	36.6
	Others KRW billion	16.7

Suppliers' Expectations and Requirements

Real-time sharing of payment order data	90 13%
Shared growth support for tier 2 suppliers	82 12%
Expand Q-Partners and related support	74 10%
Joint R&D	71 10%
Quality/production technology guidance	58 8%



Q-Partner
Program

“Our Q-partner program was designed to certify outstanding suppliers as a way to lay the basis for shared growth and strengthen our global partnership.”

Our suppliers are fairly evaluated each year for their quality, prices, their compliance with deadlines, and their technological and management capabilities. Top-performing partners in these areas are then selected as Q-Partners. The management capability assessment category includes security, environmental organizations, legal non-compliance, injury management and labor disputes. These Q-Partners are granted a certificate and a signboard and take precedence in receiving various opportunities including payment conditions, training expense support, and R&D for one year. Our Q-Partner program will cover sustainability management more extensively as evaluation criteria and we will disseminate sustainability management to our suppliers.

Q-Partner (Unit: KRW billion)

Year	2011	2012	2013
No. of Q-Partners	34	33	35
Cash Payment	114.3	128.5	142.4



Capacity-Build-
ing Support

“We offer wide-ranging capacity-building programs to directly assist suppliers in generating business outcomes.”

Our focus in 2013 was to offer quality and productive capacity-building support for suppliers. Our suppliers in the Tractor and Injection Molding Divisions were provided with Quality Mind-up training and four suppliers were aided in establishing quality inspection management standards and received relevant consulting. LS Mtron's Quality Masters were sent to these suppliers in person to provide more practical support. In addition, PMS (productivity improvement technique) certification support was offered to seven suppliers.



Training Details	Suppliers(Employees)
Disseminating a culture of innovation	66(66)
Strengthening the quality-oriented mindset	21(231)
Response to FTAs	48(55)
On-site improvement initiatives	37(117)
Mutually-beneficial cooperation in environment and safety	40(52)



Securing Financial
Stability for Our
Suppliers

“We develop diverse financial support programs to ensure the funding stability of our suppliers.”

The LS Win-Win Partnership Fund was designed to offer prime rates to assist our suppliers in securing operating funds. In 2013, our deposits in the fund rose to KRW 2.4 billion and prime rates were adjusted upward. In addition, cash payments for subcontractors rose four times, while payment deadlines were shortened from 24 days for cash payment and 20 days for bill settlement to 10 days respectively. Since October 2010, we have been making full, cash-equivalent payments to our suppliers.

LS Win-Win Partnership Fund	2013
LS Mtron's Deposits	KRW 2.4 billion
Fund Size	KRW 6 billion
Prime Rate	1.65~2.95%
Funding Results	Approximately KRW 5 billion

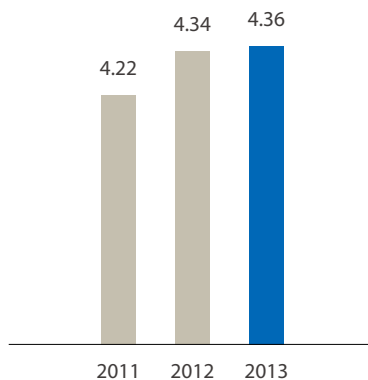


“LS Mtron will build a sustainable supply chain through stronger fair trade relationships and green carbon partnerships.”

LS Mtron is evaluated for its business ethics by suppliers each year and the outcomes are reflected in its operations. The evaluation criteria include satisfaction with LS Mtron’s ethics management, employee attitude, fair trade and competition, satisfaction with communication, and the priorities of mutually-beneficial cooperation initiatives required to promote shared growth. In the fields of the environment and safety, we offered supplier training on the development of GHG inventories and chemicals management through the government-led Green Partnership program. In addition, our win-win safety program serves to deliver an injury-free workplace.

How do suppliers evaluate the ethics management of LS Mtron?

(On a scale of one to five)



“LS Mtron assists suppliers with technology development to prepare for a shared future.”

LS Mtron is undertaking public-private joint investment technology development projects as part of its R&D funding support policy, in conjunction with the Small & Medium Business Administration (SMBA) and the Large & Small Business Cooperation Foundation. Over the past three years, we invested KRW 18.4 billion in 40 projects. Such commitment was recognized at the Shared Growth Fair 2013 and we were honored with the Excellent Investor Award and the Task Discovery Award. Furthermore, we filed joint patent applications on technology developed in conjunction with suppliers, while introducing the technology escrow system, as a way to protect the invaluable trade secrets and/or key technology of our suppliers.



“It is through seamless communication and feedback gathering that LS Mtron pursues mutually-beneficial growth with suppliers.”

Monthly evaluations made by suppliers and feedback gathered to identify necessary improvements enable us to build even stronger capabilities and ensure mutually-beneficial communication. While such supplier evaluations were performed only in the Tractor Division, their scope will extend to all the divisions in 2014 to maximize their synergistic effects. Meanwhile, we continue to improve on our purchasing system to ensure that information is communicated accurately. Furthermore, each division hosts business presentations and the year-end performance-sharing supplier events serve to expand opportunities to meet suppliers face-to-face and communicate more actively.

2014 ACHIEVEMENT _ Improvement on the Order Data System

We are committed to seamless and honest communication with our suppliers. In early 2014, we revised and added new elements to our manuals to clearly communicate when, how much and how supplies should be delivered. Meanwhile, we reinforced our server to ensure the trouble-free operation of the E-procurement and the Web-Ban of suppliers. Furthermore, we set up a fair work process that requires an electronic, document-based agreement on matters requiring mutual consent such as pricing and order changes.

INTERVIEW

Dal-Hyun Eom, President of DAE CHANG Industrial Co., Ltd.

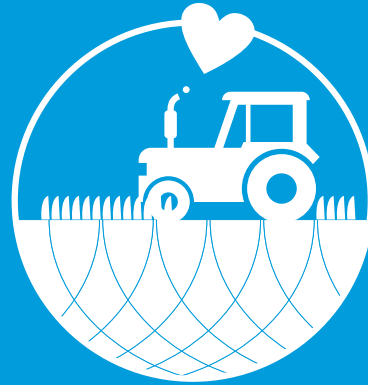
Daechang Industrial is a Daegu-based agricultural machinery component maker with a 40-year history. We produce the cabins, which serve as an integral part of LS Mtron tractors. Thanks to the innovation and commitment of all our employees, we were able to grow into a small, yet strong company, with KRW 20 billion in sales and partnerships and 80 component and parts suppliers. Since LS Mtron launched its Q-Partner program in 2008, we have been selected as Q-Partner for our top-notch performance for six straight years up until 2013. We have also undertaken three public-private joint investment technology development projects, LS Mtron’s representative mutually-beneficial cooperation program, over the past three years as LS Mtron’s best partner. Establishing the new plant called DAE CHAMG-AMCO Co., Ltd. in November 2013, allowed us to make another leap forward. The completion of this new plant significantly increased our cabin production and stabilized our supply of them, while the geographical proximity of this plant to LS Mtron’s Jeonju Plant (located in the Wanju Techno Valley) led to dramatic savings in logistics costs, when compared to the previous transport route that originated in Daegu. We will continue to innovate and endeavor to usher in a bright future of shared growth.

SOCIAL CONTRIBUTION

2

We Love Farming Village Volunteer Group

We Love Farming Village Volunteer Group, LS Mtron's representative social contribution program, undertakes practical volunteer activities (free-of-charge inspections of agricultural machines) and makes talent donations for farming villages located in the vicinity of LS Mtron plants, seniors living alone and the less privileged, as a way to spread the 'Happy Virus' throughout those farming villages.



Volunteered

Declaration LS Mtron will fully engage in the development and growth of the local communities where it is based, fulfill its social responsibility through employee volunteerism and deliver a flourishing area where everyone lives in harmony.

2013 Achievements against the Set Plans

● Completed, ◐ Partially Completed, ○ Not Completed, ◎ Continuous Activity

SM Issue	Plans	Achievements	Benefits (Business and Stakeholders)	Month	Evaluation
Facilitate Employee Volunteerism	To strengthen support to facilitate employee volunteerism	• Social Contribution Awards granted • Volunteer activities of new recruits undertaken	Increasing the number of employee volunteers	◎	●
	To forge sisterhood relationships with villages and schools in the vicinity of LS Mtron's locations	• One Company One Village campaign launched in Chudong village and Bongdong Elementary School supported	Building closer ties with local communities	◎	●
	Expand support for local cultural/arts/sports events as well as employees' participation	• Sponsorship and employees' participation expanded for such local cultural/arts/sports events as the Jeonju International Film Festival, the Jeonju World Sori Festival and the International Sculpture Exhibition	Improving awareness of LS Mtron in local communities	◎	●
Representative Social Contribution Programs	To launch the 3rd Global Happy Village campaign	• Delayed to 2014	-	◎	○
	To operate We Love Farming Village Volunteer Group	• Date: Aug./Nov. • Venue: Pyeongchon village, Jeongeup, North Jeolla/Daegae-myeon, Gumi City, North Gyeongsang • Details: Taking self-portrait photos for the elderly, hairdresser services, tractor inspections, improvement of living conditions • Participants: Informal members and employees of site-specific volunteer groups	Laying the basis for representative social contribution programs	◎	●

2014 Plans

SM Issue	Plans	SM Issue	Plans
Facilitate Employee Volunteerism	• To re-establish social contribution strategy and system • To undertake the One Person One Day volunteer campaign • To forge sisterhood ties with local communities and offer sponsorship to cultural, arts and sports events	Representative Social Contribution Programs	• To expand domestic representative social giving programs • To establish social contribution systems for overseas subsidiaries

LS Mtron employees come together on their own initiative to volunteer anywhere their kind-spirited efforts are needed.



Community Volunteerism

At LS Mtron, we ensure the spontaneity and autonomy of our volunteer activities and volunteer groups are under operation at each site. While such site-specific volunteer activities remain informal, the Social Contribution Subcommittee and other supportive systems offer systemized assistance to such activities. Our community volunteer group is operated at each of our four business sites in Jeonju, Anyang, Jeongeup and Indong and presently, approximately 500 employees are volunteering. LS Mtron's community volunteer group not only welcomes the participation of its employees—but also the participation of their families and suppliers.

<p>1 Sarang Silcheonhoe (Love Practicing Team) (Anyang)</p> <ul style="list-style-type: none"> • Major Beneficiary: Yanji House (Rehabilitation facility for patients with Cerebral Palsy), Gyeonggi Office of Child Fund, Anyang Nice Christian Family (children's welfare center) • Activity: Help bathe regularly/clean/dine education, donate money and supplies, support for local teenagers, etc. 		<p>2 Huimang ♥ Nanumi (Sharing Hope Team) (Indong)</p> <ul style="list-style-type: none"> • Major Beneficiary: Shelter of Love (Local care facilities for those with mental disabilities), Gumi Elementary School • Activity: Help bathe regularly, offer regular support for children from broken homes, help deliver briquettes, build sisterhood ties with overseas children
<p>3 Sarang Nanumhoe (Love Sharing Team) (Jeonju)</p> <ul style="list-style-type: none"> • Major Beneficiary: Da Ae Community, Hill of Grace, etc. • Activity: Donate money and supplies, help make kimchi, support construction and hands-on activities 		<p>4 Sarang Silcheonhoe (Love Practicing Team) (Jeongeup)</p> <ul style="list-style-type: none"> • Major Beneficiary: Welfare facilities for the disabled, childcare centers, House of Sharing, etc. • Activity: Help repair homes for elderly people living alone and those from broken homes, care for long-term patients, and donate money and supplies

Community Engagement

LS Mtron sponsors cultural, arts and sports events every year to help develop culture and improve the quality of life in the communities where it is based. Specifically, we have been a sustained sponsor to the Jeonju International Film Festival and the Jeonju World Sori Festival, two representative cultural festivals of North Jeolla where our Jeonju Plant is located since 2008. Our employees volunteer for these events on the festival sites and join forces with local residents. In addition, our sponsorship to the World Sori Festival and the International Sculpture Exhibition contributes to the promotion of the cultural industry. In Chudong village, with which we forged One Company One Village sisterhood ties, we support local future farmers in taking field trips to other villages with advanced agricultural practices. We also assist students at Yeonmudae Technical High School (Meister High School), with whom we signed the sponsorship agreement in 2012, in taking experience-based field learning courses. In so doing, we help local communities grow and nurture outstanding talent. In addition, we signed the MOU to promote the sales of local agricultural products with the National Agricultural Cooperative Federation and sponsored agricultural product advertising that was supervised by the federation. This helped us support garlic farmers and farmers who grow eco-friendly onions, as these farmers were suffering due to declining prices.

We Love Farming Village Volunteer Group has positioned itself as LS Mtron's representative social contribution program.

We Love Farming Village Volunteer Group

Our representative social contribution program 'We Love Farming Village Volunteer Group' attends to low-income farming villages and the aging population. These population segments are seriously concerning society and this program aids both the elderly who live alone, and the less privileged. Improving living conditions and practical volunteer activities aligned with our operations, such as free-of-charge farm machinery inspections and employee-sponsored talent donations (taking self-portraits for the elderly, hairdressing and taping therapy) are all designed to spread the 'Happy Virus' throughout the beneficiary village. This ongoing program is positioning itself as LS Mtron's unique and differentiated social giving initiative and will extend its scope from the local communities where the company is based, to farming villages across the nation. 'We Love Farming Village Volunteer Group' delivers contentment not only to beneficiaries, but also to our employees and their families.

[Pyeongchon Village in Jeongeup] Pyeongchon Village, Majeong-ri, Jeongeup City, North Jeolla



[Dogae-myeon in Gumi] Dogae-ri, Dogae-myeon, Gumi City, North Gyeongsang



2014 PLAN

Social Contribution Operational Plans

LS Mtron will undertake beneficiary-centered and sincere social contribution initiatives to help promote a warmer kind of world, where even businesses and companies forge sincere relations and their stakeholders truly benefit from one another. To this end, we will set a mid/long-term social contribution strategy, establish a multi-dimensional system and develop internal operational and management systems. Furthermore, we aim to launch the 'One Person One Day Campaign', operate 'Day of Team Leader Volunteerism' and develop site-specific customized volunteer programs to ensure that not just beneficiaries, but also all participating employees, have an enjoyable experience. In so doing, LS Mtron will be fully engaged in addressing social issues, fulfill its social responsibility and go the extra mile to evolve into a company that creates shared value.

GREEN MANAGEMENT

4 8

Plants Business Divisions

GHG Emissions Monitoring System

To proactively respond to ever-increasing effects of climate change, LS Mtron completed the development of the GHG emissions monitoring system for each of its four plants and eight business divisions. This will greatly boost our capacity in managing GHG emissions reduction targets.



Declaration LS Mtron will continue to undertake energy-saving and GHG emissions reduction initiatives and support the expansion of its green business so as to become a global-leading green company in the industrial machinery and cutting-edge component industry.

2013 Achievements against the Set Plans

● Completed, ◐ Partially Completed, ○ Not Completed, ◎ Continuous Activity

SM Issue	Plans		Achievements	Benefits (Business and Stakeholders)	Month	Evaluation
Respond to Climate Change	To develop a GHG emissions monitoring system		• Completed the development of the monitoring system for each of the four plants and eight business divisions	Improving GHG target management capacity	Jun.	●
	To develop a GHG/Energy IT system		• Completed the company-wide GHG/energy IT system	Developing a GHG database and share data in real time	Sep.	●
	To obtain the carbon labeling certificate awarded by the Ministry of Environment		• Became Korea's 1st to obtain the carbon labeling certificate for the tractor model (PLUS Series 7188)	Securing a competitive edge in green products	Nov.	●
	Shared Green Growth System		• Calculated the carbon footprint of products • Analyzed and improve energy processes	Building a green partnership along the supply chain	Nov.	●
Operation of Advanced ESH Business Sites	High-Tech Center	To identify major risks and integrate their prevention/maintenance into internal policies	• Completed the improvement of 25 risk factors • Established and revised 102 safety regulations	Reducing environmental safety risks from the relocation of our business site	Aug.	●
	Overseas Subsidiaries	To support system developments and perform fire prevention evaluations	• Operated and provided the environmental safety diagnosis checklist and diagnostic methods	Tightening the environmental safety review system and enhance its effectiveness	Sep.	●
		To nurture environmental safety officers	• Offered video training to nurture professional staff • Disseminated risk factor identification/mitigation techniques	Boosting the level of environmental safety management at our overseas subsidiaries	Sep.	●
Employee Health & Safety	To operate a smoking cessation program		• Created the smoking cessation fund and reached a 64% smoking cessation success rate	Establishing a healthy smoke-free work environment	Feb.	●
	To improve environmental safety risk evaluation		• Re-evaluated company-wide risk levels, tightened management standards and offered training	Improving self-initiated environmental safety management capabilities on a division level	Apr.	●
	To nurture professional fire-prevention staff		• 26 fire safety managers were certified (74 within the accumulated number)	Improving on-site fire management	Dec.	●
Green Products	To strengthen the management of green products		• Re-defined eco-friendly design elements and set operational plans in each division	Expanding green product line-ups and strengthen the management of them	Oct.	◐
	R&D investment in green products: KRW 20.2 billion		• KRW 17.94 billion	Expanding R&D of green products	◎	◐
	Percentage of green products being sold: 47%		• 47.4%	Expanding R&D of green products	◎	●

2014 Plans

SM Issue	Plans	SM Issue	Plans
Thoroughly Respond To Environmental Safety Risks	<ul style="list-style-type: none"> • To build a chemicals management system • To set a strategy to respond to the upcoming GHG emissions trading scheme • To support accident prevention efforts at overseas subsidiaries 	Step Up Preventive Measures to Minimize Accidents	<ul style="list-style-type: none"> • To review environmental safety practices and facilitate relevant campaigns • To improve the environmental safety management systems of our suppliers
		Bolster Production of Green Products	<ul style="list-style-type: none"> • To set a new green product operation model • To increase the No. of green products rated Grade 1 or above, to a Grade 8 rating

LS Mtron Cares for the Environment and its Value Chain Grows Hand-in-Hand with its Suppliers.



Shared Green Growth System

As part of the ‘Government-Sponsored Large Business-SME Green Carbon Partnership Projects’ that we have participated in since 2012, we have assisted 20 suppliers in conducting energy diagnoses, building GHG inventories and diagnosing fire safety hazards. In 2013, we have helped 20 suppliers identify their energy consumption status and improve their facilities and processes to reduce energy consumption. These diagnostic activities helped us identify ways to reduce energy use by approximately 11% and LS Mtron is currently working with these suppliers to reduce their GHG emissions even more. Furthermore, we aided suppliers in calculating their GHG inventories so they could create their own GHG emissions regulatory response system—and independently manage their performance—by providing them with relevant guidelines and inventory calculation tools. We also evaluated the safety management of our suppliers, with our own internal standards, to help them prevent safety accidents. We diagnosed the safety of the electric and fire systems at 20 of our supplier sites and 89% of the identified improvements were successfully completed.

Major Activities Under Government-Sponsored Projects

- Build GHG inventories
- Calculate the carbon footprint of products
- Analyze and improve energy processes
- Build green management systems (Revise standards and procedures, etc.)
- Nurture green management experts
- Develop green management information systems (IT)
- Develop a management system for harmful chemicals



Analysis of GHG Emissions

- By emission source, on a monthly basis
- Intensity analysis, etc.
- Commitment to reducing GHG emissions

Green Products

At LS Mtron, we believe that developing green products is an incredibly effective way to deliver new value to our customers. Moreover, it helps us fulfill our environmental responsibility and greatly minimizes our environmental footprint in the manufacturing process. Since 2010, we have defined the boundary of green products to facilitate their development and have introduced a number of green design processes. Each year, we follow internal standards to define green products (products whose basic design elements were improved or products that belong to the green business category) and strive to expand the R&D and sales of these eco-conscious products.



< PLUS Series P7188 Model >

Carbon Labeling

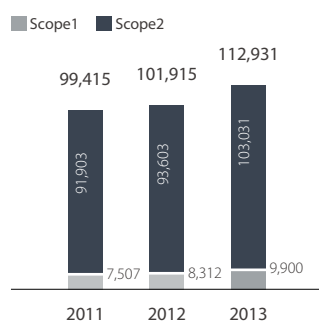
In 2013, LS Mtron became the 1st Korean company to obtain the carbon labeling certificate in the tractor industry (PLUS Series P7188). We gather process/material-specific parts data, calculate the GHG emissions of our entire process (through calculating our carbon footprint), and transparently disclose our carbon emissions to consumers. In so doing, we encourage our consumers to opt for greener products.

Through our GHG/energy IT system, we advance the transparency and reliability of environmental management.

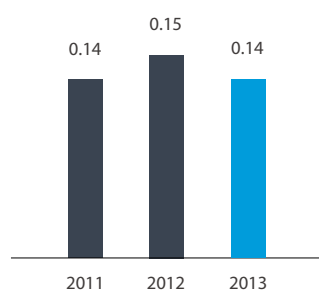


GHG Emissions Management

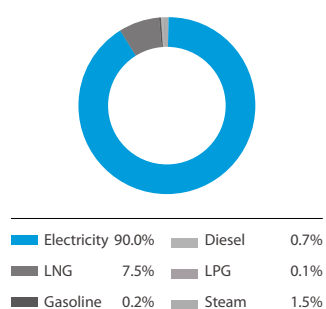
Trend in GHG Emissions (tco₂)



Emission Intensity Measured against Sales (tco₂/KRW 100 million)



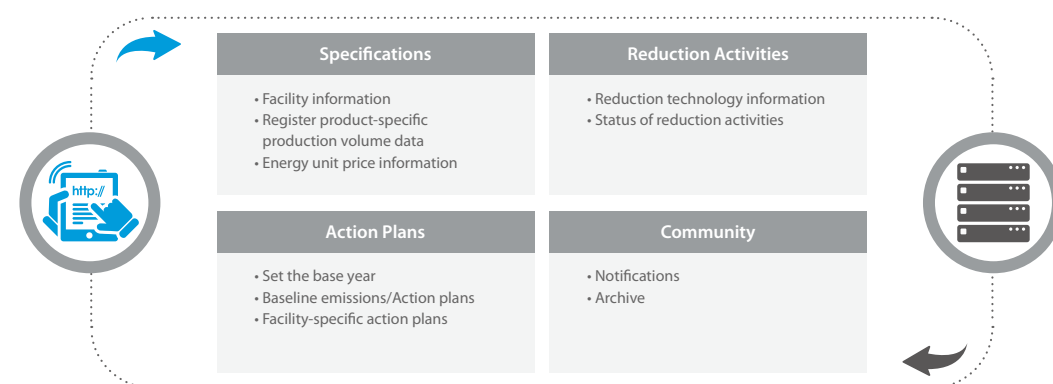
Ratio of Energy Sources



Company-Wide GHG Emission Response System and IT System

Starting with our plant in Jeongeup in 2012, all our plants became subject to the government-led target management system in 2013. Consequently, in 2013, our GHG emissions rose by 10.8% from the previous year to 112,931tCO₂ but their intensity declined due to the intensive efforts of each division to reduce GHG emissions. In 2013, we developed our own GHG/energy IT system to not only manage the status of energy consumption by energy source, but also to efficiently manage energy use and reduce our consumption. Furthermore, we calculate expected GHG emissions in making new facility investments to allow for comparability management. This allows us to reach our set reduction targets and systematically manage our GHG consumption.

GHG · Energy IT System and Structure



Calculation of Expected Mid/Long-term GHG Emissions

At LS Mtron, we manage mid/long-term emissions data in consideration of product-specific market forecasts and production plans, along with the status of facility construction/expansion at each plant. Although we begin with short-term process/production technology improvements, we also take a mid/long-term perspective in consultations regarding new facility investments and in establishing a process to reduce our environmental footprint and GHG emissions.

Major Reduction Activities Undertaken

Facility	Activity	Expected Reductions(tco ₂ /year)	Investment(KRW million)
Production Facility Improvement	Reduce power consumption by adjusting the spacing among production facilities	944	172.0
Process Improvement	Improve operation conditions by controlling cooling temperatures and pressure	248	1.2
Freezer	Replace old freezers with new high-efficiency models	159	31.0
Driving Facility Improvement	Install inverters to respond to load fluctuations	158	28.4

Each of our plants ensures they use environmental resources more efficiently and prevent safety accidents through detailed safety inspections and health & safety training.

Environmental Health & Safety Initiatives Undertaken at Each Plant

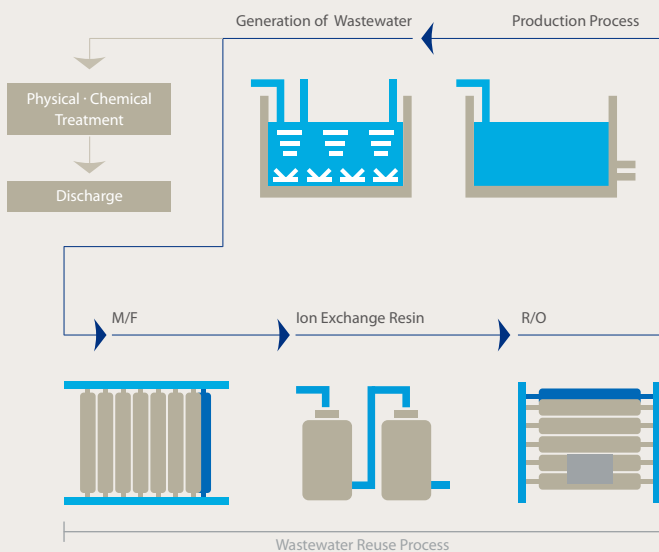


Anyang Plant

(Water Resource Management)

To conserve water and reduce wastewater discharge, we recently deployed wastewater recovery (reverse osmosis) and re-treatment facilities to align our previous wastewater treatment (which had simply been discharged through processing facilities), with a recycling process. By recycling our wastewater, we were able to reduce wastewater discharge by 38%. This was recognized as a best practice in water conservation and earned us the Grand Prize at the Gyeonggi Environmental Awards.

Wastewater Reuse Process Diagram



Indong Plant

(Mutually-Beneficial Environmental Safety Program)

Our Indong Plant offers its suppliers a mutually-beneficial environmental safety program. By raising safety awareness and improving risk factors among suppliers through support for risk evaluation & improvement and safety training, we consistently assist our suppliers in preventing accidents.

Detailed Initiatives

- Improvement of health & safety risk factors (23 cases)
- Support for health & safety lecturers
- Guidance in preparing process-specific work safety procedures
- Dissemination of danger prediction training and stretching techniques



Jeonju Plant

(Environmental Health & Safety Patrol)

As a way to prevent environmental safety accidents, we established the Green Patrol program, where professional staff in each division offer intensive safety support, while conducting joint labor-management monthly inspections to identify and improve work-related risk factors. Such a commitment to workplace health & safety was recognized at the Honorary Occupational Safety Supervisor Presentation 2013, where we were awarded the Grand Prize.

Detailed Initiatives

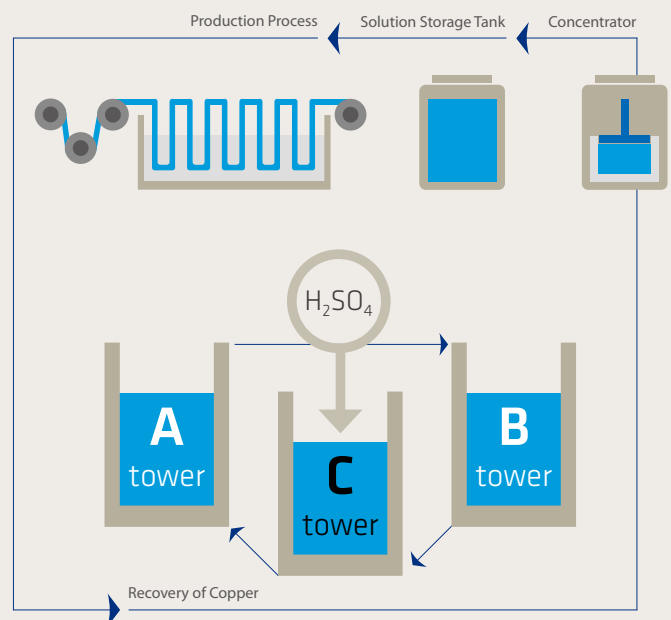
- Assignment of dedicated professional health & safety staff to each division
- Sustained discovery and improvement of process-related hazard & risk factors
- Prevention of safety accidents through facility-specific regular inspections



Jeongeup Plant

(Resource Reuse)

Our Jeongeup Plant operates a facility that recovers copper from wastewater and reuses it as raw materials. To reduce the consumption of raw materials and minimize resource waste, more than 95% of the copper ion contained in wastewater is recovered and reused in manufacturing processes.



TECHNOLOGY COMPETITIVE EDGE

19

Final Selection of
Strategic Labs

Stronger O/I Partnership based on Core Platform Technology

In line with rapidly-shifting market conditions and increasingly complex and diversified customer needs, we are forging even closer cooperative relationships with academia to strengthen our platform technology that lies at the core of our business operations. In 2013, the number of our Strategic Labs rose to 19, and in 2014, we will expand the scope of our Strategic Labs to include professional research institutes and overseas/local labs.

*O/I = Open Innovation



Declaration LS Mtron will recruit and nurture outstanding R&D talent in the industrial machinery, cutting-edge component and materials segment, while producing top consumer solutions through open innovation and the development of green products.

2013 Achievements against the Set Plans

● Completed, ◐ Partially Completed, ○ Not Completed, ◎ Continuous Activity

SM Issue	Plans	Achievements	Benefits (Business and Stakeholders)	Month	Evaluation
Advance Open Innovation	To undertake government-sponsored/commissioned projects	• Undertook 37 government-sponsored/commissioned projects	Reinforcing O/I partnerships on the basis of core platform technology	◎	●
	To select Strategic Labs in alignment with core platform technology	• Selected 19 Strategic Labs		◎	●
Recruit and Nurture Outstanding R&D Talent	To secure exceptional talent in Korea and overseas	• Secured seven industrial scholarship students • Secured seven talented individuals through Lab tours • Secured Target Labs (38 labs) and key strategic locations (19 labs)	Securing outstanding talent	◎	●
	To nurture outstanding talent	• Provided degree/MBA programs to nine employees • Developed a R&D training system • Offered leadership training to team leaders and PMs	Nurturing outstanding talent	◎	●
	To develop and implement organizational culture revitalization programs	• Hosted executive discussions (communication on a job position/organizational level) • Offered a researcher engagement program (C.A.) • Celebrated Communication Day	Facilitating inter-divisional communication	Dec.	●
	To increase our cases of patent-infringement litigations	• Succeeded in winning the 1 st patent infringement litigation trial	Strengthening patent licensing rights	◎	●
Technological Competitive	To place top priority on the security of future technology, through the discovery of essential patents	• Discovered highly valuable patents: 34 (key patent: 34 patents, essential patent: 4 patents)	Strengthening the patent portfolio	Dec.	●
	To improve the patent application grading system	• Reviewed the patent application grading guidelines and plans to raise patent attorney fees to more reasonable levels	Securing high-quality patent rights	Dec.	○
	To implement six TRIZ tasks and offer TRIZ Level 1 training	• Undertook 10 tasks, Reached 45% in completion of Level 1 training	Offering employees opportunities to improve their problem-solving skills and develop individual potential	Dec.	●

2014 Plans

SM Issue	Plans	SM Issue	Plans
Advance Open Innovation	• To foster Strategic Labs by core platform technology • To diversify strategic partners	Develop a Foundation for a Technological Competitive Edge	• To reinforce specialized patent training and operate a patent counseling center • To discover highly valuable patents • To set and apply guidelines for the patent application grading system • To enhance the level of TRIZ tasks and training
Recruit and Nurture Outstanding R&D Talent	• To focus on the internal nurturing of key talent • To develop a mid/long-term HR management system (HRM) • To secure dedicated staff and build a system for R&D training • To establish the EVP (Employee Value Proposition) for the R&D workforce		

Our Collaboration with Academia Forms the Deep-Rooted Source for Our Technology and Knowledge.

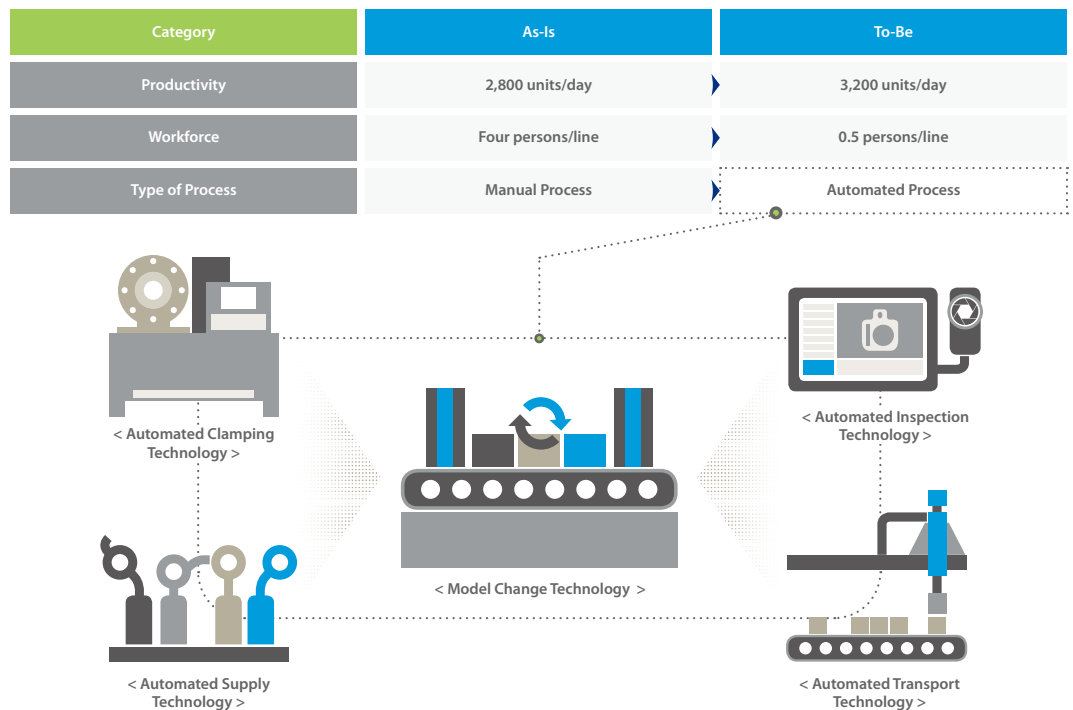
Commitment to and Achievement in Securing Core Platform Technology

Rapidly-shifting market conditions and increasingly complex and diversifying customer needs are shining a spotlight on the value of open innovation in corporate R&D strategy. At LS Mtron, we recognize our academic partners as a major stakeholder group; we collaborate closely with them to reinforce our position in platform technology, which constitutes the core of our operations. In 2013, we gained more Strategic Labs, bringing their number up to 19. In 2014, to add to the qualitative aspect of this quantitative growth, we plan to make even further improvements by working with professional research institutes and technology advisors.

Major 2013 Achievements in Open Innovation

Our participation in the ‘electronically-controllable large-size tractor development’ project, a cutting-edge technology R&D project led by the Ministry of Food, Agriculture, Forestry and Fisheries, allowed us to complete the development of optimal tractor CVT control simulation modeling technology in March 2014. This was the result of our joint endeavors with a research team from SungKyunKwan University and this model was designed to improve the accuracy of modeling through testing the characteristics of element parts. This simulation model is the 1st of its kind developed by LS Mtron to conduct optimal control analyses of engines, transmissions and implements and is expected to shorten both time and cost expenditures, while improving the quality of large-sized tractor development. We have recently initiated the development of OLED high-barrier films as part of the government-sponsored project to ‘develop graphene-based materials/parts technology’ supervised by the Ministry of Trade, Industry and Energy with an aim to create new markets. Presently, we are developing barrier films and reactive sputtering technology through R&D and general cooperation with numerous universities and research institutes. Once completed, we expect this project to offer us barrier film and reactive sputtering technology capabilities.

As part of the public-private joint projects led by the Small and Medium Business Administration, our Automotive Component Division has been working with its suppliers on the brake hose assembly automation project from November 2012 to October 2014. We expect this project to deliver productivity gains in our assembly line, as well as a reduction in labor costs.



Increasing Efficiency and Ability to Execute R&D Operations

Opening PMS for Technology Development

Our R&D project management system PMS (Project Management System) was designed to improve the efficiency and execution of our R&D operations. In developing PMS, we undertook PI activities to redefine our R&D process and develop our system, while R&D processes optimized for our R&D operational environments and user convenience for our researchers, were also taken into account in designing this system. PMS enables us to share the progress of R&D projects among relevant parties (top management/PMs/researchers) in real time. This in turn, helps shorten project lead times, efficiently manage human/financial resources and expedite decisions in addressing risks. We believe all these improvements will lead to improved R&D outcomes.

We Deliver New Value by Developing Top-Notch Products and Securing Core Technology.



Mid/Long-term Initiatives to Secure Technological Competitive Edge

Using TRIZ to Build Creative Problem-Solving Capabilities

We introduced TRIZ in 2012 as a creative problem-solving methodology, and since then, 151 employees have become certified Level 1 TRIZ experts. In 2013, a total of 10 tasks were undertaken to explore ideas in accordance with TRIZ processes and share verification outcomes regarding TRIZ's applicability. One of these tasks was published as a paper at the Global TRIZ Conference and was warmly welcomed by global TRIZ experts. We will continue to foster TRIZ experts and extend our cooperation beyond developing our own creative problem-solving capabilities to further promote the development of TRIZ on a nation-wide level.

Broadening the IP Portfolio through the Proactive Exploration of Ideas

The continued growth of our overseas sales inevitably exposes us to global patent disputes. The increasing likelihood of such a risk prompted us to actively identify IP seeds so that we could build and broaden our IP portfolio, while remaining attentive to potential core/strategic/essential patents. As part of our efforts in building our own IP portfolio, we are discovering 'core/essential' patents. Not only will this help us become a market leader, it will also broaden our market presence while we discover 'strategic/applicable patents' to respond to the entry of our competitors upon our market. In addition, we are looking for 'core technology/ideas' in relation to the development of technology and products on the part of our R&D team and other business divisions as a way to protect our IP rights. Included in our analyses of major patents disclosed by our competitors is to design our products around this as a way to minimize business risks. In 2014, we will expand our 'IP training initiative' to fully support our employees with their job-related invention activities.

2014 PLAN

Customized Training Programs to Nurture a Top-Notch R&D Workforce

Fostering internal talent is the key to the sustainability management of any company. While we have been offering company-wide training programs, we will focus more on customized training to nurture a top-notch R&D workforce. We believe that identifying the EVP (Employee Value Proposition) of our researchers and developing a mid/long-term R&D talent promotion roadmap will contribute to securing our technological competitive edge and improving company-wide outcomes. Our future executive leaders will receive R&D Biz leadership and LS T-MBA/MBA courses, while future technology leaders will benefit from the broadening of the current employee PhD courses. We will also develop and launch specialized technology training courses to secure the platform technology required in this convergence-driven era. Another critical element regarding our training program: we are planning to increase the number of employees at the 6 Sigma Level BB or above and at the TRIZ Lv2 or above. This will help our R&D workforce to enhance their creative problem-solving capabilities.

Building a Robust IP Portfolio through the Discovery of Top-Notch Patents and Greater Rewards for Job-related Inventions

The increasingly dominant global trade protectionism based on patents and other types of intellectual property rights highlight the importance of IP rights. This prompted us at LS Mtron to come up with and undertake measures to build a stronger and more extensive IP portfolio. While we have relied greatly on our researchers to create IP right applications, we will empower our staff in charge of managing IP rights to actively discover outstanding patents (strategic/core/essential patents) in each phase of the respective R&D projects. In so doing, we will be able to secure each and every top-notch patent that had previously been neglected due to our lack of expertise regarding IP rights. Furthermore, our long-standing job-related invention reward program will be reinforced to motivate our employees to create more inventions and ultimately contribute to broadening and advancing our IP portfolio.

EMPLOYEE VALUE ENHANCEMENT

Job Training Completed in Each Job Category

397 employees

Employee Capacity-Building

Organizational capabilities are based on individual capabilities. Therefore, we at LS Mtron operate job training systems for R&D, sales, production and support staff to ensure that each and every LS Mtron employee produces the best-possible outcomes in their respective position.



Declaration LS Mtron recognizes its employees as both stakeholders, and as the main agents that create corporate value. We respect the human rights of every employee, assist our employees with capacity-building and build an organizational culture that promotes engagement and communication.

2013 Achievements against the Set Plans

● Completed, ● Partially Completed, ○ Not Completed, ◎ Continuous Activity

SM Issue	Plans	Achievements	Benefits (Business and Stakeholders)	Month	Evaluation
Global HR	To improve the office worker promotion system	• Improved the evaluation methods for manager CR and general manager PRB	Clarifying the criteria of promotion evaluations	Jun.	●
	To improve HR systems	• Improved the errors in the recruitment and evaluation systems	Increasing the efficiency of system operation	Dec.	●
	To assist an overseas subsidiary (LSMB in Brazil) in developing their HR system	• Completed support to establish overall HR systems – recruitment, evaluation, promotion, compensation, and welfare & benefits	Stabilizing subsidiary operations early on through swift localization	Dec.	●
	To focus on nurturing candidates for expatriate positions	• Created and foster a pool of candidates that doubles the number of available positions	Strengthening the adaptability of expatriates well before the commencement of their overseas assignments	◎	●
	To swiftly recruit outstanding talent for growth businesses and R&D operations	• Focused recruiting employees for growth businesses and R&D operations (49 employees)	Recruiting talent in alignment with business outcomes	◎	●
Employee Capacity-Building	To strengthen the caring program for new hires	• General training on the 1 st work day for new hires/Future Camp for new hires	Supporting new hires with a 'soft landing'	Jun.	●
	To establish job training systems for each job category and develop/operate relevant courses	• Developed and operated job training systems for R&D/sales/production/support staff	Strengthening employee's job capabilities and organizational competitive edge	Sep.	●
	To build leadership capacity of executives/team leaders	• Executive Coaching: Offered to three executives and one team leader group • Team Leader Capacity-Building Program: Efficient communication, Influence-Building Program	Improving organizational competitive edge based on robust leadership of executives and team leaders	◎	●
Employee Engagement and Communication	Operate employee communication channels	• Hosted 53 sessions of the dialogue with heads of divisions (teams) • Major improvements made based on suggestions - Operate job-related training programs - Redefine R&R and staff operation to relieve the increased work load	Facilitating communication across different job positions/Improve the working-level grievance/issue gathering process	◎	●
	Operate an organizational activation program	• Performed DISC (behavior type examination) diagnoses, improved understanding among employees, slated plans to diagnose/improve operational efficiency	Generating synergistic effects by facilitating team-level communication	◎	●

2014 Plans

SM Issue	Plans	SM Issue	Plans
Global HR	• To strengthen our competitive edge in recruitment by enhancing our corporate awareness	Employee Capacity-Building	• To develop a job training system for technical workers • To introduce/operate a job credit system
	• To operate the HR system to nurture candidates for heads of subsidiaries/team leaders	Employee Engagement and Communication	• To host dialogues with heads of business divisions (teams) • To evaluate the organizational activity level and develop an activation program
	• To develop a HR system to nurture key talent at overseas subsidiaries		
	• To improve the promotion system for the R&D workforce		

We Build a Global HR Culture to Assist Our Employees in Becoming No. 1 Mtron People, Regardless of their Location.



Improvement of the LSMB HR Infrastructure

With the completion of our tractor plant in Brazil in October 2013, we assisted our Brazilian subsidiary in building their own HR system for two months (between May and June), to swiftly localize our business philosophy and HR system. Through carefully analyzing and reviewing the status of overall HR matters in terms of their urgency and importance, we helped build a localized HR system that reflects the specificities of our Brazil plant regarding recruitment, evaluation, promotion, compensation and the welfare & benefits system. Through our sustained interest and support, this system will be continually upgraded.

HR Support at LSMB

Facility	Category	Details
Recruitment	Standards/Methods	• Phase-specific review criteria, methods, etc.
	Operation	• From recruitment to assignment
	Treatment	• Criteria to determine job positions and pay levels upon recruitment
	Job Descriptions	• Develop and manage job descriptions
Evaluation	System/Criteria	• Basic directions and principles of evaluation management including detailed criteria, methods, etc. • Structure, weighting, scaling of evaluation categories
	Operation	• From setting targets to F/B and utilization
Promotion	System/Criteria	• Basic directions and principles including detailed promotion criteria, methods, etc.
	Operation	• Detailed operational process
	Title/Position	• Title/position structure
Remuneration	Adequacy of Pay Levels	• Competitive edge in wage against competitors • Internal fairness • Entry-level pay management for each job level
		• Pay raise methods
		• Size of performance pay, payment criteria
	Welfare & Benefits	• Support categories and detailed criteria
Others	ERP	• ERP operation
	Business Trip	• Operating standards for business trip expenses

Overseas Offices

12

(Including subsidiaries and branches)

Total Overseas Staff

1,156 employees

(As of the end of 2013)

Meet Global Standards
and Reflect Local
Regulations and
Specificities

2014 PLAN

Global HR Plans

Since our Vietnamese electronic component subsidiary (LSEV) is slated for establishment in 2014, we will assist LSEV in building its own HR system on the basis of our accumulated experience in completing HR systems in China, the U.S. and Brazil.

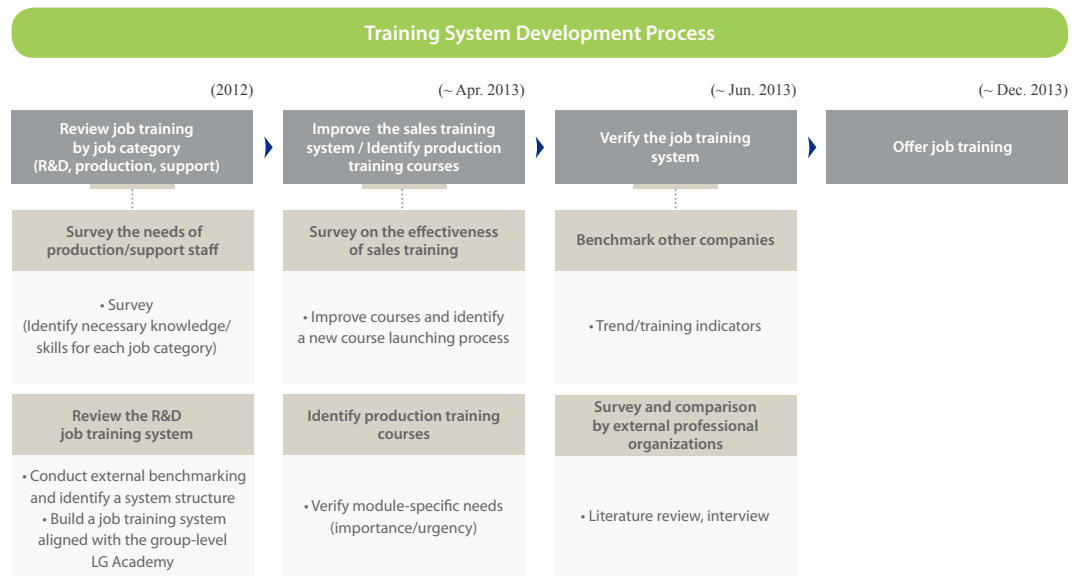
We also plan to assist our Chinese subsidiaries in nurturing locally-hired key talent. While our Chinese subsidiaries have their overall HR system up and running, our goal is to build and operate a talent nurturing program to meet the growing needs required in fostering local employees. To this end, we will develop a key talent localization roadmap by defining positions that should be swiftly localized and designing a phased-in nurturing plan that considers subsidiary-specific organizational structures, and organization-specific roles & responsibilities.

Job Training that Builds Expertise and Strengthens Capability Serves as the Foundation of a Robust Competitive Edge.



Development and Operation of a Job-Category-specific Training System

Our job-category-specific training system was designed to enhance the expertise required of varying positions. Starting with the sales category in 2011, this system was extended to cover R&D, production and support categories in 2013. In developing training courses, employees were surveyed and interviewed on the necessary capabilities, knowledge and skills required for each job category, while external professional organizations and best practices were analyzed on multiple aspects. In 2013, approximately 400 employees attended a total of 34 courses and they ranked their satisfaction with training at 4.4 points, on a scale from one to five.



Status of Job Training

Sales

No. of Courses	9
Total No. of Trainees	147

Support

No. of Courses	12
Total No. of Trainees	56

R&D

No. of Courses	9
Total No. of Trainees	132

Production

No. of Courses	4
Total No. of Trainees	62



Expectations of employee nurturing and training

68%

(According to the 2013 stakeholder survey of employees)

We offer diverse programs to assist new recruits adapt to their new work life at LS Mtron with a sense of ownership and peace of mind.

Programs and Initiatives Related to the Retention of New Recruits



Common Basic Training for New Hires

- Purpose: Assist new recruits in adapting to work life early on
- Details: Company overview, corporate system overview, how to use the in-house intranet, etc.

New Recruits out of the Total 2013 Workforce

16 %

(Based on the Head Office)

Launching Future Camp

We launched 'Future Camp' for new hires that had no previous experience within a corporate organization (attended by 20 new hires). For employees celebrating their first anniversary with LS Mtron, 'Future Camp' provided these employees an opportunity to look back on their days at the company and celebrate and encourage each other as co-workers. This helped them develop a deeper sense of belonging and pride, look ahead at their future career and renew their commitment as LS Mtron employees. As part of our new hire retention program, we will continue to improve and complement such well-received programs and training courses.

Expansion of Introductory Training for Technical Workers

The sustained growth of our business scale led to the recruitment of 120 new technical workers over the past three years. To respond to the trend of increased recruitment among technical workers, our technical worker introductory training—which previously had only been offered on a plant level—was integrated on a company-wide level to strengthen its overall structure and maximize training outcomes in encouraging new hires to adapt to LS Mtron early on. In 2013, three sessions of such training was offered (three-day training). The training content spanned a variety of matters—from ones essential to working at any company—to understanding more about LS Mtron. It covered HR basics, welfare & benefits programs, environmental safety training and business manners. In addition, we hosted celebratory events for new recruits (badge and souvenir awarding, dinner party), to reinforce the sense of pride these employees can feel in being part of the LS Mtron team.

Celebratory and Activity Caring Programs for New Hires

- New Recruits: Flower baskets, celebratory letters signed by the CEO, restaurant gift certificates
- Experienced New Hires: Restaurant gift certificates (Family dining)
- On the 1st day of work at LS Mtron, welcoming events, such as the welcome luncheon, are hosted for new hires by the CHO (head of the support division)

Caring Programs

Evaluation of Experienced New Hires

- Experienced new hires are exempt from being evaluated in the same year as their recruitment (Special care is taken during the adjustment period to provide employees sufficient preparation time to generate outcomes)

Interview Programs

- General: Interview with the HR team director during introductory training
- New Recruits: Interview with the head of the HR team/HR managers two months following recruitment
- Experienced New Recruits: Bi-weekly interviews with department heads for the first two months

HR Guidebook

- The HR Guidebook is permanently posted on the document bulletin board to offer employees an easy-to-understand explanation to general matters including the HR system, welfare & benefits, and major corporate policies.

Mentoring Program (3-months)

- Purpose: For veteran employees to offer their experience and knowledge in assisting new hires build their capacity and reach their full potential
- Monetary Support for Mentoring Day: KRW 100,000/month, mentors are granted one credit point





New Hires

(JUMP Program)

Group Introduction

- Purpose: Empower new hires to be confident, practice LSpairtnership, and embed essential working-level skills (attitude, work skills) into their daily operations
- Details: Understanding LS, attitudes and the basic work skills required of new recruits

LS Mtron Introduction

- Purpose: Help new hires understand the overview of the company and its basic regulations while embedding core values into daily operations so as to adapt early on
- Build robust self-initiated leadership by developing a sense of ownership and positive thinking
- Details: Understanding LS Mtron/corporate systems, basic skill training, work skills/teamwork/basic innovation training

Overseas Training in China

- Purpose: Better understand LS Mtron's global operations and build capabilities and a global mindset
- Details: Tour the production lines of Chinese subsidiaries and hold discussions, experience a local culture, find the traces of Korean history in China, project presentations, etc.

Vision Setting

- Purpose: Set personal visions and goals, develop positive thinking for a better work life
- Details: Reignite your enthusiasm, select meaningful goals, develop positive attitudes, executorial persistence, set goals/vision

Future Camp

- Purpose: Reflect on the past one year at LS Mtron, reinforce employee pride and fundamentally shift one's perspective to engage in one's work with renewed commitment
- Details: My small success at LS, Fresh Inspiration, Greater Value Together, dinner party

Work Smart/OA

- Purpose: Improve the work performance and work capabilities of new recruits
- Details: Work value, working style, smart work process/skills, power points/excel/word skills



Experienced New Hires

Group Introduction

- Purpose: Improve a sense of pride and ownership on the basis of understanding LS and LSpairtnership
- Details: LS study, business site tours, understanding LSpairtnership, vision setting, self-awareness campaign, LS People Harmony, special lectures by key opinion leaders

LS Mtron Introduction

- Purpose: Deepen understanding of and loyalty to LS Mtron and support new hires adapt early on
- Details: Understanding the company/systems, relationship skills, understanding the organizational culture, basic innovation training



Technical Workers

Introductory Training(3days)

- Purpose: Improve understanding of and pride in LS Mtron
- Details: Understanding LS Mtron, challenge activities, Good Work Life, Beyond Generational Barriers, celebratory ceremonies for new hires





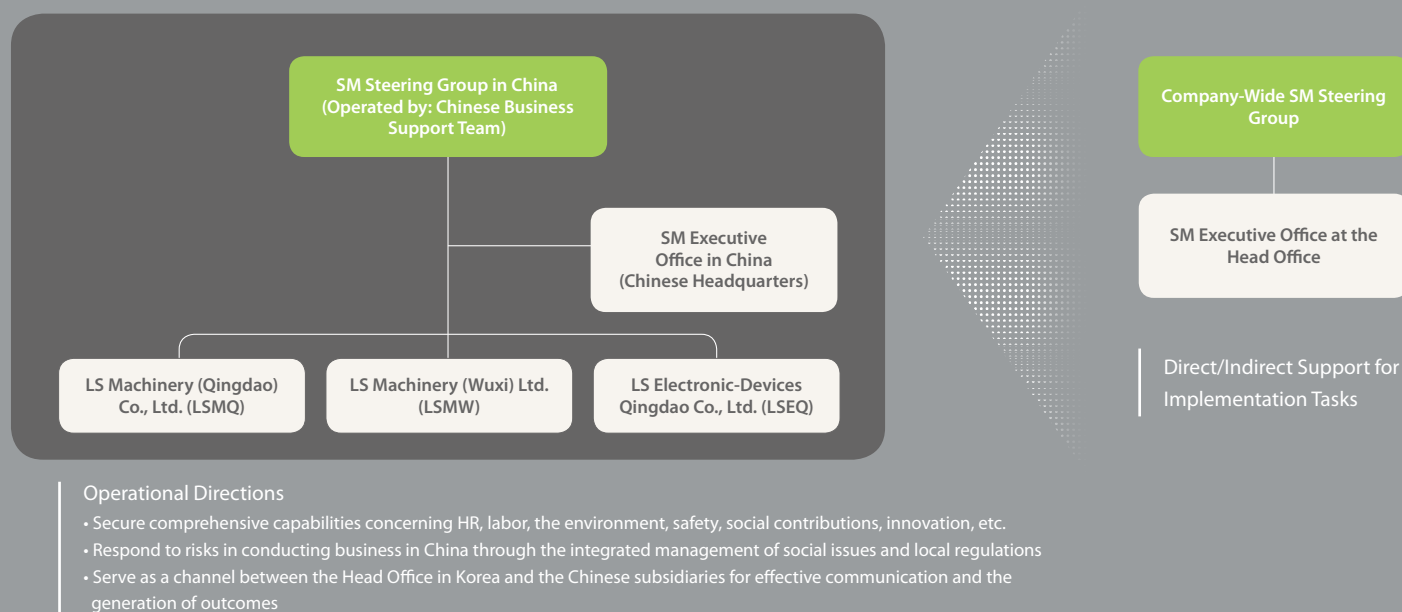
China

Introduction of the Sustainability Management (SM) System to the Chinese Headquarters

ISO 26000 and other global standards concerning anti-corruption, environmental pollution, human rights protection and labor practices give rise to the expansion of SM across the globe. In China, relevant laws and regulations are tightening accordingly. As we believe that these trends will have a substantial impact on future business conditions and require our proactive response, we declared the full-fledged introduction of SM at our Chinese Headquarters in December 2013. Before each Chinese subsidiary secures its own management capabilities, the SM Executive Office at the Head Office in Korea will continue to extend its scope of management to China. Meanwhile, the SM Steering Council at the Chinese Headquarters has already begun operations, and is attended by the Chinese Business Support Team and each Chinese subsidiary.

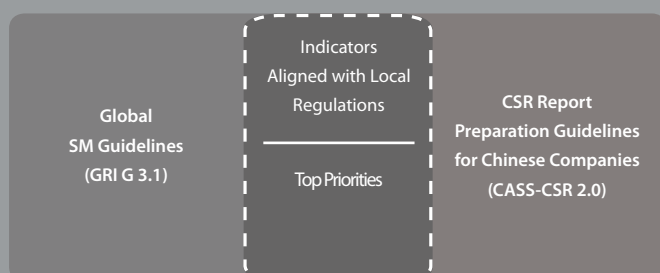
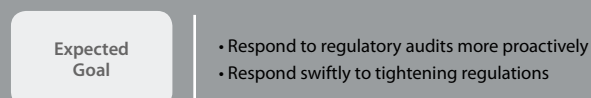
SM Action Framework in China

Integrated Management of SM Issues and Response to Regulatory Compliance in Addressing Business Risks

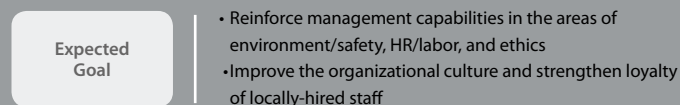


Major Initiatives Undertaken in 2014

Support for the Comprehensive Management of SM-related Local Regulations



Build Robust SM Capabilities of Employees



Common Tasks	Customized Tasks
Functions that generate synergistic effects through common response	Functions that need improvement according to business characteristics and pending organizational issues
<ul style="list-style-type: none"> • Ethics management training • Social contribution initiatives 	<ul style="list-style-type: none"> • Environment/safety • HR/labor, etc.

LS Machinery (Qingdao) Co., Ltd. (LSMQ)

Innovation Initiatives

Innovation initiatives encourage a “think outside the box” approach and contribute to generating substantial business outcomes through this novel shift in context. At LSMQ, substantial improvement is being made on the basis of disseminating a basic innovation philosophy and the 5S suggestion program. In 2013, a total of 691 innovative suggestions were made, out of which 12 were selected as especially noteworthy. The suggestion that was most highly rated, ‘tractor electronic circuit flat screen model’ is currently being used for more effective employee training. It also contributed to improving the work capabilities of new recruits and helped make the repair jobs of CS staff at dealers easier. Another suggestion, ‘mobile engine disassembly jig’ provided an idea on how to reduce dependence on cranes so that operators can repair engines in a much wider variety of locations. Ultimately, this suggestion helped reduce the time it took fulfill tasks and improved work efficiency.

Mutually-Beneficial Cooperation with Suppliers

LSMQ offers free-of-charge training on such topics as quality improvement, as part of its initiatives to help with its capacity-building of suppliers. In December 2013, technical management training was offered on ‘quality management and agile response of suppliers’. This training, attended by approximately 100 suppliers, led to an improvement in the internal management capabilities of our suppliers. It also significantly improved our supplier’s ability to comply with delivery due dates and satisfy parts quality criteria.

Workplace Environment and Safety Initiatives

Safe production technique and fire safety training was offered to all LS Mtron employees. Improvement measures were taken in potentially-dangerous areas within the plant and alert devices were installed in landing gear. In addition, employees on the shop floor must wear safety gear (e.g., safety helmets) during the manufacturing process. All employees were also engaged in the 5S program to improve work environments and maintain a clean workplace. In 2013, firefighting drills were conducted twice and training on the use of firefighting equipment was also provided.

Customer Satisfaction and Quality Improvement Initiatives

LSMQ believes that the first step to delivering customer satisfaction is to secure a competitive edge in quality and thus it is committed to offering high-quality products and services.

- Achievements in Improving Quality and Developing Technology in 2013

1. Increase the size of the auxiliary fuel tank (Model P): Improvement in work time and work efficiency
2. Install a wet-type filter: Decrease in the frequency of filter replacements, which increases suitability for windy and sandy areas and reduces maintenance costs on the part of customers
3. Add a locking system to the fuel tank: Prevention of the inflow of foreign substances from outside, guarantee of normal engine operations
4. Install a half-hinged door on the side of the driver’s cabin: Convenience in operation in spring and fall without having to turn on the air-conditioning device, reduction in oil consumption
5. Install a rear-wheel distance-adjustable washer: Convenience in accommodating varying ridges and furrows in a variety of places
6. Strengthen the 4WD protection: Convenience in operating (even on congested roads) as well as in places with varying working conditions



LS Machinery (Wuxi) Ltd. (LSMW)

‘No Spec, No Work’ Quality Innovation Initiative

LSMW recognizes sustained quality improvement as an essential prerequisite for sustainability and is undertaking across-the-board quality innovation initiatives. With the quality innovation initiation ceremony and the chanting of the slogan ‘No Spec, No Work’, standards and manuals were realigned: 274 work process management standards regarding winning orders, procurement, production and shipment were completed, along with 271 work manuals on shop-floor processing and assembly and 121 inspection manuals on the reception of parts and the shipment of finished products. Furthermore, quality training and exercises were offered to analyze the root cause of defects and identify issues through inter-departmental collaboration. LSMW will continue to fully abide by standards and make improvements.

Quality Innovation Initiatives Undertaken With Suppliers

LSMW has been fully committed to supporting its suppliers toward shared growth. It selected three suppliers who were required to improve their quality as its top priority and joined forces in undertaking company-wide quality innovation initiatives. One of these suppliers learned an advanced technology from their Korean industry peer and succeeded in independently developing an automated welding machine. In 2014, five additional suppliers will be selected to be part of these initiatives. LSMW vows to assist its suppliers identify their vulnerabilities, offer differentiated guidance and help bolster their competitive edge.

Before Service (Services that are provided to inspect possible product failures before such failures occur)

We believe that services, in their truest sense, should be do more than simply address customer complaints; they should also prevent problems and deliver products that satisfy customer needs even before such needs arise. As its first step in delivering such services, LSMW offered ‘Before Services’ – preliminary facility inspections and parts replacements - to more than 20 customers in 10 regions. This Before Service was warmly welcomed by customers and will continue in 2014. In addition, LSMW is intensively promoting its power-saving injection molding machines in line with the emerging social issues of eco-friendliness and energy saving. LSMW will further step up its R&D endeavors with power-saving products.

Technology Exchange with Automotive Parts Manufacturers

We hosted technology exchange events with customers working in relation to the automobile industry in East China to help them enhance their facility efficiency of peripheral devices, as well as the machinery we supply. These events provided us with the opportunity to introduce our new products and technology and discuss technology applications and future trends related to injection molding machines used in the automobile industry. They also offered a venue for mutual exchange among these customers working in automobile-related industries.

Workplace Environment & Safety Improvement

Employee safety is our top priority and we ensure that it always comes first. It is with this mindset that we operate the Safety Committee, attended by the head of the subsidiary and by managers from respective departments. Committee members patrol the workplace frequently to identify safety risk factors and take immediate action, while monthly employee morning meetings are held to share safety risk factors to prevent safety accidents and raise safety awareness. Furthermore, our employee lounges on the shop floor were refurbished so that our production workers can rest in a more pleasant environment during their breaks. We replaced all our office furniture with new furniture and installed LCD monitors so that employees could more comfortably tune into educational videos and share their views on major corporate issues. Before Service: Services that are provided to inspect possible product failures before such failures occur.



LS Electronic-Devices (Qingdao) Co., Ltd. (LSEQ)

Innovation Initiatives to Generate Substantial Outcomes

Since its inception, LSEQ has developed its innovation master plan to weave innovation practices into the fabric of its corporate DNA. LSEQ's innovation initiatives extend from the 'Ten Commands for Improvement' and the '2S activity program' to the 'One Person One Project initiative,' quality circle activities and suggestions. Critical innovation projects are undertaken under the name of 'Immediate Undertaking.' Such immediate-undertaking initiatives allowed us to stabilize the operation of new products (e.g., RF connector) while circle-specific 2S training was reinforced to ensure self-initiated improvement and management, with circle leaders on the shop floor taking the lead. Eleven 'One Person One Projects' were undertaken to generate outcomes in stabilizing the operation of transferred products early on and to upgrade existing product manufacturing technology and improve work processes (e.g., shortening of settlement time). In addition, 638 suggestions were made to help decrease incidences of shop floor losses and improve plant operations.

Shared Growth Initiatives

LSEQ is engaged in a wide array of mutually-beneficial cooperation initiatives to help its suppliers exceed the expectations of their customers. The quality agreement ceremony was hosted to review the quality improvement activities taken the previous year, share on implemented improvements, and agree on the quality targets and necessary projects that suppliers need to reach and fulfill. Following this ceremony, regular monthly meetings were held to share the progress of the projects and to offer such benefits as training and shortened payment deadlines to top-performing suppliers. Furthermore, LSEQ offered its staff to help local plating companies with their facility investments and prompt operational stabilization. They also conducted regular environmental safety inspections to disseminate fire-prevention awareness and provided these companies with emergency response advice.

Customer Satisfaction and Quality Improvement Initiatives

In 2013, LSEQ completed a total of four quality improvement projects. One of their major achievements was to reduce the number of process-related quality issues by 50%. LSEQ also invested in image inspection and dielectric inspection devices to eliminate risks concerning product plasticity failures. LSEQ's quality qualification managers were sent to the Head Office in Korea to receive training in order to proactively manage the quality of products, whose manufacturing will be transferred from Korea to LSEQ. To improve the level of quality management even while product types increasingly vary, LSEQ reorganized its quality organization and assigned responsible staff to a specific function as way to enhance work expertise and consistency. At the request of customers for CS services, LSEQ offered emergency support, while conducting quality evaluation and analyses on behalf of local Chinese customers, in the cases where LSEQ owned such quality evaluation equipment that these customers lacked.

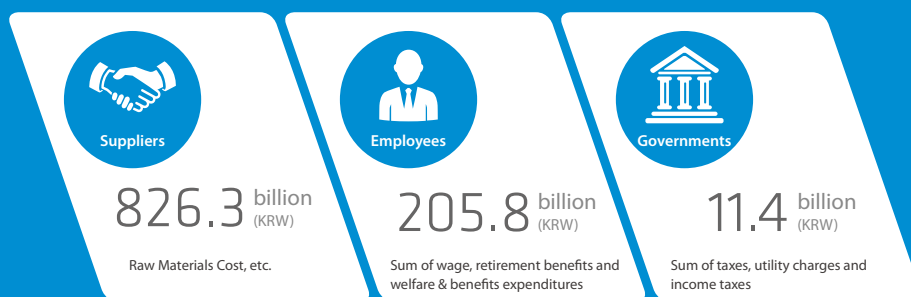
Robust Technological Competitive Edge

Key production technology engineers were selected to receive three months of training at the Head Office in Korea. In transferring the manufacturing facility of highly-advanced products, technical engineers and MT, the staff of LSEQ were first sent to the Head Office in Korea to receive preliminary training prior to the transfer. During the transfer period, facility developers made in-person visits to offer professional training advice on the facility set-up and mass-production. If necessary, additional paid training was conducted following the transfer.

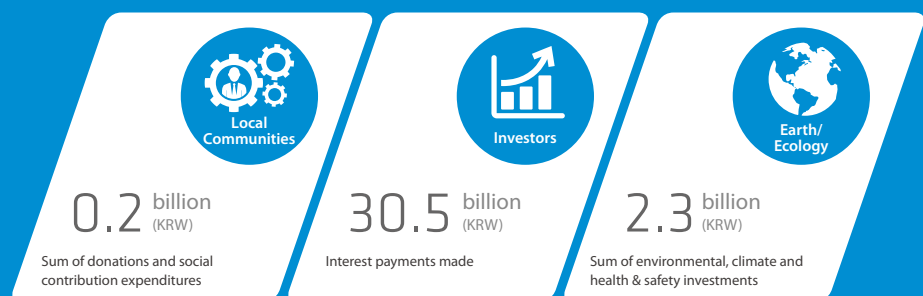
Improvement of Working Conditions

LSEQ invested in the expansion of existing shower rooms within the plant and supplied several daily necessities free-of-charge. LSEQ also repaired the restrooms, installed satellite TVs and replaced old air-conditioners at the corporate dormitory to ensure its employees staying there were comfortably accommodated. LSEQ is also interested in revitalizing its organizational culture through hosting company-wide picnics and monthly birthday parties. The health of the people at LSEQ is very important and this is why we make it a point to ensure that all LSEQ employees are able to receive annual health check-ups at reputable medical institutions. We are also working on providing our employees greater access to preventive health care equipment, such as the free-of-charge table tennis room and fitness machines at our new plant.





DISTRIBUTION OF ECONOMIC OUTCOMES



APPENDIX

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LS Mtron and Its Subsidiaries

Summary Financial Statements

(Unit: KRW million)

Category	6 th -Term (As of Dec. 31, 2013)	5 th -Term (As of Dec. 31, 2012)	4 th -Term (Dec. 31, 2011)
Total Assets	1,684,469	1,672,867	1,479,103
- Current Assets	802,545	838,046	749,999
- Non-current Assets	881,924	834,821	729,104
Total Liabilities	1,119,070	1,117,573	931,891
- Current Liabilities	889,183	786,539	619,834
- Non-current Liabilities	229,887	331,034	312,057
Total Shareholders' Equity	565,399	555,294	547,212
- Equity Ownership by Controlling Shareholders	565,508	554,694	547,212
- Equity Ownership by Non-controlling Shareholders	(109)	600	

Total assets of LS Mtron and its subsidiaries rose by 1% from the previous year to KRW 1,684,469 million while their total liabilities stayed almost the same at KRW 1,119,070 million. Their total shareholders' equity rose 2% from the previous year to KRW 565,399 million. They have successfully maintained an exceptional financial structure and their financial stability is expected to remain at high levels for the time being in consideration of the growing profit-making capabilities of major operations.

Summary Income Statements

(Unit: KRW million)

Category	6 th -Term (Jan. 1, 2013~Dec. 31, 2013)	5 th -Term (Jan. 1, 2012~Dec. 31, 2012)	4 th -Term (Jan. 1, 2011~Dec. 31, 2011)
Sales	1,796,777	1,632,170	1,500,727
Operating Income	67,084	46,819	57,390
Net Income from Continuing Operations	29,801	19,189	20,309
Income from Discontinued Operations	-174	3,845	62,114
Net Income	29,627	23,034	82,423

Sales of LS Mtron and its subsidiaries rose 10% from the previous year to KRW 1,796,777 million and their operating income and net income surged dramatically by 43% and 29% respectively from the previous year to KRW 67,084 million and KRW 29,627 million.

LS Mtron

Summary Financial Statements

(Unit: KRW million)

Category	6 th -Term (As of Dec. 31, 2013)	5 th -Term (As of Dec. 31, 2012)	4 th -Term (Dec. 31, 2011)
Total Assets	1,153,713	1,151,908	1,002,467
- Current Assets	431,767	472,942	399,186
- Non-current Assets	721,946	678,966	603,281
Total Liabilities	546,121	555,710	426,372
- Current Liabilities	416,673	345,908	259,883
- Non-current Liabilities	129,448	209,802	166,488
Total Shareholders' Equity	607,592	596,198	576,095
- Capital	45,000	45,000	45,000
- Paid-in Capital in Excess of Par Value	426,066	426,066	425,887
- Accumulated Other Comprehensive Income	(4,418)	(1,588)	(1,551)
- Retained Earnings	140,944	126,720	106,758

Summary Income Statements

(Unit: KRW million)

Category	6 th -Term (Jan. 1, 2013~Dec. 31, 2013)	5 th -Term (Jan. 1, 2012~Dec. 31, 2012)	4 th -Term (Jan. 1, 2011~Dec. 31, 2011)
Sales	1,020,367	923,783	888,712
Operating Income	46,348	40,466	53,537
Net Income from Continuing Operations	27,457	31,468	36,079
Income from Discontinued Operations	-174	3,845	63,409
Net Income	27,283	35,313	99,488

Innovation Initiatives

Indicators	Unit	2011	2012	2013	Note
Financial Value Created/Contribution to Operating Income	KRW 100 million/%	187/33	190/43	242/44	
Innovation Tasks	No. of tasks	59	50	49	
6 Sigma	No. of tasks	33	46	38	LS Mtron Production System
LPS	No. of tasks	39	27	22	Value Engineering
VE	No. of tasks	Not undertaken	5	10	
TRIZ	No. of tasks	21	74	70	
Daily Tasks	No. of tasks	146	183	232	Problem-solving experts certified by the company
Nurture Innovation Talent	No. of persons	21	21	20	
No. of Innovation Activities Suggested	Per person				

Quality and Customer Satisfaction

Indicators	Unit	2011	2012	2013	Note
Improvement in Internal Failure Cost	%	1	-46	17	(Cost ratio of the pertinent year-Cost ratio of the previous year)/Cost ratio of the previous year × 100
Improvement in Losses from Customer Complaints	%	2	-16	32	(Loss rate of the pertinent year-Loss rate of the previous year)/Loss rate of the previous year × 100
Ratio of Certified Quality Management Engineers	%	9	15	43	Against the company-wide quality division workforce
Ratio of ISO9001 Examiners	%	30	46	45	Against the company-wide quality division workforce
Quality	Improvement in product quality defects	No. of cases	24	9	21
Competitiveness	Realignment of the quality management system	No. of cases	38	50	46
Initiatives	Support for overseas subsidiaries	No. of cases	14	23	16
	Support for suppliers	No. of cases	100	71	99

Shared Growth

Indicators	Unit	2011	2012	2013	Note
Ratio of Cash-Equivalent Payments	%	100	100	100	
Job Training for Suppliers	No. of trainees	180	134	210	3C, FTA, suggestion program, association training
Q-Partner Suppliers	No. of suppliers	34	33	35	Select and nurture LS Mtron's top-performing suppliers
Participants in the Win-Win Partnership Fund/Fund Value	No. of companies/ KRW 100 million	Not operated	20/35	22/60	
Public-Private Joint Investment Technology Development Projects/Investment	No. of projects/ KRW 100 million	9/34	18/83	10/76	LS Mtron's contribution accounts for 1/3 of the total

Social Contribution

Indicators	Unit	2011	2012	2013	Note
Investment in Social Contribution Initiatives	KRW 100 million	5.7	3.5	1.8	
Employee Volunteers	No. of persons	331	418	407	
Jeonju	No. of persons	130	98	114	
Jeongeup	No. of persons	38	93	99	
Anyang	No. of persons	63	56	77	
Indong	No. of persons	100	171	117	
Volunteer Hours	No. of hours	1,922	2,339	2,254	

Robust Technological Competitive Edge

Indicators		Unit	2011	2012	2013	Note
R&D Investment		KRW 100 million	261	328	416	
Open innovation		No. of cases	-	26	37	New indicator first reported in 2012
Patent Applications		No. of applications	170	191	238	
Selection of Strategic Labs		No. of Labs	-	9	19	New indicator first reported in 2012. Strategic Labs work with LS Mtron in undertaking projects, signing MOUs or interacting through training or seminars, thus strategic partnership is required
Ratio of Green Products in Sales/ Sales of Green Products		%/KRW 100 million	35/3,283	44/4,035	47/4,961	Products improved on the basis of internal basic eco-friendly design elements. Ratio of green products in sales: Sales of green products/Total sales x 100
Ratio of Green Products in R&D Investment/ No. of Green Product R&D Projects	GHG emissions reduction	%/No. of projects	18/8	3/2	2/1	
	Reduction in harmfulness	%/No. of projects	58/29	73/29	84/23	
	Resource-saving	%/No. of projects	24/19	24/20	14/18	

Employee Value Creation

Indicators			Unit	2011	2012	2013	Note
Total	Head Office (LS Mtron)		No. of persons	1,625	1,683	1,726	Excluding dispatched workers and day laborers
Employees	Including domestic/ overseas subsidiaries			3,512	3,636	3,737	Excluding dispatched workers and day laborers
Type of Contract	Regular	Male	No. of persons	1,445	1,461	1,492	Based on the Head Office hereafter
		Female	No. of persons	45	40	45	
	Non-regular	Male	No. of persons	83	123	127	
		Female	No. of persons	52	59	62	
Type of Employment (Excluding non-regular workers)	Office	Male	No. of persons	810	833	844	
		Female	No. of persons	44	39	44	
	Technical	Male	No. of persons	635	628	648	
		Female	No. of persons	1	1	1	
New Hires and Resignees	New hires		No. of persons	346	263	273	The fairly high number recorded in 2011 was due to the transition of 91 contracted workers to regular positions
	Creation of employment		%	-1.55	3.56	2.6	Formula: (No. of employees in the pertinent year-No. of employees in the previous year)/No. of employees in the previous year × 100 The negative number in 2011 is due to the transfer of our air-conditioning operations in May 2011, which resulted in a drop in the number of employees.
	No. of resignees		No. of persons	63	92	81	The number includes resignations made for a number of reasons including retirement, scholastic schedule increases to the need to attend to household matters and turnover
	Ratio of resignees		%	3.8	5.5	4.7	
By Region (By Establishment)	Jeonju		No. of persons	742	787	803	Employees in the Tractor, Injection Molding and Special Business Divisions
	Jeongeup		No. of persons	247	225	213	Employees in the CF and FCCL Divisions
	Anyang		No. of persons	537	543	606	Employees at the Head Office, Hi-Tech Center, R&D Center
	Indong		No. of persons	117	128	103	Employees in the Automotive Component Division
By Age Group	20's		No. of persons	259	258	262	
	30's		No. of persons	642	670	679	
	40's		No. of persons	410	398	406	
	50 and older		No. of persons	332	357	379	
Diversity	Female employees		No. of persons	97	99	107	
	Ratio of female employees		%	6.0	5.9	6.2	
	No. of female managers		No. of persons	-	-	5	Those in manager positions and above, new indicator introduced in 2013
	Ratio of female office workers		%	5.0	4.5	5.0	
	Ratio of new female hires		%	18.7	22.8	27.5	Given that the employment of women is relatively low due to the inherent characteristics of the machinery/parts manufacturing industry, LS Mtron is interested in recruiting more women and strives to raise the ratio of women to men within its workforce
	No. of disabled employees		No. of persons	40	31	32	
	Ratio of disabled employees		%	2.4	1.8	1.9	
Welfare and Communication	Employees who took childcare leave	Male	No. of persons		1	0	
		Female	No. of persons	1	2	4	
	Reinstatement after childcare leave		%	N/A	100	100	No. of employees returned to work for the pertinent year/No. of employees eligible to return to work for the pertinent year × 100
	Employees who took childbirth leave		No. of persons	7	4	4	
	Welfare & benefits expenses		KRW 100 million	211	227		Based on audit reports
	Employees who receive psychological counseling		No. of persons	315	228	480	Individual and group counseling provided by professional counselors
	Dialogue with heads of divisions (teams) and executive officers		No. of occasions	28	52	53	Self-initiated events are hosted more than once every quarter to build a group communication channel between the top management and employees (discussions, breakfast meetings, performance watching)
Training	Per capita training expenses		KRW 1,000	1,789	1,550	2,186	The dramatic surge in 2013 training expenses is due to newly-launched courses (job training for production workers, Future Camp for new recruits) and company-wide innovation training
	Per capita training hours		No. of hours	148	109	123	
	By position	Executives	No. of hours	-	127	103	New indicator introduced in 2012
		General managers	No. of hours	-	76	72	New indicator introduced in 2012
		Deputy general managers	No. of hours	-	117	100	New indicator introduced in 2012
		Managers	No. of hours	-	103	118	New indicator introduced in 2012
		Assistant managers	No. of hours	-	96	128	New indicator introduced in 2012
		Assistants	No. of hours	-	139	171	New indicator introduced in 2012
	Specialized sustainability management training		No. of persons	193	277	335	Reading-based correspondence education on sustainability management for office workers

Indicator		Unit	2011	2012	2013	Note
Retirement Fund	DB planholders	No. of persons	1,402	1,319	1,421	Fund operator: Eight institutions including NH Bank (As of 2013)
	DC planholders	No. of persons	58	74	100	
Labor	Unionized workers	No. of persons	630	628	647	No. of unionized workers/ Total No. of employees × 100
	Ratio of unionized workers	%	83.2	41.8	37.5	
Others	Ratio of entry level pay against the legal minimum wage	%	-	-	183	New indicator introduced in 2013 Based on fixed pay
	Ratio of average pay of both genders	%	100	100	100	
Labor-related Issues	Major business operations commissioned not to regular workers but to the self-employed or individuals	Existence	None	None	None	
Training-related Issues	Ratio of reviews made of regular performance and career development	%	100	100	100	Based on regular workers
Human Rights-related Issues	- We do not have any business areas that are highly likely to infringe on the freedom of association or collective bargaining or incur child labor or forced labor.					
	- We joined the UN Global Compact in 2010 to abide by its ten principles concerning the guarantee of the freedom of association and collective bargaining, the ban on human rights/labor-related discrimination, the eradication of child labor/forced labor.					
	- Our employment policy clearly stipulates that we prohibit child labor and all types of forced labor as well as unfair treatment and discrimination concerning recruitment, promotion, compensation, training and retirement in accordance with labor related laws and international labor standards.					
	- When our unionized workers are transferred or relocated, plants are relocated, or changes occur in business operations, the labor union is notified and the concerned parties following pre-determined periods of preliminary consultations.					

Green Management

Indicator		Unit	2011	2012	2013	Note
GHG Emissions		tCO ₂	99,415	101,915	112,931	
	Indirect Emissions	tCO ₂	73,717	76,828	83,861	
	Fixed Combustion	tCO ₂	13,229	11,901	12,975	
	Mobile Combustion and Others	tCO ₂	12,469	13,186	16,095	
GHG Emissions by Source		tCO ₂	99,415	101,915	112,931	
	Indirect Emissions	tCO ₂	91,908	93,602	103,031	
	Fixed Combustion	tCO ₂	6,180	7,090	8,113	
	Mobile Combustion and Others	tCO ₂	1,327	1,222	1,787	
GHG Intensity		tCO ₂ /KRW million	0.14	0.15	0.14	
Total Energy Consumption		TJ	1,933	2,076	2,297	
Energy Intensity		TJ/KRW million	0.003	0.003	0.003	
Reduction in Energy Consumption		TJ	-	56	145	
ESH Expenses and Investments		KRW million	789	1,007	2,274	
	Environment	KRW million	522	590	1,447	The relocation to the High-Tech Center led to increases in environmental facility investment (wastewater treatment/ water filtration/air pollution control)
	Climate Change	KRW million	77	197	350	
	Health & Safety	KRW million	190	220	477	Investment in new facilities (air balancers, fire hydrants)
Primary Raw Materials			-	-	-	Consumption of primary raw materials at the Jeongeup, Anyang and Indong sites
	Copper	ton	14,676	9,901	11,779	
	Carbon and Rubber	ton	1,436	1,651	1,710	
	Synthetic Resin	ton	94	121	179	
Water Consumption		ton	589,469	728,484	837,729	Water is sourced from the Han River, the Mangyeong River and the Nakdong River
Emission of Pollutants	Industrial Water	ton	507,540	639,332	701,710	
	Residential Water	ton	65,246	81,613	124,598	
	Underground Water	ton	16,683	7,539	11,421	
	Dust	Kg	12,106	11,544	13,029	
Discharge of Wastewater	COD	Kg	7,671	15,315	36,828	Production of copper foil increased at the Jeongeup Plant
	SS	Kg	4,069	7,326	10,805	Production of copper foil increased at the Jeongeup Plant
Recycled Water		ton	334,618	506,306	499,958	
Water Recycling		%	457,045	418,605	703,401	
Generation of Waste		ton	56	43	74	The relocation to the High-Tech Center led to investment in new facilities
	General	ton	4,310	4,808	4,140	
	Designated	ton	3,958	4,542	3,880	
Waste Recycling		%	352	266	259	
Ozone-depleting Substances – HCFC-based substances		Kg	81	84	82	
No. of Occupational Injuries	No. of injuries		3,000	3,000	4,000	The decline is due to the disposal of the air-conditioning operations in 2011
Occupational Injury Rates	%		3	2	4	
Industrial Health & Safety Committee Meeting	No. of meetings		0.21	0.13	0.40	

- All our sites, both in Korea and abroad, are not located in areas that were designated as water protection areas, special management areas or biodiversity preservation areas.

- In 2013, there was no significant leakage of hazardous substances and we fully comply with the Basel Convention on the 'Control of Transboundary Movements of Hazardous Wastes and their Disposal'.

- We provide our customers with information that should be disclosed in relation to the product environmental safety labeling (plastics, metals, rubber, etc.) through the approval sheet system.

Welfare & Benefits Programs

Category		Details
Legally-mandated Welfare & Benefits	Four major insurance plans	Health insurance, National Pension Fund, employment insurance, occupational health & safety insurance
Childcare and Education Expenses	Tuition for employees' children	Middle & high schools, undergraduate students
	Workplace childcare facility	Commissioned childcare facility (Jeonju)
Family Events and Disaster Recovery	Support for family events	Special leave and bonus provided for important family events
	Funeral supplies	Funeral wreathes/personnel/supplies
	Celebration of the 1st birthday of employees' children	A golden ring is offered as a celebratory gift
	Recovery from natural disasters	Monetary support is given for property damages caused by fires, storms and floods
Health Care for Employees and Their Families	Collective term insurance	Insurance benefits are offered for such reasons as cancer diagnoses/disease/health
	Support for medical expenses	Medical expenses for employees
		Medical expenses for employee families
	Support for comprehensive health check-ups	Comprehensive health check-ups for employees and their spouses
	Psychological counseling	Counseling office (Individual/group counseling)
Self-development and Leisure	Selective welfare & benefits	Welfare card program
	Self-development	Cyber training center
		Financial support for job-related or language skill training
	Condominium facilities	Support accommodation fees at hotels/condominiums/pensions
	Baek-Am Training Academy	Support accommodations at the academy
	Picnics/Sports Day	Financial support for picnics/sports day events
Stable Housing for Employees	Housing loan interest	Support for interest payment (Bi-annual deposits/purchase)
	Dormitory	Available for employees working at the pertinent site
Rewards for Long-Tenured and/or Top-Performing Employees	Bonus for long-tenured staff	Financial rewards for long-time service
	Travel gift certificates for long-tenured staff	Offered to those reach their 15th or 20th year working at LS Mtron
	Commemoration of retirement at retirement age	Souvenirs and financial rewards for those who retire at their retirement age
	Overseas training for those who retire at retirement age	Overseas training offered to those who retire at their retirement age
	Overseas training for top-performing employees	Annual overseas training of certain scales

Awards

When	Awards	Hosted By	Award
May	Honorary Occupational Safety Supervisor Presentation in Jeolla Province	Korea Occupational Safety & Health Agency	Grand Prize
	North Jeolla Quality Circle Competition	North Jeolla Provincial Government	Grand Prize (TS Quality Circle)
Jun.	Happiness Sharing Awards	Ministry of Health and Welfare	Minister of Health and Welfare Award (Love Practicing Team at the Jeongeup Plant)
Oct.	Korean Sustainability Conference	Korean Standards Association	Excellence Award in the manufacturing sector, KRCA
	Global Materials and Parts Industry Fair	Ministry of Trade, Industry and Energy (MOTIE)	Silver Industrial Metal (head of the CF Division)
	Large Business-SME Shared Growth Fair 2013	Small and Medium Business Administration	Excellent Investor for Shared Growth Award, Task Discovery Award
Nov.	Korea's Top 100 Great Work Place Awards	GWP Korea	Grand Prize in the manufacturing sector, GWP Best CEO Award (CEO Jae-Seol Shim)
	National Quality Management Competition	Korean Agency for Technology and Standards, MOTIE	Presidential Commendation (head of the Electronic Component Division)
			Presidential Golden Award (TS Quality Circle)
Dec.	North Jeolla Volunteer Competition	North Jeolla Provincial Government	Governor's Commendation (Love Practicing Team at the Jeonju Plant)
	14th Gyeonggi Environmental Green Awards	Gyeonggi Provincial Government	Excellence Award

Regulatory Compliance

Category	2011	2012	2013
Penalties and non-financial sanctions imposed due to the violation of environmental regulations	None	None	None
Regulatory violations regarding product-related customer safety and health	None	None	None
Violations of product-related information disclosure regulations (labeling, etc.)	None	None	None
Violations of marketing and communication regulations	None	None	None
Regulatory violations regarding customer's personal information protection	None	None	None
Violations regarding product supply	None	None	None
Violations regarding the prohibition of discrimination	None	None	None
Violations regarding the infringement of the rights of local residents	None	None	None

Agricultural Machinery Price-Fixing Incident Handled by the Fair Trade Commission:

LS Mtron was imposed KRW 2.223 billion in penalties by the Fair Trade Commission on charge of agricultural machinery price-fixing on June 28, 2013. (As of the submission date of this report, there was an on-going litigation concerning the revocation of disposition and as such, the final penalty amount may change.)

Improvement in Personal Data Security

To safeguard the personal information of our customers and employees, we set internal management plans and developed a personal data privacy management system in 2013. We also set up a Personal Data Security Council to offer regular internal training and conduct independent security reviews. Furthermore, we examined the purpose of storing personal data to minimize personal data entry items that we require while narrowing the data access authority to prevent any data breaches.

In 2014, we plan to introduce encryption, access control and other personal data security solutions to ensure that we manage such sensitive information more stringently. Thus far, there have been no incidences of personal data breaches and we will strive to maintain this excellent record in the upcoming years.

Government Subsidy

In 2012, net government subsidies amounted to KRW 2.53 billion and technology expense redemptions amounted to KRW 630 million.

Membership

- **Economy** - Korea Chamber of Commerce & Industry, Korea Industrial Technology Association, Korea West Area Defense Industry Security Association, Wanju Industrial Complex Promotion Association, Ministry of Knowledge Economy Association Korea Agricultural Machinery Industry Cooperative, Korea Management Association, Korea Defense Industry Association, Korea Printed Circuit Association, Korea Intellectual Property Association, Korean Standards Association, Korea Synthetic Resin Processing Machinery Industry Cooperative
- **Society** - Korea Industry Safety Association, Reserve Forces Commanders Association, Wanju Industrial Complex Safety Supervisor Association Fair Competition Federation, Korea Fire Safety Association
- **Environment** - Wanju Industrial Complex Fire Safety Supervisor Association, Wanju Industrial Complex Environment Association Green Company Council, Korea Environmental Engineers Association
- **Sustainability Management** - United Nations Global Compact (UNGC)

UNGC COP Report

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 anticorruption. All employees and executives at LS Mtron will take the lead in creating a fair and transparent society by complying with the UN Global Compact on the four areas, and fulfilling duties and actions required for a corporate citizen.



The Ten Principles	LS Mtron policies page
Human Rights	
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and	• Code of Conduct, Chapter 2: Basic Ethics of Employees
Principle 2: make sure that they are not complicit in human rights abuses.	• Employment Regulation Introduction
	• Business Partner Ethics Implement Special Contract
Labour Standards	
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	• Collective Agreement
Principle 4: the elimination of all forms of forced and compulsory labour;	• Code of Conduct, Chapter 5: Corporate Responsibilities for Employees
Principle 5: the effective abolition of child labour; and,	• Employment Regulation Introduction
Principle 6: the elimination of discrimination in respect of employment and occupation.	
Environment	
Principle 7: Businesses should support a precautionary approach to environmental challenges;	• Green Management Policy
Principle 8: undertake initiatives to promote greater environmental responsibility; and	- Clause 2. Reducing greenhouse gas emissions and developing environmentally friendly products
Principle 9: encourage the development and diffusion of environmentally friendly technologies.	- Clause 3. Building safe and healthy environment as well as preventing hazards
	- Clause 4. Win-win green management and corporate social responsibility
	• Code of Conduct, Chapter 6: Responsibilities for Country and Society
Anti-Corruption	
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	• Code of Conduct
	- Chapter 3: Fair Competition(with Competitors)
	- Chapter 4. Fair Business Transaction(Subcontractors)
	- Chapter 6. Responsibilities for Country and Society
	• Business Partner Ethics Implement Special Contract

GRI G4 Index, CORE

1. General Standard Disclosures

● Completed, ● Partially Completed, ○ Not Completed, ◎ Continuous Activity

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	G4-2	Key impacts, risks and opportunities	●	5, 28-30
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	G4-4	Primary brands, products and services	●	12-23
	G4-5	Location of the organization's headquarters	●	9
	G4-6	Countries where the organization operates	●	10-11
	G4-7	Nature of ownership and legal form	●	24
	G4-8	Markets served	●	10-11
	G4-9	Scale of reporting organization	●	9
	G4-10	Breakdown of workforce	●	21, 63
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	G4-12	Organization's supply chain	●	38
	G4-13	Significant changes during the reporting period	N/A	-
	G4-14	Explanation of how the precautionary principle is addressed	●	5, 44-45, 66
	G4-15	External principles and other initiatives to which the organization subscribes or which it endorses	●	66
	G4-16	Memberships in associations	●	66
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	G4-18	Process for defining report content and aspect boundaries	●	2, 28-30
	G4-19	Material aspects	●	28
	G4-20	Aspect boundary within the organization	●	2, 28
	G4-21	Aspect boundary outside the organization	●	2, 28
	G4-22	Explanation of the effect of any re-statements of information provided in earlier reports	N/A	-
	G4-23	Significant changes from previous reporting periods	N/A	-
Stakeholder Engagement	G4-24	Stakeholder groups engaged by the organization	●	28
	G4-25	Basis for identification and selection of stakeholders	●	28
	G4-26	Approaches to stakeholder engagement	●	28
	G4-27	Key topics and concerns raised through stakeholder engagement	●	28-30
Report Profile	G4-28	Reporting period	●	2
	G4-29	Date of the most recent report	●	2
	G4-30	Reporting cycle	●	2
	G4-31	Contact point for questions regarding the report	●	2
	G4-32	GRI content index	●	67-71
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	G4-38	Composition of the highest governance body and its committees	●	24
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	G4-46	Highest governance body's role in reviewing the effectiveness of the organization's risk management processes	●	24
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	G4-48	Highest committee or position that formally reviews and approves the sustainability report	●	27
	G4-49	Process for communicating critical concerns to the highest governance body	●	24-25
	G4-50	Nature and total number of critical concerns that were communicated to the highest governance body and the mechanisms used to address them.	●	24-25
	G4-51	Executive-level compensations	●	24, 26
	G4-52	Process for determining remuneration	●	24
	G4-53	Process for seeking stakeholder views regarding remuneration	N/A	-
	G4-54	Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.	○	-
	G4-55	Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.	○	-
Ethics and Integrity	G4-56	Organization's values, principles, standards and norms of behavior	●	25
	G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behaviour	●	25
	G4-58	Internal and external mechanisms for reporting concerns about ethical and lawful behaviour	●	25

2. Specific Standard Disclosures

● Completed, ◐ Partially Completed, ○ Not Completed, ◎ Continuous Activity

Aspect	Indicator	Description	Status	Page
Disclosures on Management Approach (DMA)	G4-DMA	a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach, including: - The mechanisms for evaluating the effectiveness of the management approach - The results of the evaluation of the management approach - Any related adjustments to the management approach		
Economic				
Economic Performance	G4-EC1	Direct economic value generated and distributed	●	60-61
	G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	◐	46
	G4-EC3	Coverage of the organization's defined benefit plan obligations	●	64
	G4-EC4	Financial assistance received from government	●	66
Market Presence	G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	●	64
	G4-EC6	Proportion of senior management hired from the local community at significant locations of operation	○	-
Indirect Economic Impacts	G4-EC7	Development and impact of infrastructure investments and services supported	●	40-43, 62
	G4-EC8	Significant indirect economic impacts, including the extent of impacts	◐	40-43
Procurement Practices	G4-EC9	Proportion of spending on local suppliers at significant locations of operation	●	38
Environmental				
Materials	G4-EN1	Materials used by weight or volume	●	64
	G4-EN2	Percentage of materials used that are recycled input materials	●	47
Energy	G4-EN3	Energy consumption within the organization	●	64
	G4-EN4	Energy consumption outside of the organization	○	-
	G4-EN5	Energy intensity	●	46, 64
	G4-EN6	Reduction of energy consumption	●	46, 64
Water	G4-EN7	Reductions in energy requirements of products and services	◐	45
	G4-EN8	Total water withdrawal by source	●	64
	G4-EN9	Water sources significantly affected by withdrawal of water	N/A	-
	G4-EN10	Percentage and total volume of water recycled and reused	●	47, 64
Biodiversity	G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	N/A	-
	G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	●	65
	G4-EN13	Habitats protected or restored	N/A	-
	G4-EN14	Total number of iucn red list species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	N/A	-
Emissions	G4-EN15	Direct greenhouse gas (GHG) emissions (scope 1)	●	46, 64
	G4-EN16	Energy indirect greenhouse gas (ghg) emissions (scope 2)	●	46, 64
	G4-EN17	Other indirect greenhouse gas (ghg) emissions (scope 3)	●	46, 64
	G4-EN18	Greenhouse gas (GHG) emissions intensity	●	46, 64
	G4-EN19	Reduction of greenhouse gas (ghg) emissions	●	46, 64
	G4-EN20	Emissions of ozone-depleting substances (ods)	●	64
	G4-EN21	NOx, SOx, and other significant air emissions	●	64
	G4-EN22	Total water discharge by quality and destination	●	64
Effluents and Waste	G4-EN23	Total weight of waste by type and disposal method	●	64
	G4-EN24	Total number and volume of significant spills	●	65
	G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the basel convention2 annex i, ii, iii, and viii, and percentage of transported waste shipped internationally	●	65
	G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	●	65
Products and Services	G4-EN27	Extent of impact mitigation of environmental impacts of products and services	●	45
	G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	○	-
Compliance	G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	●	65
Transport	G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	N/A	-
Overall	G4-EN31	Total environmental protection expenditures and investments by type	●	46, 64
Supplier	G4-EN32	Percentage of new suppliers that were screened using environmental criteria	◐	38, 47
Environmental Assessment	G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	◐	47
Labor/Management Relations	G4-EN34	Minimum notice periods regarding operational changes, including whether these are specified	◐	25
Social				
Labor Practices and Decent Work				
Employment	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	●	63
	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or parttime employees, by significant locations of operation	●	65
	G4-LA3	Return to work and retention rates after parental leave, by gender	●	63
Labor/Management Relations	G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified	●	64
Occupational Health and Safety	G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	●	64

● Completed, ◐ Partially Completed, ○ Not Completed, ◎ Continuous Activity

Aspect	Indicator	Description	Status	Page
Occupational Health and Safety	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	●	47, 64
	G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	N/A	-
	G4-LA8	Health and safety topics covered in formal agreements with trade unions	●	47
Training and Education	G4-LA9	Average hours of training per year per employee by gender, and by employee category	●	63
	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	○	-
	G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	●	64
Diversity and Equal Opportunity	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	●	63
Equal Remuneration for Women and Men	G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	●	64
Supplier Assessment for Labor Practices	G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	○	-
	G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	○	-
Labor Practices Grievance Mechanisms	G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	◐	25
Human Rights				
Investment	G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	○	-
	G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	●	25
Non-discrimination	G4-HR3	Total number of incidents of discrimination and corrective actions taken	●	25
Freedom of Association and Collective Bargaining	G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	●	64
Child Labor	G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	●	64
Forced or Compulsory Labor	G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	●	64
Security Practices	G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	N/A	-
Indigenous Rights	G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	N/A	-
Assessment	G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	○	-
Supplier Human Rights Assessment	G4-HR10	Percentage of new suppliers that were screened using human rights criteria	○	-
	G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	○	-
Human Rights Grievance Mechanisms	G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	◐	25
Society				
Local Communities	G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	○	-
Anti-corruption	G4-SO2	Operations with significant actual and potential negative impacts on local communities	N/A	-
	G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	○	-
	G4-SO4	Communication and training on anti-corruption policies and procedures	●	25
	G4-SO5	Confirmed incidents of corruption and actions taken	●	25
Public Policy	G4-SO6	Total value of political contributions by country and recipient/beneficiary	N/A	-
Anti-competitive Behavior	G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	●	65
Compliance	G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	●	65
Supplier Assessment for Impacts on Society	G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	○	-
	G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	○	-
Grievance Mechanisms for Impacts on Society	G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	◐	25
Product Responsibility				
Customer Health and Safety	G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	◐	34
	G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	●	65
Product and Service Labeling	G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	●	65
	G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	●	65
	G4-PR5	Results of surveys measuring customer satisfaction	◐	34-35
Marketing Communications	G4-PR6	Sale of banned or disputed products	N/A	-
	G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	●	65
Customer Privacy	G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	●	64-65
Compliance	G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	●	65

INDEPENDENT ASSURANCE STATEMENT

THE BUSINESS INSTITUTE FOR SUSTAINABLE DEVELOPMENT ('BISD' HEREFTER), LED BY THE KOREAN CHAMBER OF COMMERCE AND INDUSTRY (KCCI), WAS COMMISSIONED TO PERFORM AN INDEPENDENT 'THIRD-PARTY' ASSURANCE OF THE '2013 LS MTRON SUSTAINABILITY REPORT' AND PRESENTS ITS FINDINGS AS FOLLOWS.

PURPOSE

This assurance statement aims to verify whether this report contains any significant errors or biases and to conduct an independent assurance engagement of whether LS Mtron's sustainability management issues were appropriately identified and reported so as to present BISD's assurance findings.

RESPONSIBILITY AND INDEPENDENCE

This report outlines LS Mtron's endeavors, achievements and future plans in advancing sustainability management in 2013 and LS Mtron is solely responsible for preparing this report.

To maintain its independence and autonomy in performing the assurance engagement of this report and in offering its findings as an assurance provider to the management of LS Mtron, BISD does not have any business-related or profit-pursuing interest in LS Mtron aside from this third-party assurance engagement.

ASSURANCE STANDARDS AND LIMITATIONS

BISD followed the three principles (completeness, materiality, responsiveness) of the AA1000AS (2008) as well as the reporting principles of the Global Reporting Initiative (GRI) G4 Guidelines.

The boundary of this assurance engagement is limited to LS Mtron's performance in 2013 and excludes any data prior to 2013. BISD conducted on-site inspections of the Head Office in Anyang, among other domestic and overseas establishments of LS Mtron and did not include online data in its scope of assurance. In addition, LS Mtron's GHG emissions data (which was already verified by a third-party organization), was not included in this assurance engagement.

ASSURANCE METHODS

BISD did not participate in any stakeholder engagement activities undertaken by LS Mtron. BISD's assurance engagement was based on interviews with LS Mtron employees and the verification of the related documents provided by LS Mtron. Major assurance methods are as follows:

- Verify whether LS Mtron's internal sustainability reporting standards were applied
- Verify the contents, as well as the information gathering processes, used in the Korean version of the report
- Verify the information, policies and systems related to the materiality test and material issues
- Conduct on-site inspections and interviews with supervisors at the Head Office

FINDINGS

BISD abided by the assurance methods described in this assurance statement in performing this assurance engagement and recommended LS Mtron to modify the report content if deemed necessary. Based on the above processes, BISD believes that this report is void of any significant errors and is in accordance with the core option as proposed by the GRI G4 Core standards.

On the basis of this assurance engagement, BISD presents the following findings in consideration of the AA1000APS principles.

- **Completeness:** Does LS Mtron comply with the stakeholder engagement principles to ensure responsible and strategic responses in advancing sustainability management?
 - In initiating its 2nd-term of sustainability management, LS Mtron redefined its stakeholders and operated communication channels accordingly so as to gather feedback and better understand the major issues concerning customers, employees, suppliers, local communities, and earth/ecology.
 - BISD is not aware of any significant stakeholder groups that were neglected in the process of gathering issues through the stakeholder communication channels operated by LS Mtron.
- **Materiality:** Does LS Mtron include material issues that impact its stakeholders throughout its sustainability management?
 - BISD verifies that LS Mtron resolved its major sustainability management issues through the materiality test process. As part of this process, it also gathered feedback, in terms of the expectations of respective stakeholder groups, so as to identify material issues.
 - BISD is not aware of any significant issues omitted from the materiality test process.
- **Responsiveness:** Does LS Mtron appropriately respond to stakeholder issues?
 - BISD verifies that LS Mtron addressed its major sustainability management issues in each sector and disclosed its performance as measured against the previous year's plans (as well as plans for the following year), as a way to appropriately respond to the issues of interest to stakeholders.
 - BISD is not aware of any areas that run counter to the responsiveness principle in LS Mtron's response to major sustainability management issues and relevant achievements (from the materiality perspective), in this report.

RECOMMENDATIONS

BISD offers the following recommendations—within a boundary that does not impact its assurance outcomes.

- BISD believes that upon initiating its 2nd-term of sustainability management, LS Mtron redefined who its stakeholders were and continued to host its Sustainability Management Steering Group and subcommittee meetings as part of its sincere commitment to sustainability management. When it comes to customers who are defined as a key stakeholder group, however, LS Mtron identified 'customer relationship management' as a key material issue. Yet, the Company focuses on future plans in reporting any of the concrete actions it takes or communication channels it uses. BISD recommends that LS Mtron fully disclose its activities in the reporting period in its future reports.
- Conducting business in a more ethical manner is instrumental to any global company aiming to expand its global business presence. In line with its quantitative growth, LS Mtron needs to reinforce its ethics management system and training to prevent the drastic rise of anti-corruption risks. Given that LS Mtron publicly announced its commitment to compliance management at the 2014 kick-off meeting, BISD believes that LS Mtron will benefit from disclosing that it is reinforcing its ethics management substantially and managing organizations prone to anti-corruption risks in its future reports.
- In China, where LS Mtron is presently focusing its business operations, there have been repeated issues concerning human rights and labor issues. Given the scope of LS Mtron's influence, BISD believes that the company needs to undertake more robust initiatives to address human rights and labor issues and report on such issues.

May 2014



Tae-Jin Park _ President

REPORT PREPARATION

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, IN ACCORDANCE WITH LS MTRON'S SUSTAINABILITY MANAGEMENT REPORTING SYSTEM, WITH THE SUPPORT OFFERED BY BUSINESS DIVISION.

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Injection Molding Division	www.lsinjection.com
Special Business Division	www.lstrackshoe.com
Electronic Component Division	www.lscomponent.com
UC Division	www.ultracapacitor.co.kr
LS Mtron's business report	dart.fss.or.kr
Information on the LS Group	www.lsholdings.com

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PREVIOUS REPORTS



SUSTAINABILITY REPORT 2009



SUSTAINABILITY REPORT 2010



SUSTAINABILITY REPORT 2011



SUSTAINABILITY REPORT 2012

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