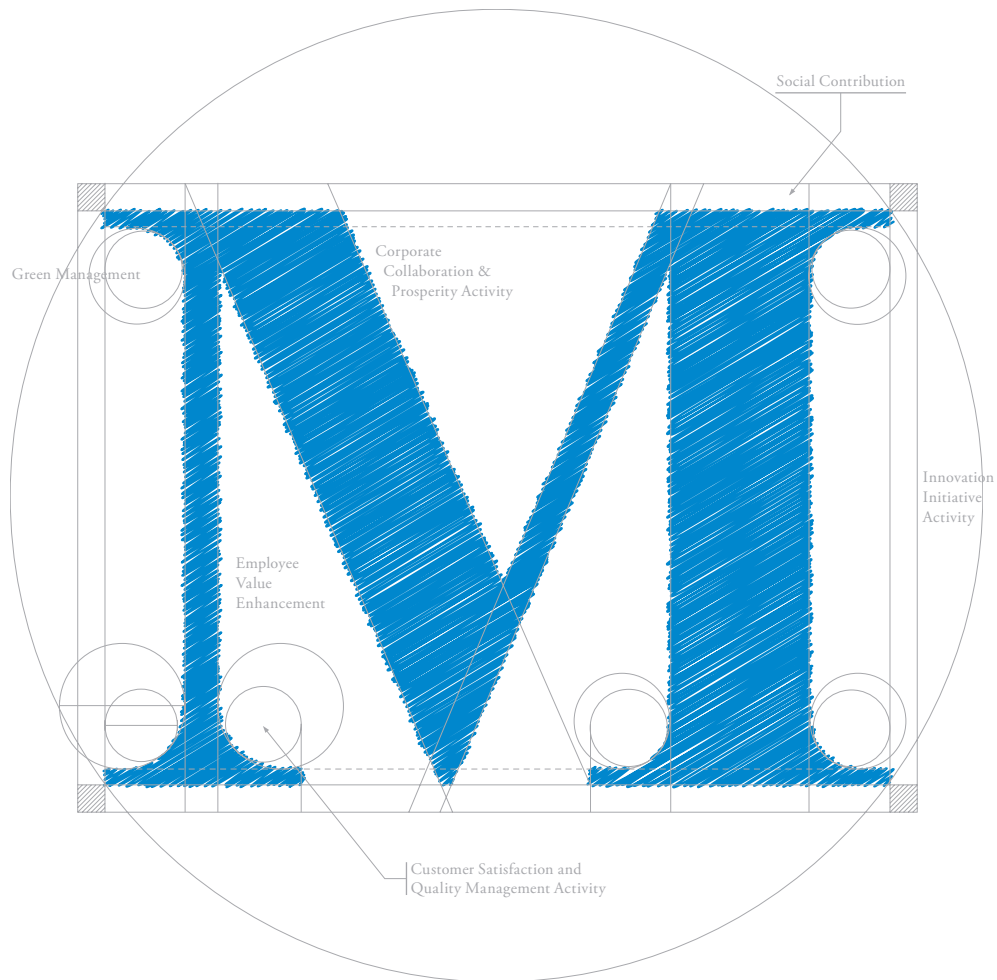


MSTORY

LEADING SOLUTION, LEADING SUSTAINABILITY



2011 LS Mtron Sustainability Report Vol. 3



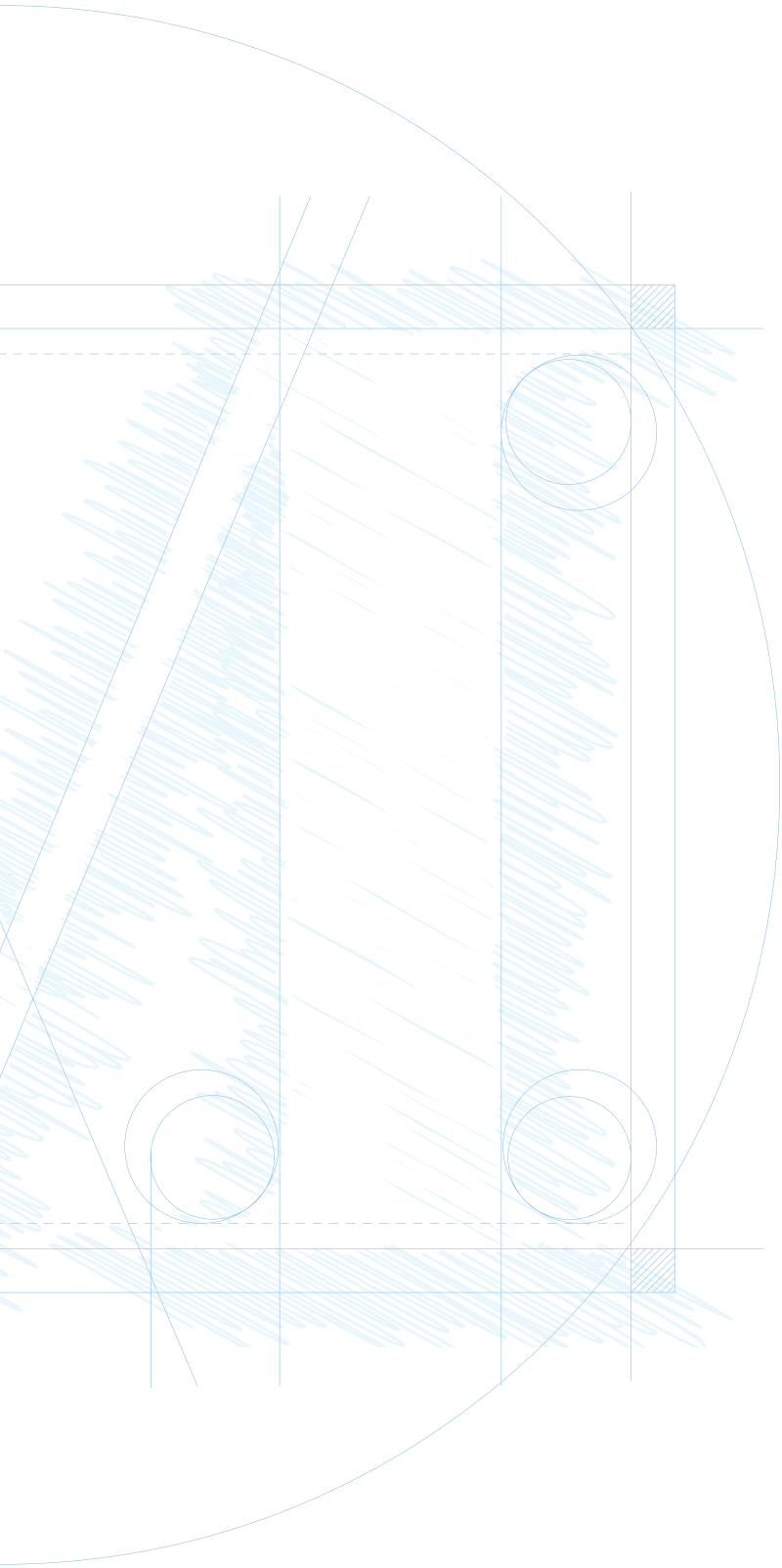
LS Mtron publishes its 3rd Sustainability Report.

Our definition of sustainability management is to generate economic, social and environmental values in conjunction with all stakeholders based on our management vision to become an ‘Innovative Technology Partner to Create a Convenient and Comfortable World’. To this end, our integrated sustainability management framework has been up and running since 2009. This report outlines our achievements in 2011 and future plans for 2012. We hope that this report serves as a meaningful communication channel for LS Mtron’s stakeholders.



Cover Story
The alphabet M, the first letter of our corporate name ‘Mtron’, embodies our commitment to sustainability management that aims to pursue joint development and prosperity with wide-ranging stakeholders through the well-established structure.

| | |
|----|---|
| 03 | Report Profile |
| 08 | CEO Message |
| 10 | LS Mtron-Company Profile |
| 11 | Business Division Profile |
| 12 | Economic Value Creation |
| 14 | Materiality Analysis |
| 16 | Integrated Sustainability Management |
| 17 | Integrated Risk Management |
| 18 | 2011 Sustainability Management Steering Wheel |
| 19 | 2011 Sustainability Management Highlights |
| 20 | Innovation Initiatives |
| 24 | Corporate Collaboration & Prosperity Activity |
| 30 | Customer Satisfaction and Quality Management |
| 36 | Social Contribution |
| 42 | Green Management |
| 48 | Employee Value Enhancement |
| 56 | Corporate Governance |
| 57 | Ethics Management |
| 58 | Major Quantitative Indicators |
| 59 | Awards / Membership |
| 60 | GRI / ISO 26000 Index |
| 63 | COP Report |
| 64 | Independent Assurance Statement |
| 66 | Sustainability Management Guideline |
| 67 | Report Publishing Team Members / Our Past Reports |



Report Profile

Report Content

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

Reporting Period and Scope

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

Reporting Framework

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

Assurance

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

LS Mtron’s Sustainability Report Publication Schedule (Publishing Annually)

Previous report: May of 2011
This report: July of 2012
Next report: 2013

For further information on this report, you contact us at

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Injection Molding Machine

Tractor

LS Mtron

We care for people and nature.
It is with outstanding insight and the spirit of
challenge that we produce industrial machines
that drive the growth of the humanity.

We look beyond today into the future.
The industry-leading cutting-edge
components drive our commitment to
a truly special future.



“Sustainability management is the foundation for us to build a true LSpartnership®.”

Chairman's Message



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

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

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

Our non-financial outcomes include the Global Happy Village project undertaken in Vietnam, winning the Great Work Place Award as one of Korea's 100 Great Work Places which recognized our efforts in building a pleasant workplace, and 9 projects undertaken to develop technology through public-private joint investment.

All LS Mtron employees including myself will never become complacent and be fully committed to stakeholder satisfaction through sustained technological innovation and genuine partnership.

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

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

Christopher Koo, Chairman and CEO

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

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

Principles and Values of Sustainability Management

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

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

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

Foundation for Sustainable Growth

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

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

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

President's Message



Our 'Global Happy Village' project, the representative social contribution program at LS Mtron, is being expanded and our manufacturing processes, products and services are constantly innovated and improved so that our business activities directly contribute to creating social and environmental values.

Integrated Management System of Sustainability Management

At LS Mtron, our own distinct 6-step materiality test process is applied to newly identify six Focus Areas each year (Innovation Initiatives, Win-Win Partnership Initiatives, Quality and Customer Satisfaction Initiatives, Social Contribution, Green Management, Employee Value Enhancement) and three managerial issues under regular management (corporate governance, ethics management, integrated risk management). The bi-monthly Sustainability Management Steering Group meetings are responsible for constantly monitoring these focus areas and managerial issues. Our six subcommittees including the Eco-friendly Product Subcommittee are in charge of building company-wide cooperation systems in order to translate sustainability management into working-level tasks.

All LS Mtron employees are fully committed to strengthening internal stability, presenting a sustainable business innovation model in the global machinery and component industry and evolving into a respected and trusted company by practicing sustainability management with heartfelt sincerity.

Jae-Seol Shim, President and CEO

LS Mtron-Company Profile

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

Company Overview

| | | | |
|------------------------|--|------------------------|-------|
| Company Name | LS Mtron Co., Ltd. | | |
| CEO | Cha-Yol Koo, Jae-Seol Shim | | |
| Type of Business | Manufacturing | | |
| Date of Establishment | July 1, 2008 | | |
| No. of Employees | 1,649/3,512(LS Mtron Ltd./including subsidiaries) | | |
| Credit Rating | NICE Investors Service A+ / Korea Investors Service A+ | | |
| Turnover | KRW 938.9 billion / KRW 1.575 trillion (LS Mtron Ltd./including subsidiaries) | | |
| Asset | KRW 1.002 trillion | | |
| Debt | KRW 426.3billion | Debt to equity ratio | 73.9% |
| Capital | KRW 576.1 billion | Capital adequacy ratio | 57.4% |
| Main Exporting Markets | USA, China, Europe, South East Asia, Middle East and etc | | |

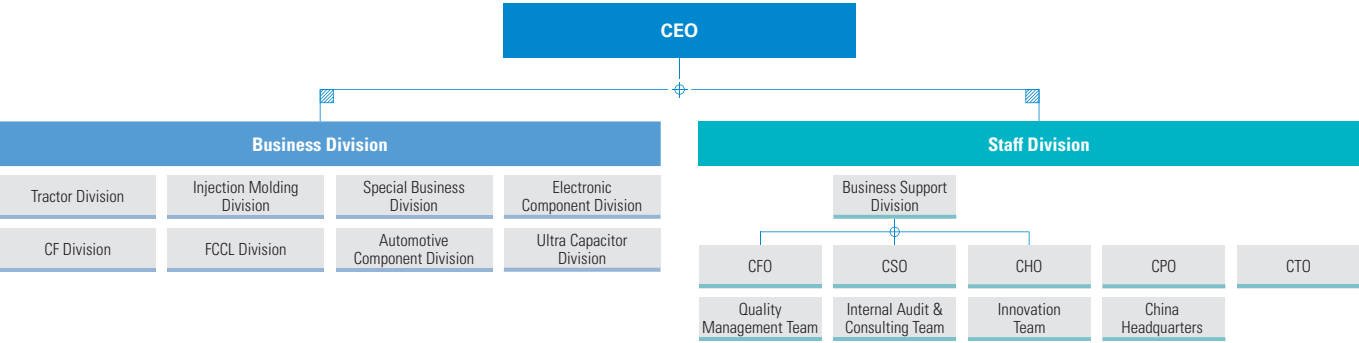
※ As of December 31, 2011 and in accordance with separate K-IFRS
(credit rating is as of May 8, 2012)

Vision

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



Organizational Chart



To maximize management efficiency through the principle of selection and concentration, our Air Conditioning Division was transferred to LG Electronics on May 1 of 2011. The Electronic Circuit Materials Division was renamed as the Copper Foil (CF) Division in consideration of future business directions and the Business Support Division was newly created to lead finance, strategic planning and support departments.

Management Philosophy

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

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



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

Business Division Profile

A convenient world delivered through creative technology is the future that we dream of at LS Mtron. We are fully committed to delivering greater values to customers and society based on innovative products and services. We have 8 divisions(teams) in operation under the two overarching business units of the Machinery Division and the Component Division.

Machinery Division

Tractor

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

Injection Molding

Injection Molding

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

Special Business

Special Business

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

Component Division

Electronic Component

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

CF(Copper Foil)

CF(Copper Foil)

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

FCCL(Flexible Copper Clad Laminate)

FCCL(Flexible Copper Clad Laminate)

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

Automotive Component

Automotive Component

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

UC(Ultra Capacitor)

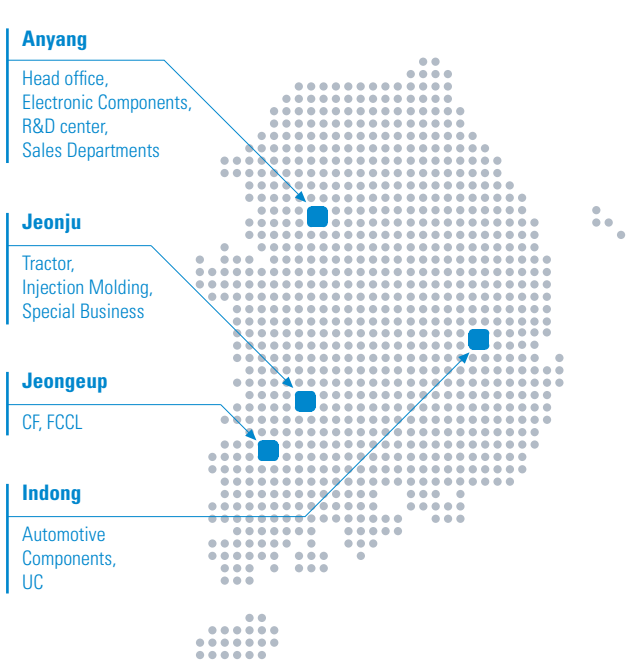
UC(Ultra Capacitor)

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

Economic Value Creation

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

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



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



Sales and Operating Profits

| (unit: KRW 100 million) | | | |
|-------------------------|-------|-------|-------|
| Category | 2009 | 2010 | 2011 |
| Revenue | 6,915 | 9,263 | 9,389 |
| Machinery Division | 4,301 | 6,278 | 5,913 |
| Component Division | 2,614 | 2,985 | 3,476 |
| Operating Profit | 333 | 524 | 1,169 |

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

*Including profits from discontinued operation regarding the transfer of the Air Conditioning business on May 1 of 2011

Revenues by Region

| (unit: KRW 100 million) | | | |
|-------------------------|-------|-------|-------|
| Category | 2009 | 2010 | 2011 |
| Korea | 5,554 | 6,895 | 6,531 |
| China | 395 | 513 | 569 |
| North America | 292 | 541 | 843 |
| South America | 33 | 124 | 78 |
| Europe | 219 | 419 | 628 |
| Asia(excluding China) | 210 | 724 | 711 |
| Others | 212 | 47 | 29 |
| Total | 6,915 | 9,263 | 9,389 |

*K-GAAP was applied in 2009 and separate K-IFRS standards were applied between 2010 and 2011.

Balance Sheet

| (unit: KRW 100 million) | | | |
|--|-------|-------|--------|
| Category | 2009 | 2010 | 2011 |
| Total Assets | 8,093 | 8,921 | 10,024 |
| Current Assets | 3,439 | 3,862 | 3,991 |
| Non-current Assets | 4,654 | 5,059 | 6,033 |
| Total Liabilities | 3,632 | 4,150 | 4,263 |
| Current Liabilities | 3,263 | 2,758 | 2,599 |
| Non-current Liabilities | 369 | 1,392 | 1,664 |
| Total Capital | 4,461 | 4,771 | 5,761 |
| Capital | 450 | 450 | 450 |
| Share Premium | 4,259 | 4,259 | 4,259 |
| Accumulated Other Comprehensive Income | -16 | -20 | -15 |
| Earned Surplus | -232 | 82 | 1,067 |

Economic Value Distribution

| (unit: KRW 100 million) | | | |
|--|-------|-------|-------|
| Category | 2009 | 2010 | 2011 |
| Economic Values Distributed | 5,030 | 7,844 | 7,527 |
| Purchasing Expenses(suppliers) | 3,983 | 6,579 | 6,357 |
| Labor expenses (employees) ¹⁾ | 880 | 1,099 | 988 |
| Taxes and public dues (government) ²⁾ | 38 | 55 | 58 |
| Donations(community) | 2 | 3 | 4 |
| Capital expenses(creditors) | 127 | 108 | 120 |

1) Combination of salary, retirement payments and benefits

2) Combination of taxes, public charges and corporate taxes

Sales and Operating Profits

| (unit: KRW 100 million) | | | |
|-------------------------|-------|--------|--------|
| Category | 2009 | 2010 | 2011 |
| Revenue | 7,431 | 10,404 | 15,757 |
| Operating Profit | 245 | 539 | 1,195 |

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

Overseas Subsidiaries

| (as of Mar. 2012) | | | |
|--|--|---------------------|--------|
| Category | Type of Business | Equity Ownership(%) | Region |
| Daesung Electric Co., Ltd. | Manufacturing and sales of automobile components | 100 | Korea |
| LS Machinery(Wuxi) Co., Ltd. | Manufacturing and sales of injection molding machines | 100 | China |
| LS Electronic-Devices(Qingdao) Co., Ltd. | Manufacturing and sales of electronic components | 100 | China |
| LS Agricultural Equipment(Qingdao) Co., Ltd. | Manufacturing and sales of agricultural machines | 100 | China |
| LS Tractor USA, LLC | Sales of agricultural machines | 100 | USA |
| Casco Co., Ltd. | Manufacturing and sales of industrial machines | 83.8 | Korea |
| YanTai Leading Solution Auto Parts Co., Ltd. | Manufacturing and sales of automobile components | 50 | China |
| LS Mtron Brazil(LS MTRON INDÚSTRIA DE MÁQUINAS AGRÍCOLAS Ltda) | Sales of injection molding machines and manufacturing and sales of agricultural machines | 100 | Brazil |

Materiality Analysis

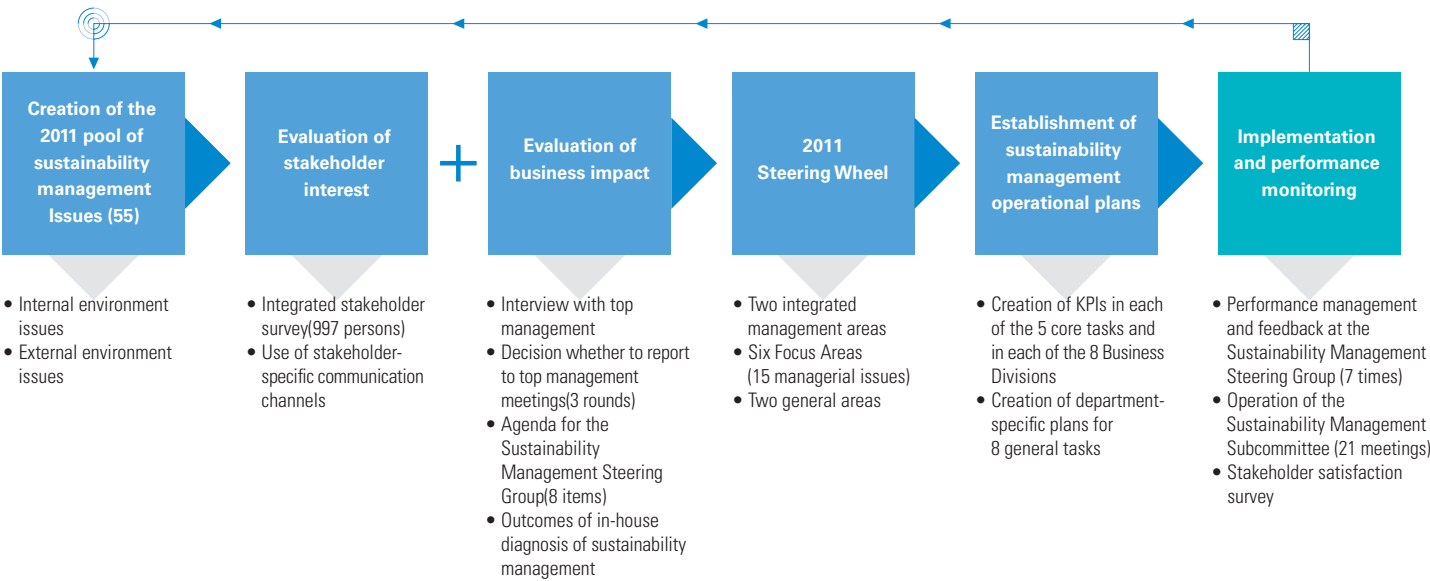
At LS Mtron, we directly reflect the expectations of wide-ranging stakeholders in our conduct of business to ensure that stakeholder satisfaction initiatives become an inherent part of our daily operation at LS Mtron. Major expectations of our stakeholders are specifically incorporated into our sustainability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

Annual Implementation Process

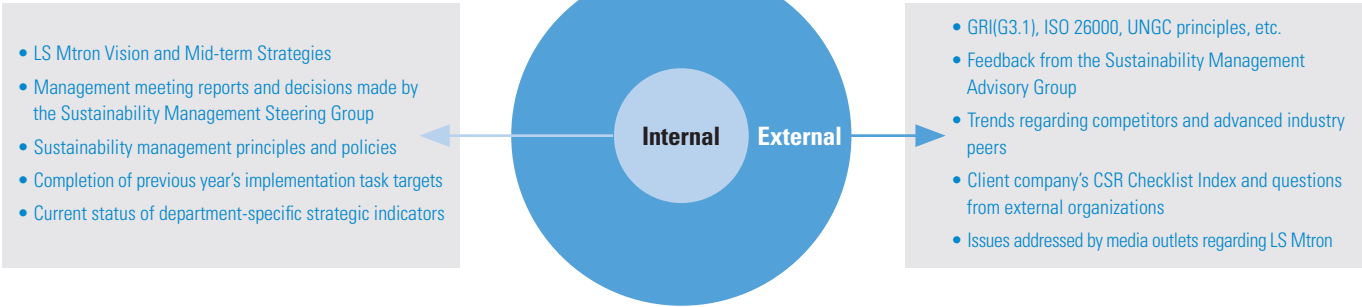
We at LS Mtron ensures stakeholder engagement throughout the entire process of sustainability management from planning to reporting of outcomes. First of all, wide-ranging internal/external considerations regarding sustainability management are analyzed to create a pool of issues in the planning stage.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

To ensure the continuity of our sustainability management initiatives, action plans were defined and are being put into action in 2012 in accordance with the 2011 Steering Wheel, which will serve as the basic data to perform a materiality test in 2012. In particular, an additional stakeholder survey was conducted of their satisfaction(awareness) with our sustainability management initiatives as part of the integrated stakeholder survey in 2011 and the results were incorporated in developing 2012 plans.

Outcomes of Sustainability Management Initiatives in 2011



Issue Pool Considerations



Major Expectations by Stakeholder Group

Overview of Stakeholder Survey in 2011

- Supervision: Sustainability Management Executive Office
 - Period: Aug. 2011 ~ Nov. 2011
 - Method: Online survey / Mail
 - Respondents: 997 people(company)
 - 164 client companies
 - 194 suppliers
 - 618 employees
 - 21 local community organizations
 - Survey items
 - Assessment of business impact by focus areas
 - Assessment of interest level by stakeholder group
 - Level of satisfaction with LS Mtron's sustainability management in 2011
 - Preferences regarding communication channels
- *The introduction of each focus area presents stakeholder-specific communication channels, the level of stakeholder interest and satisfaction and detailed task plans and performance outcomes.

1) Customers

| Ranking | Details |
|---------|---|
| 1 | Competitive edge in quality ② |
| 2 | Establishment of customer complaint handling processes ③ |
| 3 | Enhancement of after-sales activities ④ |
| 4 | Competitive edge in technology ⑧ |
| 5 | Expanded collection of customer opinions |
| 6 | Guarantee and enhancement of product safety(PL) |
| 7 | Expanded operation of quality management systems |
| 8 | Provision of varied product information |
| 9 | Strengthening eco-friendly technology and product development |
| 10 | Support for suppliers in enhancing quality competency |
| 11 | Fair operating practices |
| 12 | Prevention of core technology leakage and protection of such technology |
| 13 | Compliance with customer information regulations |
| 14 | Response to and improvement of human rights and relevant risks |

3) Suppliers

| Ranking | Details |
|---------|---|
| 1 | Expansion of channels for suppliers to present their opinions ⑤ |
| 2 | Establishment of a culture of fair trade ⑥ |
| 3 | Support for training programs (manufacturing part) ⑦ |
| 4 | Shortening payment deadlines ⑫ |
| 5 | Expansion of Q-Partners |
| 6 | Operation of production management systems |
| 7 | Private/public joint investment development |
| 8 | Establishment of an eco-friendly purchasing supply chain |
| 9 | Expansion of Win-Win Partnership Funds |
| 10 | Operation of on-line evaluation systems |
| 11 | Capacity building in the innovation part |
| 12 | Support for training programs(environment/safety parts) |
| 13 | Support for training programs(business mgt. part) |
| 14 | Support for training programs(patent part) |

2) Employees

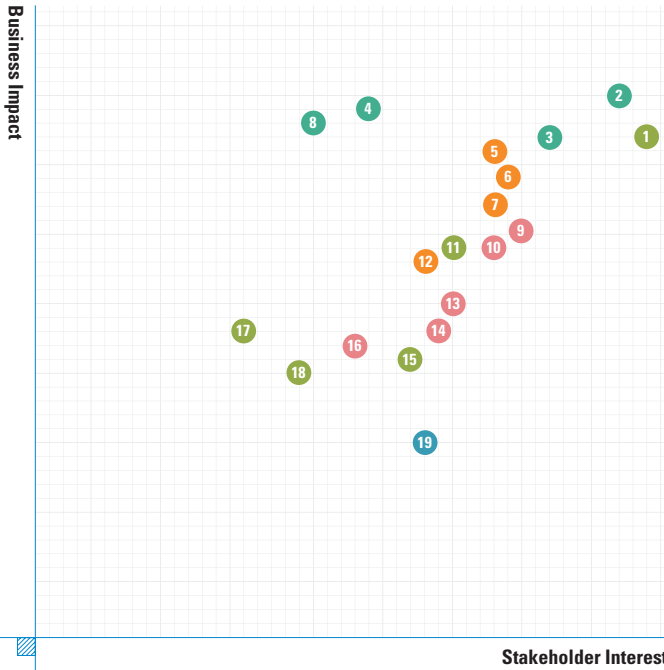
| Ranking | Details |
|---------|--|
| 1 | Work/life balance (family-friendly management) ⑨ |
| 2 | Expansion of job capacity building training ⑩ |
| 3 | Fairness of HR systems (recruitment, evaluation, compensation) ⑬ |
| 4 | Expansion of employee benefits schemes ⑭ |
| 5 | Expansion of global capacity building training ⑯ |
| 6 | Expansion of training to nurture outstanding individuals |
| 7 | Building leadership skills |
| 8 | Health and safety improvement activities |
| 9 | New hires in adapting to the corporate culture |
| 10 | Facilitation of direct communication with top management |
| 11 | Diversification of compliant collection channels |
| 12 | Compliance with domestic and overseas regulations regarding labor and human rights |
| 13 | Expansion of recruitment of women and the physically-challenged |

4) Local community

| Ranking | Details |
|---------|---|
| 1 | GHG emissions control ① |
| 2 | Saving resources and energy ⑪ |
| 3 | Investment in eco-friendly facilities and process improvement ⑮ |
| 4 | Development of eco-friendly products ⑰ |
| 5 | Reduction and management of pollutants ⑱ |
| 6 | Management of hazardous chemicals |
| 7 | Operation of environmental mgt. and systems |
| 8 | Operation of injury-free business sites |
| 9 | Employee health promotion activities |
| 10 | Compliance with ESH regulations/norms |
| 1 | Employment and promotion of future talent ⑲ |
| 2 | Welfare benefits for vulnerable populations |
| 3 | Support for culture/arts/sports |
| 4 | Support for green activities in local community |

Materiality Analysis

| Ranking | Key Managerial Issues | Page |
|---------|--|-----------|
| 1 | GHG emissions control | 44 |
| 2 | Competitive edge in quality | 32-34 |
| 3 | Creation of customer complaint handling processes | 35 |
| 4 | Enhancement of after-sales activities | 35 |
| 5 | Expansion of channels for suppliers to present their ideas | 29 |
| 6 | Establishment of a culture of fair trade | 26, 57 |
| 7 | Support for training programs(manufacturing part) | 28 |
| 8 | Competitive edge in technology | 32-34 |
| 9 | Work/life balance(family-friendly management) | 51 |
| 10 | Expansion of job capacity building training | 52 |
| 11 | Saving resources and energy | 44-47 |
| 12 | Shortening payment deadlines | 27 |
| 13 | Fairness of HR systems(recruitment, evaluation, compensation) | 50 |
| 14 | Expansion of employee benefits schemes | 51 |
| 15 | Investments in eco-friendly facilities and process improvement | 45 |
| 16 | Expansion of global capacity building training | 52 |
| 17 | Development of eco-friendly products | 46-47 |
| 18 | Reduction and management of pollutants | 45 |
| 19 | Employment and promotion of future talent | 38-41, 50 |



Integrated Sustainability Management

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

Integrated Management Framework of Sustainability Management

Our Sustainability Management Steering Group, subcommittees and Sustainability Management Executive Office have been up and running since April 2010.

Sustainability Management Steering Group

The Sustainability Management Steering Group is the top decision-making body in charge of sustainability management and meets bi-monthly. Those sustainability management issues that require the joint implementation of multiple departments are proposed as agenda items to the group so that implementation directions are determined and cooperation systems are built. This is also a venue to share outcomes of sustainability management initiatives which are unique to each department. In 2011, the group met 7 times including ad-hoc meetings.



Sustainability Management Subcommittees

Our sustainability management subcommittees are working-level bodies to discuss decisions to be made and meet more than once semi-annually under the leadership of each department in charge. In 2011, 6 subcommittees held 21 meetings in total and the eco-friendly supply chain subcommittee was newly created to establish the full-fledged eco-friendly raw materials management system.



Sustainability Management Executive Office

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



Major Agendas of the Sustainability Management Steering Group in 2011

| Meeting | Major Agendas | Decisions and Actions |
|--------------------------|--|--|
| 6 th Jan. 24 | Joint response to the CSR Checklist with client companies: | Requirements of external stakeholders that are constantly submitted were transferred to the Sustainability Management Executive Office, which in turn designated R&R to ensure joint response through the Sustainability Management Steering Council (response made of 7 requirements) |
| 7 th Feb. 21 | Final review of the publication of the Sustainability Management Report 2010 | An ad-hoc Sustainability Management Steering Group meeting was held to conduct final reviews of the report content under the leadership of the Sustainability Report 2010 Editorial Meeting. Each section of the report was approved and addressed by the assurance team |
| 8 th Mar. 21 | Eco-friendly product management directions | The definitions and processes that were set of eco-friendly products in 2010 were reviewed and supplemented regularly (during the progress review of mid/long-term eco-friendly technology development roadmap in May) |
| 9 th May. 28 | Sustainability management framework for overseas subsidiaries | Starting from 2012, Chinese regulations and norms regarding sustainability management will be investigated and improvement tasks will be identified and put into action |
| 10 th Jul. 28 | Company-wide sustainability management training | The training was provided as part of the company-wide 'exceeding limitations' training program and employees in the manager position and higher received separate advanced courses (company-wide training: 1,363 trainees, advanced training: 198 trainees) |
| | Integrated stakeholder survey | The Sustainability Management Executive Office planned the survey on a company-wide level and the survey was conducted by departments working at contact points with stakeholders through the most optimized channels (997 stakeholders) |
| 11 th Sep. 19 | Risk management manuals for the Tractor Business Division | Response systems were developed to address core risks and regular training and education will be provided |
| 12 th Nov. 28 | Eco-friendly raw materials(hazardous substances) management system | The Eco-friendly Supply Chain Sub-committee was established under the supervision of the Quality Management Team at the headquarters |

Integrated Risk Management

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

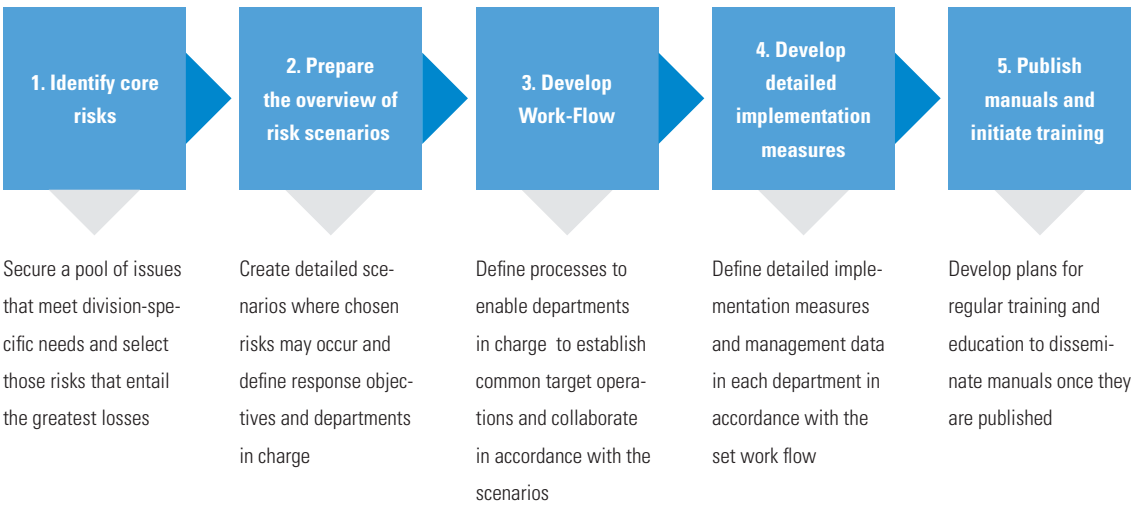
Integrated Risk Management System

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

Development of Business Division Risk Response Manuals

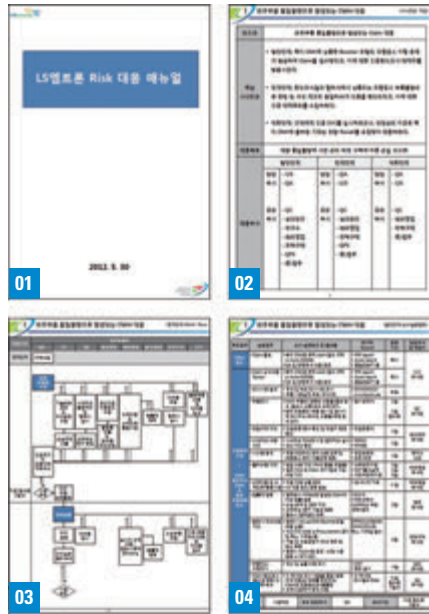
Our aim in developing business division-specific risk response manuals is to identify risks that are hidden in our sustainability management and to build proactive management systems. In 2011, the Tractor Division played a central role in identifying 6 core risks covering quality, production, operation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

Risk Response Manual Development Process



Establishment of Local Legal Risk Response Systems at Overseas Subsidiaries

We aim to start our global sustainability management initiatives from 2012 to expand sustainability management to our overseas subsidiaries. The first step to achieve this goal is develop compliance, response and management systems concerning local laws and regulations in China. In particular, we chose 18 issues covering labor, human rights, environment, safety, tax and quality in analyzing relevant national and provincial governmental laws. The next step will be to evaluate the level of management of these issues in each subsidiary and to identify future improvement directions.



01. Manual Cover
02. Risk Scenario Structure
03. Work Flow
04. Detailed Action Plan

2011 Sustainability Management Steering Wheel

LS Mtron's Sustainability Management Steering Wheel offers an at-a-glance view of our sustainability management directions and area-specific managerial issues. Our 2011 Sustainability Management Steering Wheel was modified in accordance with strengthened integrated management functionality: integrated management of sustainability initiatives is at the center of the wheel and relevant activities are connected along integrated risk management, which serves as the outer edge of the wheel. This enables the more clarified presentation of relevant meanings and roles.



Steering Wheel and Stakeholder Alignment

At LS Mtron, our definition of stakeholders includes all who impact or are impacted by our business conduct directly and indirectly. We classified our stakeholders into two groups by the level of business impact: core stakeholders covering customers, employees, suppliers, local community, earth/ecosystem and general stakeholders covering central/local governments, NGOs, shareholders/investors. Our classification of stakeholders remained unchanged in 2011 from the previous year of 2010.

2011 Sustainability Management Highlights

We were committed to substantial sustainability management initiatives in 2011 to satisfy wide-ranging stakeholders and build trust-based relationships.

Quality innovation for customer satisfaction
Winning the Silver Tower Order of Industrial Service Merit at the 37th National Quality Management Awards

Seeds of hope for the future
Completion of Banfu Elementary School in Vietnam and dispatch of employee volunteers

Building consensus of sustainability management
Sustainability management training offered to all employees: 1,363 trainees(completion rate: 98%)

Shared growth through mutually-beneficial cooperation
Private-public joint investment technology development project: 9 projects (KRW 3.35 billion) were undertaken

Commitment to a corporate culture filled with contentment
Chosen as one of Korea's 100 Great Work Places

Stronger endeavors toward green management
Eco-friendly products accounting for 35% of the total sales(37% up from the previous year based on LS Mtron's performance)

Let the world know about LS Mtron
Tractor Division posting \$ 100 million in exports for the first time in corporate history

Substantial and innovative growth
Rated No. 1 in innovative and executive capabilities by the 'Diagnosis of Sustainable Growth Competitiveness' (Maekyung Economy)

Golden efforts toward top-notch technological capability
Winning the Presidential Golden Award at the 37th National Quality Circle Competition

1 Innovation Initiatives

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



• Declaration

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

• 2015 Mid-term Implementation Directions

- To exceed business limitations through the generation of new values led by creative innovation
- To secure the driving force behind business growth by strengthening business capabilities through proactive and ambitious innovation initiatives
- To lay the foundation for voluntary innovation by establishing a free and productive culture of communication

• Implementation System

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

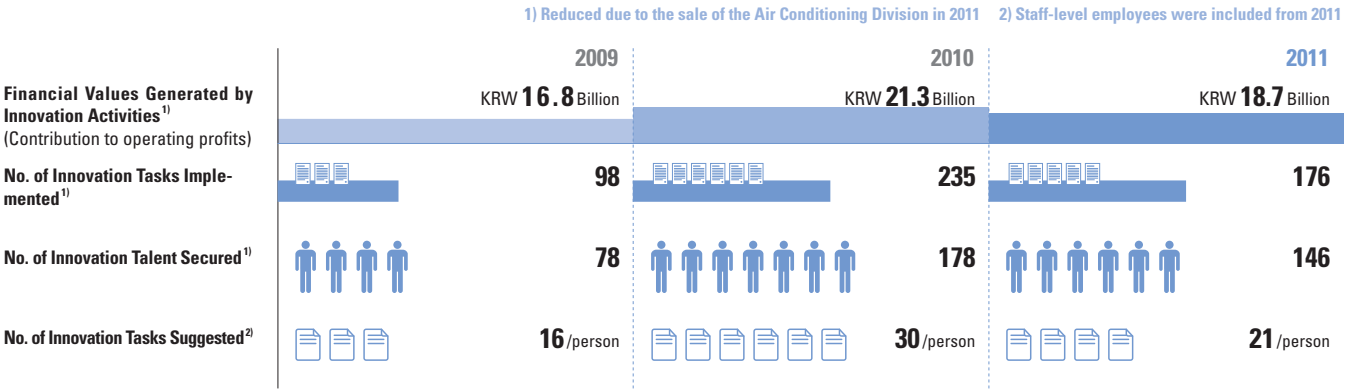
• 2011 Achievements and 2012 Plans

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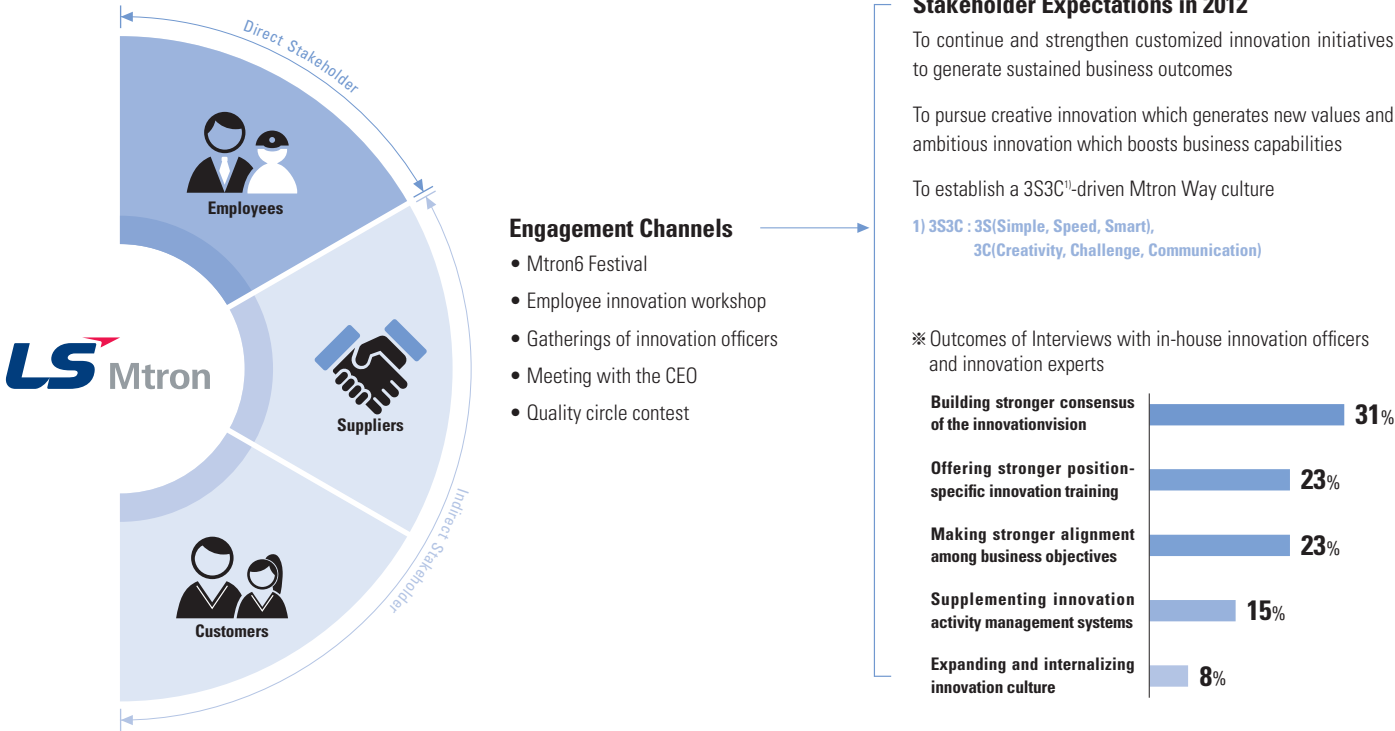
| Managerial Issue | Major Achievements in 2011 | Evaluation | Major Plans for 2012 | Deadline |
|---|---|------------|---|----------|
| Operation of the Integrated Innovation System | • Scope of innovation activities was extended | ● | • To undertake quality circle tasks and innovation activities at overseas subsidiaries | ◎ |
| | - Innovation activities were initiated among office and sales / marketing workers | | • To build a Big Y task implementation system in the Staff sector | ◎ |
| Customized Innovation Activities | - Support was offered to overseas subsidiaries/suppliers for their innovation initiatives | | • To undertake theme-based tasks in the areas of operation/ communication/competency/awareness innovation | ◎ |
| | • Awarded with the Golden Prize of the Korean National Quality Management Awards(quality circle competition sector) | ● | • To facilitate communication | ◎ |
| | • Silver Tower Order of Industrial Service Merit was awarded(CEO) | ● | | |
| | • Innovation culture was communicated and promoted | ◎ | | |
| Customized Innovation Activities | • Company-wide KPI management system was built | ● | • To select and undertake innovation tasks to address chronic problems in major divisions | ◎ |
| | • Productivity management system was improved | ● | • To build a TRIZ implementation system and undertake pilot tasks | Mar. |
| | • Division-specific customized innovation activities were undertaken(Contribution to operating profit was worth KRW 18.7 Billion) | ● | • To enhance the accuracy of indicators by re-setting standard time | Aug. |
| | • CDM ¹⁾ activities with suppliers were strengthened | ● | • 6Sigma, LPS ²⁾ , VE ³⁾ , TRIZ ⁴⁾ and promotion of shop floor innovation talent | Nov. |

1) CDM (Cost Development Method) : Initiatives which aim to work together with CDM suppliers to reduce cost and share the benefits
2) LPS : LS Mtron Production System 3) VE : Value Engineering 4)TRIZ : Theory of Inventive Problem Solving

• Our Achievements in Numbers



• Stakeholder Engagement



interview

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

Firstly, we pursued innovation on the shop floor, under which self-driven, on-site improvement and maintenance was made through target management and immediate implementation activities were undertaken to ensure the speedy resolution of problems on the shop floor. Secondly, our endeavors continued to secure the ‘survival’ cost. This aimed to ensure that our overseas subsidiaries secure the minimum level of cost to guarantee their own survival as a business. While only 84% of the target set was attained due to the delay in localizing semi-manufactured products, we reaped a great success in cost innovation of the plating process which challenged to meet extremely high targets and this made great contributions to securing the survival cost. Lastly, we strived to nurture innovation talent. Altogether, 20 innovation leaders were fostered including 3 Six Sigma MBBs by the end of 2011. Value Engineering training was offered to generated ideas for cost innovation and the 3-year Kaizen Leader training for class/circle leaders was completed.

Our Electronic Component Division, entering the 2nd phase of its innovation initiatives(ECPS 2.0) in 2012, is undertaking innovation activities under the slogan of “Jump ECPS” to take another leap forward. To this end, the division is expanding the scope of its innovation activities into sales and R&D, fostering innovative talent, and taking customized innovation initiatives led by team leaders. We will secure global customers and advance into the global market through our JUMP ECPS initiatives in order to drive the sustainable growth of our Electronic Component Division.

In-gook Cho, General Manager, Electronic Component Division MBB



Operation of Integrated Innovation System

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

Expansion of the Scope of Innovation Initiatives

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

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

Expansion of Innovation Initiatives into Chinese Subsidiaries Innovation initiatives at our Chinese subsidiaries, which were primarily focused on training in 2010, were combined with quality circle activities to help them generate practical outcomes in 2011. Our plan for 2012 is to encourage these quality circles at Chinese subsidiaries to undertake 2 tasks per circle and attend the company-wide quality circle competition.

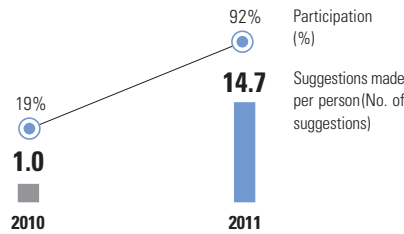
Facilitation of Communication

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

Stronger External PR Activities We at LS Mtron utilized various external opportunities to promote the progress and outcomes of our innovation activities in 2011. Included in such endeavors is our CEO's lecture at the Global Innovation Conference (a case presentation at the Inno-Skill Conference and a keynote speech delivered at the Employee Innovation Forum, which in turn recognized our achievements in innovation activities.

Award Winner at the 37 Korean National Quality Management Awards Our substantial innovation activities were recognized with varied external awards and commendations. Both of our Equus quality circle from the Injection Molding Division and the Green Water quality circle from the CF Division were awarded with the Golden Prize at the Quality Circle Competition held as part of the 37th Korean National Quality Management Awards and Woo-Sik Kim, an LS Mtron employee, was honored as quality master. Moreover, President Jae-Seol Shim was awarded with the Silver Tower Order of Industrial Service Merit for his efforts in promoting innovation initiatives and quality management.

Suggestions Made By Staff-Level Employees



01. Innovation training for Chinese subsidiaries
02. CEO's presentation at the Global Innovation Conference
03. 37th Korean National Quality Management Awards
04. Quality Innovation Festival of the Electronic Component Division

Customized Innovation Activities

At LS Mtron, each business division develops and applies customized innovation methodologies that meet their specific needs in order to generate practical outcomes. These customized innovation activities took their firm root across the board in 2011 and intensive innovation initiatives were undertaken to strengthen the sustainable corporate fitness covering efficiency improvement of the customized operation system, establishment of cost innovation competency and promotion of innovation talent.

Efficient Operation System

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

Internal Capability for Cost Innovation

Expansion of VE Activities In 2011, our cost innovation initiatives moved beyond mere cost reductions of raw materials into VE activities that aim for the systemized creation of ideas and the implementation of cost reduction tasks, thereby building stronger internal capabilities. The scope of our VE activities extended from design to process and the share of VE out of the total cost innovation rose from 35% in 2010 to 43% in 2011.

Stronger CDM Activities Our CDM initiative aims to promote mutually-beneficial cooperation between LS Mtron and suppliers by working jointly in generating cost reduction ideas and sharing the outcomes. In 2011, 18 and 11 suppliers of the Tractor Division and the Injection Molding Division were chosen respectively. LS Mtron had sincere discussions with these suppliers to come up with cost reduction ideas and offered them training and technical support to generate outcomes.

Promotion of Customized Innovation Talent

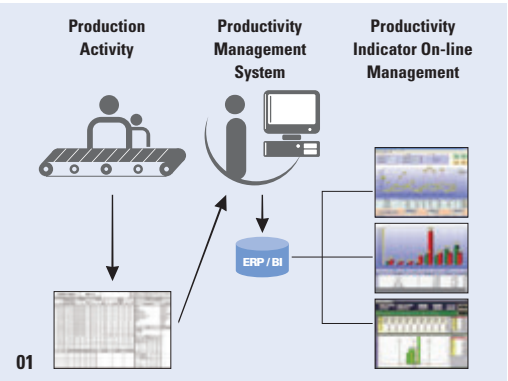
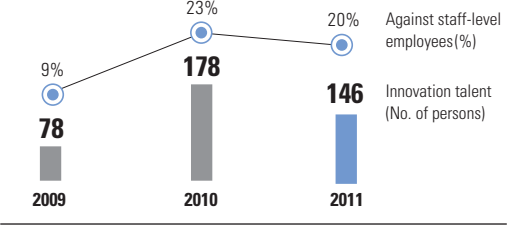
Fostering innovation talent, the driver of our innovation initiatives, is a sustained activity at LS Mtron. In 2011, a total of 41 new innovation talents were nurtured including 4 new MBBs. Moreover, VE BBs, GBs, and LPS improvement experts were fostered in addition to 6 Sigma BBs and GBs who are problem-solving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

•MBB : Master Black Belt •BB : Black Belt •GB : Green Belt
•VE : Value Engineering •LPS : LS Mtron Production System

Performance Verification of Innovation Initiatives

Our expert employees thoroughly verified whether our innovation activities were redundant or erroneous regarding relevant financial performance and concluded that the contributions made by these activities to our financial performance amounted to 33% of operating profits.

Promotion of Customized Innovation Talent



01. Improvement of the Productivity Management System
02. Kick-off of Tractor Division's CDM activities
03. Promotion of Customized Innovation Talent

2 Corporate Collaboration & Prosperity Activity

Values are closely bound together to create a new level of potential.

Uncharted territories are explored and passionate minds are united as one along this journey.

Our capacities reach their full potential when we are together, our journey is meaningful when we grow together.

Shared growth, this is LS Mtron's keyword for a sustainable future.



• Declaration

We will establish the virtuous cycle of mutually-beneficial partnership to seek shared growth with suppliers based on a transparent and fair culture of transaction and secure competitive edge for sustained growth in the global market.

• 2015 Mid-term Implementation Directions

To Build sustainable partnerships through shared growth
To extend the value chain for enhanced competitive edge in the global market
To encourage suppliers to participate in and practice sustainability management

• Implementation System

Manager in charge : CPO
Department in charge : Corporate Collaboration & Prosperity Team
Subcommittee: Corporate Collaboration & Prosperity Subcommittee

• 2011 Achievements and 2012 Plans

● : Completed, ● : Partially completed, ○ : Not completed, ◎ : Continuous activity

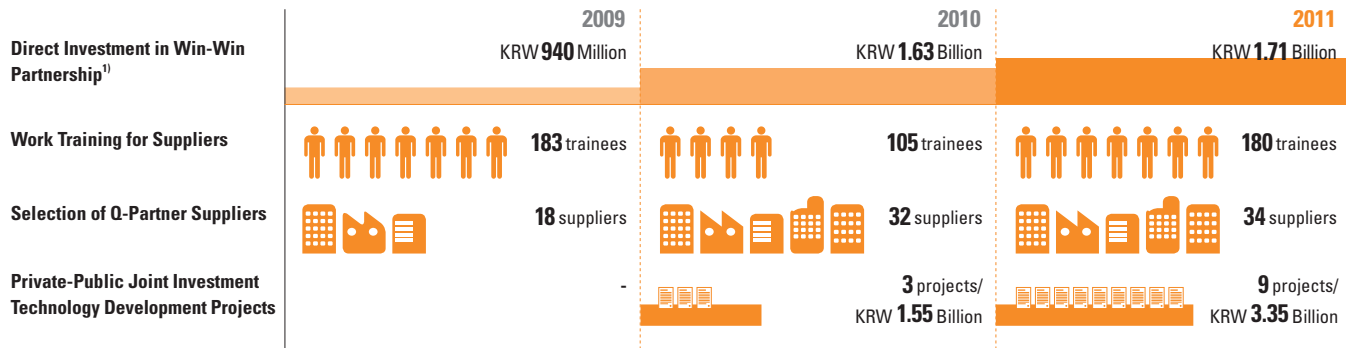
| Managerial Issue | Major Achievements in 2011 | Evaluation | Major Plans for 2012 | Deadline |
|--|---|------------|---|--------------|
| Secured Competitive Edge for Shared Growth | • Shared growth agreement between large companies and SMEs was signed | ● | • To offer customized support to boost supplier's competitive edge | ◎ |
| | • SRM ¹⁾ system was built | ● | • To complete and initiate the SRM system | ◎ |
| | • Private-public joint investment technology projects were initiated(9 projects) | ● | • To facilitate private-public joint investment technology development projects | ◎ |
| | • New win-win partnership funds were created(KRW 5 Billion) | ● | • To operate win-win partnership funds worth KRW 10 Billion | ◎ |
| | • P-CBO ²⁾ was created, corporate bonds were issued(KRW 95 Billion) | ● | • To continue to make 100% cash or cash-equivalent payments | ◎ |
| | • 100% full cash or cash-equivalent payments were made to suppliers | ● | • To participate in the Technology Training Center consortium led by the Ministry of Employment and Labor | Under review |
| | • Investments in increasing supplier production capacity were made(KRW 2.5 Billion) | ● | • To operate the Technology Research Council with Sungkyunkwan University | Oct. |
| | • Quality management activities were undertaken(35 suppliers) | ● | • To participate in the health & safety cooperation project of the Ministry of Employment and Labor | Nov. |
| | | | | |
| | | | | |
| Supplier Engagement and Communication | • Varied offline dialogue channels were operated(29 times) | ◎ | • To run varied offline dialogue channels | ◎ |
| | • Business division heads performed MBWA | ◎ | • To improve the integrated purchasing system | Aug. |
| | • Sustainability management surveys were conducted(194 suppliers) | ● | • To conduct sustainability management surveys | Aug. |

1) SRM: Supplier Relationship Management

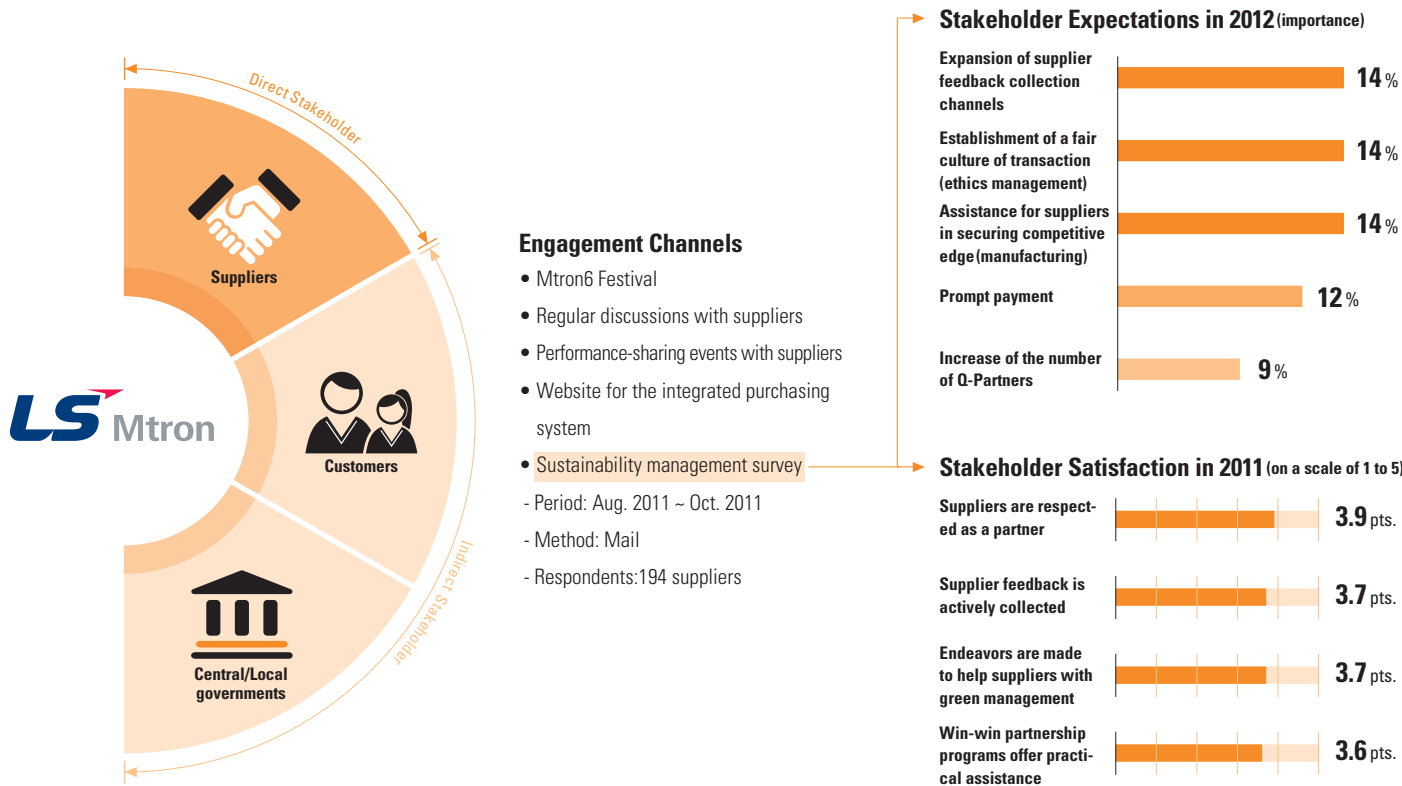
2) P-CBO: Primary-Collateralized Bond Obligations

• Our Achievements in Numbers

1) Including management support consulting, purchase-conditional, private-public joint investment technology development projects, etc.



• Stakeholder Engagement



interview

"Daechang Co., Ltd. is based in the Seongseo Industrial Complex in Daegu and specializes in producing components for tractors, combines, rice-planting machines and other major agricultural machines.

We have forged long-standing, family-like relationships with LS Mtron over the last three decades since we started business with the agricultural machinery division of LG Cable. Today, we supply all of cabins and pedal frames consumed by LS Mtron to manufacture its flagship product, tractors, and we were chosen again as Platinum Partner in 2011 after we made the same feat in 2005.

What we have achieved so far was supported by various consulting and innovation activities offered by LS Mtron that covered production, quality and general management. These endeavors encouraged us to grow into a company with professional capacity unmatched by any other competitors, even though we started as a late mover in producing cabins for agricultural machinery.

LS Mtron suppliers who are certified as Q-Partners are entitled to such substantial benefits as increased order volume and 100% full cash payment. This in turn leads to improved payment conditions for Tier 2 suppliers, creating a virtuous cycle throughout the entire supply chain. Support for capacity-building training offers varied opportunities to managers and production officers, laying the basis for our suppliers to grow further and forge viable cooperative relationships with us.

The trust-based relations we built with LS Mtron allowed us to participate in the on-going project to develop 'general-type combines' as an export-oriented model for 2013. Last but not least, I'd like to ask for continued cooperation from LS Mtron so that suppliers make up for their shortcomings and join forces with LS Mtron in reaching its ambitious goal to grow into one of the world's big 5 companies in the tractor market. We will fully commit ourselves to this objective as well.



Dal-Hyun Eom, President, DAE CHANG Industrial co., Ltd.

Secured Competitive Edge for Shared Growth

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

Signing of the Shared Growth Agreement between Large Companies and SMEs

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

Establishment of the SRM System

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

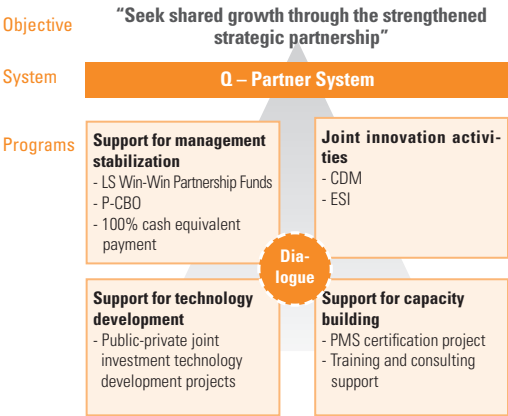
Q-Partner System

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

Corporate Collaboration & Prosperity Subcommittee's Activities in 2011

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

Win-Win Partnership Model



Purchase by Country

(unit: KRW 100 Million)

| Category | 2009 | 2010 | 2011 |
|------------------------|-------|-------|-------|
| Korea | 3,044 | 5,374 | 5,021 |
| Japan | 366 | 496 | 403 |
| China | 304 | 415 | 595 |
| Europe | 268 | 236 | 324 |
| Row(U.S., India, etc.) | - | 58 | 14 |
| Total | 3,982 | 6,579 | 6,357 |



01. Signing ceremony of the North Jeolla Province Shared Growth Agreement between Large Companies and SMEs
02. Q-Partner awarding ceremony

Financial Support for Operational Stability

LS Win-Win Partnership Funds Our LS Mtron Win-Win Partnership Funds worth KRW 5 Billion have been up and running in conjunction with Jeon Buk Bank since 2010 in order to enable our suppliers who are in need of financial resources for facility investments and other purposes to benefit from preferential interest rates. In June 2011, we created additional KRW 5 Billion together with Kookmin Bank to further expand the funds, which will enable financial support for even more LS Mtron suppliers nationwide.

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

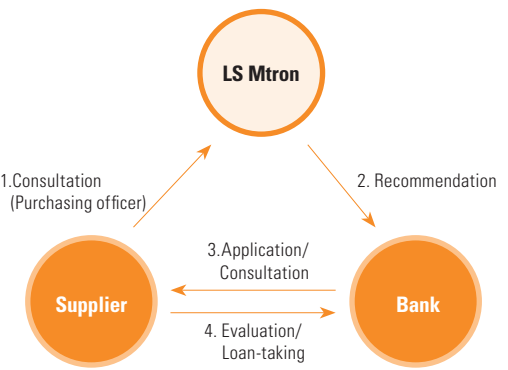
Terms of Payment for Suppliers Since October 2010, all our suppliers have been benefited from 100% cash or cash equivalent payments to ensure their operational stability. Our major suppliers are entitled to bi-weekly payments and 100% full cash payments are made if the total amount is under KRW 5 Million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

Joint Innovation Initiatives

CDM Activities Our CDM (Cost Development Method) activities represent our own performance sharing system under which we discover ideas for cost reduction together with suppliers and share the outcome equally for two years. In 2011, 18 of our suppliers participated in this system to identify 450 such ideas, which were then verified for effectiveness and taken into action to produce KRW 700 Million of cost saving annually.

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

LS Mtron Win-Win Partnership Funds



01. Issuance of P-CBO corporate bonds for shared growth
02. Business presentations and quality agreement signing ceremonies held for suppliers

Private-Public Joint Investment Technology Development Project

Our R&D Funds worth KRW 20 Billion, created through the agreement with the Small Business Administration and the Large & Small Business Cooperation Foundation, aim to assist our suppliers in boosting their R&D capabilities. Under the private-public joint investment technology development project, the Korean government and large companies provide cash to support 75% of the development cost of outstanding R&D initiatives taken by SMEs on the condition that the products developed through the R&D are purchased by the large companies.

We use the project to ensure that our mutually-beneficial partnership with SME suppliers is healthy and sustainable with R&D efforts as an intermediary. Today, we have 12 such projects under progress which aim to develop domestic technology and new technology. These endeavors will help us and our suppliers in strengthening competitive edge continuously.

Training and Consulting Support

PMS Certification We support our suppliers with capacity-building in various ways. The PMS(Productivity Management System) Certification Project led by the Korea Productivity Center enables us to assist our suppliers in achieving productivity gains. This project aims to set directions in nurturing companies in their own customized manner through the pre-diagnosis of their current status and to provide OJT consulting to boost the comprehensive competitive capability of these companies. We shoulder 50% of the cost that our suppliers have to bear to participate in this project.

Training Support for Suppliers Included in our endeavors for strengthened capabilities of suppliers is free-of-charge training on such topics as quality/production management. LS Mtron employees serve as an instructor to promote such training programs as a venue for communication where information is shared and working-level staff come together in addressing problems rather than knowledge is transferred unilaterally. We will gather VOS(Voice of Supplier) in the upcoming years to open wide-ranging training programs for our suppliers.

Expansion of Sustainability Management at Suppliers

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

Private-Public Joint Investment Technology Development Project (unit: KRW 100 Million)

| Year | Business Division | No. of Projects | Investments in the Funds | LS Mtron's Share |
|-------|----------------------|-----------------|--------------------------|------------------|
| 2010 | Automotive Component | 3 | 15.5 | 5.15 |
| 2011 | Tractor | 2 | 4.5 | 1.5 |
| | Injection Molding | 2 | 6.7 | 2.24 |
| | CF | 1 | 3 | 0.99 |
| | Automotive Component | 4 | 19.3 | 6.43 |
| | Sub total | 9 | 33.5 | 11.16 |
| Total | | 12 | 49 | 16.31 |



01. Private-public joint investment technology development project signing ceremony
02. Innovation training for suppliers
03. Quality management training for suppliers (management by wondering around)

Supplier Engagement and Communication

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

Performance Sharing Event with Suppliers

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

Regular Supplier Visits by Division Heads

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

Increase Direct Dialogue with Suppliers

Included in our dialogue activities with suppliers in 2011 were 29 discussion meetings and business presentations. These events aim to introduce our win-win partnership programs and gather any difficulties our supplier may have as well as to outline current market conditions and our production plans in order to seek shared growth through dialogue-driven cooperation and communication. Constructive suggestions made at such events are incorporated in our efforts to lay the basis for win-win management.

Guiding CEOs of Suppliers for Chinese Subsidiaries to LS Mtron Head Office

To boost the loyalty of suppliers for our overseas subsidiaries and to promote their benchmarking of Korean companies and technology exchange, 6 CEOs of suppliers for LSAE(Chinese subsidiary in charge of producing tractors) and 27 CEOs of suppliers for LSMW(Chinese subsidiary in charge of producing injection molding systems) toured around our jeonju plant and suppliers in North Jeolla Province. We are dedicated to increasing exchanges with suppliers working for our overseas subsidiaries in the upcoming years.



01. Performance sharing event with suppliers
02. Guiding CEOs of LSMW suppliers to LS Mtron
03. Discussion meeting with suppliers
04. Business presentation for suppliers

Customer Satisfaction and Quality Management

Customers’ support is the greatest source of energy for LS Mtron.

Their passionate cheering encourages us to complete our race towards the perfect quality.

We will deliver the highest-quality products and even greater contentment by expanding channels to interact with customers and sincerely listen to their voices.



• Declaration

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

• 2015 Mid-term Implementation Directions

- To maximize customer satisfaction through customer-driven management
- To secure product quality competitive edge to create economic and social values
- To expand customer contact points and strengthen customer services

• Implementation System

Department in charge: Quality Management Team
(under the direct control of the CEO)

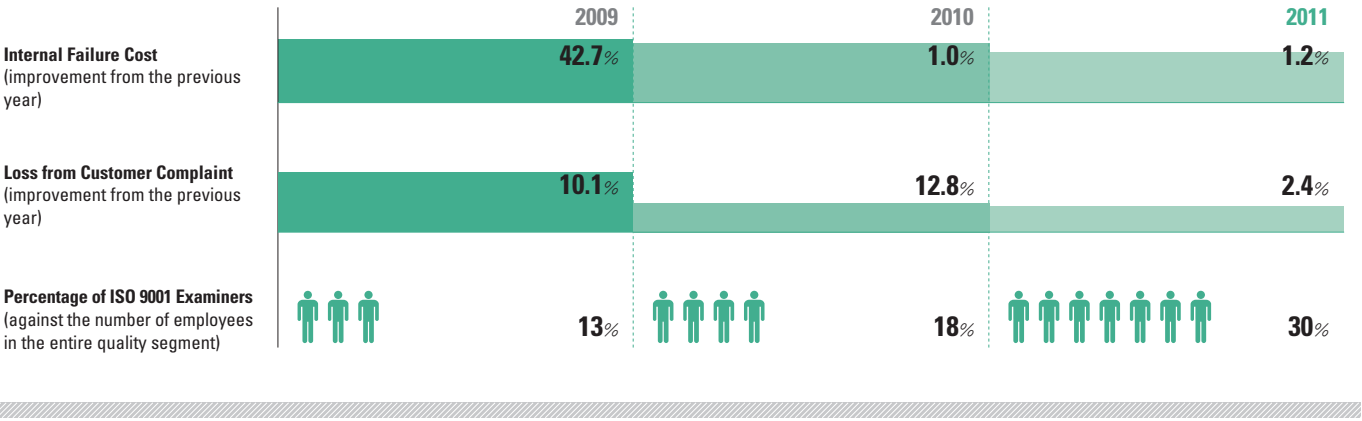
Subcommittee: Customer and Quality Improvement Subcommittee,
Eco-friendly Supply Chain Subcommittee

• 2011 Achievements and 2012 Plans

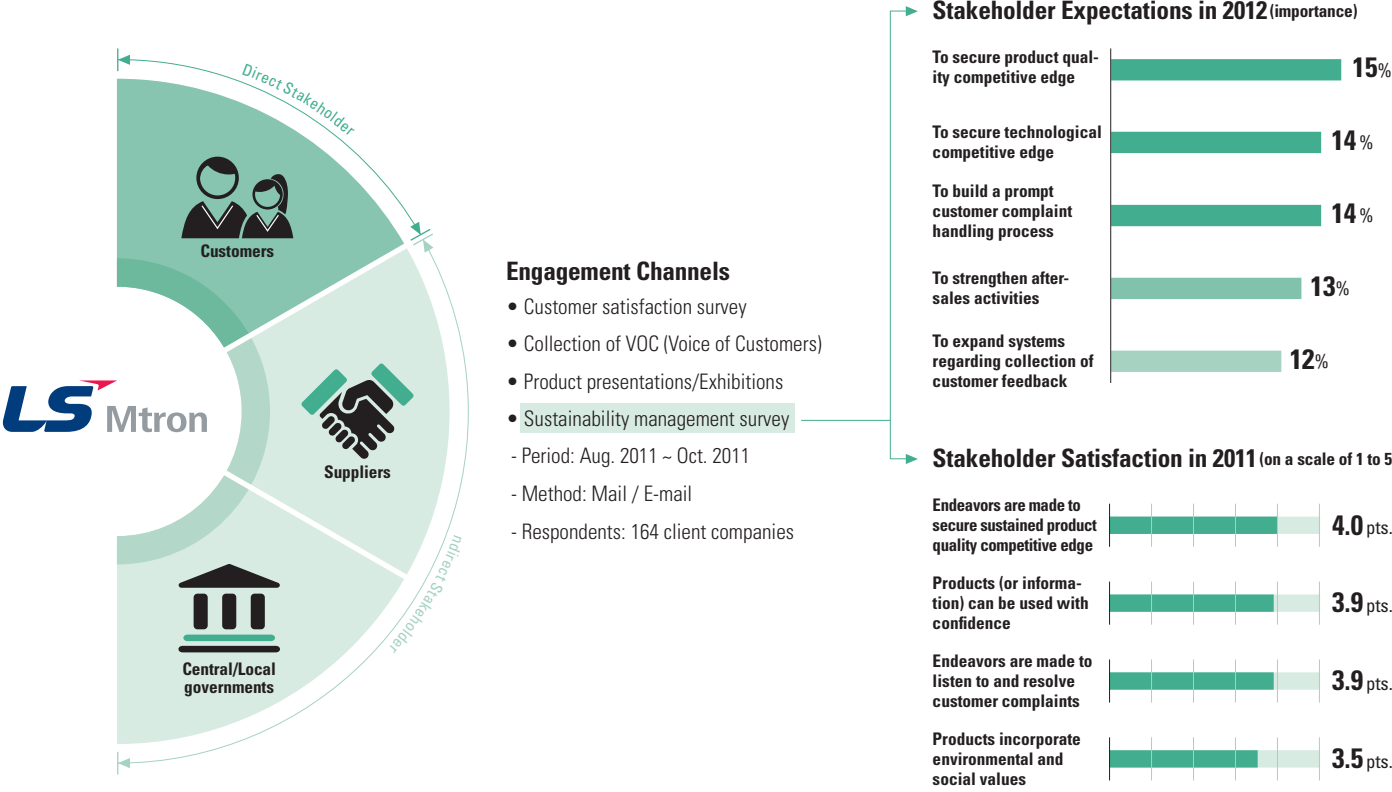
● : Completed, ● : Partially completed, ○ : Not completed, ◎ : Continuous activity

| Managerial Issue | Major Achievements in 2011 | Evaluation | Major Plans for 2012 | Deadline |
|---|--|------------|--|-----------|
| Establishment of Product Quality Competitive Edge | • Diagnosis of quality management systems (38 diagnoses) | ● | • Improvement and optimization of division-specific systems | ◎ |
| | • Product quality enhancement activities (7 activities) | ● | • Product quality enhancement activities and diagnosis of management systems | ◎ |
| | • Quality diagnosis and improvement for suppliers (64 suppliers/100 cases) | ● | • Quality diagnosis and improvement guidance for suppliers | ◎ |
| | • Quality diagnosis and improvement for overseas subsidiaries (14 cases) | ● | • Support for overseas subsidiaries in improving quality management systems | ◎ |
| | • Establishment of the evaluation scheme for Quality Management System (QMS) | ● | • Operation of quality training courses (7 courses) | Jul. Oct. |
| Customer Engagement and Communication | • Establishment of quality talent promotion systems | ◎ | • Nurturing of quality experts (quality management engineers) | Nov. |
| | • Fostering of quality innovation leaders (6 leaders) | ● | • Creation and operation of quality talent nurturing systems | Dec. |
| | • Operation of quality training programs (5 programs) | ● | • Establishment of product environmental management systems | Dec. |
| | • Division-specific CS activities/relevant training(40 cases) | ◎ | • Continued operation of division-specific customer satisfaction activities | ◎ |
| | • Participation in and supervising product exhibitions and seminars (50 occasions) | ● | • Strengthening activities at customer contact points | ◎ |
| | • Customer satisfaction surveys | ● | • Customer satisfaction surveys | Dec. |

• Our Achievements in Numbers



• Stakeholder Engagement



interview

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

Sang-Jeon Lee, President, Buan-Iksan Integrated Agent



Establishment of Product Quality Competitive Edge

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

Operation of Quality Performance Improvement Systems

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

Improvement in Quality Failure Costs At the beginning of each year, quality failure cost reduction targets are set and division-specific outcomes are analyzed regularly to make further improvements at LS Mtron. The quality performance indicators that we manage include internal failure costs¹⁾ and loss from customer complaints²⁾. Out of the 8 business divisions at LS Mtron, the Electronic Component Division improved its loss from customer complaints and internal failure costs by 83% and 26% respectively from the previous year.

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

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

Strengthen Quality Cooperation System with Suppliers

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

Quality Agreement Signing Ceremony

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

Major Achievements in Quality Management Initiatives in 2011

| | |
|--|-----------|
| Quality diagnosis and improvement guidance at overseas subsidiaries | 14 cases |
| Diagnosis and improvement guidance of quality management evaluation systems of suppliers | 100 cases |
| Diagnosis of the quality management system | 38 cases |
| Improvement of product quality defects | 7 cases |



01. Quality Improvement Signing Ceremony in the Injection Molding Machine Division

02. Partnership Day in the Electronics Component Division

Customer and Quality Improvement Subcommittee Activities in 2011

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

Support for Overseas Subsidiaries

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

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

2011 Quality Innovation Festival

We held the Quality Innovation Festival 2011 at our Jeonju site. The event aimed to share both successes and failures regarding quality management, present defective products, disclose the outcomes of customer satisfaction surveys and offer invited expert lectures in order to evaluate quality performance for the year comprehensively and to establish our own unique quality management culture. The top quality management award which recognizes the business division that achieved the greatest quality improvement for the year went to the Electronic Component Division for 3 consecutive years since 2008. Moreover, top performer and top performing teams with outstanding quality innovation activities for the past one year were honored with the quality achievement award. The entire LS Mtron business divisions took this event as an opportunity to be aware of the importance of quality and commit themselves to greater business outcomes through quality innovation in 2012.

Support for Overseas Subsidiaries

| Category | Support Activities |
|----------|---|
| LSAE | Early stage stabilization of mass |
| LSMW | Diagnosis of quality and verification of suppliers' quality |
| LSEQ | Enhancement of detection capabilities and technology guidance for suppliers |
| LSTA | Creation of ERP/BI systems |



01. LSMW quality assessments in 2011

02. Instruction for LSEQ inspectors in 2011

03. Quality Innovation Festival in 2011

Strengthening Quality Management Capabilities

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

Operation of Quality Training Programs To ensure sustained enhancement in quality competency, we provided regular quality training programs that cover 2 basic courses and 4 advanced courses to 40 employees working in the development/production/quality assurance sectors in each business division. Moreover, external lecturers were invited to train 200 employees in our Jeonju site on the topic of 'corporate survival strategy and quality management in the shop floor'.

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

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



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

Customer Engagement and Communication

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

Customer Satisfaction Survey

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

Provision of Product Information and Marketing

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

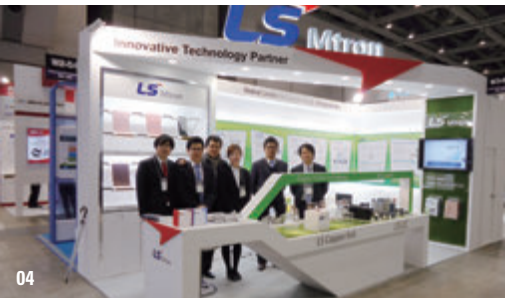
Management and Expansion of Customer Contact Points

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

Deployment of the Integrated Call Center Our integrated call center has been up and running since March 2012 to expand our contact points with customers regarding tractors and injection machines that are directly used by our customers. The main number was created to receive all customer claims and customer's satisfaction with our products and services will be also surveyed through the call center.

Protection of Customer Information

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



01. Presentation of customer survey outcomes
02. Tractor Division: Iksan Agricultural Machinery Expo 2011
03. Tractor Division: General meeting of authorized retail stores nationwide in 2011
04. CF/UC Division: Battery Exhibition in Japan
05. LSAE: Advanced training to improve maintenance capabilities

4 Social Contribution

Warm helping hands are extended to create the warmest light.
With darkness gone, all is light and a way opens for all of us to go together.
LS Mtron will embrace our neighbors with warm-hearts and loving arms.
We aim to serve as a guiding light to enlighten our society and the wider world.



- Declaration

We are committed to corporate philanthropic initiatives in order to fulfill our social responsibility as a company and to promote the development and growth of local community where we operate. Moreover, our employees are encouraged to undertake volunteering activities on their own initiative to create a beautiful world where everyone lives in harmony.
- 2015 Mid-term Implementation Directions

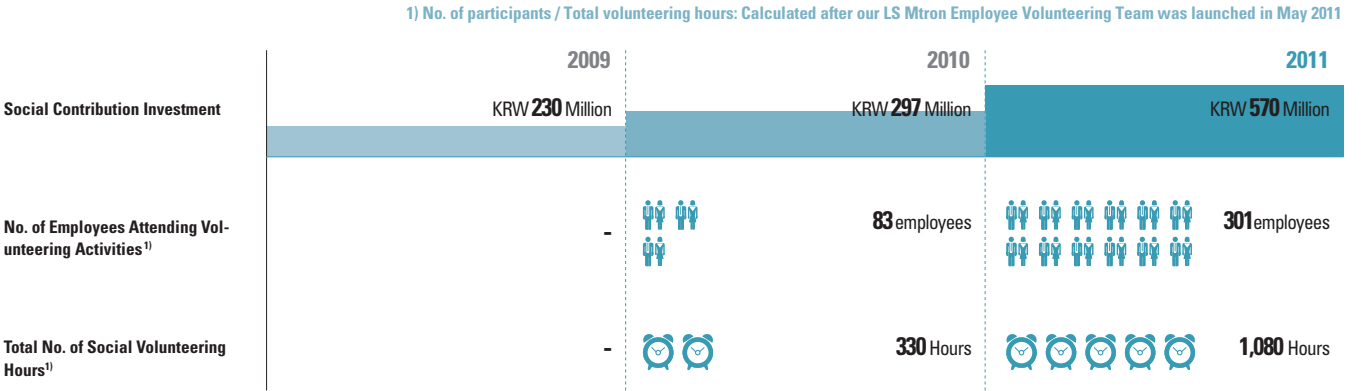
Improving corporate reputation through representative social contribution activities
Maintaining solidarity and building trust with local community
Enhancing employee's CSR mind-set and expanding volunteering activities
- Implementation System

Manager in charge: Business support(CHO)
Department in charge: Business Support Team
Subcommittee: Social Contribution Subcommittee(planning),
LS Mtron Employee Volunteering Team(implementation)

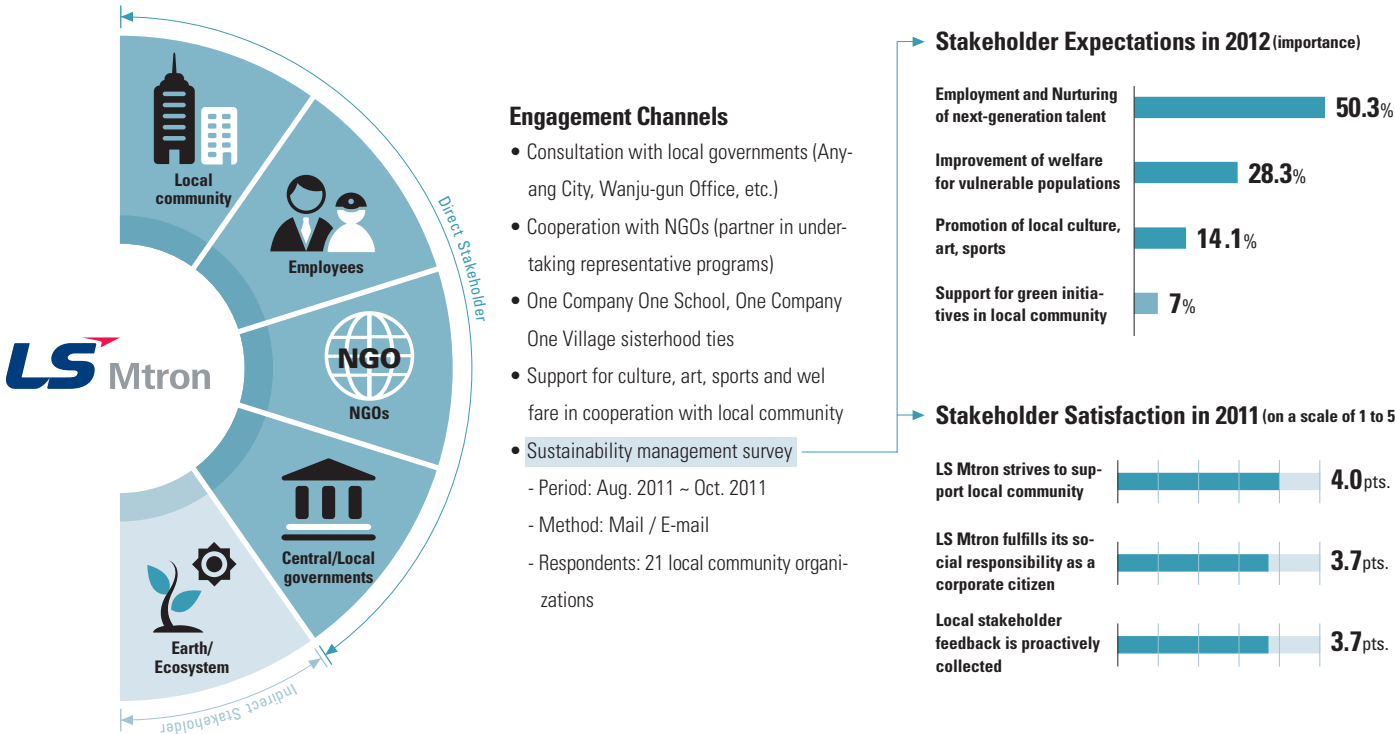
• 2011 Achievements and 2012 Plans

| Managerial Issue | Major Achievements in 2011 | Evaluation | Major Plans for 2012 | Deadline |
|--|---|----------------------------|---|-----------------------|
| Operation of Representative Social Contribution Programs | • Global Happy Village campaign in 2011(Vietnam) • Planning representative social giving programs in Korea | ● ● | • 2 nd class of the Global Happy Village campaign in 2012(Vietnam) • Operation of representative social giving programs in Korea | Jun. Dec. |
| Community Engagement and Support | • Creation of the LS Mtron Employee Volunteering Team • Regular volunteering activities on the company-wide level and in each business site • Activities in alignment with local welfare agencies • Promotion and sponsorship of local culture, art and sports • Sisterhood ties with local communities and schools | ● ◎ ◎ ◎ ◎ ◎ | • Facilitation of volunteering team activities(Ceremony, etc.) • Training to build volunteering awareness among employees • Activities in alignment with local welfare agencies • Promotion and sponsorship of local culture, art and sports • Sisterhood ties with local communities and schools | ◎ ◎ ◎ ◎ ◎ |

• Our Achievements in Numbers



• Stakeholder Engagement



interview

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

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

Once again, we would like to express our heartfelt gratitude to LS Mtron on behalf of 400 teachers and students at Banfu Elementary School. Your support was pivotal to the development of our school and we would like to ask for continued interest and support for the development of Banfu village down the road.

Nguyen Thi Thanh, Head Teacher of Banfu Elementary School



Operation of Representative Social Contribution Programs

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

LS Mtron Global Happy Village Campaign

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

The program enabled us to build Banfu Elementary School in Tuyen Quang Province, a less-developed region in Vietnam, in 2011, and to send a 10-strong employee volunteering team to provide their helping hand in the construction site and engage in varied programs with students including sports competition, music class and art class. Moreover, the program was planned in full consideration of local needs and situations in Vietnam and constituted the first global social contribution program at LS Mtron as a beneficiary-driven one based on the close network forged in the local community. We will continue to undertake our Global Happy Village campaign each year to grow into a company that is respected in the global market.

Construction of Banfu Elementary School Banfu Elementary School, first built with earth bricks 20 years ago, suffered from aging facilities which failed to provide an adequate learning environment and was run under the double-shift system due to a significant shortage of classrooms to accommodate students. LS Mtron helped build a new 2-story learning building, an administrative building and flush toilets to allow students there to enjoy learning in a pleasant and comfortable environment. Today, Banfu Elementary School is recognized as a top-performing school in the local community and facing a new turning point in its history due to our volunteering activities at LS Mtron.

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

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

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

Our employees who sincerely worked with sweat running down their body in spite

of the scorching weather in Vietnam encouraged local teachers and residents to join hands voluntarily. Moreover, local community leaders and parents as well as school employees came to join forces to discuss pending issues regarding education or local community and participated in the volunteering work.



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

1st Class of the Global Happy Volunteering Team

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

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



Various Activities Undertaken by the Global Happy Volunteering Team



Community Engagement and Support

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

Launching the LS Mtron Employee Volunteering Team

Our employee volunteering activities that were previously undertaken by respective business sites evolved and integrated into the company-wide volunteering team. Included in our efforts to provide systemized support to these activities are the maintenance of the informal volunteering format in each business site so that the original autonomy and volunteerism stay unchanged and the creation of additional systems such as volunteering team operation systems and the Social Contribution Subcommittee. Our company-wide Volunteering Team began to receive membership applications in May 2011 and is composed of the four business sites in Jeonju, Anyang, Jeoneup and Indong. So far, 400 LS Mtron employees have joined the team. Our employee volunteering team aims to maintain its informal format and thus is open to family members of employees as well as LS Mtron employees.

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

Sarang Nanumhoe(Love Sharing Team)' in Jeonju Our Sarang Nanumhoe attended by employees in the Tractor Division, Injection Molding Division and Special Business Team engages in wide-ranging activities mainly in Jeonju. As a regular sponsor for 'Da Ae Community', the volunteering team visits the facility every month to engage in various volunteering activities including the construction of facilities and production of incinerators as well as experience programs such as waterside excursions.

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

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

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

Social Contribution Subcommittee Activities in 2011

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



01. Love Sharing Team (Jeonju)
02. Love Practicing Team (Anyang)
03. Love Practicing Team (Jeongeup)
04. Sharing Hope Team (Indong)

Sponsorship for Cultural/Art/Sports Projects

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

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

Welfare Projects for Local Community

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

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

Support for Talent Nurturing

We assist in fostering talented individuals for the future in various ways. Under the One Company One School initiative, we created ties with Bongdong Elementary School to offer scholarships regularly and the swimming pool in our company dormitory is open during the summer season to provide swimming classes to students. In addition, we sponsor and participate in sports events and other school events. Included in our endeavors to provide a better learning environment for these students is the donation of chairs and the free-of-charge subscription to Kids Hankook Daily to help students acquire information and knowledge. Moreover, our donation of tractors to the College of Agriculture & Life Sciences at Chonbuk National University, a top-notch local university, contributed to the generation of R&D outcomes for university students. We also join hands with various local universities including Korea Polytechnic through industry-academia cooperation programs in order to foster talented individuals.

Environmental Preservation in Local Community

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



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

5 Green Management

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



Declaration

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

2015 Mid-term Implementation Directions

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

Implementation System

Manager in charge: Business support (CHO)
Department in charge : Green Management Team, Technology Management Team
Subcommittee: Green Management Subcommittee,
Eco-friendly Product Subcommittee

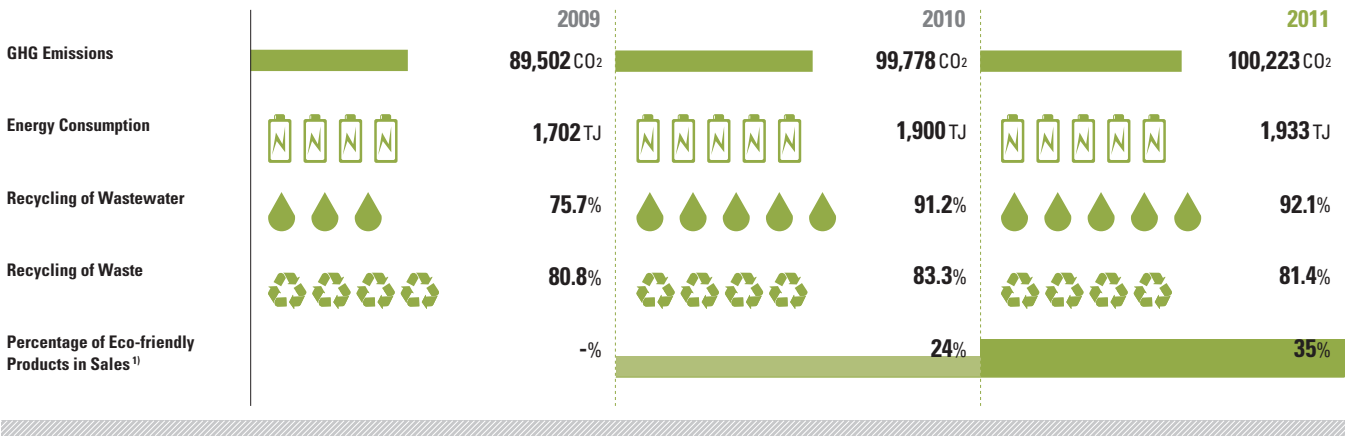
2011 Achievements and 2012 Plans

● : Completed, ● : Partially completed, ○ : Not completed, ◎ : Continuous activity

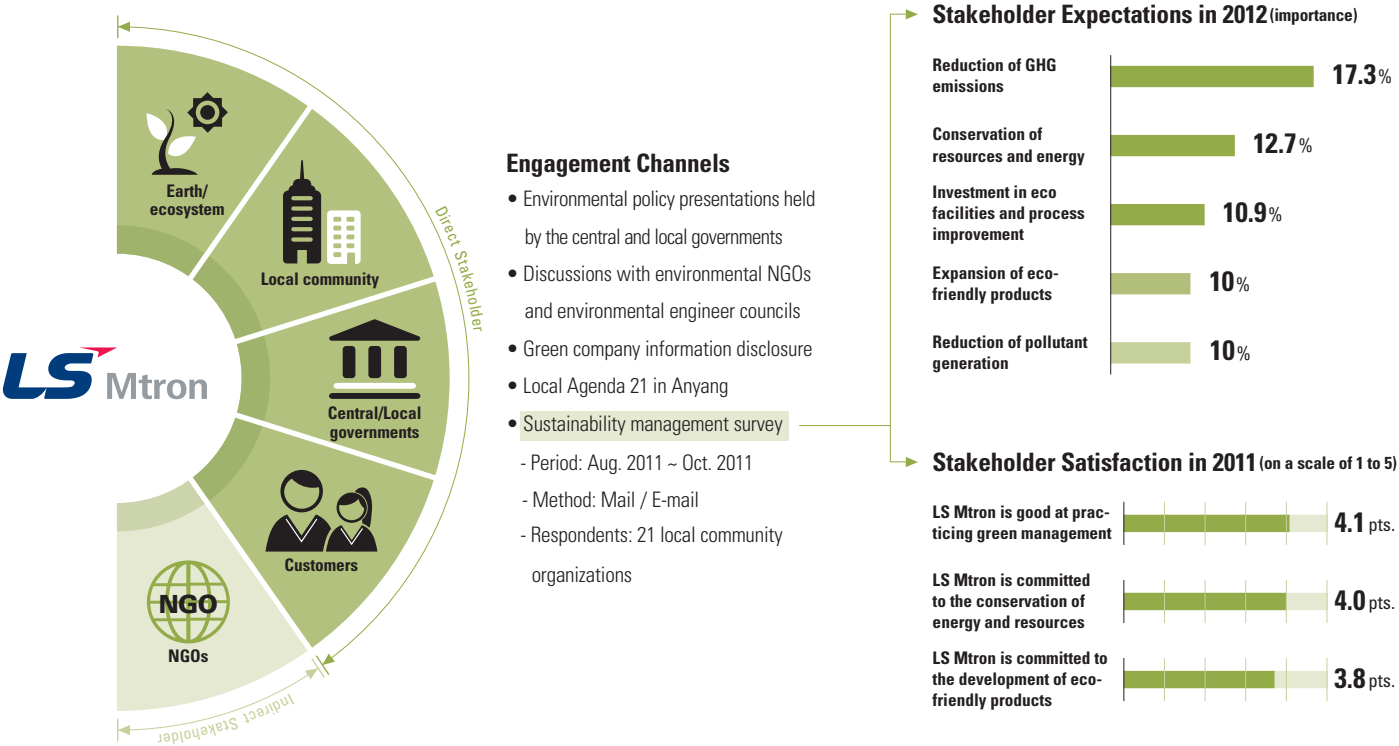
| Managerial Issue | Major Achievements in 2011 | Evaluation | Major Plans for 2012 | Deadline |
|---|--|---|---|--|
| Response to Climate Change | <ul style="list-style-type: none">Third-party verification of the company-wide GHG emissionsResponse to the GHG/energy target management systemNurturing experts to respond to climate changeCreation of mid/long-term reduction targets and plans | <ul style="list-style-type: none">●●●● | <ul style="list-style-type: none">Calculation of GHG emissions at the entire business sitesRevision of GHG management policies and inventoryNurturing GHG management experts | <ul style="list-style-type: none">Mar.May.◎ |
| Operation of Advanced ESH Business Sites | <ul style="list-style-type: none">Creation of conservation/reduction methods on environmental indicators based on total volume and intensityCreation of improvement activities and monitoring through environmental impact assessmentsSupport for the creation of ESH mgt. systems at overseas subsidiaries and implementation of previous year's follow-up measures | <ul style="list-style-type: none">●●● | <ul style="list-style-type: none">Support for the risk management at Chinese subsidiariesLocalization of the ESH management system at overseas subsidiariesEstablishment of a transparent environmental information disclosure system | <ul style="list-style-type: none">Jul.Sep.Sep. |
| Strengthened Development of Eco-friendly Products | <ul style="list-style-type: none">Review of progress against the mid/long-term eco-friendly technology development roadmapR&D investment in eco-friendly products(KRW 13.2 Billion, 50%)Sales of eco-friendly products (KRW 328.3 Billion, 35%) | <ul style="list-style-type: none">◎●● | <ul style="list-style-type: none">Review of progress against the mid/long-term eco-friendly technology development roadmapReview of R&D investment in eco-friendly products and sales data(R&D investment: KRW 22.5 Billion, 57%, sales 40%)Discovery of eco-friendly products and technology, application for external certifications and awards | <ul style="list-style-type: none">◎(May.)◎◎ |

Our Achievements in Numbers

1) Data before the indicators were introduced are not presented as the criteria to start reportingcoincides with the introduction of such indicators.



Stakeholder Engagement



Response to Climate Change

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

GHG and Energy Target Management

At LS Mtron, our system ensures that our GHG emissions are reported and our obligation to reduce GHG emissions is met in a legitimate and effective way in accordance with the GHG and energy target management system of the Korean government. Starting with the calculation and reporting of GHG emissions, GHG reduction projects are identified and their feasibility is assessed, relevant action plans and reduction strategies are set and all these endeavors are followed by implementation and monitoring. Our jeongeup site, chosen to be subject to the target management system, prepared detailed reports on its GHG emissions. They were verified by a third-party organization before being submitted to the government in March 2012. As the entire business sites are expected to come under the energy and GHG target management system within the first half of 2012, we will complete the revision of our GHG management policies and inventory within the first half of 2012 as well. While our GHG emissions rose by 0.4% from the previous year due to the expansion of facilities caused by business growth in 2011, the intensity as measured against our sales was down by 3.9%, which is attributed to our investment in reducing the consumption of electricity and thermal energy and energy-saving efforts regarding building equipment. By emission source, indirect sources account for 92.4% or the majority of the total emissions and direct sources including fixed and mobile combustion account for 7.6%.

GHG Emissions Reduction Initiatives

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

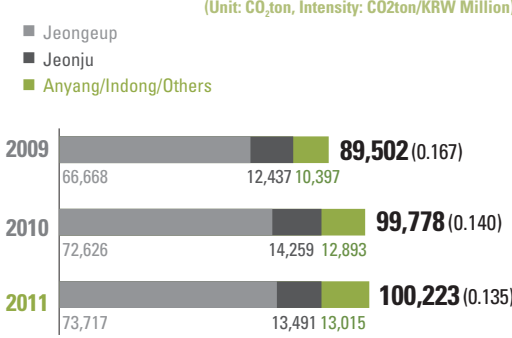
Nurturing Climate Change Experts

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

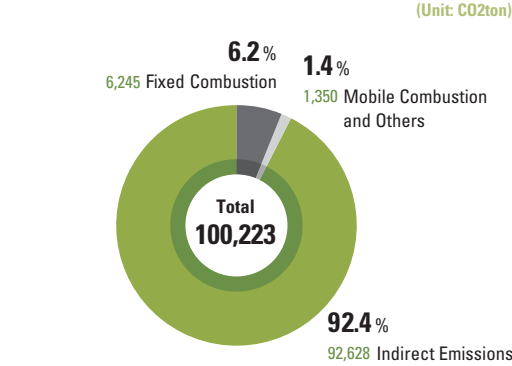
Green Management Subcommittee Activities in 2011

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

Company-wide Emissions between 2009 and 2011 (Intensity)



Composition of Emission Sources in 2011



01. Third-party verification of the GHG inventory

Operation of Advanced ESH Business Sites

LS Mtron created a company-wide ESH management system to deliver a comfortable and safe workplace and continues to monitor ESH issues internally and externally through the system.

Operation of the ESH Management System

All 4 domestic business sites of LS Mtron were certified with ISO 14001 and OHSAS 18001, which completed the establishment of our ESH system. The construction of the Knowledge Industry Center in Anyang to be completed next year prompted us to perform preliminary environmental safety reviews. Out of our overseas subsidiaries, LSEQ(China, electronic components) and LSMW(China, injection molding system) were certified with ISO 14001. Our plan is to build ESH management systems at LSAE(China, tractors) which was newly established last year and to review environmental safety issues for the Brazilian subsidiary which was established this year in the initial plant construction stage in order to minimize ESH risks. Moreover, regular ESH assessments are made of overseas subsidiaries every year at the headquarter level to enhance our ESH executive capabilities.

Stronger ESH Computer Systems and Processes The operation of ESH computer systems enables us to perform environmental and safety examinations in a more systemic way and to monitor relevant facilities and the progress of outsourced constructions. At LS Mtron, environmental and safety pre-evaluations are made to assess the environmental impact of newly built or relocated facilities and modified materials. The environmental and safety work permit system also allows us to prevent risks before they occur regarding construction.

In 2012, our contract order-awarding process was revised in order to prevent environmental safety accidents more intensively. The environmental safety work permit scheme was expanded to cover the entire construction including emergency construction and A/S services. The electrical safety segment was also strengthened to prevent electrical fires and electrocution. Included in our efforts to improve our ESH system is to ensure that environmental safety reviews are aligned with the order-awarding process so that these reviews are not omitted.

ESH Investment and Management In 2010, our investments in safety improvement rose due to the replacement of panels to better address fire risks and in 2011, the overall environmental investments rose as well due to investments in prevention facilities. Our Jeongeup site invested KRW 1.5 Billion to complete the installation of copper recovery system in June 2011. The recovery of copper contained in copper foil washing water saves KRW 520 Million of resources annually and reduces the generation of wastewater. Our Jeonju site newly installed dust-elimination units for its tractor painting facilities. Our plan for 2012 is to invest in alkaline wastewater reverse osmosis devices to recycle concentrated water and save an average of 30 tons of water consumption daily. Our Jeonju site newly installed prevention devices for its tractor painting facilities.

Fire Prevention and Management

Major environmental and safety risks were identified and reviewed in each business site. These risks will be managed by each business site. Specifically, our Tractor Division fully developed manuals to ensure swift response to fire-induced major accidents

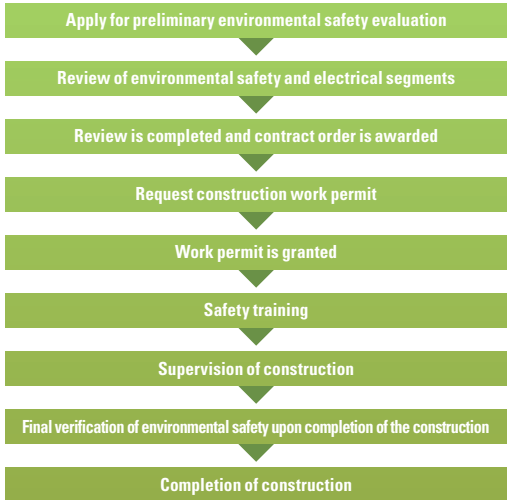
involving employees and to create integrated response to internal/external stakeholders. The division also completed relevant training. This enabled all departments to establish prompt and closely-aligned response systems to minimize losses from the initiation to the deterioration of fire accidents under possible scenarios. Such response systems will be further expanded across the entire divisions.

Improvement of Eco-friendly Processes and Management of Pollutants

At LS Mtron, environmental targets are set in accordance with environmental impact assessments and risk evaluations conducted in each business division and resources are distributed efficiently to ensure sustained environmental improvements. The sales-based intensity regarding wastewater discharge and water consumption declined from the previous year (1.8% and 11.3% respectively). The increase in the reuse of copper scrap led to a 9.7% cut in waste discharge and the recycling of water rose 5.7% from the previous year to 92%. We are in full compliance with our internal pollutant discharge standard which is under 50% of the legal threshold. In 2012, we will introduce the eco-friendly raw and subsidiary materials management system to minimize the use of hazardous chemicals and to proactively address global environmental regulations.

| ESH Investment | | | |
|-----------------|---------------------|------|------|
| Category | (unit: KRW Million) | | |
| | 2009 | 2010 | 2011 |
| Environment | 453 | 239 | 522 |
| Climate Change | 126 | 163 | 77 |
| Health & Safety | 77 | 359 | 190 |
| Total | 656 | 761 | 789 |

Environmental Safety Evaluation Process



Strengthened Development of Eco-friendly Products

Our own in-house definition that determines the scope of eco-friendly products and eco-friendly designing processes have facilitated our endeavors to develop eco-friendly products since 2010. The development of eco-friendly products is central to our sustained endeavors to deliver new value to customers and fulfill our environmental responsibility to minimize our environmental footprint during the manufacturing process.

LS Mtron's Eco-friendly Products

At LS Mtron, we classified eco-friendly products into: resources-saving, hazardousness-reducing, GHG emissions-reducing and environmentally-enhancing in accordance with the set basic eco-friendly designing factors. We have a total of 23 such basic designing factors.

Each year, internal standards are used to define eco-friendly products in accordance with changes in basic designing factors or inherent product features. We are fully dedicated to developing eco-friendly products and increasing their sales.

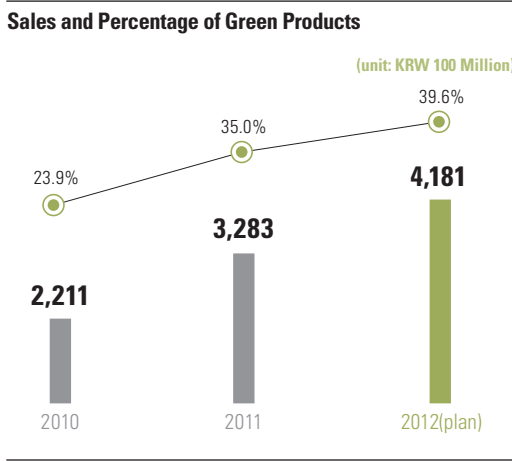
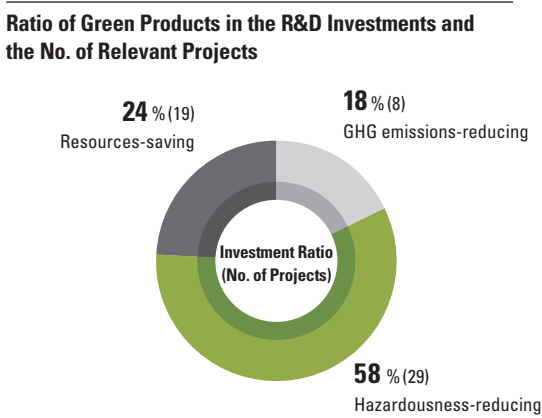
Eco-friendly Product Subcommittee Activities in 2011

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

Endeavors to Expand Eco-friendly Products

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

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



| Business Domain | Target and Strategy | Details (~2015) |
|----------------------|---|---|
| Tractor | Development of hybrid tractors | <div>• Mild hybrid: 15% increase in fuel efficiency and output, Applicable to mid-size tractors</div> <div>• Establishment of full hybrid line-up, First application to 100-HP models</div> |
| | Eco-friendly engines and application (Tier 4 ¹⁾) | <div>• Above 75 HP: Application development of FPT engines</div> <div>• Under 75 HP: Step 1(Engine outsourcing), Step 2(Mounting internally-developed engines)</div> |
| Injection Molding | Improvement of energy efficiency and reduction of hydraulic fluid | <div>• Use of hybrid systems that reduce electricity cost</div> <div>• Design factors to ensure the minimization of hydraulic fluid</div> <div>• Establishment of induction heat-assisted heater application technology</div> |
| Automotive Component | Development of clean diesel automotive components | <div>• Development of high heat-resistance TCI³⁾ hose products to respond to Euro V²⁾</div> <div>• Development of non-cutting methods and low-weight products</div> <div>• Development of products free from 6 heavy metals and ozone-depleting materials</div> |
| CF | Development of electro foil for high-efficiency electric vehicles | <div>• Development of new electro foil for anode to meet high-capacity and reliability requirements</div> |
| Electronic Component | Resources-saving and reduction of hazardousness | <div>• Injection/Press design standards</div> <div>• Development sample Metal Sheet that is unplated</div> <div>• Response to RoHS⁴⁾/REACH⁵⁾/Halogen-Free regulations</div> |
| UC | Creation of eco-friendly product designing process | <div>• Mandatory application of RoHS to raw materials and creation of relevant DB</div> <div>• Reduction of raw materials loss (Al foil, activated carbon)</div> <div>• Improvement of energy efficiency</div> |

1) Tier4 : Exhaust gas regulations that will take effect from 2013

2) Euro V : European exhaust gas regulation regarding diesel vehicles

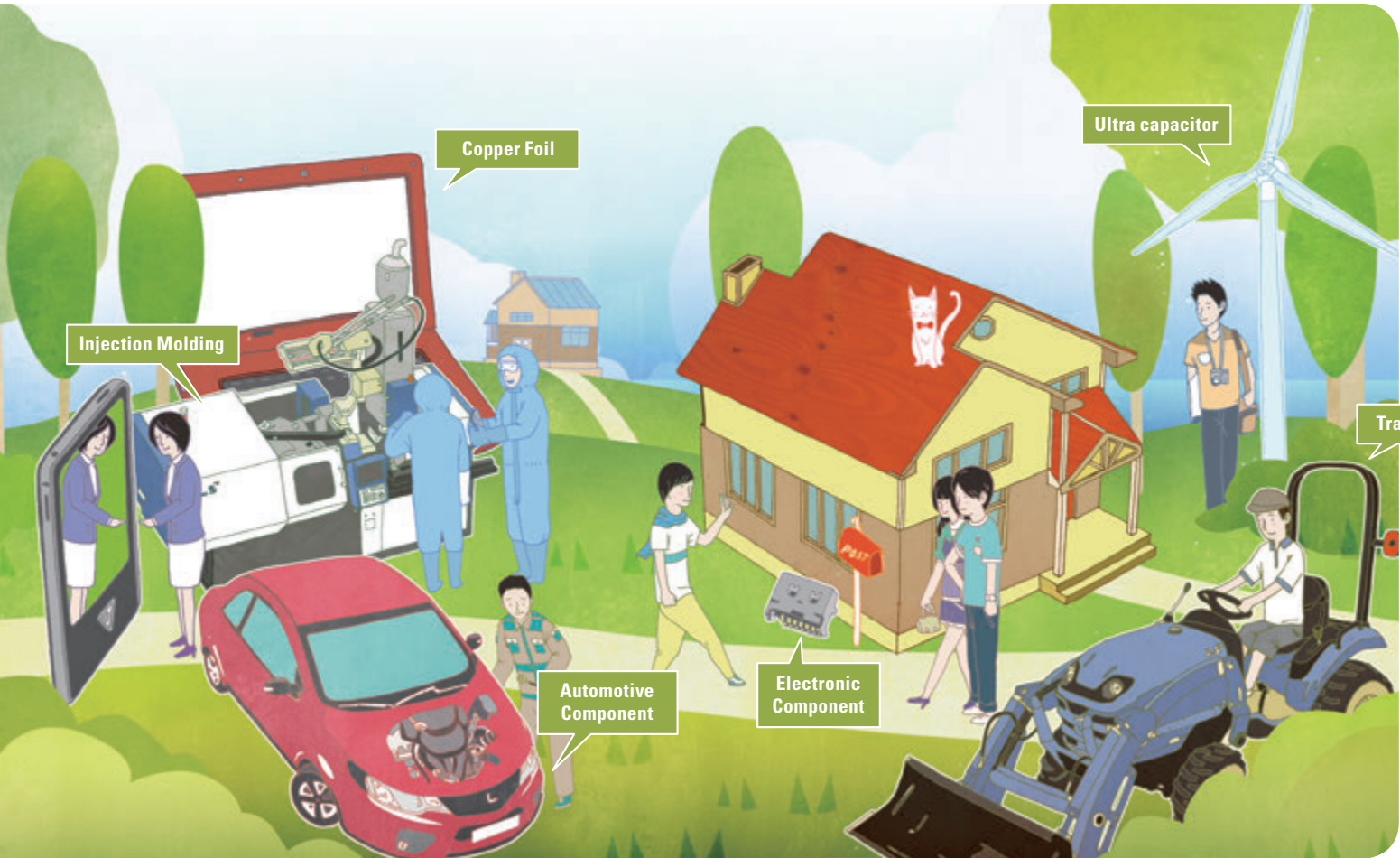
3) TCI : Turbo Charger Intercooler

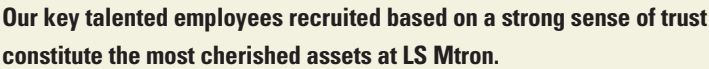
4) RoHS : Restriction of Hazardous Substances

5) REACH : Registration, Evaluation, Authorisation & Restriction of Chemicals

Major Eco-friendly Products in 2011

| Business Domain | Application Model | Scope of Eco-friendliness | Major Features (Outcomes) |
|----------------------|--|---------------------------|---|
| Tractor | Tier3-applied products(North America/Europe) | Hazardousness-reducing | Pollutant emissions were reduced and engine efficiency increased |
| Injection Molding | DE/ME/SE models | GHG emissions-reducing | Efficiency rose by 25%, 45%, 25% respectively compared to existing models (D/M/S) |
| Special Business | Caterpillar | Resources-saving | Product life cycle increase compared to existing models (7 years → 12 years) |
| Electronic Component | All products | Hazardousness-reducing | Responded to RoHS, Halogen(F/Cl/Br/I/At) and Be-free |
| CF | All products | Resources-saving | Copper contained in the copper foil washing water was recovered for recycling |
| Automotive Component | CAC(Charged Air Cooler) hose | Hazardousness-reducing | Components satisfied Euro V (automobile exhaust gas regulations) criteria |
| UC | All products | Environmentally-enhancing | Applied to eco-friendly energy sectors covering electric vehicles and wind power generators |





We pay attention to each and every small thought to create a great workplace.

We build an advanced corporate culture where individual employee's capability is accurately assessed and fully nurtured.



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

• 2015 Mid-term Implementation Directions

- Advancement of HR systems to the level of global leading companies
- Establishment of corporate competitive edge through the capacity development
- Strengthening trust-based labor-mgt. relations and the protection of human rights
- Operation of a safe, healthy and eco-friendly workplace

- **Implementation System**

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

• 2011 Achievements and 2012 Plans

● : Completed, ● : Partially completed, ○ : Not completed, ⊙ : Continuous activity

• Our Achievements in Numbers

• Stakeholder Engagement

Engagement Channels

- Engagement and cooperation enhancement councils
 - Working-level labor-management councils and meetings(company-wide, Jeonju)
 - Labor-management discussion meetings (Anyang, Jeongeup, Indong)
 - Grievance Resolution Committee
 - Employee communication meeting
 - Organizational capacity survey
 - Industrial Health & Safety Committee and committee meetings
 - Cyber Ombudsman
 - Sustainability Management Survey —
- Period: Oct. 2011
 - Method: On-line
 - Respondents:618 employees

Stakeholder Expectations in 2012 (importance)

| | |
|--|-----|
| Life/Work Balance (family-friendly management) | 13% |
| Expansion of job capacity development training | 13% |
| Fairness of HR systems (recruitment, evaluation and compensation) | 12% |
| Expansion of benefits schemes | 12% |
| Expansion of global capacity-building programs | 10% |

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

| | |
|---|--------|
| LS Mtron strives for the work/life balance of employees | 3.4 pt |
| LS Mtron has fair HR systems up and running | 3.6 pt |
| LS Mtron is committed to the development of employee capacity | 3.7 pt |
| I'm satisfied with working for LS Mtron | 3.8 pt |
| LS Mtron is committed to the prevention of environmental and safety accidents | 4.0 pt |

interview

A company with an employee-friendly corporate culture based on stable HR systems", this is the ideal LS Mtron that I envision in my mind. Included in LS Mtron's endeavors to build advanced HR systems that satisfy both internal and external customers are such institutionalized systems as the performance-based thorough HR systems, the effective management of the talent pool, and reasonable evaluation systems and the incentive scheme that is differentiated in accordance with performance and diverse benefits scheme. Confidence built on mutual trust, respect and fairness forms the bedrock for an organization to overcome conflicts and reach common goals. Our employees are committed to creating a workplace where everyone can enjoy what they do with contentment and rewarding experiences while trusting each other and communicating freely. The reason behind our being chosen as a great work place in Korea in 2011 lies in the corporate culture that we have at LS Mtron that encourages all employees to treat each other just as their own family members. Each and every LS Mtron employee will continue to dedicate themselves to fully establishing such a family-like corporate culture.

All our employees will do their utmost to share the corporate vision and goals and to be united as one in this journey to reach these goals down the road.

Myoung-Ho Park, General Manager, HR Development Team



Advancement of HR Systems

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

Recruitment and Job Creation

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

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

Securing Globally-talented Individuals In order to secure talented individuals who have experiences regarding the market and culture of technology-leading nations, we visited 15 universities in Japan, the U.S. and other advanced nations to forge ties with and interview Korean students there. To this end, networking systems were built to align LS Mtron employees and students studying overseas so that LS Mtron's business, corporate vision and HR systems are promoted and current employees may serve as mentors for these students.

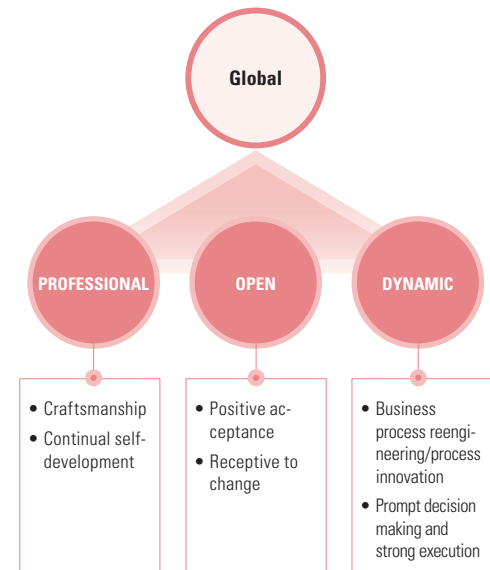
Employee Evaluation and Compensation Schemes

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

Improvement of HR Systems at Overseas Subsidiaries

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

Ideal LS Mtron Employee



Total No. of Employees

(unit: No. of people)

| Category | 2009 | 2010 | 2011 |
|--------------------------|-------|-------|-------|
| LS Mtron | 1,472 | 1,669 | 1,649 |
| Including the Affiliates | 3,618 | 4,147 | 3,512 |

No. of New Employees

(unit: No. of people)

| Category | 2009 | 2010 | 2011 |
|----------|------|------|------|
| Male | 145 | 255 | 281 |
| Female | 22 | 41 | 65 |

No. of Maternity Leave and Childcare Leave

(unit: No. of people)

| Category | Maternity Leave | Childcare Leave | Total |
|----------|-----------------|-----------------|-------|
| LS Mtron | 7 | 1 | 8 |



01. Recruitment presentation

Diversity Management

- LS Mtron is fully committed to creating an environment where all our stakeholders are guaranteed equal opportunities. Discrimination on the grounds of gender, nationality, religion, disabilities or age is strictly prohibited at LS Mtron. As of 2011, the number of our female employees stood at 97(5.9%), up by 37% from the previous year's 71. The number of physically-challenged employees also rose by more than 10% to 40 (2.5%0 from the previous year's 36. Given the inherent characteristics in the machinery/component manufacturing industry, the employment of socially-vulnerable populations including women and physically-challenged people is relatively low. As such, the above data clearly demonstrate that LS Mtron is deeply interested in helping vulnerable population in our society and rapidly expanding the recruitment of these vulnerable people. We will ensure that the recruitment of socially-vulnerable people increases gradually and guarantee an equal opportunity of participation to them.

Creation of a Great Work Place

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

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

Benefits Package

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



- 01. Awarded with the Top Prize at the Great Work Place Awards hosted by GWP KOREA
- 02. Jeonju site's being chosen as a great work place by the Ministry of Knowledge and Economy
- 03. Flexible working time introduced to the technology development sector

Strengthening Capacity-Building

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

HR Promotion System

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

Major Programs

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

Global Capacity-Building Programs We assist our employees in enhancing their global capacities to ensure a more effective entry into the overseas market. In 2011, a total of 27 global capacity courses were open and attended by 221 employees to enhance their foreign language skills. In particular, those to be assigned as expatriate workers were provided with intensive foreign language courses, leadership courses, cultural courses and work training.

HR Promotion System map

| Position | Value | Leadership | | | Duty | | Global | | | Others | | | |
|----------|---|-----------------------------|------------------------|----------------|---|--------------------------------------|--------------------------------|------------------------|-----------------------------|--------------|----------------|-----------------------------|---------------|
| | | New | | High Performer | Common | Specialty | | | | | | | |
| I | Organization Development Program <div>TVC⁽¹⁾ ITC⁽²⁾ Team Building Course</div> | Experienced Employee Course | | LS Leader | Mid-long course <div>NY State University MBA Helsinki MBA Graduate Schools in Korea LS MBA, etc.</div> | Job Competency Course Module (12) | Course Roadmap for Each Job | Global Language Course | INTENSIVE English / Chinese | Chinese Camp | Quality Course | Environmental Safety Course | Patent Course |
| II | | | New General Manager | | | | | | | | | | |
| | | | Deputy General Manager | | | | | | | | | | |
| III | | | New Manager | | | | | | | | | | |
| IV | | | Assistants | | | | | | | | | | |
| | Open(New Entry) | | | | | | | | | | | | |

1) TVC: Task Value Creation

2) ITC: Inter Team Cooperation

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

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

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

Enhancement of Health & Safety

We at LS Mtron is fully committed to the enhancement of employee health and safety throughout the entire conduct of business. In 2011, we analyzed process-specific safety risk factors, revised fire response manuals and assessed the preparedness of respective business sites in order to create a pleasant workplace and prevent safety accidents.

Creation of a Safe Workplace

We at LS Mtron undertake wide-ranging initiatives to deliver an injury-free and accident-free workplace. Danger predication training has become a routine activity and monthly environmental safety evaluations are made by each department to review potential risks and build employee's safety awareness. In 2011, 172 risk factors were identified and improvement measures were taken to address all of them, which were compiled and published in a casebook. Process-specific risk factors were assessed more intensively and hazard factors identified through video recording and analysis are reflected in risk assessments and safety training.

Promotion of Experts

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

Employee Health Management

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

Prevention of Electrical Fires

We operated a special task force team to prevent fires caused by electricity, one of the major causes of fire. Comprehensive inspections made earlier this year of major fire risk factors in the entire domestic business sites led to the identification of 292 such factors in total covering the lack of use of rated capacity, damaged clothing, disconnection and overheated connections. Improvement measures were taken and completed accordingly. We will prevent these risk factors from elevating into any occurrence of fire through regular monitoring that will assist us in maintaining and managing the improvements made. Moreover, our overseas subsidiaries will be subject to electrical safety assessments and improvement initiatives in the upcoming years.

Symbiotic Cooperation with Suppliers

We at LS Mtron aspire to become a leader in environmental safety in conjunction with our suppliers. To help support and maintain eco-friendly, mutually-beneficial management of our suppliers, risk assessment, technological support, and the awards for suppliers with outstanding health and safety performance newly established as part of the year-end Q-Partner awarding ceremony will be provided. These endeavors will help create a safer and healthier workplace and thus deliver an injury-free industrial environment.



01. Assessment and prevention of electrical fires

02. Signing ceremony for the health and safety symbiotic cooperation program

03. Company-wide EHS training-for managers and supervisors

Employee Engagement and Communication

Protection of Employee Human Rights

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

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

These initiatives to protect employee human rights are taken by overseas subsidiaries as well as Korean sites and we continue to request our suppliers to share our human rights protection guidelines and undertake relevant activities. Thanks to such endeavors, there is no violation of human rights at LS Mtron covering inhumane treatment or violations of discrimination-related regulations and sustained improvement is being made regarding employees’ human rights.

Establishment of Communication Culture

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

Dialogue with CEO: Q&A

Q

How do I define the work/life balance from my perspective as the CEO?

A

While being engaged in one’s work was critical in the past, the right balance between work and life is emerging as a critical requirement today. Your generation puts a greater value on the present moment than the far-off future and pleasure in life than achievement in workplace. This is why we need to take this new paradigm shift seriously as a company. Therefore, we make sure that employees focus on their work to be fully engaged in their job and do not stay late to complete their job. We will continue to be committed to this end and emphasize the importance of this new work ethics. Moreover, we plan to hire more women continuously to secure best-in-class workforce. We will continue to work to create a women-friendly work environment.

“Excerpts from the Dialogue with CEO in March and May, 2012

| Employee Engagement Activities in 2011 | | | |
|--|--------------------|--|-----------------|
| Name of Channel | Type | Details | No. of Meetings |
| Engagement and Cooperation Enhancement Council | Council | Improvement of HR and benefits schemes, Discussion on the divestment of business | 8 |
| Labor-Management Working-level Council and Meeting (company-wide/Jeonju) | Council | Expansion of support for benefits schemes, Raise in business trip expenses | 20 |
| Labor-Management Discussion Meeting (Anyang/Jeongeup/Indong) | Discussion Meeting | Expansion of welfare facilities | 8 |
| Social Contribution Steering Committee | Council | Social contribution activities (Kimchi-making of love) | 1 |
| Industrial Health & Safety Committee and Meeting | Committee | Review and improvement of working conditions | 16 |
| Grievance Resolution Committee | Committee | Suggestion of grievances and difficulties | Year-round |
| Top Management’s On-the-Spot Dialogue | Open Dialogue | Meetings with CEO, dialogue with division heads | 28 |
| Organizational capacity survey/On-site Satisfaction Survey | Survey | Survey of employee’s work satisfaction and grievances | 2 |

Creation of Value-Creating Labor Relations

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

Improvement of the Grievance Resolution System

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

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

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



01. Discussion meetings with CEO
02. Mentoring matching ceremony for new hires
03. Baseball competition in celebration of the 3rd anniversary of the LS Mtron labor union
04. Daseulteo counseling center

Corporate Governance

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

Board of Directors

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

BOD Composition(as of March 1 of 2012)

| Name | Title | Position | Gender | Experiences | Duty |
|---------------|---------|----------------------------------|--------|---|---------|
| Cha-Yol Koo | CEO | Chairman (chairman of the board) | Male | • Business management major at Korea University • Former director at LG International Corporation • Former vice president at LG Investment & Securities | CEO |
| Jae-Seol Shim | CEO | President | Male | • Mechanical engineering major at Hanyang University • Former vice president at LS Cable | CEO |
| Ki-Won Nam | CFO | Executive Vice President | Male | • Business management major at Korea University • Former director at JS Cable | CFO |
| Soo-Hong Lee | Auditor | Outside director | Male | • Electrical engineering major at Seoul National University • Former professor at Hoseo University | Auditor |

Major BOD Activities

| Date of Meeting | Agenda | Decision | Attendance |
|-----------------|---|----------|------------|
| Feb. 8, 2011 | Approval of the 3 rd quarter financial statements and 7 others | Passed | 100% |
| Mar. 9, 2011 | Approval of the divestment of the air conditioning business and one other | Passed | 100% |
| Mar. 23, 2011 | Appointment of the BOD Chair and 3 others | Passed | 100% |
| Apr. 4, 2011 | Delay of the basic date of the transfer of the air conditioning business | Passed | 100% |
| May 2, 2011 | Approval of the transaction limit of short-term financial vehicles | Passed | 100% |
| Jun. 27, 2011 | Approval of mid-term strategies in 2011 and one other | Passed | 100% |
| Sep. 22, 2011 | Report of the business outcome forecast for the 3 rd quarter of 2011 | Passed | 100% |
| Oct. 4, 2011 | Approval of the creation of North Jeolla sales office and 2 others | Passed | 100% |
| Dec. 7, 2011 | Appointment of executive officers and 3 others | Passed | 100% |
| Dec. 29, 2011 | Establishment of an Indonesian office | Passed | 100% |

Shareholder

-

LS Mtron’s number of shares issued stands at 9,000,000 as of the end of 2011 and LS Mtron is wholly-owned by LS Corporation.

Shareholder Composition (as of Jan. 1, 2012)

| Stockholder | Type of Stock | No. of Stocks | Value (KRW 1 million) | Stockholding Ratio |
|-------------|-------------------------|---------------|-----------------------|--------------------|
| LS Corp. | Registered common stock | 9,000,000 | 45,000 | 100% |

Management and Responsibility Regarding Sustainability Management

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The sustainability management action framework was built to ensure the company-wide implementation and integrated management of sustainability management in 2009. In 2010, the Sustainability Management Steering Group supervised by CSO (Chief Strategy Planning Officer) was run as the top decision-making body. The group is also responsible for managing sustainability management principles and operation guidelines.

Changes in Business Domains or Major Business Areas

-

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

Ethics Management

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

Enhancement of Executive Capabilities Regarding Ethics Management

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IContinuous PR Activities ncluded in our sustained ethics management PR activities is the regular sharing of case studies and messages in relation with ethics management through in-house bulletins and the posting of official documents seeking cooperation from suppliers in practicing business ethics on the purchasing system every holiday. These efforts encourage employees to enhance ethics awareness and suppliers to join our initiative.

Ethics Management PR Activities between 2009 and 2011

| Category | Bulletin Articles on Ethics Management | Official Documents Seeking Cooperation |
|----------------------|--|--|
| Number of Activities | 41 | 6 |

Employee Training on Ethical Norms At LS Mtron, new hires including experienced workers are obliged to take introductory ethical norm courses each year in order to enhance their executive capabilities regarding ethics management. In particular, the entire employees were provided with online training in 2009 and offline training in 2010 with revised ethical norm training materials

Ethical Norm Training

| Year | New Hires | Newly Hired Experienced Employees | All Employees |
|------|-----------|-----------------------------------|---|
| 2009 | - | - | Once |
| 2010 | Twice | Twice | Once |
| 2011 | Twice | Once | Sustainability management training provided |

Ethics Pledge Everyone joining LS Mtron should sign the ethics pledge after attending introductory ethical norms training. In concluding basic transaction contracts with suppliers, we mandate them to sign the special agreement on the practice of ethics management.

Operation of Ethics Management Programs

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

Issues Raised through Cyber Ombudsman

| Category | 2009 | 2010 | 2011 | Total |
|------------------|------|------|------|-------|
| Number of Issues | 26 | 13 | 15 | 54 |

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

Reports of Bribery-Taking

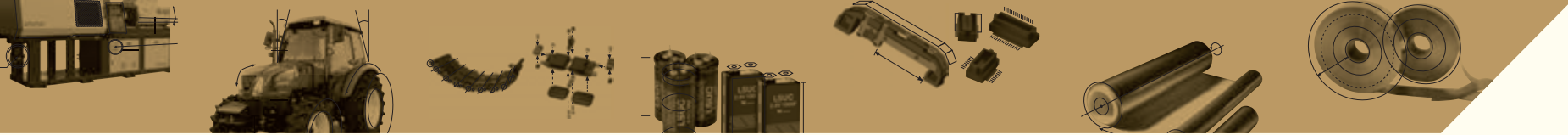
| Category | 2009 | 2010 | 2011 | Total |
|------------------|------|------|------|-------|
| Number of Issues | 3 | 3 | 2 | 8 |

Ethical Level Evaluation

-

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

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



Major Quantitative Indicators

Environment Data

| Type | | | Unit | 2009 | 2010 | 2011 |
|---|-------------------|-------------------|------|---------|---------|---------|
| Major Raw Materials ¹⁾ | Copper | | ton | 10,982 | 13,893 | 14,676 |
| | Carbon and rubber | | | 724 | 931 | 1,436 |
| | Synthetic resin | | | 86 | 101 | 94 |
| Water ²⁾ | Amount of usage | Industrial water | ton | 422,385 | 522,943 | 507,540 |
| | | Household water | | 69,864 | 55,643 | 65,246 |
| | | Underground water | | 32,824 | 20,186 | 16,683 |
| | | Total | | 525,073 | 598,772 | 589,469 |
| Pollutant emissions | Air | Dust | kg | 5,634 | 4,790 | 12,106 |
| | | Water quality | | | | |
| | | COD | | 4,100 | 7,378 | 7,671 |
| | | SS | | 2,677 | 4,271 | 4,069 |
| Waste Water | Discharges | | ton | 215,594 | 330,925 | 334,618 |
| | Recycling amount | | | 397,491 | 550,456 | 542,703 |
| | Recycling rate | | % | 75.7 | 91.2 | 92.1 |
| Waste | Amount | General | ton | 3,312 | 4,225 | 3,958 |
| | | Specific | | 186 | 344 | 352 |
| | | Total | | 3,498 | 4,569 | 4,310 |
| | Recycling rate | | % | 80.8 | 83.3 | 81.4 |
| Ozone Depleting Materials ³⁾ | HCFC | | kg | 28,050 | 12,760 | 3,000 |

1) The data is the composite one for the usage amount of major raw materials for Jeongeup, Anyang and Indong sites
2) Water sources for domestic sites are Han River, Mangyeong River and Nakdong River streams.
3) The amount of HCFC substances fell dramatically due to the sale of our Air-conditioning Division in April 2011.
Others> No critical harmful materials were found in 2011 and we comply with the Basel Agreement on the "Control and Regulations on the Cross-Border Transportation of Harmful Materials."

Social Data(as of December 31, 2011)

Employment Type by Region

| Category | Jeonju | Jeongeup | Anyang | Indong | Research Institutes | Sales Headquarters | Main Office | China Coordination & planning | total |
|------------|--------|----------|--------|--------|---------------------|--------------------|-------------|-------------------------------|-------|
| Full-timer | 663 | 236 | 228 | 115 | 94 | 69 | 103 | 6 | 1,514 |
| Part-timer | 79 | 11 | 35 | 2 | 1 | 5 | 2 | | 135 |
| total | 742 | 247 | 263 | 117 | 95 | 74 | 105 | 6 | 1,649 |

Employment Type by Age

| Category | 20's | 30's | 40's | 50's | Above 60's | total |
|------------------|------|------|------|------|------------|-------|
| No. of employees | 259 | 647 | 411 | 314 | 18 | 1,649 |

Employee Resignation

| Category | 2010 | 2011 |
|------------------|------|------|
| No. of employees | 78 | 63 |

Legal Compliance

| Category | 2009 | 2010 | 2011 |
|---|------|------|------|
| Penalties and non-financial sanctions imposed due to violations of environmental regulations | None | None | None |
| Legal actions taken for unfair competition and monopolistic activities(price fixing and etc.) | None | None | None |
| Violations regarding product-related customer health and safety | None | None | None |
| Violations regarding product-related information disclosure(labeling and etc.) | None | None | None |
| Violations regarding marketing and communication | None | None | None |
| Violations regarding customer information security | None | None | None |
| Violations regarding supply of other products | None | None | None |

Disciplinary Actions Taken against LS Mtron

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

Government Subsidies

Total government subsidies amounted to KRW 3.83 Billion and technology expenses redemption amounted to KRW 1.92 Billion in 201.

Awards

| Category | Date of Awards | Name of Awards | Host | Details (relevant department) |
|------------|----------------|---|-----------------------------------|--|
| Company | Jun. 10 | North Jeolla Province Quality Circle Competition | North Jeolla Province | Excellence Awards (injection molding team) |
| | Jun. 10 | Great Work Place Awards | Ministry of Knowledge and Economy | Great Work Place (Jeonju site) |
| | Aug. 22 | National Quality Circle Competition | Korean Standards Association | Presidential Gold Prize (injection molding team, facility/ environmental safety team at Jeongeup site) |
| | Nov. 10 | Korea's 100 Great Work Place Awards | GWP KOREA | One of the 100 Great Work Places in Korea |
| | | | | |
| Individual | Jun. 10 | North Jeolla Province Qaulity Circle Competition | North Jeolla Province | Knowledge and Economy Minister's Award |
| | Jun. 15 | Quality Management Competition in Gyeonggi Province | Gyeonggi Province | Commendation for contributions to quality management |
| | Aug. 22 | National Quality Circle Competition | Korean Standards Association | Quality Master |
| | Dec. 13 | National Quality Management Competition | Korean Standards Association | Silver Tower Order of Industrial Service Merit |

Membership

Federation of Korean Industries, Korea Chamber of Commerce & Industry, Korea City GAS Association, Korea Agricultural Machinery Industry Cooperative, Korea Defense Industry Association, Korea Printed Circuit Association, Green Company Council, Korea Industry Safety Association, Korea Synthetic Resin Processing Machinery Industry Cooperative, Korea Industrial Technology Association

GRI 3.1 / ISO 26000 Index

● : Fully Reported, ◐ : Partially Reported, ○ : Not Reported, N/A: Not Applicable

| GRI G3.1 | Disclosure Items | | Application level | Page | note: ISO 26000 |
|---|------------------|--|-------------------|------------------------|-----------------|
| Profile | | | | | |
| Strategy and Analysis | 1.1 | Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy. | ● | 8–9 | 6.2 |
| | 1.2 | Description of key impacts, risks, and opportunities. | ● | 8–9, 17 | |
| Organizational Profile | 2.1 | Name of the organization. | ● | 10 | |
| | 2.2 | Primary brands, products, and/or services. | ● | 11 | |
| | 2.3 | Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures. | ● | 10, 13 | 6.2 |
| | 2.4 | Location of organization’s headquarters. | ● | 3 | |
| | 2.5 | Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report. | ● | 13 | |
| | 2.6 | Nature of ownership and legal form. | ● | 56 | |
| | 2.7 | Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries). | ● | 10, 12 | |
| | 2.8 | Scale of the reporting organization | ● | 10 | |
| | 2.9 | Significant changes during the reporting period regarding size, structure, or ownership | ● | 10, 56 | |
| | 2.10 | Awards received in the reporting period. | ● | 59 | |
| Report Parameters | 3.1 | Reporting period. | ● | 3 | |
| | 3.2 | Date of most recent previous report. | ● | 3 | |
| | 3.3 | Reporting cycle. | ● | 3 | |
| | 3.4 | Contact point for questions regarding the report or its contents. | ● | 3 | |
| | 3.5 | Process for defining report content. | ● | 3 | |
| | 3.6 | Boundary of the report. | ● | 3 | |
| | 3.7 | State any specific limitations on the scope or boundary of the report. | ● | 3 | |
| | 3.8 | Basis for reporting that can significantly affect comparability from period to period and / or between organizations. | ● | 3 | |
| | 3.9 | Data measurement techniques and the bases of calculations. | ● | 3 | |
| | 3.10 | Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement. | ● | 12–13 | |
| | 3.11 | Significant changes from previous reporting periods in the scope, boundary, or measurement methods. | ● | 10, 56 | |
| | 3.12 | Table identifying the location of the Standard Disclosures in the report. | ● | 60–62 | |
| | 3.13 | Policy and current practice with regard to seeking external assurance for the report. | ● | 64–65 | 7.5.3 |
| Governance, Commitments, and Engagement | 4.1 | Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight. | ● | 56 | 6.2 |
| | 4.2 | Indicate whether the Chair of the highest governance body is also an executive officer. | ● | 56 | |
| | 4.3 | For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members. | ● | 56 | |
| | 4.4 | Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body. | ● | 56 | |
| | 4.5 | Linkage between compensation for members of the highest governance body, senior managers, and executives. | ● | 56 | |
| | 4.6 | Processes in place for the highest governance body to ensure conflicts of interest are avoided. | ● | 56 | |
| | 4.7 | Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization’s strategy on economic, environmental, and social topics. | ● | 16, 56 | |
| | 4.8 | Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation. | ● | 66 | |
| | 4.9 | Procedures of the highest governance body for overseeing the organization’s identification and management of economic, environmental, and social performance. | ● | 16, 56 | |
| | 4.10 | Processes for evaluating the highest governance body’s own performance, particularly with respect to economic, environmental, and social performance. | ● | 16 | |
| | 4.11 | Explanation of whether and how the precautionary approach or principle is addressed by the organization. | ● | 44 | |
| | 4.12 | Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses. | ● | 63 | |
| | 4.13 | Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization. | ● | 59 | |
| | 4.14 | List of stakeholder groups engaged by the organization. | ● | 15 | |
| | 4.15 | Basis for identification and selection of stakeholders with whom to engage. | ● | 18 | |
| | 4.16 | Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group. | ● | 21, 25, 31, 37, 43, 49 | |
| | 4.17 | Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. | ● | 20, 24, 30, 36, 42, 48 | |

● : Fully Reported, ◐ : Partially Reported, ○ : Not Reported, N/A: Not Applicable

| GRI G3.1 | Disclosure Items | | Application level | Page | note: ISO 26000 |
|---------------------------------|------------------|---|-------------------|-------|---|
| ECONOMIC | Disclosure on | Management Approach | ● | 12–13 | 6.2 / 6.8 |
| Economic Performance | EC1 | Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments. | ● | 12–13 | 6.8 / 6.8.3 / 6.8.7 / 6.8.9 |
| | EC2 | Financial implications and other risks and opportunities for the organization’s activities due to climate change. | ● | 44 | 6.5.5 |
| | EC3 | Coverage of the organization’s defined benefit plan obligations | ● | 51 | - |
| | EC4 | Significant financial assistance received from government | ● | 59 | - |
| Market Presence | EC5 | Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation. | ● | 50 | 6.4.4 / 6.8 |
| | EC6 | Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation. | ◐ | 26 | 6.6.6 / 6.8 / 6.8.5 / 6.8.7 |
| | EC7 | Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation. | ◐ | 50 | 6.8 / 6.8.5 / 6.8.7 |
| Indirect Economic Effect | EC8 | Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or probono engagement. | ● | 38–41 | 6.3.9 / 6.8 / 6.8.3 / 6.8.4 / 6.8.5 / 6.8.6 / 6.8.7 / 6.8.9 |
| | EC9 | Understanding and describing significant indirect economic impacts, including the extent of impacts. | ◐ | 26–28 | 6.3.9 / 6.6.6 / 6.6.7 / 6.7.8 / 6.8 / 6.8.5 / 6.8.6 / 6.8.7 / 6.8.9 |
| ENVIRONMENTAL | Disclosure on | Management Approach | ● | 42–43 | 6.2 / 6.5 |
| Materials | EN1 | Materials used by weight or volume. | ● | 58 | 6.5 / 6.5.4 |
| | EN2 | Percentage of materials used that are recycled input materials. | ● | 45 | |
| Energy | EN3 | Direct energy consumption by primary energy source. | ● | 44 | |
| | EN4 | Indirect energy consumption by primary source. | ● | 44 | |
| | EN5 | Energy saved due to conservation and efficiency improvements. | ● | 44 | |
| | EN6 | Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives. | ● | 46–47 | |
| | EN7 | Initiatives to reduce indirect energy consumption and reductions achieved. | ◐ | 44 | |
| Water | EN8 | Total water withdrawal by source. | ● | 58 | |
| | EN9 | Water sources significantly affected by withdrawal of water. | ● | 58 | |
| | EN10 | Percentage and total volume of water recycled and reused. | ● | 58 | |
| Bio Diversity | EN11 | Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas. | N/A | - | 6.5 / 6.5.6 |
| | EN12 | Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas. | N/A | - | |
| | EN13 | Habitats protected or restored. | N/A | - | |
| | EN14 | Strategies, current actions, and future plans for managing impacts on biodiversity. | N/A | - | |
| | EN15 | 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, Effluents, and Waste | EN16 | Total direct and indirect greenhouse gas emissions by weight. | ● | 44 | 6.5 / 6.5.5 |
| | EN17 | Other relevant indirect greenhouse gas emissions by weight. | ● | 44 | |
| | EN18 | Initiatives to reduce greenhouse gas emissions and reductions achieved. | ● | 44 | |
| | EN19 | Emissions of ozone-depleting substances by weight. | ● | 58 | 6.5 / 6.5.3 |
| | EN20 | NOx, SOx, and other significant air emissions by type and weight. | ● | 58 | |
| | EN21 | Total water discharge by quality and destination | ● | 58 | |
| | EN22 | Total weight of waste by type and disposal method. | ● | 58 | |
| | EN23 | Total number and volume of significant spills. | ● | 58 | |
| | EN24 | Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally. | ● | 58 | |
| | EN25 | Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization’s discharges of water and runoff. | N/A | - | 6.5 / 6.5.4 / 6.5.6 |
| Products and Services | EN26 | Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation. | ● | 46–47 | 6.5 / 6.5.4 / 6.6.6 / 6.7.5 |
| | EN27 | Percentage of products sold and their packaging materials that are reclaimed by category. | ○ | - | 6.5 / 6.5.4 / 6.7.5 |
| Compliance | EN28 | Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations. | ● | 59 | 6.5 |
| Transport | EN29 | Significant environmental impacts of transporting products and other goods and materials used for the organization’s operations, and transporting members of the workforce. | ● | 45 | 6.5 / 6.5.4 / 6.6.6 |
| Overall | EN30 | Total environmental protection expenditures and investments by type. | ● | 45 | 6.5 |

| GRI G3.1 | Disclosure Items | | Application level | Page | note: ISO 26000 |
|---|------------------|---|-------------------|--------|--|
| LABOR PRACTICES AND DECENT WORK Disclosure on Management Approach | | | ● | 48–49 | 6.2 / 6.4 / 6.3.10 |
| Employment | LA1 | Total workforce by employment type, employment contract, and region. | ● | 49, 58 | 6.4 / 6.4.3 |
| | LA2 | Total number and rate of employee turnover by age group, gender, and region. | ◐ | 58 | |
| | LA3 | Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations. | ● | 51 | 6.4 / 6.4.3 / 6.4.4 |
| Labor/ Management Relations | LA4 | Percentage of employees covered by collective bargaining agreements. | ● | 54–55 | 6.4 / 6.4.3 / 6.4.4 / 6.4.5 / 6.3.10 |
| | LA5 | Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements. | ● | 55 | 6.4 / 6.4.3 / 6.4.4 / 6.4.5 |
| Occupational Health and Safety | LA6 | 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. | ● | 53, 55 | 6.4 / 6.4.6 |
| | LA7 | Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region. | ● | 49 | |
| | LA8 | Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases. | ● | 53, 55 | 6.4 / 6.4.6 / 6.8 / 6.8.3 / 6.8.4 / 6.8.8 |
| | LA9 | Health and safety topics covered in formal agreements with trade unions. | ● | 53, 55 | 6.4 / 6.4.6 |
| Training and Education | LA10 | Average hours of training per year per employee by employee category. | ● | 52 | 6.4 / 6.4.7 |
| | LA11 | Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings. | ● | 52 | 6.4 / 6.4.7 / 6.8.5 |
| | LA12 | Percentage of employees receiving regular performance and career development reviews. | ● | 50 | 6.4 / 6.4.7 |
| Diversity and Equal Opportunity | LA13 | Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity. | ● | 56 | 6.3.7 / 6.3.10 / 6.4 / 6.4.3 |
| | LA14 | Ratio of basic salary of men to women by employee category. | ● | 50 | 6.3.7 / 6.3.10 / 6.4 / 6.4.3 / 6.4.4 |
| Employment | LA15 | Return to work and retention rates after parental leave, by gender | ● | 50 | 6.4 / 6.4.3 |
| Human Rights Disclosure on Management Approach | | | ● | 48–49 | 6.2 / 6.3 |
| Investment and Procurement Practices | HR1 | Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening | ○ | - | 6.3 / 6.3.3 / 6.3.5 / 6.6.6 |
| | HR2 | Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken. | ● | 28 | 6.3 / 6.3.3 / 6.3.5 / 6.4.3 / 6.6.6 |
| | HR3 | Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained. | ● | 57 | 6.3 / 6.3.5 |
| Non-Discrimination | HR4 | Total number of incidents of discrimination and actions taken. | ● | 51, 57 | 6.3 / 6.3.6 / 6.3.7 / 6.3.10 / 6.4.3 |
| Freedom of Association and Collective Bargaining | HR5 | Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights. | ● | 54–55 | 6.3 / 6.3.3 / 6.3.4 / 6.3.5 / 6.3.8 / 6.3.10 / 6.4.3 / 6.4.5 |
| Child Labor | HR6 | Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor. | ● | 54 | 6.3 / 6.3.3 / 6.3.4 / |
| Forced and Compulsory Labor | HR7 | Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor. | ● | 54 | 6.3.5 / 6.3.7 / 6.3.10 |
| Security Practices | HR8 | Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations. | ● | 57 | 6.3 / 6.3.5 / 6.4.3 / 6.6.6 |
| Indigenous Rights | HR9 | Total number of incidents of violations involving rights of indigenous people and actions taken. | N/A | - | 6.3 / 6.3.6 / 6.3.7 / 6.3.8 / 6.6.7 |
| Assessment | HR10 | Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments | ○ | - | 6.3 / 6.3.3 / 6.3.4 / 6.3.5 |
| Remediation | HR11 | Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms | ● | 55, 57 | 6.3 / 6.3.3 / 6.3.4 / 6.3.6 |
| Society Disclosure on Management Approach | | | ● | 36–37 | 6.2 / 6.6 / 6.8 |
| Community | S01 | Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting. | ○ | - | 6.3.9 / 6.8 / 6.8.5 / 6.8.7 / 6.6.7 |
| Corruption | S02 | Percentage and total number of business units analyzed for risks related to corruption. | ○ | - | 6.6 / 6.6.3 |
| | S03 | Percentage of employees trained in organization's anti-corruption policies and procedures. | ● | 57 | |
| | S04 | Actions taken in response to incidents of corruption. | ● | 57 | |
| Public Policy Behavior | S05 | Public policy positions and participation in public policy development and lobbying. | N/A | - | 6.6 / 6.6.4 / 6.8.3 |
| | S06 | Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country. | N/A | - | |
| Anti-Competitive | S07 | Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes. | ● | 59 | 6.6 / 6.6.5 / 6.6.7 |
| Compliance | S08 | Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations. | ● | 59 | 6.6 / 6.6.7 / 6.8.7 |
| Community | S09 | Operations with significant potential or actual negative impacts on local communities | N/A | - | 6.3.9 / 6.8 / 6.8.5 / 6.8.7 / 6.6.7 |
| | S010 | Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities | ◐ | 38–41 | |

| GRI G3.1 | | Disclosure Items | Application level | Page | note: ISO 26000 |
|--|-----|--|-------------------|--------|---|
| Product Responsibility Disclosure on Management Approach | | | ● | 30–31 | 6.2 / 6.6 / 6.7 |
| Customer Health and Safety | PR1 | Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures. | ◐ | 35, 47 | 6.3.9 / 6.6.6 / 6.7 / 6.7.4 / 6.7.5 |
| | PR2 | Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes. | ● | 59 | |
| Product and Service Labeling | PR3 | Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements. | ◐ | 35 | 6.7 / 6.7.3 / 6.7.4 / 6.7.5 / 6.7.6 / 6.7.9 |
| | PR4 | Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes. | ● | 59 | |
| | PR5 | Practices related to customer satisfaction, including results of surveys measuring customer satisfaction. | ● | 35 | 6.7 / 6.7.4 / 6.7.5 / 6.7.6 / 6.7.8 / 6.7.9 |
| Marketing Communication | PR6 | Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship. | ◐ | 35 | 6.7 / 6.7.3 / 6.7.6 / 6.7.9 |
| | 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. | ● | 59 | |
| Customer Privacy | PR8 | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data. | ● | 59 | 6.7 / 6.7.7 |
| Compliance | PR9 | Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services. | ● | 59 | 6.7 / 6.7.6 |

EN27, HR1, HR10, S01, S02 : The possible negative impact and direct/indirect relevance with the company is low regarding the issue of concern and performance measurement processes are not sufficient

GRI Application Level

-

Our '2011 Sustainability Report' contains each of the criteria to qualify for GRI-G3.1 Application level A+ and therefore, we make a self-declaration Level A+ for this report. The entire report contents and reporting process were reviewed by an independent external assurance provider. We did not apply the GRI G3 Sector Supplements to this report as the requirements cover only a small portion of our business activities.

UNGC Index

We joined the UN Global Compact on September 2, 2011 and comply with 10 principles in the four areas of human rights, labor, environment and anti-corruption. All employees and executives at LS 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 Principle 2: make sure that they are not complicit in human rights abuses. | ● Code of Conduct, Chapter 2: Basic Ethics of Employees ● Business Partner Ethics Implement Special Contract | 48–49, 54–55 |
| Labour Standards | | |
| Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4: the elimination of all forms of forced and compulsory labour; Principle 5: the effective abolition of child labour; and, Principle 6: the elimination of discrimination in respect of employment and occupation. | ● Collective Agreement ● Code of Conduct, Chapter 5: Corporate Responsibilities for Employees | 48–49, 54–55 |
| Environment | | |
| Principle 7: Businesses should support a precautionary approach to environmental challenges; Principle 8: undertake initiatives to promote greater environmental responsibility; and Principle 9: encourage the development and diffusion of environmentally friendly technologies. | ● Green Management Policy - Clause 2. Reducing greenhouse gas emissions and developing environmentally friendly products - 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 | 42–47 |
| Anti-Corruption | | |
| Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery. | ● Code of Conduct - Chapter 2: Basic Ethics of Employees - 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 | 57 |

Independent Assurance Statement

Independent Assurance Statement

SCOPE AND OBJECTIVES

Adrian Henriques (the auditor) undertook independent assurance of the LS Mtron 2011 Sustainability Management Report (the Report). The assurance was guided by AA1000AS. The auditor provided assurance covering evaluation of adherence to the AA1000APS principles of inclusivity, materiality and responsiveness.

RESPONSIBILITIES OF THE DIRECTORS OF LS MTRON AND OF THE ASSURANCE PROVIDERS

The directors of LS Mtron have sole responsibility for the preparation of the Report. This statement represents the auditor's independent opinion and is intended to inform all of LS Mtron's stakeholders in a balanced way. The auditor was not involved in the preparation of any part of the Report.

BASIS OF OPINION

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

FINDINGS & OPINION

SUSTAINABILITY MANAGEMENT This is the third sustainability report from LS Mtron and it represents a step change in sustainability and transparency that compares very favourably in scope and thoroughness with other corporate sustainability reports. An important indication of this is the publication of the Report in the variety of languages relevant to its key subsidiaries. The Report is based on a clear account of the business and an extensive description of its sustainability management practices. The foundation for the selection of reported issues is a well-defined materiality analysis that draws on stakeholder consultation and international standards. The stakeholder categories are clear, although it would be helpful to have some further information on the composition of the stakeholder groups. It is welcome to see the very wide range of issues for which there is some disclosure, including bribery and the company's commitment to human rights. It is also very good to see that this year's Report extends the areas of the business covered to include a significant proportion of LS Mtron's overseas subsidiaries. Future years should ensure that a full range of performance data from its main operations is reported.

INNOVATION & VALUE CHAIN One of the more notable features of the Report is the focus on the economic dimension of sustainability. LS Mtron has interpreted this to include the development of close working relationships with suppliers and customers, including the sharing of innovation and sustainability initiatives. In the future it would be useful to show also how innovation measures link cost-reduction with reduced environmental impact. It is also very encouraging to see how LS Mtron's worldwide subsidiaries are managed for sustainability. As subsidiaries are brought into the sustainable management system, priority should be given to the management and reporting of the most significant sustainability impacts.

SOCIAL CONTRIBUTION In terms of direct involvement with communities, 2011 also saw the start of employee volunteering on a significant scale, which is welcome. In future reports, it would be helpful to understand the proportion of the time volunteered for which employees are paid by the company. Some of the community support programmes have linked closely to LS Mtron's core business, for example through the donation of tractors. In the future the objectives of further support programmes could be defined to give priority to linking the core business, in terms of products or employee skills, with the community.

GREEN MANAGEMENT In previous years, LS Mtron's drive to produce eco-friendly products was described at a high level. This year there is much more detail on this crucial area, which is very helpful. However, as a step towards measuring the impact of such products, it would be very useful to report information on the kind of criteria that can lead to the inclusion of a product in the 'eco-friendly' category. Environmentally, LS Mtron has delivered a significant rise in the proportion of water recycled. However on other key environmental indicators, including greenhouse gas emissions, energy and waste, there is a slight adverse trend. This absolute increase needs to be set against the rise in production and the significant reduction in the intensity of greenhouse gas emissions by sales. Nevertheless, it is important in this area in particular to establish quantitative targets for the following year and for the longer term.

EMPLOYEES One of the challenges that face the company, especially given the nature of the business, is the gender balance of its workforce. Despite its efforts, the proportion of female employees is low. Nevertheless the company has been recognised as a good employer through national-level awards and it is piloting the introduction of flexi-time where appropriate. The rise in employee suggestions, while being helpful for the drive to quality, is also an indication of high staff morale. The extension of the sustainability system into subsidiaries includes skills transfer programs, active plans to recruit from the local workforce and employee management systems that are being extended from the Head Office, while being sensitive to local conditions and regulations. One area to which continuing attention may need to be given, building on the various initiatives already in place, is that of work-life balance.

CONCLUSION

While this report reflects a year of achievement in sustainability as well as in commercial terms, LS Mtron also has goals for the longer term. In particular it is welcome to see that there are plans to encourage suppliers to adopt their own sustainability management practices. There are also plans to implement a target management system at further sites. It would be welcome to see more quantifiable targets and plans in further areas of sustainability in future reports. The Report leaves open the question of what sustainability really means for LS Mtron. So far the picture has mainly been one of working towards improvements in direct impacts, such as energy use, combined with ever-closer integration with customers and suppliers. The achievement of a sustainable future may also require a better understanding and vision of what LS Mtron will need to be like in the long term.



Adrian Henriques | www.henriques.info

(2009 ~ date) Chair of UK committee on ISO 26000

(2002 ~ date) Visiting Professor of Accountability and CSR, Middlesex University Business School

(1999 ~ date) Member of ACCA Social and Environmental Committee

(2002 ~ 2011) AccountAbility, Member of Technical Committee on Standards

(2000 ~ 2006) AccountAbility, Council Member

Sustainability Management Guideline

I. Purpose

The Sustainability Management(SM) Principles and Action Guidelines cover basic principles to ensure systemic implementation of our SM initiatives and lay the foundation to provide stakeholders including customers with the best value as a global leader in the machinery and component business.

II. Integrated SM Management System

1. Establishment of Policy

1.1 Integrated SM Framework

In order to ensure systemic implementation of sustainability management, the Sustainability Management Steering Group, a Board of Directors and top management level body, serves as a top decision-making group and company-wide SM management responsibilities lie with managers in charge within the company.

1) SM Steering Group

This is an enterprise-wide consultative group to deploy SM initiatives and its main roles are as follows.

- (1) Discussing directions and strategies to practice SM
- (2) Identifying company-wide SM issues and discussing ways to improve each SM issue
- (3) Publishing SM Reports and holding dialogue with stakeholders
- (4) Supplementing SM-related policies and systems

2) Sustainability Management Executive Office
The SM Executive Office is the supervising body for SM initiatives and its main roles are as follows.

- (1) Setting SM directions, strategies and education plans
- (2) Diagnosing and evaluating company-wide SM activities
- (3) Supervising the SM Steering Council
- (4) Publishing SM Reports
- (5) Creating and managing SM-related policies

1.2 stipulation of relevant policy

SM-related operation policies, systems and issue-specific implementation policies must be stipulated and actively disseminated to ensure their company-wide application and deployment.

1.3 regular review and improvement

Policies set in relation with SM must be reviewed on a quarterly basis and revised if their modification and supplementation is needed.

2. SM Materiality Test

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

3. Regular diagnosis and monitoring

LS Mtron's in-house SM diagnosis model, which includes all SM-related global standards, is utilized to conduct regular diagnosis once a year and continued monitoring is carried out by the SM Steering Group.

4. Company-Wide Education and Consensus Building

Company-wide education plans are set and executed every year to promote sustainability management and to build consensus among employees.

5. SM Reporting Framework

Team leaders and their working-level employees with those departments in relation with SM Focus Areas identified through materiality test are obliged to report progress made and improvements to be made to the SM Steering Group via business-division level cooperation in order to ensure appropriate response to and improvement of SM issues.

5.1 LS Mtron SM Focus Area and Relevant Departments

- 1) Integrated SM Management: SM Executive Office
- 2) Economic and Social Value Creation: Win-Win Partnership Team, Quality Management Team, Innovation Team

- 3) Social Contribution: Business Support Team
- 4) Green Management: Green Management Team, Technology Management Team, Production Technology Group
- 5) Employee Value Enhancement : HR Development Team
- 6) Integrated Risk Management: SM Executive Office

6. Operation of Sub-committee

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

6.1 SM Sub-committee and Supervising Department

- 1) Green Management : Green Management Team
- 2) Eco-friendly Product : Technology Management Team
- 3) Corporate Collaboration & Prosperity: Corporate Collaboration & Prosperity Team
- 4) Social Contribution: Business Support Team
- 5) Customer and Quality Management : Quality Management Team
- 6) Eco-friendly Supply Chain: Quality Management Team

III. Stakeholder Dialogue and Fulfillment of Promise

1. Stakeholder Dialogue

Regular and official dialogue opportunities created by building dialogue channels with core stakeholders and setting annual dialogue plans are utilized to review SM Focus Areas, determine future implementation directions, add more Focus Areas and modify existing ones and promote participation in writing SM Reports.

1.1 Identification of Core Stakeholders and Responsibility to Respond

Stakeholders are identified through analysis of social interest and impact on LS Mtron's business and the following roles and responsibilities to respond to them should be performed.

- 1) Customer : Customer satisfaction, increased customer responsibilities(product quality, product liability, customer safety and etc.) and etc.
- 2) Business partners : seeking win-win growth through partnership, enhancing fair trade relationship and etc.
- 3) employee : building employee capacity and improving their working conditions, protecting their human rights and complying with labor regulations and etc.
- 4) Local community : Engaging and developing local communities, social philanthropic activities and etc.
- 5) earth/ecology : managing and reducing impact of products and processes on the environment, promoting eco-friendly products and services, responding to climate change and controlling GHG emissions and etc.

1.2 Improvement of Stakeholder Dialogue

As for annual plan to hold dialogue with core stakeholders, the first phase is to gather information on expectations and requirements of stakeholders, the second phase to set goals and detailed plans and then stakeholder dialogue is conducted via direct dialogue or surveys, which is followed by the results summarized and incorporated in setting next year's directions and plans.

2. Expansion of SM Disclosure

In addition to publishing the SM Report every year to fulfill promises with stakeholders and provide critical information, more information is to be disclosed on the company's financial and non-financial performance on the corporate website.

IV. Management of Non-Financial Risks

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

Apr. 1, 2010 (The third edition)

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Date of Publication: July 9, 2012

Publisher: Jae-Seol Shim

Publishing Company: LS Mtron, Co., Ltd.

Design: designSOHO



LS Mtron's 2011 Sustainability Report uses the FSC Mont Blanc paper of Hansol Paper Co., Ltd.. The FSC Mont Blanc paper has the FSC certification only attached to products using woods produced in forests environmentally produced and managed, and is an environmentally-friendly paper using the elemental chlorine-free pulp. The paper was printed in soy oil ink that massively reduces air pollutants that might arise in the course of printing and manufactured in a printing house with the FSC certification.

Our Past Reports

Sustainability Report



2009 Sustainability Report



2010 Sustainability Report

Environment Report



2002 Environment Report



2005 Environment Report

