





To further enrich the life of our farming community, LS Mtron will become a partner and a trusted friend of farmers.





With technology that brings a even more flourishing tomorrow, LS Mtron will be with you whenever and wherever you are.



When you accompany our journey at LS Mtron, you care about the environment and you care for OUr next generations.



CEO Message

Please tell our stakeholders about what business philosophy and vision you're going to pursue in leading LS Mtron as a new CEO.

Our LS business philosophy is to bring forward a 'Greater Value Together' through LSpartnership®. This means that we create outstanding outcomes with open-mindedness so that we can grow hand-in-hand with all our stakeholders, including customers.

It is based on this business philosophy that we at LS Mtron open 'the 2nd Chapter of Our Growth Story' in 2015. LS Mtron's status was elevated into a business division within the LS Group as a strategic growth engine. Furthermore, we set out our new vision 'Be The ONE*': 'ONE*' consists of three elements – top-notch talent, best-in-class products, and winning partnership. To achieve this vision, we defined our core value 'ONE Spirit', which includes Ownership, New-Thinking and Excellence in technology. Our sustainability management at LS Mtron is fully aligned with the business philosophy of LS Group and will serve as a springboard to reach our new vision.



What are the directions to be taken in advancing sustainability management at LS Mtron?

Sustainability management continues to be the focus of everyone in the global business environment. In choosing business partners, global customers emphasize a company's capability to create social and environmental value in addition to business competency. Therefore, our sustainability management at LS Mtron will take the following three directions: first, we will focus on reinforcing a transparent and ethical organizational culture; second, we will communicate with a wide range of stakeholders including customers, employees, suppliers, and local communities and integrate their expectations seamlessly into our daily operations; third, we will take the leadership in eco-friendly technology and product trends that are desired by the global community and customers. In 2015, we will continue to operate our company-wide implementation system with the Sustainability Management Steering Council playing a central role while focusing on stabilizing sustainability management that was fully initiated in 2014 in our Chinese subsidiaries. In so doing, we aim to prevent diverse risks that may occur in our business conduct, earn trust from stakeholders and grow into a respected company.

As a CEO, what are you going to do to make LS Mtron a respected company that fulfills its social and environmental responsibility?

I'd like to be a lighthouse that enables all our employees to go in the same direction and make the right decision. I will ensure that we can keep our critical value and prepare for sustainable growth in spite of difficult business conditions. In short, my goal is to establish a decision-making process whose value is recognized by everyone by producing better outcomes through innovative thinking and considering social and environmental value. Furthermore, I will commit myself to making LS Mtron an organization believed to do even better in the future by securing capability to grow into a global player and stabilizing sustainability management.

growth."



Dear stakeholders,

I hope that this sustainability management report help you better understand what we are doing for sustainability management and honestly share your great ideas for shared growth. Let me promise you that LS Mtron will become a reliable and trustworthy partner. Thank you.

Ja-Eun Koo, Vice Chairman

Ja Em Ko

Message from the Management

"We will sincerely advance sustainability management to enhance customer value, and set an example of sustainable business innovation to grow into a company that is respected and trusted."

Kwang-Won LEE_President / COO

Q1. LS Mtron has been growing continuously since its inception. Please tell our stakeholders about the driver and competitive edge that enabled this sustained growth as well as the company's operational directions for 2015.

Our growth has been driven by our full commitment to becoming a reliable partner that is trusted by customers and all the other stakeholders, on the basis of our business philosophy 'LSpartnership®'. Meanwhile, countries and industries today are faced with a multitude of risks created by the continued low growth of the global economy as well as an unprecedented level of uncertainties. I believe, however, that we can turn this crisis into an opportunity and will be dedicated to translating our endeavors into tangible outcomes. To this end, we defined our business guidelines for 2015 as stability-driven management, global performance and agile management. These principles will pave the way for us to swiftly respond to fast-changing business conditions and reach our business goals.

Q2. LS Mtron is active in a variety of business categories. As a new COO, what is your growth strategy for this year in each of these categories?

I'd like to ask all our employees to develop firm determination and executional capability to reach the set goals no matter what on the basis of a transparent work culture. By business division, our Tractor Division will strengthen its localized product line-ups in major markets and expand its distribution network in order to maximize its global outcomes; our Electronic Component Division will reinforce its 'business development' sales approach and develop fully-localized response to global large-scale customers so as to expand its customer base; our Injection Molding Division will generate outcomes at its overseas locations and regain its status as the No. 1 in the domestic market; our Automotive Component Division will win more global orders and improve its cost structure to become more profitable; our CF Division will increase its sales and fully prepare to meet the demand for high value-added products to survive in the tough market environment; other business divisions will focus on improving their product quality and producing business outcomes as a way to build deeper customer trust and explore new markets.

Q3. LS Mtron has been advancing sustainability management since the moment it was established. Please tell us about LS Mtron's distinctive characteristics in practicing sustainability management and its future directions moving forward.

I believe that sustainability management should be able to set a framework to identify opportunities and threats for the entire company as well as stakeholders in the context of economy, society and environment interacting with one another. We at LS Mtron reflect sustainability management in assessing the performance of our executive members, and hold diverse meetings to take an integrated approach in managing relevant outcomes and plans. In particular, we defined our own eight Focus Areas: Innovation, Quality and Customer Satisfaction, Shared Growth, Ethics Management, Social Contribution, Green Management, Technology Development and Employee Value Enhancement. In each of these areas, we take initiatives to improve customer value. I will ensure that we present best practices of sustainable business innovation and spearhead our journey to evolve into a company that is respected and trusted. To this end, our management will be fully engaged and interested in making stakeholder-centered decisions.



Q4. This is LS Mtron's sixth sustainability report. How does this report stand out and what are the key messages that this report intends to deliver to stakeholders?

Our sustainability report primarily aims to become a transparent representation of our endeavors, outcomes and future plans in creating economic, social and environmental value. Specifically, this report was designed to clearly present the purposes that we pursue in advancing sustainability management by separately describing our performance in building stakeholder trust and our performance in creating value to strengthen future growth engines. Furthermore, this report set the major implementation directions to be taken by 2017- global expansion, dissemination to suppliers, enhancing eco-friendliness, establishing the Right-Way culture – to make a balanced disclosure of both outcomes and plans. I sincerely hope that this report help our stakeholders better understand LS Mtron, and call for your proactive participation as well as empathy in our endeavors to achieve sustainable development. Thank you.

Eek-Hee LEE_Senior Executive Vice President / CFO

The Corporate Management Group serves as a housekeeper of the company. Our responsibility is to effectively manage corporate assets that are the foundation for securing competitive edge, and to conduct financial analyses to help predict the strategic direction of our business conduct. We forecast that the current low growth will continue in 2015. While a mild economic recovery is expected in the U.S. and Europe, slowdown in growth of the Chinese economy, the weak Japanese yen and the financial instability of emerging economies would sustain. As the head of the Corporate Management Group, I believe that our top priority is to respond to such risks, and in an effort to achieve our vision by 2020, we will address risk factors in each of our business division in a cool-headed manner and take both short and long-term perspectives in our business conduct.

Firstly, our main priority will be to produce better investment outcomes and enhance our financial soundness by enhancing the efficiency of resources operation. It means that potential risks will be thoroughly identified to further stabilize our operation so as to improve the profitability of low-performing operations and overcome difficulties in the business environment. Another priority will be to normalize our overseas subsidiaries in an aim to proactively grow our operations in China, Brazil and other key markets that are stagnating today. To this end, we will reduce working assets to improve on our

debt-to-equity ratio while keeping our production as well as inventory/bond management under tight control.

Secondly, we will set clearer priorities in investing our assets so that they can be allocated where they are truly needed in response to market expansion and the recovery of the upstream industry. While our operations have grown significantly in size since our inception, we should find new growth engines at this point in time. This is why we created a new meeting group to discuss future growth engines in 2015, and are committed to tapping new markets and widening the product line-ups based on our business capabilities while diversifying our business portfolio in an effort to discover new growth drivers.

Last but not least, our 2015 goal is to post KRW 1.2 trillion in sales and KRW 66 billion in operating profit. We believe that our endeavors to reach this goal must be based on a healthy and sound business conduct. Using limited resources available in a transparent and reasonable manner will be my ultimate responsibility as the head of the Corporate Management Group and this is inline with LS Mtron's way to advance sustainability management.

Message from the Management

QUESTIONS 1 How are the business conditions in Korea and overseas changing from LS Mtron's perspective,

S Kyung-Nyung WOO_Executive Vice President / Tractor Division

The Korean tractor market continues to slow down as imported agricultural products and declining grain prices deteriorated user's financial capacity to purchase farming machines. The global tractor market, however, continues to grow by 5~10% on average thanks to continuously-increasing demand for grains, and specifically in developing countries in Southeast Asia, we witness increasing demand for tractors as their economic growth spurred the mechanization of agriculture. This presents opportunity to LS Mtron as we are capable of delivering globally-competitive tractors in the 30~100hs range. Meanwhile, we face risks including Japan's weak-yen policy and the depreciating euro. Such currency instabilities could hinder our efforts to expand export volume and hurt our profitability in Turkey, Brazil and other regions that are heavily affected by the U.S. dollar.

Ho-Je CHO_Executive Vice President / **Electronic Component Division**

With the smartphone market reaching maturity, growth is expected mainly in the mid-to-low end segments and the overall growth will slow down while heated competition to increase market share is expected to take place in emerging markets. Our major customers in Korea suffer stagnant growth and our big Chinese customers are continuously increasing their market share in their local Chinese market. Meanwhile, the profitability of parts suppliers is decreasing as customers cut their selling price and the weak yen facilitates price competition. To deal with these difficulties, we need to identify new alobal customers and to move faster in meeting potential demand by developing market-leading

products in response to new market momentum.

James KIM_Senior Vice President / **Chief Strategy Officer**

The prospects of a prolonged global economic recession urged major companies in Korea and abroad to initiate emergency management and to focus on business stability and crisis management. Since our operations are highly aligned with global economic conditions and demand, we face risk factors both in Korea and abroad: China and other emerging economies are improving their competitive edge in quality and price while the U.S. and the overall global economy show only limited economic recovery. Still yet, we continue to widen our global reach in Brazil and Vietnam to strengthen our capability to develop localized products and respond to customer needs

and what are the opportunities and challenges that LS Mtron is facing?

Hyeon-Koo LEE_Vice President / **Chief Technology Officer**

The convergence of technology increased the number of competitors in the market, and as big companies established their large R&D infrastructure in the Seoul metropolitan region. this launched the 'war for talent'. For instance. today's electronics companies are entering the automobile parts market, and ICT service providers are starting business in the smart B2B market. This presents opportunity for LS Mtron's machinery business to develop technology through open innovation and expand its market, and for LS Mtron's component business to broaden its customer base in the emerging convergence market. Meanwhile, this also presents risks as we should compete to attract talented individuals against big companies with their large-scale R&D centers located in the metropolitan region.

to undertake to grow into a sustainable company in the mid/long-term?

3 Kyung-Nyung WOO Executive Vice President / Tractor Division

QUESTIONS 2

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To gain competitive advantage against global players, we must deliver products that are competitive in quality and cost. Another priority for this year is to stabilize our overseas operations in Brazil, China and other regions, tap new overseas markets and identify big buyers. To this end, we need to launch new products, provide more reliable quality and innovate our products continuously. Over the long haul, we will develop products tailored to the needs of local overseas customers and markets, explore new markets and secure platform technology that caters to new customer needs for energy saving and eco-friendliness. LS Tractor is evolving into a truly global agricultural machine manufacturer that exports to more than 40 countries across the globe - the U.S., Europe, Central/Latin America and Southeast Asia- with operations in the U.S., China and Brazil. We will ceaselessly challenge ourselves to meet and even exceed customer expectations.

Ho-Je CHO Executive Vice President / **Electronic Component Division**

What are your top priority tasks for this year, and what are the tasks for LS Mtron

Electronic Component Division's goal for this year is to maximize its share among major Korean customers, diversify its customer portfolio by expanding the big Chinese customer base, and lay the basis to tap into advanced customers. Our mid/long-term priority is to develop best-in-class products in the B2B strategic product category to become a market leader and to establish an optimized global production/operation system. In so doing, we believe we can increase sales and secure the level of cost that will ensure our sustainable survival so as to emerge as a top connector manufacturer in the mobile and display market. Furthermore, we will expand our upstream market share and identify new growth engines to sustain our growth.

James KIM Senior Vice President / **Chief Strategy Officer**

This year, we need to reinforce our business competitive edge from the fundamental perspective to respond to uncertain business conditions. Our goal is to operate corporate resources through increased efficiency and tighter management so as to thoroughly respond to possible risks and reinforce our business fundamentals. Furthermore, our Vision 2020 that was newly defined in line with our enhanced status within the LS Group will guide our endeavors to define new business directions and to enhance our value as a sustainable company. Our long-term commitment is to further solidify our leadership in sustainability management, and specifically, our Chinese subsidiaries will complete their own sustainability management operation system by 2017.

Hyeon-Koo LEE Vice President / **Chief Technology Officer**

For this year, we set our operational directions in technology development under the motto "Strong R&D, Top-Notch Researchers", and are committed to generating business outcomes through R&D and building researchers' research capacity. Specifically, we expect to reap R&D success in manufacturing tractors with new engines/transmissions and automating connector facilities while expanding our PhD program and industrial scholarship program. We firmly believe that sustained R&D investment and talent nurturing will pave the way for a more sustainable LS Mtron.

Specifically, our top priority for this year is cost improvement and cost reduction. We need to cut down on total cost and eliminate waste factors continuously, which requires even closer partnerships with suppliers. It means we should identify and nurture top-performing suppliers and help them build capacity. We will facilitate CDM (Cost Development Management) to share successful outcomes with suppliers through sustained improvement initiatives so as to secure competitive edge for shared growth in the global market, and this constitutes one of our top priorities in our team.

Gi-Bon Koo_Vice President / **Chief Purchasing Officer**

The current external conditions include both opportunities and risks; while cost reduction opportunities exist due to the declining prices of primary raw materials, currency fluctuations (weakening yen and euro), and an increasing number of FTA partners, Korean companies may face challenging business conditions when products with cost and technological competitive edge are imported into the Korean market. Our approach in the Corporate Collaboration & Prosperity Team is to comprehensively analyze domestic and overseas risks (currency changes, violation of fair trade regulations) on the basis of a fair and transparent business culture and regulatory compliance, and to develop detailed strategy in order to overcome these crises.

Myoung-Ho PARK_Director / Chief Human Resource Officer

If you look at the Korean business landscape, we are facing an increasingly fiercer competition, not just in business conduct but also in securing talented individuals. To generate sustained business outcomes under such circumstances, it is critical that we retain competitive human resources as well as fundamental competitive edge in products and services. To hire outstanding talent, we at LS Mtron use wideranging channels (employee recommendation program) and strive to retain talented individuals through mid/long-term domestic and overseas training programs. While we have to compete against big companies to gain top-notch human resources, we will continually endeavor to win this competition through our commitment to Great Work Place.

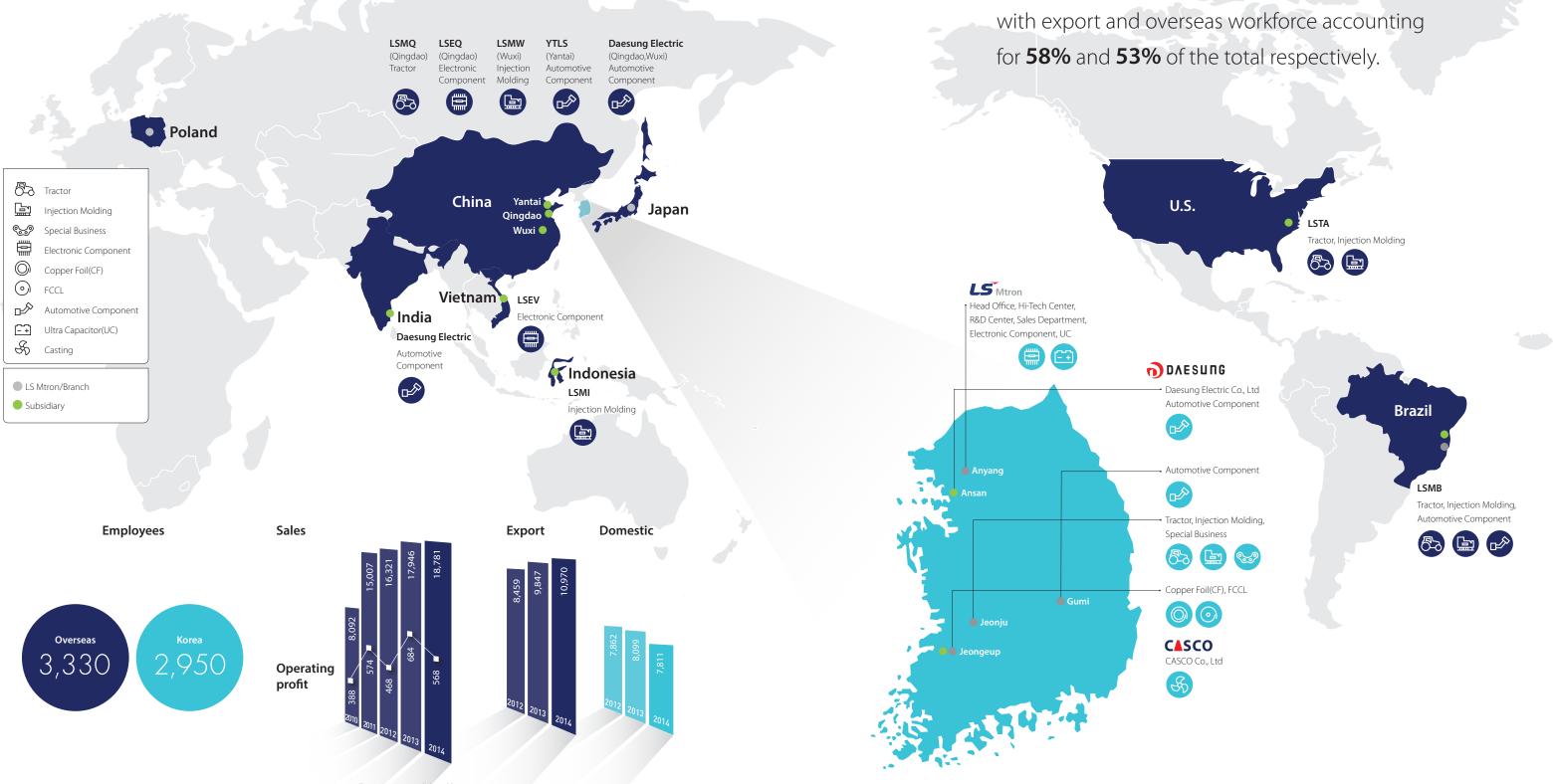
Gi-Bon Koo Vice President / **Chief Purchasing Officer**

Myoung-Ho PARK Director / **Chief Human Resource Officer**

This year's most important priority is to generate outcomes at overseas subsidiaries as well as improving the business operational capability and leadership capability of our overseas expatriates. To this end, we plan to reinforce business management training for expatriates. To help locally-hired employees develop a sense of ownership, HR promotional roadmap will be created for major positions and the HR system will be re-established accordingly. To make LS Mtron a Great Work Place (GWP), we will revitalize the Refresh Leave program and run the Casual Day program. These internal customer satisfaction initiatives will help create GWP-centered corporate culture. Furthermore, our social contribution programs will be continuously operated to fulfill our corporate social responsibility. Specifically, we will continue to support the We Love Farming Village Volunteer Group and the Spread Hope School program that engage our employees as volunteers so that they are positioned as our representative social giving initiatives and ensure our shared growth with customers.

LS Mtron's Global Reach

Our aim at LS Mtron is to become a sustainable company that grows and evolves in conjunction with all our stakeholders by continuously enhancing value for customers and society through innovative products and services. Our business mainly consists of the Machinery Business Division and the Component Business Division: the former includes tractor, injection molding, and defense business (tank caterpillars) and the latter includes electronic component (connectors/antennas), circuit materials (CF, FCCL), automotive component (brake hose), and UC(Ultra Capacitor) business.



* Unit: KRW 100 million, On a consolidated basis

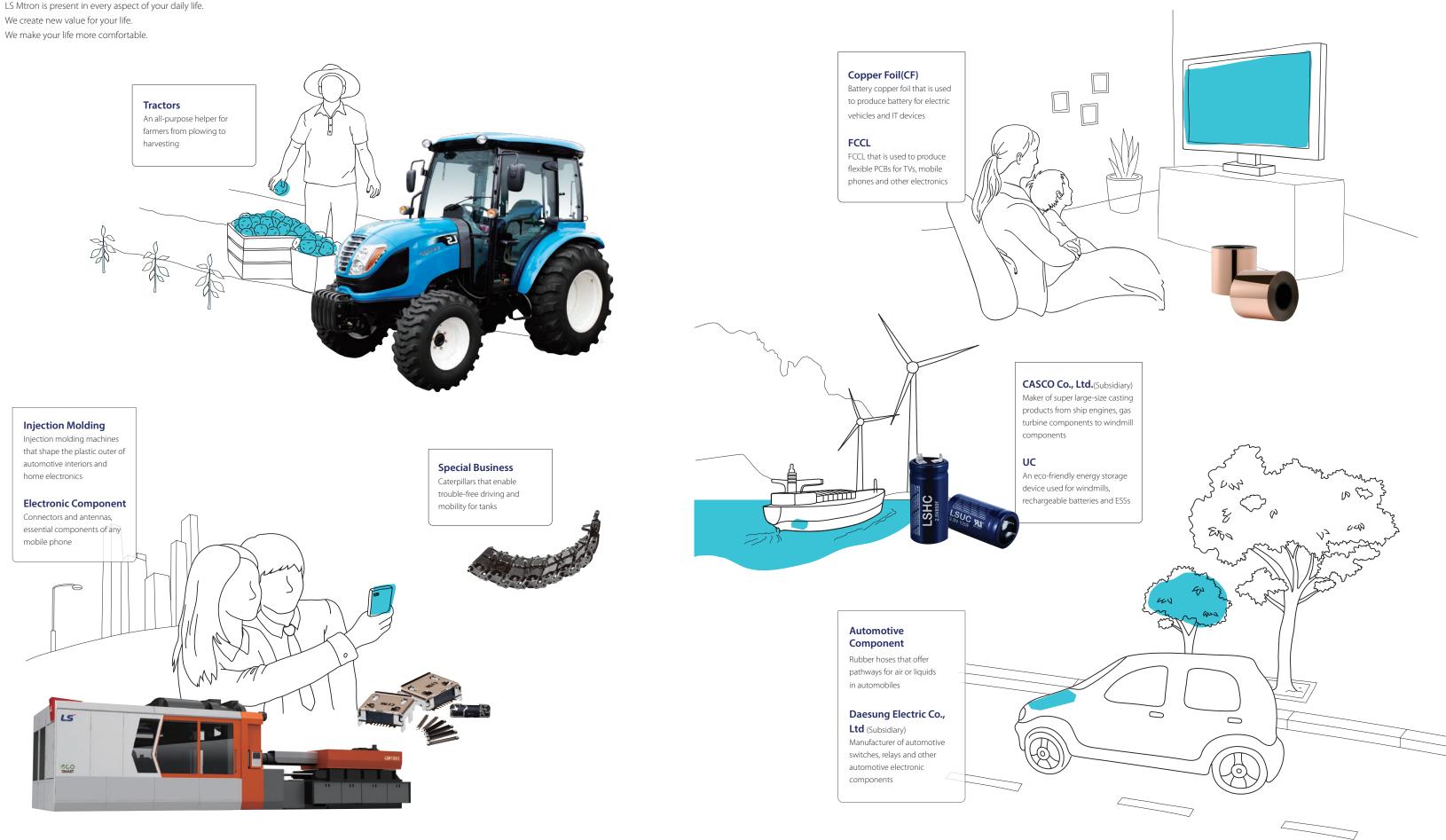
- * Audit was not performed in 2010 due to change in accounting standards in 2011
- * Discontinued operations were excluded (LS Mtron's air-conditioning operations were

transferred as of May 1 of 2011)

LS Mtron reaching out into the wider world LS Mtron operates **14** overseas locations, with export and overseas workforce accounting for **58%** and **53%** of the total respectively.

LS Mtron in Your Daily Life

LS Mtron is present in every aspect of your daily life.



Tractor

Completing a Green Tractor Engine Plant to Accelerate the Advance into the Global Market

By completing an engine plant with annual capacity of 60,000 units in Techno Valley located in Wanju County, North Jeolla, in June 2014, our Tractor Division gained capability to manufacture engines, a key tractor component, as well as competitive advantage in quality, product delivery and price in the global market . We invested KRW 50 billion for four years in this plant with gross floor area of 8,745 m², to manufacture 30~73hp tractor engines. The plant has a flexible production system to produce a variety of items with small quantities as a way to maximize efficiency, and RFID was adopted throughout the entire process to monitor the status of production automatically in real time.



LSTA^(Tractor_the U.S.) Successfully Launching an Eco-Friendly Tier 4 Engine and Honored with the 2015 NAEDA Dealer's Choice Award

2-1 In 2013 when the U.S. EPA (Environmental Protection Agency) tightened its exhaust gas emissions regulations, we made a swift decision to launch a Tier 4 engine model to move ahead of the competition. This Tier 4 engine model, which took around 10% of the total sales in 2013, increased its share to 40% in 2014, which is the result of our endeavors to highlight our eco-friendly brand image in major exhibitions and to reduce cost to satisfy the needs of price-sensitive U.S. consumers. In 2015, our plan is to maximize sales in the H1 peak season in North America and to launch XG series as a follow-up to our main G series in H2. This indicates that the eco-friendly Tier 4 engine will be mounted on the majority of the LS Tractor line-ups and it will enable us to compete based on both price and quality to deliver a stable and sustainable growth.

2-2 LSTA was honored with the '2015 NAEDA Dealer's Choice Award(top prize)' in the Dealer-Manufacturer Relations Survey conducted by the North American Equipment Dealers Association (NAEDA), one of the longest-running and most trusted trade associations in North America. The survey includes a total of 12 categories regarding products, quality, tech support, parts availability, return policy, communication and so on. This year's survey was conducted on more than 1,800 dealers of 50 agricultural machine manufacturers. LS Tractor topped the list in 11 categories out of the 12 categories and specifically, became the sole tractor manufacturer who scored higher than 6 points (Satisfied) on a scale of one to seven in the products and parts availability categories. Receiving the award confirmed LS Mtron's unrivaled position and competency in the North American market, the most advanced farming machine market. LS Mtron will be committed to achieving KRW 2 trillion in tractor business sales by 2020 by further tapping the global market.



- Manufacturing 30~75hp engine tractors in a cutting edge plant with annual capacity of 60,000 units
- Focusing on manufacturing the 'Tier 4 engine' in 2015 to respond to the strengthened exhaust gas regulations of advanced countries

• Successfully launched a Tier 4 engine model to

- respond to EPA's exhaust gas emissions regulations to advance into the market
- Successfully expanded the sales of the Tier 4 engine
- since its first-ever adoption for the XR series cabin model in 2013
- Plans to launch a Tier 4 engine for XG series, a main model for the U.S. market, in H2 of 2015

LSMB^(Tractor_Brazil) Selling All Its Line-ups through Brazilian Governmental Financing

Recently, the Brazilian government has been undertaking the 'Mais Alimantos(More Food)' project to revitalize the nation's mid-to-small sized farming sector. Specifically, the government assists self-employed farmers in purchasing farming machines at interest rates (2.5%) that are significantly lower than market rates (13% range) only for 80hp-or-under capacity models, which are the main models for our Brazilian subsidiary. Since its inception in 2011, the subsidiary has reinforced its product competitiveness as well as line-ups, and this led to the successful localization and sales of the Plus ROPS model in 2013 and then small-sized models (G/R/U) in 2014 that suit the needs of coffee farmers in the central region of Brazil. In addition, the subsidiary localized and is delivering Plus Cabin as a leader of the local cabin market, and plans to further localize the cabin of the R and U models to expand its market share in 2015.



LSMQ^(Tractor_China) Developing a High Clearance Tractor to Export to Uzbekistan

Our Chinese tractor subsidiary was initially set up to target the Chinese domestic market. Currently, however, the subsidiary supplies SKD to our Brazilian subsidiary and is expanding exports as well. Furthermore, the subsidiary completed the development of a high-clearance tractor model to export to Uzbekistan and posted 150 units in export volume this year. This high-clearance model was designed to mount local Uzbek cotton harvesters on it, and to satisfy essential local working conditions concerning fuel tank, operational speed and turning radius, which led to positive response in the local market. While the initial mass-production of this high-clearance tractor model was set for March 2015, we were able to shorten the development period by four months upon the request from ASI, an Uzbek company. to deliver products within 2014. In 2015, our plan is to further expand exports to Uzbekistan and deliver 400 high-clearance tractor units.

• Plus-grade high-clearance model for the cotton market

Completed the production of ES in May 2014

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- Successfully localized G/R/U and Plus Cabin model in 2014
- Initiated sales through the use of governmental financing (MDA, FINAME)

O Copper Foil(CF), FCCL

5 Leading the Trends of Copper Foil with Novel Properties and Ultra-Thin Copper Foil

Since the development and mass production of the world's 1st 6µm battery copper foil in 2013, our CF Division has been committed to developing new products that cater to the current and future needs of the rechargeable battery industry. To this end, the division continues to create innovation in bronze plating recipe technology and roll-to-roll technology. New types of copper foil with enhanced properties (high-strength copper foil, high-elongation copper foil) have been developed and their mass production will be initiated in 2015 while intensive R&D endeavors are underway to develop 4um and 5um battery copper foil to lead the trend of ultra-thin form factor. In the circuit copper foil segment, the mass-production of 9µm circuit copper foil was stabilized and its sales began in 2014 while development of 7μ m copper foil for flexible PCB applications is underway. The division is working on technology that flexibly responds to the expansion of wearable devices, the popularization of electric vehicles and the convergence of automobiles and IT as a way to lead the electrolytic copper foil industry.



- Completing the development of high-strength, high-elongation copper foil
- Reaping success in mass-producing 9µm circuit foil, currently developing 4µm battery foil and 7µm FPCB foil



FCCL, Obtaining the World-Class Product Certification in 2014

LS Mtron was awarded with the World-Class Product certificate for its ultra-thin electrolytic copper foil for flexible PCB applications in the '2014 World-Class Product Certification Ceremony'hosted by the Ministry of Trade, Industry and Energy and the Korea Trade-Investment Promotion Agency. This circuit material is used to manufacture flexible PCBs for mobile phones, display devices and other electronic products. There are only three manufacturers of this critical component across the globe and all our competitors are Japanese makers. As the sole Korean company with its own independent technology, LS Mtron is further expanding its market dominance by securing overseas customers in Japan and Taiwan. and plans to present best-in-class products that set itself apart from the competition through even higher product quality

- Identifying new Japanese customers
- Reducing cost through the localization of raw materials and independent development



Electronic Component

Developing Customized Products That Cater to Customer Needs to Expand Business Development Sales

Our Electronic Component Division is continuously increasing its sales in the Korean mobile phone market through highly-customized and proactive 'Business Development' sales. Specifically, such sales approach led to a prominent year-on-year growth of 30~40% in the m-USB connector category, and our proactive Business Development sales initiative of m-USB and B2B connectors, our flagship products, is extending its scope into large-scale global customers in China. In so doing, our aim is to rank in the 'global top 5 in the mobile phone/FPD connector market'. In 2014, our Vietnamese subsidiary was established to reinforce localized sales and responses to local customers in Vietnam, and to lay the basis to create a low-cost manufacturing base by maximizing synergy with LSEQ, an existing Chinese manufacturing subsidiary. Our Electronic Component Division plans to grow into a global component supplier through customer-driven thinking, innovative quality, and determination to ceaseless challenge themselves.



 Emerging as one of the global top 5 in the mobile phone connector market by 2018

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

LSEQ^(Electronic Component_China) Securing Competitiveness through the Further Localization of Technology

LSEQ is fully committed to securing competitive edge in cost through technology localization as a way to build a sustainable competitive edge. While a bending-type half-finished press unit, a major connector component, had not been localized due to technological sophistication, LSEO succeeded in developing this unit through technology exchange with and assistance from the Korean Main Office and local companies. This allowed the subsidiary to expand the localization of new FPD connectors. In addition, the subsidiary internally improved the performance of assemblers and injection molding machines through operational management and alteration based on its accumulated expertise in nurturing facility engineers. In response to the commitment of our Electronic Component Division to expanding its share, LSEQ expanded and reorganized its local sales support units, and assisted our 2nd plant in Vietnam in stabilizing its operations early on through technology & staff exchange, sending facility management staff and transferring critical knowledge in operating plants. In so doing.

- Successfully localized the development of a half-finished product that required sophisticated technology to enhance cost competitiveness
- Maximized the productivity of assembly operations by securing independent facility technology capability

LS Miron

LSEV^(Electronic Component_Vietnam) Expanding Sales and Establishing a Production Base through Localized Response to Customers

LSEV completed a plant on a 12,915m² site in the VSIP industrial complex located near Hanoi in October 2014. In addition, LSEV was qualified as a supplier by Samsung in February 2015. As one of the most promising candidates to replace China as a manufacturing base, Vietnam is attracting global players such as Samsung who continue to expand their production scale in the country based on its low labor cost. LSEV gained approval to invest KRW 9 billion to establish a localized delivery system as a way to improve customer satisfaction and it plans to serve as a global manufacturing base with its cost competitiveness.

Responded to the needs of global customers including Samsung and Microsoft

• Established a post-China manufacturing base based on low labor cost

LS YÊU VIÊT NAM

[____] Injection Molding

Developing Ultra-Precision Electric Injection Molding Machines to Advance into the Market

Our Injection Molding Division laid the foundation to tap into the ultra-precision component market (light guide plates, fine-pitch connectors, and mold frames) through its successful development of ultra-precision electric injection molding machines. The division is developing and manufacturing world-class products to compete against industry leaders by securing hardware performance through optimized control system combinations, establishing acceleration performance through low-friction, low-inertia designs, developing dedicated plasticization devices, and improving the precision performance of clamping/injection devices. Furthermore, it is expanding its product line-up by launching WIZ, the follow-up line of LGH-M that has launched best-selling models since its debut in 1998, as well as WIZ-X, the follow-up line of S models launched in 2008. Our Injection Molding Division is expanding its global reach through sustained technology and quality innovation and strengthening its position as a global injection molding maker.

- Launching mid-to-large-sized hydraulic models (five WIZ models) and super-large-sized models (4 WIZ-X models)
- Completing the full line-up of ultra-precision/ ultra-power-saving electric injection molding

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LSMW^(Injection Molding_China) Aiming to Rank in the Top 5 in the Chinese Injection Molding Machine Market by 2017

After securing key automobile parts customers in Yancheng in 2013, LSMW further added approximately 50 new customer accounts Jiangnan Mould & Plastic Technology Co., LTD, Shanghai Tianyuan Group of Plastic Co., Ltd, zhejiang guoli Co., Ltd, in 2014, which laid the foundation to expand sales in China. In addition, LSMW upgraded its mid-to-large sized models: their performance was enhanced with an improved position control and shortened cycle time, and exteriors were also improved by developing a built-in drive box. Its super large model line-ups were revamped to complete the development of 1.600t and 2.100t models. In 2015, LSMW plans to complete the development of five more models.

- Laid the basis to expand sales in the local Chinese market by securing new local customers
- Improved competitive edge in product quality and cost by developing new mid-to-large and super large models

Special Business

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Securing the Price Competitiveness of Caterpillars for the Export Market and Developing Sophisticated Products

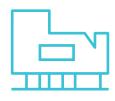
LS Mtron is Korea's sole manufacturer of caterpillars, which are responsible for supporting the load of combat mobility equipment (tanks, armored vehicles, self-propelled artillery) and securing mobility under rough road conditions. Since 1975, our Special Business Division has been supplying the nation's armed forces for more than four decades and is currently creating a diversified customer portfolio both in the Korean and global markets. In 2014, the division began the full-fledged mass production for K2, a main next-generation tank model, while securing lightweight technology capability through the development of next-generation KAAV caterpillars. Furthermore, the division established price competitive edge in sophisticated caterpillars that target export markets and is committed to building technological expertise. Specifically, proactive research on band tracks is underway continuously as a way to develop future leading technology, and the division plans to emerge as a global top maker by ambitious-ly expanding its global reach and to lead the advancement of the defense industry.



LSMI^(Injection Molding_Indonesia) Establishing an Indonesian Subsidiary to Accelerate the Advance into the Indonesian Market

LSMI supplies injection molding machines to Yasunli, Polytron, LG, Samsung and other Indonesian customers. Established as a sales subsidiary in 2014, LSMI has been accelerating its endeavors to tap the Indonesian market. LSMI has its own inventory of machines and spare parts to respond to customer needs for swift product delivery, and LSMI's training center provides injection molding training four times a year to improve work efficiency. In 2015, LSMI plans to open its showroom for all its customers and offer technical training to lead the Indonesian market in line with changing market conditions and customer trends.

Stock machines worth approximately US\$600,000
Opened an agent in Surabaya





- Building trust and credibility as a top-notch defense company
- Continuously securing future leading technology and a diversified overseas customer portfolio

Automotive Component

$|\Delta|$

Strengthening the Technology Competitiveness of Turbo **Charger Intercooler Hose**

Our Automotive Component Division supplies automotive hoses and components to GM, Nissan, Chrysler and other various global customers. In response to growing demand for eco-friendly and lightweight automotive components, the division replaced cooling rubber hoses mounted on turbo charger intercoolers and engines with plastic ducts, which laid the fundamental foundation to secure product competitiveness. Furthermore, it reaped success in independently developing a noise-attenuating device by overcoming challenges caused by the lack of technology expertise and existing patents granted to other industry leaders. The division will diversify its product portfolio in response to market changes and customer trends while securing technology capability to lead the automotive hose market as the global No. 1 player.

• Preparing to mass produce plastic ducts

• Localizing the production of resonators

(noise-attenuating device)

5

YTLS (Automotive Component_China)

Gaining Qualifications as a Supplier to FAW-Volkswagen

Following plant inspections and technology examinations on two occasions, YTLS was qualified as a supplier to FAW-Volkswagen, which is posting the largest sales volume in China. This will pave the way for YTLS to reach 10% in market share by 2017. By developing high-quality hoses that satisfy the standards of FAW-Volkswagen and securing cost competitiveness accordingly, YTLS will be able to win large-scale orders, and take this as an opportunity to concentrate its sales capabilities on developing for new Volkswagen models of China FAW Group Corporation and Shanghai Automotive Industry Group so as to tap the high-end segment and improve its brand value in China.

• Participated in the bidding process of a Volkswagen model under development • Laid the basis to win large-scale orders

<u>-</u>+ ∪c



16

Dramatic Increase in the Production Capacity of the C-type Cell **Automation Facility**

Our UC Division established an automated C-type cell assembly facility in 2014 through approximately KRW 2 billion investment. This allows the division to increase its annual production capacity from 300,000 to one million and laid the foundation to secure a more stable cell supply. Our goal is to maximize the productivity of this expanded facility, equipped with the world's latest cutting-edge technology, and to utilize it as an opportunity to take a notch higher our competitive edge in cost, delivery, product quality and available quantity so that we can fully tap into the global market.

 Manufacturing one million cells per year, establishing the mass production system

Improving response to the demand of high-performance UC cells for hybrid buses, heavy equipment and railroads in China

Daesung Electric Co., Ltd.

17

Daesung Electric Co.,, Growing into a Global **Automotive Electric Parts** Supplier

17-1 Daesung Electric Co.,, an automotive electric parts supplier, signed a contract with the world's largest steering maker on March 19, 2014 to supply KRW 71 billion worth TASs (Torque Angle Sensor). TAS is mounted on the automotive steering column and is responsible for converting detected torsion angle value(TOS) and measured angle/angular speed value(SAS) of the steering column into electric signals and transmit them to the ECU. This TAS is Korea's first-ever sensor to meet ISO 26262 and A-SIL B certification standards. The success in independently developing TAS by working around the patents granted to global competitors will lead to large-scale orders awarded in the upcoming years. This TAS contract is the first-ever that was signed through the pre-emptive development undertaken jointly with a customer, and helps overcome disadvantage against competitors to eventually secure world-class performance and price competiveness. This contract will serve as an opportunity to broaden our product portfolio into other automotive electric parts to win more orders and to develop new products to diversify our customer base

န် CASCO Co., Ltd.

Casco, Honored with the Prime Minister's Award at the Platform Technology Competition

Casco was honored with the Prime Minister's Award (top prize) in the casting segment of the form Technology Competition 2014 hosted by the Ministry of Trade, Industry and Energy for its ac complishment in developing a 12V50DF medium-speed engine crankcase. Successfully developed October 2013, the 12V50DF medium-speed engine block constitutes Korea's first-ever large DF engine materials used for LNG carriers, which were entirely dependent on imports from Europe. Its mass production started in 2014 and this 12V50DF medium-speed engine is mounted on LGN carriers. All of the manufactured units are delivered to Wartsila which is the exclusive supplier of LNG carrier engines to Korea. Korean shipbuilders account for 75% of the global LNG carrier market and Casco is firmly positioned in the vessel engine materials market while solidifying its status as a leading company in large-scale casting products.





- Winning a KRW 71 billion worth TAS order from the largest global steering maker
- Honored at the Korean Management Innovation Awards 2014

17-2 The Korean Standards Association hosted the 'Korean Management Innovation Awards 2014' at the Ritz Carlton Hotel to recognize companies with outstanding innovation outcomes. Celebrating its 15th anniversary this year, the awards aims to disseminate the value and excellence of innovation as a way to spread the Creative Economy paradigm by honoring companies that performed well through the innovation of new technology, products and services as well as those who have transformed their business fundamentals through management innovation. Daesung Electric Co., was awarded with the 'Management Innovation Award' for its endeavors to create work conditions conducive to creation and innovation. Professor Wan-Seon Shin at the Sungkyunkwan University, the chair of the Screening Committee, said "This year's awardees are recognized for their commitment to innovation not only in Korea but also across the globe" and further mentioned "We do expect that these companies will expand their respective markets and become industry leaders in the upcoming years"



- Became the 1st Korean company to develop a medium-speed engine, whose mass production began in 2014
- Delivered all that were manufactured to Wartsila

8

Category		Main Outcomes in 2014		Main Plans in 2015		Mid/Long-term Growth Path	
	Main Office	Completed a green engine plant	• Started OEM business in the diesel and	Expand the brand network and line-ups	Develop locally-optimized/green products	• To accelerate the growth of overseas business by	• To strengthen leadership in the Korean market by
		• Expanded the exclusive supply to Uzbekistan and		Secure global hub locations	Enhance the cost competitiveness of LS engines	strengthening global hub locations and networks	diversifying related business and refining the
		the CLAAS supply contract	Made the 1st export shipment of used			To secure new growth engines	distribution network
	China	 Reached US\$200 million in export (Jeonju Plant) Developed the V tractor model (70,75,80hp) 	tractors Built a credit management system	• Develop new H models (110~140hp)	Reinforce capability to respond to customer needs	• To develop new products (expand the 110~140hp	To expand the product line-ups in local markets To refine the distribution network by expanding
	China (LSMQ)	Developed a High Clearance tractor model	Operated the LS Farm	Launch U/P face lift models	(3024 initiative: Reply within 30 minutes,	tractor line-ups)	top-notch S/A-grade dealers
ට්-ට	(LSIVIQ)	Improved the cabin for the Brazilian market	(Xinmin City, Hakhosudo)	• Expand and refine the distribution network	repair within 24 hours)	To secure quality competitiveness	
Tractor	U.S.	• Sold 4,500 units ('38% y-o-y growth)	Delivered customer satisfaction by	• Reach 5,150 units in sales	Expand the dealer network in northeast and west	• To expand the compact model line-ups	• To reinforce organizational capacity to evolve into a
	(LSTA)	 Increased the # of dealers in North America 	replacing parts within 24 hours (More	Successfully launch LS engine-mounted	 Systemize brand awareness 	• To put customers at the center in developing products	major player
			than 90% of the times on a monthly basis)	green tractors		and launching brand marketing	To specialize and enlarge the dealer network
	Brazil	Successfully localized the Compact(G/R/U) &	Started business in Africa (Mozambique)	Initiate the advance into Central/ Latin America	Increase the localization of cabins (R/U), accurate the second	 To launch H models (100hp or above), expand market coverage 	To continue to expand markets in Central/Latin America and Parturguese speaking countries
	(LSMB)	Plus Cabin models Expanded the distribution network from the 	 Introduced stock financing, improved bond withdrawal conditions 	Make further advance into Africa	governmental financing available for the entire line-ups • Expand the distribution network	 To expand the market by partnering 	and Portuguese-speaking countries To respond to increased production capacity
		Southeastern region to the entire nation	Sona witharawar conditions	wake faither advance into Amed	(50 dealers in across Brazil)	with local implement makers	by expanding plants
	Main Office	Developed a micro-electric injection molding	• Expanded and launched new model	Initiate new product development projects	Develop application technology	• To reinforce leadership in the Korean market	To secure sales capacity
		machine (18t)(Improved reproducibility of	line-ups	- Two-platen new clamping mechanism	- Automotive lightweight technology	 To dualize products between Korea and China 	- Secure Total Solution capacity
		high-speed precision control technology)	- Mid-to-large hydraulic models	- Super high-speed multi-color & type electric	Reinforce development capacity	• To improve the operational system of global hub	- Continue to develop new molding technology
		 Secured global hub locations (Indonesia, U.S., etc.) 	(5 WIZ models)	- Mid-to-large electric 650Elll	- Build a screw performance database - Electric injection molding machine performance S/W	locations	
	China	Increased the ratio of new and local customers	- Super large models (4 WIZ-X models) • Completed the development of	- Mid-to-large compact-type Expand new customers and diversify the	Upgrade mid/super large units and reinforce	To expand the nation-wide dealer network and nurture	• To reinforce the marketability of existing models and
Injection	China (LSMW)	 Improved the quality and performance of the 	toggle-type 90t/330t models	customer portfolio	post-shipment quality management	large professional dealers in China	develop new models, strengthen independent
Molding	(LJIVIVV)	M model	Created the Innovation Team and	Increase the sales of small-size units in the	Improve the quality of supplier products and monitor	• To launch Advance Service and One-Stop Service	development capacity
		• Improved the structure and reduced the cost of	launched company-wide innovation	domestic market	customer complaints		 To deliver a safe, clean and waste-free plant
		electric models	initiatives	Undertake innovation to eliminate waste			
	Indone-	Established a sales subsidiary	 Created new customer accounts 	Semarang service locations	Open agents in Surabaya	 To secure agents and expand direct sales 	To secure loyal customers by strengthening customer
	sia(LSMI)	 Sold subsidiary stocks to better respond to short-term delivery demand 					technology training
	Main Office	Started the full mass-production of main	Secured next-generation KAAV	Sign a contract to mass-produce new tank	Maintain the status as Korea's sole specialized	To continue to secure new captive customer accounts	To develop future market-leading products and
Special	Main Once	next-generation tank caterpillars (K2)	(lightweight) technology	caterpillars in Turkey	caterpillar maker	to grow overseas operations	secure technological capability
Business		Developed caterpillars for export markets					
	Main Office	 Expanded 'business development' sales for 	• Expanded the variation of fine-pitch B2B	Strengthen 'business development'sales	 Take a fully customized approach to produce outcomes 	• To maximize market share in Korea, expand large	 To continue to secure cost competitiveness
		m-USB	connectors	to expand the application of proprietary	from overseas customers	customers abroad	 To explore upstream segments and identify business
		 Secured global hub locations (Vietnam, etc.) 		products Improve the efficiency of global production 		To develop leading products, secure innovative processing technology	items
<u> </u>				operations		processing technology	
	China	Optimized workforce needs for inspection/	Increased the localization of press raw	Secure the competitiveness of	Build an independent business platform	To continue to secure 'survival' cost	To develop leading products, secure innovative
Electronic	(LSEQ)	packaging	materials (H/D materials→C/T materials)	locally-produced semi-finished products	(development capacity/sales platform)	• To increase the # of large Chinese customers	processing technology
Component	,	(m USB, Connectors for FPD Applications)		Increase the workforce optimization of			
				shipment inspection			
	Vietnam	 Established a production subsidiary (VSIP near Hanoi) 		Gain qualification as a supplier to Samsung Maximize systemer satisfaction through	 Stabilize production and quality 	To increase sales by reinforcing local sales capacity Ta some as a global production location	To secure cost competitiveness by localizing comi finished products
	(LSEV)			Maximize customer satisfaction through fully localized response		To serve as a global production location	by localizing semi-finished products
	Main Office	Developed high-strength battery copper foil	Developed high-elongation battery	Mass-produce high-strength &	• Mass-produce 4,5µm battery copper foil	• To pre-emptive respond to rechargeable battery	To lead the trend of thin form factor in PCB/FPCB
O CF	indiri onice	• Started the mass-production and sales of $9\mu m$	copper foil	high-elongation battery copper foil		through new properties and thin form factor	
CF		circuit copper foil		• Develop 7µm FPCB copper foil		• To be the first mover in the xEV market	
\frown	Main Office	 Increased sales by 38% from the previous year 	 Increased productivity by 40% 	Secure new companies for the	 Increase productivity by 20% (1 million/month) 	 To pre-emptively develop think film materials to meet 	 To improve productivity and secure cost
FCCL		 Secured new Japanese customers 	(500,000→800,000m/month)	Taiwanese market	• Expand the sales of new high value-added products	the needs for flexible, high-performance materials	competitiveness by securing innovative processing
FCCL			 Certified as the World-Class Product (Ministry of Industry, Trade and Energy) 	 Review investment in new lines to target flexible applications 	(for EMI)		technology and facility
	Main Office	 Increased the sales volume of C-type UC cells 	Increased production capacity by	Diversify the customer portfolio	Increase the sales of modules	• To secure large customers in main markets to establish a	To secure cost competitiveness continuously
ĒÐ	Main Office	Secured new promising customers in Latin	securing automated C-type cell facility	by tapping new markets		stable platform to generate sales	· · · · · · · · · · · · · · · · · · ·
UC		America, North America, Europe and India	Launched a high-voltage cell (2.85V) &	Secure advanced core technology		• To develop innovative products and secure major core	
			a module that adopted new technology	concerning cell/module		technology	
	Main Office	Installed a blow molding line and prepared	 Secured a production location in Brazil 	Initiate mass-production at the Brazilian	Reinforce new products (here and in a privile and here)	• To establish a global network to go global	• To secure the global competitive edge of products
∎¢>		for mass-production Developed Korea's independent resonator 		Plant • Win large global orders and	(blow molding, air-conditioner hose) • Develop green, low-cost brake hoses	To secure new growth engines (materials technology)	(quality, core technology)
LF⁄ Automotive		(noise-reduction device) technology		increase market share in Korea	Develop green, iow-cost brake hoses		
Component	China	Qualified as a supplier to FAW-Volkswagen		Secure orders from FAW-Volkswagen	Increase M/S in the Chinese brake hose market	• To gain qualification as a supplier to Nissan	To diversify the customer portfolio
	(YTLS)	5				(ASES evaluation)	· ·
	Subsidiary	Reached KRW 1.5 trillion in orders awarded	• Created KRW 10.5 billion in company-wide	Maximize profitability	Secure growth engines by advancing the product	• To fully launch global operations/	To reinforce global business capacity
_⊡∕∕>	2 2 2 3 Stollary	• Posted KRW 715.5 billion (y-o-y 7.8% growth) in	added value/undertook quality innovation	Reinforce global business capacity to	portfolio	secure the profitability of overseas subsidiaries	(talent nurturing/development of an integrated system)
Daesung Electric Co.		sales and KRW 19.1 billion in pre-tax profit	initiatives	expand overseas operations	 Innovate quality and optimize resources operation 	• To advance the business portfolio:	
Electric Co.		(y-o-y 52.7% growth)				BCM, HMI, MC business	
	Subsidiary	• Received the top prize (Prime Minister's Award)	Developed a new medium-speed engine	Add new large vessel engine models	Develop components for TC3 low-speed wind power	• To lead in the low-speed large vessel engine segment	• To develop new products to diversify business operations
સ્ટ		in the casting segment of the Platform Technology Competition	model (ADD 32 medium-speed engine block)	 Develop G95ME engine block Replacement for a medium-speed engine 	applications Build an electric injection molding machine production 	 To expand the line-ups in the medium-speed large engine block segment 	 Gas turbine, wind mill components, stave cooler, large industrial machine components
Casco		- Developed/mass-produced 12V50DF crankcase	DIOCN	for LNG carriers	system	 To specialize in large industrial machinery and injection 	industrial machine components
				Develop low-speed MEGI engine block	Develop new gas turbine model (7HA) for GE	molding components	
						- ·	

To us at LS Mtron, sustainability management is a process to change into something new.

This change is about preparing for the future in advance, and recognizing risks that we could not identify before and eliminating them and turning them into an opportunity to build trust.

By ceaselessly changing ourselves into something new, we drive our long-term growth as an organization. This is what we have demonstrated over the past six years through our integrated sustainability management system.

This is why we take a systemic and sustained approach at LS Mtron in advancing sustainability management.

Our sixth sustainability management report presents our previous endeavors and our plans for the future to pursue sustainable growth.



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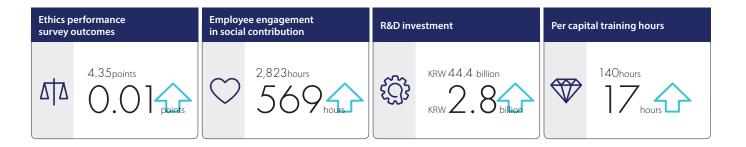
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What are the new additions or improvements made in 2014?





* Based on the Head Office





- To raise awareness of environmental safety, SOS campaigns were launched and a company-wide Green Patrol examination system was established.
- 6 • At Chinese subsidiaries, an environmental safety risk assessment system was developed and fire drills were undertaken.
- LS Mtron was evaluated by approximately 230 suppliers for its business transparency and ethics.
- Patent rating criteria were set and a compensation system was established to lay the foundation to produce high-quality patents, and the Patent Counseling Center was created to pre-emptively address patent-related risks.
- • A total of 53 official conversations took place to provide
 - communication opportunity between management and employees and to gather the grievances and issues raised by employees. • New organizational revitalization programs (collective creativity,
 - conflict management, etc.) were attended by 121 employees, and their satisfaction level was 4.1 points (on a scale of one to five).
 - Our GHG emissions reduction strategy and relevant work process were established to responds to GHG emissions trading schemes.
 - Our chemical substance inventory and hazardous substance • management system were developed to strengthen our response to environmental regulations and risks.
 - To deliver customer-driven services and quality improvement, we visited approximately 800 end customer in the Machinery Business Division to conduct customer satisfaction survey.
 - Our LS Farm program (representative social giving program in China) was first initiated, and our We Love Farming Village Volunteer Group was expanded to further deepen our relationship with rural areas.
 - To contribute to the growth and development of local society and (\bigcirc) culture, we sponsored diverse local cultural events such as the Jeonju International Film Festival and the Jeonju World Sori Festival.
 - To prevent safety accidents at suppliers, we assisted a total of 39 (\bigcirc) suppliers in conducting risk assessment and safety management.

What are the stakeholder expectations and implementation tasks of LS Mtron in 2015?

At LS Mtron, we define stakeholders as everyone who directly/indirectly interacts with us in business conduct. Our key stakeholders include customers, suppliers, employees Earth/Ecologym and local communities, and our general stakeholders include central/local governments and shareholders.



R TRUST Building trust and preventing risks Creating value for future growth (• To expand regular internal audits and reinforce random • To expand the Immediate Practice initiative for office workers to widen the scope of innovation fire drills To elevate the level of management at overseas • To enhance the quality of innovation initiatives • To operate the quality talent promotion system and subsidiaries • To nurture professionals in charge of developing environmental safety level indicators and integrating • To evaluate the quality system of overseas subsidiaries • To discover outstanding patents through the use of the them into internal operations NEW • To launch group-study activities on environment/ • To strengthen the basis for WLB(Work Life Balance)safety through the entire plants NEW • To reinforce employees' ethics awareness and relevant • To develop a key talent promotion roadmap for overseas PR activities 😳 • To launch the Change Agent initiative To develop an R&D technology capacity system • To establish an HR system for technical workers NEW ✤ To establish a performance-aligned pay system NEW • To reflect CSR elements in the supplier evaluation system NEV • To upgrade the standard subcontracting form in compliance with the four guiding principles from strengthen customer contact points the Fair Trade Commission • To sign and implement the shared growth agreement • To respond to GHG emissions trading schemes and • To train suppliers through the Technical Training chemicals regulations • To support suppliers in conducting accident • To make 100% cash-equivalent payment and operate prevention activities the LS Win-Win Partnership Fund Δh • To continue to conduct LSM ethics surveys • To undertake public-private joint investment \bigcirc • To run new volunteer programs for office workers NEW technology development projects ♥ • To facilitate the We Love Farming Village Volunteer • To develop green technology/products specialized Group and expand the scholarship program for local communities To diversify strategic partners to secure key technology 😳 • To secure talent for academia-industry cooperation through Lab Tours 🚯 • To run diploma and T-MBA programs

* NEW: New Tasks

Stakeholder Interest

What Is LS Mtron's Managerial and Operational Approach in **Advancing Sustainability Management?**

Vision	Top-no	tch talent, Best-i	Be the O		partnership				
Sustainability Manag	gement Goal								
	Enhance stakeholder trust to grow into a respected global company								
3 Strategic Direction	3 Strategic Directions								
7 Focus Areas									
Integrated Manage Innovation Initiative Key driver in creating economic and social value	Customer Satisfaction Reinforce competitive edge in quality/ services that impress customers	Shared Growth Establish fair trade practices and help suppliers secure competitiveness	Green Management Expand green business, reduce GHG emissions and deliver a safer workplace	Social Contribution Make the world a better place with local community	Technology Management Nurture global-level R&D talent and strengthen Open Innovation	Employee Value Enhancement Secure global-level HR systems and capability and create GWP			
Basis for Implementa Ethics Management	ition	Grea	ater value togeth LSpartne	ership	s. 3				

Strategy Setting and Performance Evaluation System

Since 2010, we have set sustainability management goals within the company-wide performance evaluation system and have been dedicated to reaching these goals. Sustainability management indicators are reflected in evaluating the heads of the Divisions as well as departments under the direct leadership of the company CEO and they account for 10% of the total performance indicators. Our Divisions and departments independently set their own sustainability management targets on the bais sof materiality test outcomes, which are then reported to the CEO through final consultations with the Business Management & Planning Team. To empower employees and fully engage them, initiatives are undertaken on a departmental and individual level in reaching these targets. Performance evaluations are made three times a year: following internal year-end evaluation, an inspection is made by the official evaluation team and the final result is approved by the CEO. These final outcomes base remuneration in each Division.

Operational System

We believe that sustainability management should be able to create a framework to identify threats and opportunities across the board in the context of economy, society and environment interacting with one another. To this end, we take an integrated approach in managing our sustainability management initiatives through various systems and meetings. Our bi-monthly SM Steering Council meetings that were launched in 2010, serve as a venue of decision-making that ensures the balanced growth of all stakeholder values. Specifically, progress made against the goals set at the beginning of the year is monitored and major issues are put on the agenda to be reported to management meetings. The SM Steering Council meetings are presided by the CSO and are managed by the Business Management & Planning Team, which is in charge of management meetings. The SM Executive Office, under the Business Management & Planning Team, is dedicated to the operation of the Council as well as the handling of related working-level matters.

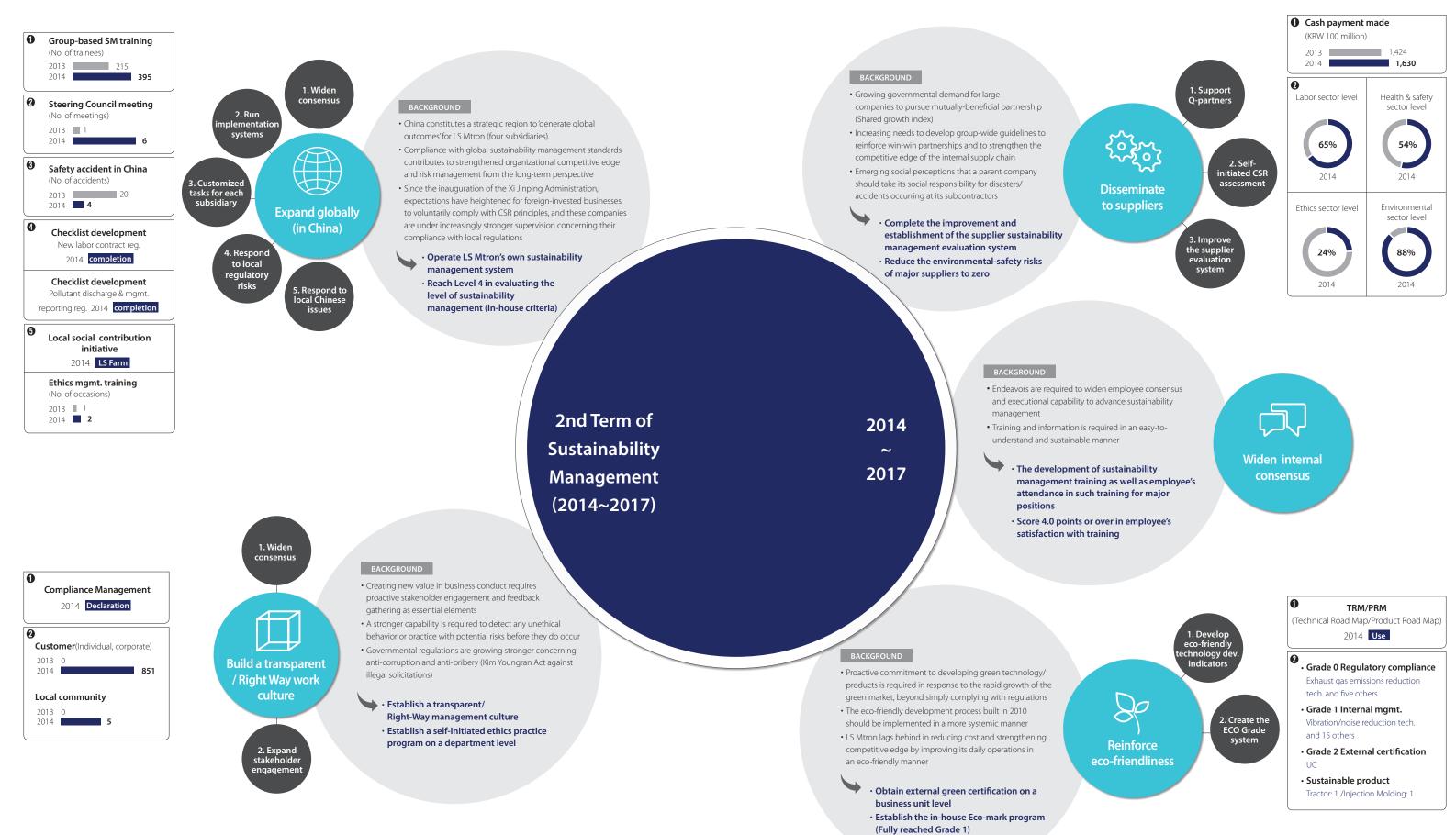
Implementing Organiza	tio	ns				
				* (E	5M Ste xecutiv Ipany-v
Management & Planning (Integrated mgmt.)	••••	Internal Consu (Ethics i	ulting			lr (Innov
Corporate Collabora- tion & Prosperity (Shared growth)		Human R Developm (Trair	nent T			Techr (Ec
Ethics Executi	 ve (Office	<u></u>		Gre	en Mar
Quality and Custom Subcor		Satisfaction	.		Soc	tial Con
				Execu	itive	Steerin in char i ultative
				[
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2014 Operational Outcomes of the SM Steering Council

In 2014, six rounds of company-wide SM Steering Council meetings were held (26th~31st). The 26th meeting was held in January to report sustainability management targets and action plans for each division and to share the outcomes of the Sustainability Management Steering Council meetings held in China. At the 27th meeting, the 2013 sustainability report was approved by the CSO. The 28th meeting held in May set H2 plans to review the progress of sustainability management tasks and led to a decision to conduct a stakeholder survey in H2. The following three meetings (from the 29th to 31st meetings) allowed each division to report progress and outcomes in implementing the set plans. Major topics addressed through these meetings include results of the environmental safety inspections made at Chinese subsidiaries, self-administered sustainability management surveys conducted by suppliers, outcomes of social-giving initiatives, outcomes of customer satisfaction surveys, basic quality training offered at Chinese subsidiaries, outcomes of nurturing innovation directors, and the development of an in-house green product certification program. As such, our company-wide SM Steering Council serves as a monitor to ensure the working-level undertaking of sustainability management initiatives as well as a venue of communication for all functioning departments. Our Chinese SM Steering Group met six times in total (3rd~8th meetings) in 2014. Each of these meetings includes sustainability management training for subsidiary heads and working-level staff, and specifically, the 4th and 8th meetings offered sustainability management training for all employees while the 7th meeting was accompanied by an expert promotion workshop to help reach consensus and strengthen executional capability. Major mid-year items that were reported and shared include the mid-term roadmap for Chinese subsidiaries, progress on customized environment/safety tasks in respective subsidiaries, progress on undertaking social-giving initiatives, and progress on managing sustainability management indicators in alignment with regulations. The 8th meeting helped develop operational plans for 2015 through the evaluation of sustainability management at our Chinese subsidiaries.



What are the top priorities and directions in advancing sustainability management by 2017?



LS Mtron creates value for future growth. We build trust and prevent risks. We dream of a sustainable future where we grow hand-in-hand with stakeholders.

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Innovation (\underline{Y})



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

External Conditions [+]	Future Directions		Ø
 Delayed recovery in the global economy Need for a new breakthrough to respond to the prolonged low global economic growth 	 SHORT TERM To change the innovation operational system to value high performance To enhance awareness of waste factors and engage employees in company-wide innovation 	LONG TERM • To reinforce the role of innovation as a driver of business outcomes • To internalize innovation as a way of working • To concentrate innovation capability to reach	
 Strengthened market competitiveness through innovation initiatives 	initiatives 2015 Plans	Vision 2020	
 Need to increase the operational efficiency of innovation initiatives to improve the quality of business conduct 	INTERNAL ASPECT G • To enhance the quality of innovation initiatives in order to elevate the level of these initiatives • To concentrate capability on high-performance tasks • To internalize problem-solving methods to improve the work capacity of the entire workforce	 To expand the Immediate Practice initiative for office workers to widen the scope of innovation To create a culture that promotes self-initiated engagement 	FOR THE FUTURE

Initiating the Development of an 18t-Grade Injection **Molding Machine**

Our Injection Molding Division became Korea's 1st to launch eight electric injection molding models (30t~300t). While the domestic electric injection molding machine market had been dominated by Japanese makers, LS Mtron is maintaining its leadership in market share through sustained endeavors to develop and deliver electric injection molding machines in the domestic market. Meanwhile, our market share in the 30-ton and below segment is still low, which led to the decision to select the development of an 18t model as a 'Breakthrough Limitations' task in 2014. This improved the performance of our products in precision and stability and specifically, resulted in a significant improvement in control performance. The technology developed through this process was applied to all models, and this enabled our injection molding machines to reach or even exceed the performance level of advanced competitors. It is through such continued innovation initiatives that we take a step forward to deliver products trusted by customers.

Reaching US\$ 200 Million in Tractor Export

Our Tractor Division posted US\$ 100 million in export in 2011 and this increased to US\$ 200 million in just three years. The Division also diversified its export destinations by tapping emerging markets in Central/Latin America, the Middle East and Africa. Its production capacity improved by a whopping 167% from 6,000 units in 2009 to 16,000 units in 2014 by undertaking LPS* innovation tasks (improving docking-line logistics as well as engine line balance) and establishing an integrated global management system that encompasses the entire operations from production, quality sales to customer satisfaction. Based on the production capacity secured through the improvement made across the board, our Tractor Division will stand committed to innovation to reach KRW 1 trillion in sales by 2016.

* LPS (LSM tron Product System): Innovation activities undertaken by adopting LSM tron's independent approach in practicing TPS philosophy and improvement methods

Innovation Initiatives Undertaken Across the Board

We at LS Mtron change the way we work to create an innovation culture that contributes to generating outcomes.

- ► Innovation initiatives were introduced upon the establishment of the company in 2008
- ▶ Initiatives were undertaken mainly on the shop floor in 2009
- Initiatives were expanded to the sales and marketing segments in 2010~2011
- ► The entire workforce in the Staff Division was engaged in innovation initiatives in 2012
- ▶ Initiatives were disseminated to overseas subsidiaries in 2013

Staff Division In 2014, the 'Staff Division Immediate Practice Workshop' was hosted to widen the scope of our innovation initiatives. This workshop invited 133 employees from 17 teams and served to identify work-related waste factors such as re-work, uneven distribution of work roles and simple repeat work and to think about possible improvement. Its aim was to re-examine the way we work at LS Mtron and to minimize waste so as to create work value.

Overseas Subsidiary To expand our innovation initiatives to overseas subsidiaries, we assisted our Chinese subsidiaries in nurturing quality circle leaders and building an idea suggestion program. The quality circle leader training program, initiated in October 2013, was completed in September by making task evaluations and produced 7 quality circle leaders at three subsidiaries. The idea suggestion program was also created to encourage employees to suggest their brilliant ideas. To help our Chinese subsidiaries to build innovation capacity, sustained support will be provided to strengthen the capacity of quality circle leaders, host workshops and review suggestion activities

Our Achievement in Numbers

Indicator	2012	2013	2014
Financial value created	KRW 19 billion	KRW 24.2 billion	KRW 27 billion
Innovation tasks (6 Signam, LPS, VE, TRIZ)	128 tasks	119 tasks	140 tasks

Quality and Customer Satisfaction



►E

► D

► S

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

ternal Conditions [+]	Future Dir
leightened awareness and expectations of sustomers Diversifying product/service requirements Need to secure product reliability strengthened corporate social responsibility	SHORT T • To establit quality im • To reinfor • To condu strengthe 2015 Plan
or quality	INTERNAL • To run the talent • To run the • To help o their qual

Face-to-Face Customer Satisfaction Survey

We surveyed our customers in the Tractor and Injection Molding divisions to identify how they were satisfied with our product quality and services. While such surveys had been conducted on our own previously, we partnered with a professional global research organization in 2014 to improve the reliability of survey outcomes. We developed an optimized survey questionnaire to gather detailed customer feedback and segmented customers by model and region. This survey was performed on 640 persons and 194 companies in the Tractor and Injection Molding Divisions respectively, which includes customers doing business with both LS Mtron and other competitors. In addition, in-depth interviews were conducted by experts to collect specific feedback that often goes unnoticed in quantitative surveys. ► To identify the competitive landscape between us and our competitors as well as

- success factors
- ► To identify the level of customer satisfaction with products/services offered by us and our competitors
- ▶ To identify our strengths as well as weaknesses compared against competitors
- ► To present strategic directions to enhance our competitive edge in guality

Furthermore, we gathered feedback from industry experts (heads of sales offices, dealers, and NACF centers) and from purchasing managers in the Tractor and Injection Molding Divisions respectively. Efforts are underway to make improvement on the basis of analysis outcomes of such data.

Tractor Improvement

- To offer inspection services in advance as well as regular follow-up maintenance - To continue to improve quality in consideration of user conditions (varied cultivation conditions)
- Injection Molding Improvement
- To deliver systemic services through the operation of computerized systems - To take an emotional approach and strengthen service-oriented mind-set to sympathize with customers' difficulties

Our Achievement in Numbers

Indicator	2012	2013	2014
Losses from customer complaints(Improvement against the previous year)	-48 %	8 %	13 %
Internal failure cost (Improvement against the previous year)	-15 %	32 %	5 %

ections

TERM

lish quality in the market through nprovement

prce quality capability and elevate quality mind-set • To stimulate shared growth by offering quality uct customer satisfaction surveys and

en the management of customer contact points

- To pursue customer satisfaction by improving the quality of products/services
- improvement guidance to suppliers

ASPECT 🧲

ne quality talent nurturing system and foster

ne company-wide quality Mind-up courses overseas subsidiaries evaluate and improve ality system

- EXTERNAL ASPECT
- To support suppliers in improving quality and setting & running training systems To perform CS surveys strengthen
- customer contact point management by business unit

Quality Talent Who Can Take Customers' Perspective

It is obvious that the quality of products is determined by the quality of those who make them. This is why we at LS Mtron have a quality talent nurturing system to systematically develop guality capabilities.

Korea Our quality training programs are categorized by quality management process: mandatory courses include guality planning, guality management, quality assurance and quality improvement, and specialized courses include ISO/TS16949 Core Tool, reliability, supplier quality management and improvement quidance

- Mandatory/specialized quality training (14 courses in total)
- Support for obtaining certificates
- (quality management engineers/ISO examiners)

Overseas Subsidiary As overseas subsidiaries increasingly take a larger share of our business operations, we have identified and analyzed requirements of each subsidiary to strengthen their quality innovation system and quality capability since 2014 and are currently developing or operating training systems customized for respective subsidiaries.

- Mandatory quality courses (Mind / Level 1,2,3 courses)
- Specialized courses (ISO/TS16949 Core Tool, etc.)

Supplier In 2015, our aim is to develop a supplier quality training system to help our suppliers secure quality competitiveness. Furthermore, we will continue to provide quality management system evaluation and improvement guidance.

- Basic guality mind-up and guality courses
- Specialized quality technical courses

Shared Growth 🕂



We will establish a virtuous cycle of mutually-beneficial cooperation that pursues shared growth on the basis of fair trade while secure competitive capabilities to expand our presence in the global market.

External Conditions	Future Directions	(otimes)
 Delayed recovery of the global economy Increasing social interest in shared growth (fair trade) Reinforced endeavors to establish a CSR- 	SHORT TERM To respond to FTAs concerning currency and raw materials To comply with regulations on subcontractors and fair trade To establish supplier evaluation and promotion systems 	LONG TERM • To achieve shared growth through partnership with suppliers
 centered supply chain with suppliers Growing risks related to the global economic downturn and fluctuations in currency and raw materials Increasing trade opportunities in line with the expansion of FTAs (China, etc.) 	2015 Plans EXTERNAL ASPECT Image: Comparison of the plane of th	To help suppliers make self-administered CSR evaluations To reflect CSR elements in the supplier evaluation system To upgrade the standard subcontracting form in compliance

Disseminating Sustainability Management to Suppliers

We were enlisted on the Korea Shared Growth Index in 2013 and have been evaluated accordingly since then. There have also been recent requirements to disclose information concerning sustainability management from EIC-C(Electronic Industry Citizenship Coalition) and other customers. As a response to these changing business conditions, we chose the dissemination of sustainability management to suppliers as the top priority of our 2ndterm sustainability management. As the 1st step taken in 2014, we helped our key suppliers (approximately 100 suppliers) in conducting self-administered sustainability management evaluation.

- ▶ To improve on substantial or potentially significant impact within the supply chain
- ► To examine the current status concerning legal risk categories
- ► To review the system and capacity expected of key partners

Evaluation outcomes were presented to the supplier performance-sharing event held in December 2014, and we plan to do so in 2015 as well. Furthermore, we will align self-administered evaluation categories with our supplier evaluation system so as to encourage our suppliers to take the initiative in improving their sustainability management outcomes.

- ► Working condition: Legality and stability of the current working conditions
- ▶ Health & safety: Establishment of safety regulations, response manuals and executive capability
- Environmental management: Status of continued environmental management as a way to prevent environmental pollution
- Ethics management: Ethics management systems and programs

Achievements Made in Five Shared Growth Initiatives

Q-Partner Program Our Q-partner program was designed to certify outstanding suppliers as a way to strengthen shared growth partnership. Q-partners are granted a certificate and a signboard and are eligible for 100% cash payment. We plan to disseminate our shared growth initiative to tier 2 and tier 3 suppliers through our Q-partners

Capacity-Building Support In 2014, we opened our Technical Training Academy through the LS Mtron consortium with an aim to provide free-ofcharge training to supplier employees. We also offered quality consulting services to four suppliers free-of-charge and sent our Quality Masters in person to help suppliers make improvement on the shop floor. In the field of environmental safety, we assisted our suppliers in developing their own GHG inventory and chemicals management through the government-led Green Partnership program, which led to the reduction of 614 tons of GHG emissions in 2014.

Stronger Competitive Edge in R&D We provided a total of KRW 18.9 billion in R&D funds to 36 suppliers through public-private joint investment technology development projects. We also protect the invaluable technology assets of our suppliers through the technology escrow system and special contract terms governing technology protection. Such endeavors were recognized by the Small & Medium Business Administration (SMBA) and the Large & Small Business Cooperation Foundation, and we were honored with the Task Discovery Award for three years in a row.

Securing Financial Stability for Our Suppliers In 2014 alone, the LS Win-Win Partnership Fund offered KRW 4 billion in business funds to 18 suppliers. We also provided KRW 5.6 billion to suppliers through P-CBO (primary collateralized bond obligation) to enable our suppliers to secure funds based on LS Mtron's credit rating. We make full cash-equivalent payments to subcontractors within 10 days following bill settlement.

More Transparent Supply Chain and Proactive Communication

Each year, we are evaluated by our suppliers for their satisfaction with our ethics management, our employees' work attitudes, our fair trade and competition practices, and the outcomes are reflected in our operations. In 2014, our order data system was improved and our e-procurement system server was reinforced to enhance speed performance. Furthermore, a fair trade process was established to use e-documents in making pricing agreements or changing orders. To promote off-line communication, each Division holds business presentations and discussion meetings for suppliers, along with year-end performance sharing events



LS Mtron Technical Training Academy

Our Technical Training Academy aims to promote the expertise of technical training and to meet growing training needs to respond to future growth. Our Technical Training Academy was designated as an operating body under the 'National Human Resources Development Consortium Project' and offers on-the-job training under the agreement signed with SMEs.

- Capacity-Building Training
- Farming machine: Failure evaluation and repair technique/Structural analysis of farming machines/Farming machine system evaluation
- Injection molding: Introductory course on working-level operations/Advanced course/Injection molding master
- Common Competency: Process improvement for productivity gains/Shop-floor improvement/Quality management
- ▶ Talent Fostering Training
- Nurturing technical workforce to handle injection molding machines
- Customized Training
- Customized faming machine training

As a specialized farming machine and plastic injection molding machine manufacturer, we will continue to nurture professional workforce in our fields of expertise

Our Achievement in Numbers

Indicator Q-partners Public-private joint investment technology development project funds (accumulated amount)

Stakeholder Interview

BASCO is located in the Sihwa Industrial Complex in Siheung City, Gyeonggi Province, and is Korea's sole total solution provider on plasticization equipment – barrels, screws, shut-off nozzles (key components of LS Mtron's injection molding machines) and powersaving eco-heaters. We are manufacturing bimetal barrels by introducing the technology of X-aloy, a U.S.-based leading barrel maker, and these barrels have been adopted and delivered as standard specifications of LS Mtron since 2010. We have been certified as O-partner four times for our achievement in stably supplying high-quality plasticization equipment, and were honored with the Platinum-Partner title, which is granted to top-performing suppliers, in the Injection Molding Division in 2012. Specifically, through the public-private joint investment technology development project initiative, LS Mtron's representative win-win partnership program, we were able to conduct research on 'screws whose welding parts are pre-formed and their manufacturing methods', which led to the development of cutting devices and automated welding devices. In so doing, we are leading R&D efforts in further upgrading screw performance. Under our management philosophy of "Developing top-notch technology ambitiously, strengthening price competitiveness, and maximizing customer satisfaction through perfect service", all our employees will fully cooperate to pursue shared growth with LS Mtron, our parent company, in addition to securing best-in-class technology and quality.

- BASCO, LS Mtron's suppliers (Certified as Q-partner for four years in a row) -

2012	2013	2014
33 partners	35 partners	40 partners
KRW 13.4 billion	KRW 18.3 billion	KRW 18.8 billion

Green Management 🕼



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

External Conditions	Future Directions	(\boldsymbol{b})
 More stringent regulations and guidance in line with a growing number of large accidents Reinforced chemicals regulations concerning chemicals registration, evaluation and management 	SHORT TERM • To reduce business risks through proactive response to environmental safety regulations	LONG TERM • To deliver an injury/accident-free workplace by establishing a self-initiated environmental safety management system in domestic/ overseas plants
 Demand to reduce GHG emissions in response to GHG emissions trading schemes Reinforced responsibility of contractors for safety accidents involving subcontractors and suppliers 	 2015 Plans INTERNAL ASPECT C To expand regular internal audits and reinforce random fire drills To elevate the level of management at overseas subsidiaries To nurture professionals in charge of developing environmental safety level indicators To launch group-study activities on environment/safety 	• To respond to GHG emissions trading schemes and chemicals regulations • To support suppliers in conducting accident prevention activities

Reinforced Environmental Safety Throughout the Value Chain

Korea The Green Management Team has been placed under the direct leadership of the company CEO and plant-specific Green Management Teams have also been put under the control of the top manager in each plant so as to ensure our executive capability of environmental safety operations and to reinforce relevant responsibility. Furthermore, all our plants and domestic subsidiaries & sales offices were evaluated for their compliance with environmental/safety/health/fire regulations and management level as well as their operation of emergency response systems. As a result, a total of 455 possible environmental safety improvements were identified: 98% of the facility improvements (412 out of 421) and 97% of the management system improvements (43 out of 44) were completed. Improvement plans were also set up for 2015 to invest KRW 1.14 billion in company-wide environmental safety operations.

Overseas Subsidiary As a way to respect human life and protect invaluable assets, the scope of environmental safety management was extended to overseas subsidiaries. We assist our Chinese subsidiaries in establishing self-initiated management systems by disseminating the management & operation techniques adopted by their Korean counterparts.

- ► LSEQ: An environmental safety management/reporting system was established LSMW: Safety Committee meetings were held and each work zone is responsible for their own environmental safety operations
- ▶ LSMQ: Investment was made in improving environmental safety facilities

Supplier As we moved into the 2nd year of undertaking the 'Government-Sponsored Large Business-SME Green Carbon Partnership Project' in 2014, we provided group training to 10 suppliers on the establishment of carbon management system as a way to help nurture green management experts. In addition, we identified the status of chemicals management at 10 major suppliers and help them build their own environmentally-harmful substance management system.

Introduction of Chemicals Inventory and **New Chemicals Registration Regulations**

We face urgent needs to respond to increasingly stringent chemicals regulations (chemicals registration and evaluation regulations and chemicals management regulations). In 2014, we developed a company-wide chemicals inventory to systemically manage the list of chemical substances and products that we use. Furthermore, we introduced a new chemicals registration system to make it mandatory to examine any new chemicals for their type, usage and possible harmfulness concerning their consumption as well as relevant regulations prior to their first use.

Undertaking Environmental Safety Initiatives Customized for Respective Plants

Automation of the caustic soda feeder line(Jeongeup) An automated chemicals feed control panel was introduced to prevent losses from the previous manual feed system as well as safety accidents caused by the malfunction of the manually-operated valve.

Random fire drills(Jeonju) To reinforce response capability in case of fire, random fire drills were exercised by the entire departments within the plant. If the set criteria were not met, such drills were re-undertaken.

Expansion of the anti-smoking program(Gumi) To promote the health of employees, anti-smoking programs were launched in alignment with local national health centers. Non-smoking zones were also expanded to deliver a pleasant workplace and prevent fire.

S.O.S campaign to improve environmental safety(Anyang) Safety awareness campaigns were launched such as 'Know Your Machine: Their Risk Factors' and 'Stop Your Unsafe Behaviors' and supervisors and the labor union make concerted efforts in identifying and improving risk factors.

Our Achievement in Numbers

Indicator	2012	2013	2014
Energy intensity	2.98TJ/KRW 1,000	2.85TJ/KRW 1,000	2.74TJ/KRW 1,000
GHG emissions	101,915 tCO ₂	112,931 tCO ₂	108,856 tCO ₂

Ethics Management



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

External Conditions [+] ► Strengthened international cooperation to fight corruption • Emerging new international standards that contain compliance models (ISO19600) More stringent governmental punishment against unethical practices (Fair Trade Commission)

► Strengthened whistle-blower and whistle-blower protection programs

Ethics Management Implementation System

A variety of initiatives are undertaken to assist all our emplo ing job/business ethics in their daily operations.

- ▶ Responsible Organization: Ethics Executive Office within the Internal Audit & Consulting Team under the direct leadership of the CEO
- ▶ Main Activity: Set ethics management strategy, operate ethics practice programs, promote ethics culture and offer training
- Code of Ethics: Set standards that employees live by in directing the ethical implications of their actions and value judgments
- * The full version of LS Mtron's Code of Ethics is available on: http://ethics.lsmtron.co.kr/rule/law.asp

Ethics Management Practice Programs Ombudsman/Ethics Counseling Office The Cyber Ombudsman and

Ethics Counseling Office are available in the ethics management section on our corporate website. Furthermore, informant protection programs - confidentiality protection, identity protection and exemptions - are provided to ensure that stakeholders (such as employees, customers, suppliers and local communities) feel free to report or be counseled on any issues they may have. Once reports are submitted, any violations against regulations or unethical practices are addressed in accordance with relevant corporate policies.

Clean Company At LS Mtron, receiving treats/entertainment or taking bribes is prohibited strictly under any circumstances. Our Clean Company program allows our employees to voluntarily report and return any bribes that were inevitably accepted. In cases where it is impossible to return these bribes, they are donated to local social welfare facilities.

Our Achievement in Numbers

Indicator	2012	2013	2014
Ethics performance survey outcomes(On a scale of one to five)	4.56 points	4.34 points	4.35 points
Reports submitted to and handled through the Ombudsman System	5 reports	9 reports	8 reports

uture Directions	0
SHORT TERM	LONG-TERM
To enhance the execution of ethics practice programs To strengthen ethics communication with internal/external stakeholders	 To move beyond institutional ethics into ethics culture To reach global standards in anti-corruption To build an ethical supply chain with suppliers
015 Plans	Ë
INTERNAL ASPECT	EXTERNAL ASPECT
To strengthen employee ethics awareness and PR activities	To continue to perform LSM ethics surveys

loyees	in	practic-

Improving the Execution of Ethics Management

Employee Training on the Code of Ethics To improve the execution of ethics management, new recruits with/without previous work experience are required to take introductory training on our Code of Ethics while expatriate employees are trained on ethics management prior to their assignment. In 2014, five sessions of year-round training were provided and ethics training and online compliance management training was offered to all employees.

Ethics Performance Survey We survey our suppliers on our ethics performance every year. Specifically, since 2011, we have asked our suppliers to evaluate our materiality test for sustainability management and shared growth initiatives in alignment with the annual ethics performance survey.

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

Pledge to Abide by the Code of Ethics All our employees are obliged to sign the pledge to abide by the Code of Ethics. We also sign the special ethics practice agreement which specifies ethics practices to be implemented in addition to general contract terms in any business transaction or contract that we undertake with our suppliers as a way to institutionalize our Code of Fthics.

Social Contribution \bigcirc



We will fully engage in the development and growth of the local communities where we are based, fulfill our social responsibility through employee volunteerism and help create a flourishing world where everyone lives in harmony.

External Conditions	Future Directions	(Ø
 Widening perceptions of corporate social responsibility Emerging culture of volunteerism that values employee engagement rather than mere donations 	SHORT TERM • To undertake action-driven volunteer activities • To launch the One Person One Day volunteer program • To develop diverse volunteer programs	LONG TERM • To create a culture of volunteerism that engages every employee	
 Increasing strategic social-giving and talent donation initiatives aligned with business Increasing demand to address local social issues Increasing demand on locally-based foreign- invested companies to fulfill social responsibility 	2015 Plans EXTERNAL ASPECT Or run new volunteer programs To maintain the We Love Farming Village Volunteer Group program	To revitalize volunteer initiatives To expand scholarship programs in local communities	

We Love Farming Village Volunteer Group

Our representative social contribution program 'We Love Farming Village Volunteer Group' is undertaken in conjunction with local communities in order to resolve emerging local social issues in rural areas ranging from aging population, increasing poverty to a growing number of elderly people living alone. Our endeavors to attend to the needs of rural communities include such diverse programs as improving living conditions, hair dressing, taking self-portraits for the elderly, hosting cultural performance and offering meals. This program is operated in a way to create even greater value by gathering diverse stakeholders together – local volunteers who are capable of donating their talent and family members of our employees as well as employees themselves.

Creation of social value

- Enhance the satisfaction of rural community residents
- Contribute to increasing the productivity of farming households through free-of-charge inspections of agricultural machines
- Creation of corporate value
- Make employees feel proud of LS Mtron through employee-engaging volunteer programs
- Enhance awareness of LS Mtron as a company and a tractor brand

In 2014, this program was launched in various areas including Hwaseong in Gyeonggi and Iksan and Jeongeup in North Jeolla. Furthermore, this program is increasingly growing in both scale and scope with more than 100 employees participating. We will ensure that this volunteer initiative can reach out to every corner of this nation in addition to areas where we are based and develop into a program that brings contentment to local communities, volunteering employees and everyone else. Beneficiary villages are revisited by the volunteer group to gather feedback from village heads on volunteer activities, and suggestions on possible improvement are reflected in following volunteer activities.

Stakeholder Interview

First of all, let me say thank you on behalf of my village. We mainly grow rice in our village. Prior to the full-fledged harvesting season in October, free-of-charge inspections were made and many of our village residents welcomed this service. Later on, parts were running out and there were machines that could not be repaired but LS Mtron purchased additional parts so that all our farming machines were inspected. Our village people were truly pleased and satisfied with this. We did not imagine that hair-dressing services would attract so many residents. It was before the national holiday and elderly people just needed such services. All our villagers were satisfied. Since it was two weeks before

the Korean Thanksgiving holiday, we were not short-handed and it was such a perfect day for villagers to enjoy these services. Once again, I'd like to thank LS Mtron employees for everything they did

for us.

- Head of Shinbok Village in Iksan -

Community Engagement

We sponsor cultural, arts and sports events to help develop culture and improve the quality of lifein the communities where we are based. Specifically, since our establishment, we have been a sustained sponsor to the Jeonju International Film Festival and the Jeonju World Sori Festival, two representative cultural festivals held in the local community where we are located. Our employees serve as dedicated volunteers to these events to help them further develop and evolve.

We also forged ties with Bongdong Elementary School and offer scholarship under our One Company One School program while providing experience-based field learning courses to Meister High School students as a way to foster talented students in local communities.



Informal Volunteer Group

Our informal volunteer groups are undertaking regular volunteer activities in all locations where our plants are based. Sarang Nanumhoe (Love Sharing Team) in Jeonju supports Da Ae Community and Hill of Grace in improving living conditions, constructing facilities, taking field trips and making financial donations. Sarang Silcheonhoe (Love Practicing Team) in Anyang volunteers at Yangji House and Gyeonggi Office of Child Fund and helps with bathing, cleaning, dine education, and supporting local teenagers. Sarang Silcheonhoe (Love Practicing Team) in Jeongeup is aligned with childcare centers and welfare facilities for the disabled to help repair homes for elderly people living alone and those from broken families and taking care of longterm patients. Huimang Nanumi (Sharing Home Team) in Gumi volunteers at Shelter of Love and supports children from broken families in alignment with Gumi Elementary School.

LS Undergraduate Volunteer Group

Since 2007, LS Mtron and LS Group have jointly selected and sent a group of undergraduate volunteers to developing countries (Vietnam, India, etc.) under the social contribution philosophy 'A Reliable Partner Who Supports the Dream of Future Generations'. In 2014, these young volunteers were sent to locations near Hanoi and Ho Chi Minh in Vietnam on two different occasions for 10 days to help with repairing old school facilities and providing science class, hygiene education and cultural exchange activities to local children. Furthermore, Our LS Dream School project has been underway since 2014 with an aim to improve the educational environment in Vietnam. The 1st and 2nd LS Dream Schools were completed in Hai Duong and Phu Tho respectively and the 3rd and 4th LS Dream Schools were also completed in Vinh Long and Hai Duong in August, which demonstrates our commitment to LSpartnership[®].

Our Achievement in Numbers

Indicator	2012	2013	2014
Employee engagement in social contribution	2,039 hours	2,254 hours	2,823 hours
Investment in social contribution	KRW 0.35 billion	KRW 0.18 billion	KRW 0.67 billion

LS Farm (China)

We consider China as a strategic region to produce global outcomes and thus have located our Tractor, Injection Molding, Electronic Component and Automotive Component subsidiaries. Since 2014, we have extended the scope of our sustainability management system from Korea into China. LS Farm constitutes our 1st-ever strategic social contribution initiative undertaken in China following the introduction of our sustainability management system in this region.

Our tractor-manufacturing subsidiary located in Qingdao (LSMQ) chose a privately-owned farm in northeast China as LS Farm, and provided tractors free-of-charge. The harvest collected through this partnership was donated to the less-privileged in local rural areas.

- Creation of docial value
- Support vulnerable populations in local community
- Contribute to improving farm productivity
- Creation of corporate value
- Enhance brand awareness (LS logo attached to rice bags)
- based relationships with potential customers (LS Farm)
- Fulfill social responsibility in local community as a foreign-invested company

A tractor donation ceremony was held in the farm in August and 400 bags of rice in total were donated to nursing homes in Xinmin City in December. LSMQ is determined to deepen its ties with the local community where it is based and continue to undertake social-giving initiatives as a way to pursue shared growth with local communities.

Technology Development



We will recruit and nurture outstanding R&D talent in the industrial machinery, cutting-edge component and materials segment, while delivering leading solutions to customers through open innovation and the development of green products.

External Conditions	Future Directions	Ø
 Technology convergence leading to both more new business opportunities and intensifying competition Increasing commercialization of IPR including patents, copyrights and design 	 SHORT TERM To develop differentiated products that lead the in consideration of business-specific conditions To build an IP(intellectual property) portfolio 2015 Plans 	
	INTERNAL ASPECT • To strengthen performance-driven R&D • To discover top-quality patents by using the IP portfolio • To reinforce the basis for WLB(Work Life Balance) – driven research centers	EXTERNAL ASPECT • To improve R&D conditions for the Change Agent initiative • To strengthen technology competitiveness by building an R&D technology competency system
	 To develop green technology/products specialized for respective business divisions To diversify strategic partners to secure key technology 	To secure talent for academia-industry cooperation through Lab Tours To nurture top-notch R&D talent through diploma/T-MBA programs

Achievement in Taking the Customer-Driven Perspective in Developing Innovative Electronic Components

Over the years, our growth has been driven by expanding R&D investment and making aggressive sales calls, with an emphasis on the 'Business Development' sales approach which aims to deliver customer value through customer-driven sales and the development of products customized for customer needs. In 2014, we became the industry's 1st to develop a reinforced-type substrate-to-substrate connector that prevents the abrasion and damage of connector insulators. This new type of connector was positively welcomed by Samsung and other major customers and its mass production is contributing to increasing both sales and operating profit as well as improving on the chronic failure issues that our customers suffer. Furthermore, we were ranked 1st in the sensitivity category of the standardization tests conducted by Microsoft and other global customers, which enhanced our brand image externally as well as technological capability. In 2014, we launched innovative products that deliver a variety of value as well as outstanding quality to our customers - electro-optical FPD connectors, waterproof connectors and process connectors for quality test purposes – while securing interpretation and evaluation technology capable of predicting and assessing these products.

Based on our intellectual property rights that are being or have been granted, accumulated technological capabilities and customer-driven perspectives, we will develop even more application technologies as well as product line-ups so as to accelerate our endeavors to create profit.

Advanced Patent Management

Company-wide IP Presentations To enhance employees' understanding of intellectual property rights(IPR), we hosted IP presentations for all employees. Topics addressed include compensation/reward programs for job-related inventions & invention assessment criteria, requirements to

make IP registrations and relevant examples, and ways to make international applications and to reinforce patent competitiveness. Such occasions served as an opportunity to highlight the importance of IP while answering the questions our employees have concerning overall IP issues and raise their awareness of IP

Improvement on the Patent Grading Criteria and Grade-based Compensation System Our existing compensation system was improved to categorize patents into S,A,B,C grades depending on their value. Compensation was significantly increased in each grade to facilitate job-related invention and lay the basis to secure top-quality patents.

Securing IP and Reinforcing Competitiveness At LS Mtron, the number of IPs secured is increasing each year, and in 2014, we witnessed a y-o-y growth of 27%, with more than 300 IPs registered. Our patents are classified by technology sector while outstanding patents and patents being licensed are identified and managed in respective sectors in order to build a strong patent portfolio and reinforce our competitive edge in IP.

Enhancing Customers' Trust in Quality Through FMEA

In February 2015, our research on improving the gualitative reliability of injection molding machines was completed through the 'FMEA(Failure Mode and Effect Analysis)' project undertaken jointly with Professor Joong-Soon Jang's research team (Ajou University). This project aimed to analyze the root causes of component failures that occurred repeatedly and to resolve such issues and establish preventive standards through FMEA. Once improvement is made and preventive standards are set, this will assist us in shortening development period and reducing cost while improving the quality of our injection molding machines.

Our Achievement in Numbers

Indicator	2012	2013	2014
R&D investment	KRW 32.8 billion	KRW 41.6 billion	KRW 44.4 billion
Open Innovation	26 cases	37 cases	32 cases



Reinforced Mid/Long-Term Strategy to Develop Green Technology

We re-examined the environmental regulations of governments and customers and analyzed trends in the green market to define our environmental technology strategy by business sector.

- ► To proactively respond to the risks of environmental regulations
- ► To enhance capability to develop green technology
- To raise 'green' awareness of stakeholders.

Each of our business units agreed on green technology development factors in alignment with the mid/long-term technology and product development roadmaps and set development plans with 2017 as the target year. We will update our green strategy to cater to the unique needs of respective business units from the mid/long-term perspective while setting and reviewing detailed plans each year. Furthermore, we use our Eco-Grade program for green products to strategically expand our green product line-ups and reinforce their operations.

Development of an Eco-friendly Hybrid Tractor

As part of our R&D endeavors to develop green products, we have initiated a hybrid tractor development project back in 2010 with a focus on our main U and PLUS tractor models. Our hybrid U tractor model completed the performance certification test conducted by a governmental agency (Foundation of Agri. Tech. Commercialization & Transfer) following the production of a prototype in 2014, and the hybrid PLUS model is currently being tested for its performance and reliability under simulated actual use conditions for the purpose of commercialization. By developing a hybrid system that allows for control alignment with the electrically-controlled Tier 4 eco-friendly engine which is based on our proprietary technology, as well as detachable

Our Achievement in Numbers

Indicator	2012	2013	2014
Ratio of green products in R&D investment	51 %	42 %	47 %
IP applications made	191 applications	238 applications	302 applications

electric implements, we will continuously conduct research on green products that deliver more than 20% savings in fuel consumption against the existing line-ups.

Development of an Eco-friendly Tier 4 Diesel Tractor Engine

To respond to the tightened Tier 4 exhaust gas emissions regulations governing non-road diesel engines (U.S., EU, Korea), we initiated a project to "develop eco-friendly Tier 4 diesel tractor engine" in July 2011. The advanced third-generation common rail(1800bar) system and after-treatment devices (DOC+DPF) as well as the cooled EGR system were adopted to reduce exhaust gas emissions, and the development was completed with KRW 40 billion invested over the past four years. The engine passed the Tier 4 exhaust gas emissions regulatory test of the EPA/CARB of the U.S. and Korea in August 2014 and February 2015 respectively, and is set to gain the EC Stage IIIB certification in April 2015. In January 2015, our XU Series (58~68hp) and XR Series (35~55hp) that were equipped with this newly-developed engine was launched in the U.S. market, and they will make their debut in the Korean market in June 2015.

This tier 4 engine is the representation of our technological knowledge accumulated in tractor business over the past 38 years. It is also a highly-efficient eco-friendly engine: the adoption of ECU(electronic control unit) enables high power output, high fuel efficiency, low noise and low vibration while electronic governors deliver faster operational response and suitable operational conditions under the corresponding load environment. We will continue with our R&D endeavors to pre-emptively respond to green trends that pursue a healthier and cleaner environment while taking the lead in developing green and high-performance diesel engines and technology with a heart that cares for the human race and the environment.

Employee Value Enhancement (HR)



We consider employees as both stakeholders and the main agent in creating corporate value, and will create an organizational culture that guarantees the human rights, engagement and dialogue for individual employees

External Conditions	Future Directions
 Increasing demand to practice ethics management by complying with labor regulations 	 To promote the human rights of employees by abiding by global labor standards To establish a performance-driven system by improving the pay system To enhance employee satisfaction and productivity by promoting work/life balance
 Growing demand to set conditions to enable women to keep their career by supporting work/life balance 	2015 Plans
 Governmental initiative to improve the structure of the labor market by reforming the pay system Proposal made by the Presidential Committee on Young Generation to hire new employees based on truly-needed qualifications and capabilities rather than glamorous resumes only 	INTERNAL ASPECT Image: Constraint of the existing wage of the existi

Commitment to Great Work Place

Protection of Employees' Human Rights Our employment policy stipulates our compliance with international labor standards, and we sincerely comply with the Labor Standards Act and other labor regulations. Furthermore, we continue to monitor any violations of human rights and operate grievance resolution mechanisms in order to protect and elevate the human rights of our employees.

Maternity Protection Program Our maternity protection programs aim to assist our female employees in giving birth to and raising their children and to deliver a workplace where they can continue to reach their full potential by preventing any career discontinuation caused by childbirth and childcare

- Pregnancy: Offer gifts in celebration of pregnancy/
- reduce work hour by 2 hours/day
- > Childbirth: Offer gifts in celebration of childbirth/grant 90-day pre/post-natal leave
- Childcare: Operate childcare centers (Anyang/Jeonju)

Creation of Great Work Place We are dedicated to creating a workplace where employees can truly enjoy their work. Our endeavors to deliver an optimized workplace include support for various in-house club activities, the half-yearly refresh program, swimming pools and other welfare facilities, assistance for MBA/PhD programs, and the one-on-one mentoring program. Our commitment to Great Work Place was recognized both internally and externally and we were awarded as one of Korea's top 100 Great Work Place in 2014 for four years in a row.

Family-Friendly Company Certification To improve the quality of life for our employees, we host events that invite employee families as well as family camps, provide recreational facilities for employee families, operate in-house childcare centers, and provide maternity protection programs. Such endeavors were recognized by the Ministry of Gender Equality and Family and we became a certified family-friendly company in 2014. We will

Our Achievement in Numbers

Indicator	2012	2013	2014
Ratio of new female hires	19 %	22 %	25 %

them

localization needs.

Employee Value Enhancement (Talent Nurturing) 🖤



FOR THE TRUST

introduce new programs that bring even greater contentment to the family

of our employees and expand existing family-friendly programs so that our

HR System at LSEV With the completion of our electronic component

plant in Vietnam in October 2014, we have assisted our Vietnamese subsid-

iary since May in building its own HR system to stabilize its operations early

on by swiftly localizing our business philosophy and HR system. Through

carefully analyzing and reviewing the status of overall HR matters in terms

of their urgency and importance, we helped build a localized HR system

that reflects the specificities of our Vietnamese plant regarding recruitment,

Key Talent Nurturing at Overseas Subsidiary In 2015, we aim to

assist our Chinese subsidiaries in nurturing locally-hired key talent. While our

Chinese subsidiaries have their overall HR system up and running, our goal

is to build a long-term roadmap to secure locally-hired key talent to meet

the growing needs required in fostering local employees. To this end, we

will define positions that should be swiftly localized in consideration of each

subsidiary's organizational structure, organization-specific roles & responsi-

bilities, and design talent development plan step-by-step in order of urgent

Nurturing Candidates for Expatriate Positions We created a pool

of qualified candidates for expatriate positions to nurture them early on. Lo-

cal on-the-Job training and training concerning general business manage-

ment, understanding of the local market and local languages was provided in advance so that expatriate employees could settle down and adapt to

their local conditions early on following their assignment. Since we expect

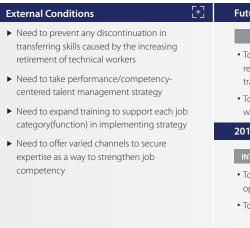
to establish more overseas subsidiaries with our widening global reach, we will extend this pool of candidates and strengthen our capability to nurture

evaluation, promotion, compensation, welfare & benefits and systems.

employees can pursue work/life balance.

Development of a Global HR System

We believe in the importance of building employee capacity and a communication-centered organizational culture as a pivotal contributor to shared growth of the company and employees, and are undertaking a multitude of talent/organizational development initiatives to this end.



Commitment to Strengthen Job Expertise

Expansion of Job Training for Officer Workers On the basis of our job training system for office workers, we continue to provide opportunities to our employees to improve their job competency. Our job training system is classified into four job categories (R&D, production, sales, support) and designed based on Division/job category-specific capability requirements identified through survey outcomes. This job training system has been fully initiated since 2014 and is serving as a channel to assist our employees in building their expertise.

- ► Sales: 12 courses, completed by 149 employees
- ▶ R&D: 9 courses, completed by 138
- ▶ Production: 7 courses, completed by 108
- ▶ Support: 10 courses, completed by 34

Far from staying unchanged, our job training system is evolving constantly with the addition of new courses. In 2015, global capacity building courses (marketing/trade/bonds) for sales staff and cost reduction courses for production staff will be newly created.

Aligning Job Training Credits with Promotion We revised our Job Credit System' in 2014 to align the job credits earned with promotions as a way to encourage employees to receive training. Starting from 2015, our employees should earn a certain level of job credits a year to be eligible for promotions. Furthermore, this system will be improved to enable employees to check their progress in earning job credits anytime they want and thus manage their progress in developing job capacity year-round, which will contribute to reinforcing our organizational competitive edge.

Our Achievement in Numbers

Indicator	
Per capital training hours	

Future Directions

Short-term

Long-term

capacity

• To secure globally competitive talent by building

a learning-driven culture and improving expert

FOR THE FU

- To expand the content of iob training and reinforce employee management concerning training completion
- To improve the skill transfer system for technical workers

2015 Plans

INTERNAL ASPECT

• To expand the content of job training (sales/production/self-initiated learning) and improve operational quality

• To build a HR system for technical workers (S-OJT, technology nurturing/certification system)

Expanding Skill Transfer among Technical Workers To prevent any discontinuation in transferring skills caused by the increasing retirement of technical workers, we are working to improve our technical skill transfer system. To ensure that such skills are transferred efficiently, an S-OJT system will be developed and as part of such endeavors, our manufacturing processes will be analyzed on a divisional level to develop work manuals that will assist newly-recruited technical workers in learning process details, basic principles and knowledge to respond to specific situations in an easy manner. Furthermore, we plan to foster in-house S-JOT trainers to transfer technical skills to new recruits efficiently. Once established, this skill transfer system will contribute to maintaining/developing our proprietary technology and intellectual assets.

Developing a Technical Expert Promotion System In 2014, we set the direction of our technical worker training system and it is based on such directions that we are fully committed to developing a technical expert promotion system. As the 1st step to establish this system, manufacturing processes will be analyzed on a divisional level to define required capabilities by level and process. The outcomes will allow us to set phase-specific levels and develop certification methods and training systems to support technical workers in improving their technical competency. In so doing, we will present career goals for technical workers and facilitate their growth into technical masters, thereby creating synergies between individual growth and business performance.

2014	2013	2012
140 hours	123 hours	109 hours

Fact & Figures

LS Mtron and Its Subsidiaries Summary Financial Statements

Category	Unit	7 th -Term(As of Dec. 31, 2014)	6t ^h -Term(As of Dec. 31, 2013)	5 th -Term(As of Dec. 31, 2012)
Total assets		1,787,647	1,684,469	1,672,867
Current assets		870,169	802,545	838,046
Non-current assets		896,835	881,924	834,821
Assets held for sale		20,643		
Total liabilities		1,234,247	1,119,070	1,117,573
Current liabilities	KRW	838,174	889,183	786,539
Non-current liabilities	million	394,883	229,887	331,034
Liabilities held for sale		1,190		
Total shareholders' equity		553,400	565,399	555,294
Equity ownership by controlling shareholders		554,325	565,508	554,694
Equity ownership by non-controlling shareholders		(925)	(109)	600

Summary Income Statements

Category	Unit	7 th -Term(Jan. 1, 2014~Dec. 31, 2014)	6 th -Term(Jan. 1, 2013~Dec. 31, 2013)	5 th -Term(Jan. 1, 2012~Dec. 31, 2012)
Sales		1,878,099	1,794,633	1,632,170
Operating income		56,819	68,437	46,819
Net income from continuing operations	KRW million	6,261	34,380	19,189
Income from discontinued operations	minori	(8,155)	(4,754)	3,845
Net income		(1,893)	29,627	23,034

LS Mtron

Summary Financial Statements

Category	Unit	7 th -Term(As of Dec. 31, 2014)	6 th -Term(As of Dec. 31, 2013)	5 th -Term(As of Dec. 31, 2012)
Total assets		1,260,738	1,153,713	1,151,908
Current assets		495,937	431,767	472,942
Non-current assets		764,801	721,946	678,966
Total liabilities		655,304	546,121	555,710
Current liabilities		394,243	416,673	345,908
Non-current liabilities	KRW –	261,061	129,448	209,802
Total shareholders' equity	million	605,434	607,592	596,198
Capital		45,000	45,000	45,000
Paid-in capital in excess of par value		426,066	426,066	426,066
Accumulated other comprehensive income	_	99	(4,418)	(1,588)
Retained earnings		134,269	140,944	126,720

Summary Income Statements

Category	Unit	7 th -Term(Jan. 1, 2014~Dec. 31, 2014)	6 th -Term(Jan. 1, 2013~Dec. 31, 2013)	5 th -Term(Jan. 1, 2012~Dec. 31, 2012)
Sales		1,023,799	1,020,367	923,783
Operating income		34,218	46,348	40,466
Net income from continuing operations	KRW	5,752	27,457	31,468
Income from discontinued operations	million	(99)	-174	3,845
Net income		5,653	27,283	35,313

APPENDIX

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Financial Data(On a consolidated basis)

Category	Unit	2012	2013	2014
Growth				
Increase in total assets	0/	6.1	0.7	13.1
Increase in sales	- %	4.7	10.0	8.8
Profitability				
Operating profit	%	3.0	3.8	2.9
Stability				
Current assets to net worth	0/	103.8	90.3	106.5
Fixed assets to net worth	- %	162.1	156.0	150.3
Activity				
Turnover of total liabilities and net worth	No. of	3.4	3.2	2.9
Inventory turnover	times	5.9	6.2	5.6

Innovation Initiatives

Indicator	Unit	2012	2013	2014	Note
Nurturing of innovation talent	No. of persons	183	232	264	
Breakthrough Limitations tasks		Not undertaken	12	11	
6 Sigma tasks		50	49	63	
LPS tasks	No. of	46	38	30	LS Mtron Production System
VE tasks	tasks	27	22	35	Value Engineering
TRIZ tasks		5	10	12	Teoriya Resheniya Izobretatelskikh Zadatch
Daily tasks		74	70	100	
No. of innovation activities suggested	Per person	21	20	21	

Quality and Customer Satisfaction

Indicator	Unit	2012	2013	2014	Note
Average customer satisfaction	. On a	3.7	-	3.87	Not undertaken in 2013
: Quality	scale of	3.6	-	4.01	
: Marketing	one	3.7	-	3.64	
: After-sales service, delivery	to five	3.8	-	3.94	
Ratio of ISO9001 examiners	<u></u>	46	45	43	
Ratio of quality management engineers	%	15	43	37	- Against the company-wide quality division workforce
Improvement in product quality defects		56	21	38	
Realignment of the quality management system	No. of	27	46	40	
Supplier system evaluation and improvement	cases	71	99	104	
Overseas subsidiary system evaluation and improvement		23	16	52	

Shared Growth

Indicator	Unit	2012	2013	2014	Note
Direct shared growth investment	KRW 100	37.7	40	25	Consulting, purchase-conditional, Win-Win Partnership Fund, Public-private joint investment funds, etc.
Cash payment made to Q-partners	- million	1,285	1,424	1,724	
Ratio of cash payment	%	100	100	100	Bills with maturities of three months or under
Job training for suppliers	No. of persons	131	210	307	3T, FTA, innovation suggestion training, technology training academy
Win-Win Partnership Fund: participating companies/fund value	No. of com- panies/KRW 100 million		22/60	18/18	Reduction in fund value, more favorable fund interest rate
No. of suppliers: Korea/abroad	No. of companies	-	1,565/183	1,603/192	Major subcontractors, SMEs and large business partners in Korea/overseas business partners

Purchases made: Korea		4.674	4.979	5,433	
Purchases made: China	KRW 100 million	764	792	803	
Purchases made: Europe		398	428	413	Purchasing expenses
Purchases made: Japan		367	366	388	-
Purchases made: Others		87	167	124	

Green Management

Indicator	Unit	2012	2013	2014	Note
GHG emissions		101,915	112,931	108,856	
: Indirect emissions	-	93,602	103,031	99,044	
: Fixed combustion	tCO2 -	7,090	8,113	8,120	
: Mobile combustion and others		1,223	1,787	1,692	
GHG intensity	tCO2/KRW million	0.15	0.14	0.13	
Energy consumption	T 1	2,076	2,302	2,206	
Reduction in energy consumption	— TJ -	56	145	60	
Green management expenses and investment		1,007	2,274	1,105	
: Environment	KRW	590	1,447	401	
: Climate change	million -	197	350	114	
: Health & safety		220	477	590	
Copper consumption		9,901	11,779	11,388	
Carbon and rubber consumption		1,651	1,710	1,699	Primary raw materials
Synthetic resin consumption		121	179	170	-
Water consumption	Ton	728,484	837,729	825,229	
: Industrial water		639,332	701,710	731,485	
: Residential water		81,613	124,598	87,385	
: Underground water		7,539	11,421	6,359	
Emission of pollutants: Dust		11,544	13,029	14,082	
Emission of pollutants: COD	kg	15,315	36,828	13,925	
Emission of pollutants: SS		7,326	10,805	5,441	
Discharge of wastewater	T	506,306	499,958	547,971	
Water recycled	Ton -	418,605	703,401	723,518	
Water recycling ratio	%	43	74	84	
Generation of waste: General	Ŧ	4,542	3,880	4,193	
Generation of waste: Designated	Ton -	266	259	303	
Waste recycling ratio	0/	84	82	80	
Occupational injury rati	% -	0.13	0.40	0.17	
Industrial Health & Safety Committee meeting	No. of meetings	20	20	16	Held quarterly in each plant (four times/year)

Ethics Management

•		
Indicator	Unit	
Reports on bribe-taking submitted and	No. of	
handled	reports	

2012	2013	2014	Note
1	4	5	

Social Contribution

Indicator	Unit	2012	2013	2014	Note
Employee volunteers: Jeongeup		98	114	199	
Employee volunteers: Jeonju	No. of	93	99	147	- Volunteering for the less-privileged, We Love Farming Village
Employee volunteers Anyang	persons	56	77	94	campaign, informal volunteer groups, etc.
Employee volunteers: Gumi		171	117	24	-
Volunteer hours Per capita	No. of hours	1.35	1.46	1.76	

Technology Competitiveness

Indicator	Unit	2012	2013	2014	Note
Selection of Strategic Labs	No. of locations	9	19	14	Strategic Labs work with LS Mtron in undertaking projects, signing MOUs or interacting through training or seminars, thus strategic partnership is required.
Nurturing of R&D talent	No. of persons	7	16	14	New industry scholarship beneficiaries and employees taking degree programs or T-MBA are combined together
Green product R&D projects		51	42	47	
: Reduce GHG emissions	No. of projects	2	1	2	
: Reduce harmfulness		29	23	27	
: Reduce resources consumption		20	18	18	
Ratio of R&D investment in green products		100	100	100	
: Reduce GHG emissions	%	3	2	2	
: Reduce harmfulness	,,,	73	84	82	
: Reduce resources consumption		24	14	16	

HR

Indicator	Unit	2012	2013	2014	Note
Total employees		1,683	1,726	1,769	Including part-time workers, excluding dispatched workers and day laborers
Regular workers (Male)		1,461	1,492	1,551	
- Office		833	844	887	
- Technical		628	648	664	
Regular workers (Female)		40	45	52	
- Office		39	44	51	
- Technical		1	1	1	
Non-regular workers (Male)		123	127	98	
Non-regular workers (Female)		59	62	68	
By region (Jeonju)	No. of	787	803	826	
By region (Jeongeup)		225	213	198	
By region (Anyang)		543	606	636	-
By region (Gumi)		128	103	109	
By age group (20's)		258	262	227	- Against the total No. of employees
By age group (30's)		670	679	706	-
By age group (40's)		398	406	436	-
By age group (50's)		357	379	400	-
New hires (Male)		214	214	218	
New hires (Female)		49	59	72	-
Creation of employment	%	0.7	2.4	4.3	-
No. of resignees/ratio of resigness		92 / 6.1	81 / 5.3	87 / 5.4	Based on regular workers
No. of disabled employees/ ratio of disabled employees	No. of persons	31 / 2.1	32/2.1	28/1.7	-
No. of female employees/ ratio of female employees	/%	99 / 6.6	107 / 7.0	120/7.5	
Training support: Average hours	Per capita(H)	109	123	140	
Training support: Executives	No. of	127	103	147	
Training support: General managers	hours/ - person	76	72	111	

Training support: Managers Training support: Managers Training support: ManagersNo. of typerson117100101Training support: Assistant managers Training support: Assistants96128127Training support: Assistants139171171Training support: Value1001.001.00Training support: Value1001.001.00Ratio of making performance and career development reviews Ratio of making performance and (Average pay, in the same position)961.00100Female-to-make arrings ratio (Average pay, in the same position)961.00100Based on regular workersEmployees who took childcare leave (Male)961-2Reinstatement after childcare leave (Male)961.00100100No. of ligible for reinstated employees/No. of employees ligible for reinstatement settermentNo. fait0.00100100No. of settermentVariato functional during ratio (Karage pay, in the same position)961.121.15Reinstatement after childcare leave (Male)961.10100No. of sight for reinstatement settermentWelfare & benefits expensesKRW 100 revisor1.051.121.15No. for use of psychological counseling (Scan cons2.2647/37664/31Dalogue with Division heads and (Scan cons5.25.35.3Retirement fund - DE planholders (Xs of 2014)1.421.49Fund operator: Eight in						
$ \frac{100}{110} \frac{100}{10} \frac{100}{$			117	100	101	
Training support: Assistant managersperson 96128127Training support: Assistants139171171Training support: ValueKRW 1,001,5502,1861,842Ratio of making performance and Career development reviewsMM100100Ratio of entry level pay againt infinitum pays tithe same positionMMMFemale-to-male earnings ratio (Average pay, in the same positionMMMFemale-to-male earnings ratio (Malee)MMMMEmployees who took childcare leave (Pemale)MMMMReinstatement after childcare leave (Pemale)MMMMNo. of reinstated employees/No. of employees/No. of employeesMMMNo/ratio of unionized workersMMMMNo. of personsNo. of reinstatement after childcare leave (Male)MMMNo. for instated employees/No. of employees/No. of employeesMMMNo. for instated employees/No. of employees/No. of employeesMMMNo. for instated employees/No. of employees/No. of employeesMMMNo. for instated employees/No. of emp	Training support: Managers		103	118	166	
Training support Value $\frac{\text{KRW}}{1,00}$ $1,550$ $2,186$ $1,842$ Ratio of making performance and career development reviews $\frac{100}{96}$ 100 100 100 Ratio of entry level pay against minimum pay $\frac{9}{76}$ 110 100 100 Based on regular workersRatio of entry level pay against minimum pay $\frac{9}{76}$ 100 100 100 Based on fixed payEmployees who took childbirth leave (fremale) $\frac{N_0}{100}$ $\frac{1}{1}$ $ 2$ Employees who took childcare leave (fremale) $\frac{N_0}{100}$ 100 100 100 100 Reinstatement after childcare leave (fremale) $\frac{N_0}{9}$ 100 100 100 N_0 of reinstated employees/No. of employeesWelfare & benefits expenses $\frac{\text{KRW}}{100}$ 105 112 115 No./ratio of unionized workers executives $\frac{0.28}{97}$ $647/37$ $664/42$ Use of psychological counseling $\frac{N_0}{9}$ 52 53 53 Dialogue with Division heads and executives $\frac{N_0}{50}$ 52 53 53 Retirement fund - DB planholders $\frac{1.319}{574}$ 1.421 1.499 Fund operator: Eight institutions including NH Bank (As of 2014)Retirement fund - DC planholders $\frac{N_0}{574}$ 100 108 100 108	Training support: Assistant managers		96	128	127	
$ \begin{array}{ c c c c c } \hline \mbox{training subport value} & 1,00 & 1,550 & 2,160 & 1,642 \\ \hline training performance and carried evelopment reviews minimum pay against min$	Training support: Assistants		139	171	171	
$\frac{1}{100} + 100 $	Training support: Value		1,550	2,186	1,842	
Ratio of entry level pay against inimum pay96-1832910Female-to-male earnings ratio (average pay, in the same position)100100100Based on fixed payEmployees who took childbirth leave (Male)No. of persons447Employees who took childcare leave (Female)No. of persons1-2245-Reinstatement after childcare leave (Female)%100100100No. of reinstated employees/No. of employees eligible for reinstatement eligible for reinstatement eligible for reinstatement by professional counseling628/37647/37664/42No. of executivesNo. of occa- ccca- ccca-52535353Retirement fund - DB planholdersNo. of persons1,3191,4211,499Fund operator: Eight institutions including NH Bank (As of 2014)Retirement fund - DC planholdersNo. of persons74100108108			100	100	100	Development
(average pay, in the same position)Item (100100100Based of fixed payEmployees who took childbirth leave (Male)No. of persons 1 $ 2$ Employees who took childcare leave (Male) 2 4 5 Reinstatement after childcare leave (Hermale) $\%$ 100 100 100 $No. of reinstated employees/No. of employeeseligible for reinstatementeligible for reinstatementWelfare & benefits expenses\%105112115No. ratio of unionized workersNo. ofpersons/628/37647/37664/42Use of psychological counselingNo. ofpersons/525353Dialogue with Division heads andexecutivesNo. ofpersons/525353Retirement fund – DB planholdersNo. ofpersons1,3191,4211,499Fund operator: Eight institutions including NH Bank(As of 2014)Retirement fund – DC planholdersNo. ofpersons74100108$		%	-	183	291	Based on regular workers
$\frac{\text{No. of}}{(\text{Male})}$ $\frac{\text{No. of}}{(\text{Persons})}$ $\frac{1}{2} \cdot \frac{2}{4} \cdot \frac{2}{5}$ $\frac{1}{2} \cdot \frac{2}{4} \cdot \frac{5}{5}$ $\frac{1}{2} \cdot \frac{2}{4} \cdot \frac{5}{5}$ $\frac{1}{2} \cdot \frac{1}{2} \cdot$			100	100	100	Based on fixed pay
Index Personspersons1-2Employees who took childcare leave (Female)245Reinstatement after childcare leave (Female)%100100100No. of reinstated employees/No. of employees eligible for reinstatementWelfare & benefits expensesMRW 100 million105112115No/ratio of unionized workersNo. of persons/628/37647/37664/42Use of psychological counselingNo. of occa- sions628/375353Dialogue with Division heads and executivesNo. of occa- sions525353Retirement fund – DE planholders persons/1,3191,4211,499Fund operator: Eight institutions including NH Bank (As of 2014)No. of persons74100108Fund operator: Eight institutions including NH Bank (As of 2014)	Employees who took childbirth leave		4	4	7	
(Female)245Reinstatement after childcare leave%100100100No. of reinstated employees/No. of employees eligible for reinstatementWelfare & benefits expensesKRW 100 million105112115No. ratio of unionized workersNo. of persons/628/37647/37664/42Use of psychological counselingPersons/228480331Individual and group counseling offered by professional counselorsDialogue with Division heads and executivesNo. of occa- sions525353Retirement fund – DB planholders1,3191,4211,499Fund operator: Eight institutions including NH Bank (As of 2014)Retirement fund – DC planholdersNo. of persons74100108	Employees who took childcare leave (Male)		1	-	2	
Neilistatement aller ChildCale leave50100100100100eligible for reinstatementWelfare & benefits expensesKRW 100 million105112115No. ratio of unionized workersNo. of persons/628/37647/37664/42Use of psychological counselingNo. of occa- 			2	4	5	
weilfare & benefits expensesmillion105112115No./ratio of unionized workersNo. of persons/628/37647/37664/42Use of psychological counselingPoilogue with Division heads and executivesNo. of occa- sions525353Dialogue with Division heads and executivesNo. of occa- sions52535353Retirement fund – DB planholders eresonsNo. of persons1,3191,4211,499Fund operator: Eight institutions including NH Bank (As of 2014)Retirement fund – DC planholdersPoilogue Mathematical M	Reinstatement after childcare leave	%	100	100	100	No. of reinstated employees/No. of employees eligible for reinstatement
No. of persons/ No. of persons/ No. of 228 480 331 Individual and group counseling offered by professional counselors Dialogue with Division heads and executives No. of occa- sions 52 53 53 Retirement fund – DB planholders No. of persons 1,319 1,421 1,499 Fund operator: Eight institutions including NH Bank (As of 2014) Retirement fund – DC planholders 74 100 108	Welfare & benefits expenses		105	112	115	
Use of psychological counselingpersons/228480331Individual and group counseling offered by professional counselorsDialogue with Division heads and executivesNo. of occa- sions525353Retirement fund – DB planholders Retirement fund – DC planholdersNo. of persons1,3191,4211,499Fund operator: Eight institutions including NH Bank (As of 2014)Retirement fund – DC planholders74100108	No./ratio of unionized workers	No of	628/37	647/37	664/42	
Dialogue with Division heads and executivesocca- sions525353Retirement fund – DB planholders1,3191,4211,499Fund operator: Eight institutions including NH Bank (As of 2014)Retirement fund – DC planholdersNo. of persons74100108	Use of psychological counseling		228	480	331	Individual and group counseling offered by professional counselors
Retirement fund – DC planholders No. of persons 74 100 108		occa-	52	53	53	
Retirement fund – DC planholders persons 74 100 108	Retirement fund – DB planholders		1,319	1,421	1,499	Fund operator: Eight institutions including NH Bank (As of 2014)
No. of subsidiary employees 1,953 2,011 2,365	Retirement fund – DC planholders		74	100	108	
	No. of subsidiary employees		1,953	2,011	2,365	

Distribution of Economic Outcomes

Indicator	Unit	2012	2013	2014	Note
Use of raw materials		8,700	8,263	9,370	
Employee wage		1,771	2,016	2,096	Sum of wage, retirement benefits and welfare & benefits expenditures
Local community and environment	KRW 100 million	11	16	10	Sum of donations, volunteer expenses and environment-related investment 2014: KRW 210 million in the joint laboratory at Sungkyunkwan University, KRW 160 million donated to those affected by the Sewol Ferry accident 2013: Investment in environmental facilities in Hi-Tech Center
Capital expenses		446	378	343	Sum of interest payments made and dividends paid
Taxes and utility charges		110	113	145	Sum of income taxes, taxes and utility charges

Other Activities

- Guarantee of the Freedom of Association and Collective Bargaining, and the Eradication of Child Labor/Forced Labor We do not have any business areas that are highly likely to infringe on the freedom of association or collective bargaining or incur child labor or forced labor. We joined the UN Global Compact in 2010 to abide by its ten principles concerning the guarantee of the freedom of association and collective bargaining, the ban on human rights/labor-related discrimination, and the eradication of child labor/forced labor. Our employment policy clearly stipulates that we prohibit child labor and all types of forced labor as well as unfair treatment and discrimination concerning recruitment, promotion, compensation, training and retirement in accordance with labor related laws and international labor standards.
- Labor Relations When our unionized workers are transferred or relocated, plants are relocated, or changes occur in business operations, the labor union and the concerned parties are notified following pre-determined periods of preliminary consultations.
- Product Labelling We provide our customers with information that should be disclosed in product delivery concerning product environmental safety labeling (plastics, metals, rubber, etc.) through the approval sheet system.

- Personal Data Security Management To safeguard the personal information of our customers and employees, we set internal management plans and developed a personal data privacy management system. We also set up the Personal Data Security Council to offer regular internal training and conduct independent security reviews. Furthermore, we examined the purpose of storing personal data to minimize personal data entry items that we require while narrowing the data access authority to prevent any data breaches.
- Legal Compliance In conducting business operations in 2014, there were no financial/non-financial sanctions imposed on LS Mtron due to the violation of any regulations, ranging from environmental laws and relevant regulations, anticompetition regulations (monopolistic or unfair trade practices), mandatory and voluntary regulations concerning product/service information and labeling to marketing communication regulations, personal data security regulations (customer information) and regulations concerning product supply and use.
- Government Subsidy In 2014, net government subsidies amounted to KRW 2.38 billion and technology expense redemptions amounted to KRW 240 million.

UNGC COP Report

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



The Ten Principles	LS Mtron policies page	Pages
Huma	n Rights	
 Businesses should support and respect the protection of internationally proclaimed human rights; and. make sure that they are not complicit in human rights abuses. 	 Code of Conduct, Chapter 2: Basic Ethics of Employees Employment Regulation Introduction Business Partner Ethics Implement Special Contract 	43, 48, 55
Labour	Standards	
 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced and compulsory labour; the effective abolition of child labour; and, the elimination of discrimination in respect of employment and occupation. 	 Collective Agreement Code of Conduct, Chapter 5: Corporate Responsibilities for Employees Employment Regulation Introduction 	43, 48
Envir	onment	
Businesses should support a precautionary approach to environmental challenges;	Green Management Policy - Clause 2. Reducing greenhouse gas emissions and developing	

challenges;	 Clause 2. Reducing greenhouse gas emissions and developing 	
undertake initiatives to promote greater environmental responsibility; and	environmentally friendly products	
encourage the development and diffusion of environmentally friendly	- Clause 3. Building safe and healthy environment as well as preventing	42, 47
technologies.	hazards	42,47
	- Clause 4. Win-win green management and corporate social responsibility	
	 Code of Conduct, Chapter 6: Responsibilities for Country and Society 	

Anti-Corruption					
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	 Code of Conduct Chapter 3: Fair Competition(with Competitors) Chapter 4. Fair Business Transaction(Subcontractors) Chapter 6. Responsibilities for Country and Society Business Partner Ethics Implement Special Contract 	43			

Membership

 Economy 	Korea Chamber of Commerce & Industry, Korea Industrial Technology Association, Korea West Area Defense Industry Security Association, Wanju Industrial
	Complex Promotion Association, Ministry of Knowledge Economy Association Korea Agricultural Machinery Industry Cooperative, Korea Management
	Association, Korea Defense Industry Association, Korea Printed Circuit Association, Korea Intellectual Property Association, Korean Standards Association,
	Korea Synthetic Resin Processing Machinery Industry Cooperative
 Society 	Korea Industry Safety Association, Reserve Forces Commanders Association, Wanju Industrial Complex Safety Supervisor Association Fair Competition
	Federation, Korea Fire Safety Association

• Environment Wanju Industrial Complex Fire Safety Supervisor Association, Wanju Industrial Complex Environment AssociationGreen Company Council, Korea Environmental Engineers Association

• Sustainability Management United Nations Global Compact(UNGC)

Corporate Governance

Board of Directors (BOD)

The members in our board of directors (BOD) are selected for their expertise in their respective fields, as well as for their job capabilities. The BOD is the highest decision-making body in the company. In 2014, the BOD met four times to handle 23 agenda items. All the items were approved with 100% attendance rate. The CEO serves as the BOD chair, while a professional executive is appointed as the President in charge of the general company management. Aside from matters stipulated by relevant laws or by the Article of Association, any remaining matters that require BOD approval are decided on by the CEO or through management meetings. As a way to prevent any conflicts of interest between the company and its board members, directors who have any interest in the agenda items to be voted on by the BOD cannot exercise their voting rights on such matters. Our directors are compensated in accordance with relevant regulations within the limit approved at the general shareholder meeting. In 2014, registered directors and auditor of the BOD received KRW 4.182 billion in compensation

Composition of the BOD (As of March 25, 2014)

Name	Position	Director registration	Standing/ non-standing	Responsibility	Previous career
Ja-Eun Koo	Vice Chairman	Registered	Standing	CEO(Chief Executive Officer)	 MBA, University of Chicago Graduate School, U.S. Former Vice-President, LS-Nikko Copper Former CEO & President, LS Cable & System
Kwang-Won LEE	President	Registered	Standing	President COO(Chief Operating Officer)	 B.A. in law, Pusan National University Former Head of the Tractor Division, LS mtron (Senior Executive Vice President)
Eek-Hee LEE	Senior Executive Vice President	Registered	Standing	Head of the Corporate Management	 B.A. in statistics, Korea University Former Head of the CF Division, LS Mtron (Executive Vice President)
Soo-Taek Choi	Auditor	Registered	Non-standing	Auditor	Former LS Cable & System(Executive Vice President) Former CEO, Schmidlin-Korea

Authority and Responsibility of the Auditor

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

Shareholder Composition

As of the end of 2014, the number of LS Mtron's issued shares stood at 9,000,000 and they are wholly owned by LS Corporation. LS Mtron is not listed on the stock market and thus is not subject to the adoption of the concentrated vote system, the adoption of either written ballot or electronic ballot voting, nor is it subject to exercise minority shareholder rights.

Management Meeting

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

Major Agenda Items

- Business philosophy and mid/long-term vision
- Analysis of business outcomes, follow up on major management indicators by business division
- Business management improvement, market/industry/competitor trends, etc. • Outcomes of management evaluation, status of quality/productivity and other
- management indicators
- Status of innovation initiatives and sustainability management Review capital/facility/R&D investments and post-investment evaluation
- Review of the creation/revision of company-wide policies

Operation of the Sustainability Management Steering Council

Our Sustainability Management Steering Council, as a decision-making body, meets bi-monthly under the supervision of the CSO to discuss ways to practice sustainability management and review relevant outcomes. When decisions should be made by the management or information should be shared concerning sustainability management, reports are made at management meetings and decisions made are implemented through the Council.

Third-Party Assurance Statement

The Business Institute for Sustainable Development (BISD), led by the Korean Chamber of Commerce and Industry (KCCI), was commissioned by LS Mtron to assure the '2014 LS Mtron Sustainability Report' (the 'Report' hereafter) as an independent 'third-party assurance provider' and presents its assurance findings as follows.

Purpose

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

Responsibility and Independence

The Report describes LS Mtron's endeavors, achievements and future plans in advancing sustainability management in 2014, and LS Mtron is solely responsible for preparing this Report.

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

Assurance Standards and Limitations

BISD followed the three principles (completeness, materiality, responsiveness) of the AA1000AS (2008) assurance standards (Type 1, moderate) as well as the principles of the Global Reporting Initiative (GRI) G4 Guidelines concerning the Report content and quality.

In performing this assurance engagement, on-site inspections were undertaken of the Head Office in Anyang, among other domestic and overseas establishments of LS Mtron. The boundary of this assurance engagement is limited to the performance outlined within the Report and excludes any data or online data prior to the reporting period. In addition, LS Mtron's GHG emissions data which was already verified by a third-party organization was not included in this assurance engagement.

Assurance Methods

BISD's assurance engagement was based on interviews with LS Mtron employees and the verification of the related documents provided by LS Mtron. Major assurance methods are as follows:

- Verify whether LS Mtron's internal sustainability reporting standards were applied
- Verify the contents as well as the information gathering processes outlined in the Report
- Verify the Report content related to the materiality test and material issues
- Conduct on-site inspections and interview employees in charge

Findings

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

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

Completeness

: Does LS Mtron comply with the stakeholder engagement principles to ensure responsible and strategic responses in advancing sustainability management?

- LS Mtron defined its stakeholders and uses corresponding communication channels in order to identify issues of major interest to key stakeholders
- customers, suppliers, employees, communities, central/local governments and shareholders and to gather their feedback.
- BISD is not aware of any significant stakeholder groups that were neglected in LS Mtron's stakeholder communication channels.

Materiality

- : Does LS Mtron include material issues that impact its stakeholders throughout its sustainability management?
- BISD verifies that LS Mtron confirmed its major sustainability management issues through the materiality test process and identified material issues by
- gathering feedback through stakeholder surveys as part of the analysis of such issues.
- BISD is not aware of any significant issues omitted from the materiality test process.

Responsiveness

- : Does LS Mtron appropriately respond to stakeholder issues?
- corresponding measures accordingly.

Recommendations

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

- ment outcomes and translating plans for the following steps into action.

• BISD verifies that LS Mtron identified the impact of its business conduct on stakeholders on both internal/external aspects while undertaking

• BISD is not aware of any areas where LS Mtron failed to appropriately respond to the demand and interest that stakeholders have on material issues.

• LS Mtron has been taking transformative initiatives with the inauguration of a new CEO since 2014, which is seemingly reflected in setting the five leading directions to be taken by 2017. These five directions, however, do not describe any detailed strategies or steps yet, and these need to be presented in the upcoming years. Furthermore, it is expected that the top management continues to show its commitment and support in reporting sustainability manage-

• LS Mtron is successfully operating the Sustainability Management Steering Group in its Chinese subsidiaries. In consideration of varied business conditions and LS Mtron's influence in China, the group is expected to play a pivotal role in the upcoming years. Therefore, it is recommended that the group cooperates with the Sustainability Management Steering Council in the Korean Head Office through close communication and alignment so as to further solidify the company's sustainability management implementation system in a consistent manner.

• This Report demonstrates that LS Mtron helped 100 of its suppliers in performing self-administered CSR assessment and verified the outcomes while surveying 800 buyers as a way to show its commitment to stakeholder communication. It is expected that LS Mtron will interact with its stakeholders through various contact points and with increased frequency. In addition, LS Mtron will benefit from an interactive communication system that ensures that its stakeholders make their voices clearly heard and see themselves whether their feedback is integrated into business conduct.

May 2015



Su-Bong Chun _ President

Global Reporting Initiative G4.0(Core)

General Standard	Disclosures	3	Pages	
Strategy and	G4-1	CEO s statement	8~13	
Analysis	G4-2	Key impacts, risks and opportunities	12~13, 28~29, 34~35	
Organizational Profile	G4-3	Name of the organization	1	
	G4-4	Primary brands, products and services	14~17	
	G4-5	Location of the organization's headquarters	63	
	G4-6	Countries where the organization operates	14~15	
	G4-7	Nature of ownership and legal form	57	
	G4-8	Markets served	14~15	
	G4-9	Scale of reporting organization	51, 54	
	G4-10	Breakdown of workforce	54	
	G4-11	Employees covered by bargaining agreements	55	
	G4-12	Organization s supply chain	52~53	
	G4-13	Significant changes during the reporting period	N/A	
	G4-14	Explanation of how the precautionary principle is addressed	35, 42, 47	
	G4-15	External principles and other initiatives to which the organization subcribes or which it endorsesd	- 56	
	G4-16	Memberships in associations	- 56	
dentified	G4-17	Entities included in the organization s consolidated financial statements	51	
Material Aspects and Boundaries	G4-18	Process for defining report content and aspect boundaries	28~29, 63	
	G4-19	Material aspects		
	G4-20	Aspect boundary within the organization	28~31	
	G4-21	Aspect boundary outside the organization		
	G4-22	Explanation of the effect of any re-staments of information provided in earlier reports	- N/A	
	G4-23	Significant changes from previous reporting periods	N/A	
Stakeholder	G4-24	Stakeholder groups engaged by the organization	_	
Engagement	G4-25	Basis for indentification and selection of stakeholders	30	
	G4-26	Approaches to stakeholder engagement		
	G4-27	Key topics and concerns raised through stakeholder engagement	30~31	
Report Profile	G4-28	Reporting period	_	
	G4-29	Date of the most recent report	- 63	
	G4-30	Reporting cycle	_	
	G4-31	Contact point for questions regarding the report		
	G4-32	GRI content index	60~62	
	G4-33	Policy and current practice with regard to seeking external assurance for the report	60~61	
Governance	G4-34	Governance structure of the report	_	
	G4-35	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	32~33, 57	
	G4-36	Executive-level positions with responsibility for economic, environmental and social topics		
	G4-37	Processes for consultation betwen stakeholders and the highest governance body	32	
	G4-38	Composition of the highest governance body and its committees	_	
	G4-39	Position of the Chairman of the Board	57	
	G4-41	Processes in place to avoid conflicts of interest		
	G4-42	Executive-level roles in setting purposes, values, and strategy	_	
	G4-44	Processes and actions taken with regard to highest governance body's performance	_	
	G4-45	Highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities	32, 57	
	G4-46	Highest governance body's role in reviewing the effectiveness of the organization's risk mangement processes		

General Standard Disclosures			Pages
Governance	G4-47	Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	32, 57
	G4-48	Highest committee or position that formally reviews and approves the sustainability report	32~33
	G4-49	Process for communicating critical concerns to the highest governance body	32~33, 57
	G4-50	Nature and total number of critical concerns that were communicated to the highest governance body and the mechanisms used to address them.	33, 57
Ethics and Integrity	G4-56	Organization s values, principles, standards and norms of behavior	
	G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behaviour	43
	G4-58	Internal and external mechanisms for reporting concerns about ethical and lawful behaviour	_

Specific Standard Disclosures			Pages
DMA	G4-DMA	a. The mechanisms for evaluating the effectiveness of the management approach b. The results of the evaluation of the management approach c. Any related adjustments to the management approach	28~31, 38~49
Economic			
Economic	G4-EC1	Direct economic value generated and distributed	_
Performance	G4-EC3	Coverage of the organization s defined benefit plan obligations	_ 55
Market Presence	G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	
Indirect Economic Impacts	G4-EC7	Development and impact of infrastructure investments and services supported	44, 45
Procurement Practices	G4-EC9	Proportion of spending on local suppliers at significant locations of operation	52, 53
Materials used by we	ight or volu	me	
Materials	G4-EN1	Materials used by weight or volume	52
Energy	G4-EN3	Energy consumption within the organization	- 53
	G4-EN5	Energy intensity	28
	G4-EN6	Reduction of energy consumption	
Water	G4-EN8	Total water withdrawal by source	_
	G4-EN10	Percentage and total volume of water recycled and reused	_
Emissions	G4-EN15	Direct greenhouse gas (GHG) emissions (scope 1)	_
	G4-EN16	Indirect greenhouse gas (ghg) emissions (scope 2)	53
	G4-EN18	Greenhouse gas (GHG) emissions intensity	_
	G4-EN19	Reduction of greenhouse gas (ghg) emissions	_
	G4-EN21	NOx, SOx, and other significant air emissions	_
Effluents and Waste	G4-EN22	Total water discharge by quality and destination	_
	G4-EN23	Total weight of waste by type and disposal method	47
Products and Services	G4-EN27	Extent of impact mitigation of environmental impacts of products and services	55
Compliance	G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	_ 53
Overall	G4-EN31	Total environmental protection expenditures and investments by type	
Environment			
Supplier	G4-EN32	Percentage of new suppliers that were screened using environmental criteria	40
Environmental Assessment	G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	40, 42
Environmental Grievance Mechanisms	G4-EN34	Minimum notice periods regarding operational changes, including whether these are specified	43

Specific Standard Disclos	Sules		Pages
Social			
_abor Practices and Decen	t Work		
Employment	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	54
	G4-LA3	Return to work and retention rates after parental leave, by gender	
Labor/Management Relations		Minimum notice periods regarding operational changes, including whether these are specified	55
Occupational Health and Safety		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	
		Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	53
Training and Education		Average hours of training per year per employee by gender, and by employee category	29, 55
		Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	49
		Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	55
Diversity and Equal Opportunity		Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	54
Equal Remuneration for Women and Men		Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	55
Supplier Assessment for Labor Practices	G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	40
	G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	40
Labor Practices Grievance Mechanisms		Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	43
Human Rights			
Non-discrimination	G4-HR3	Total number of incidents of discrimination and corrective actions taken	43
Freedom of Association and Collective Bargaining	G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	
Child Labor		Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	- 55 -
Forced or Compulsory Labor		Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	
Supplier Human Rights Assessment	G4-HR10	Percentage of new suppliers that were screened using human rights criteria	- 40
Nights Assessment	G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	
Human Rights Grievance Mechanisms		Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	43
Society			
Local Communities		Percentage of operations with implemented local community engagement, impact assessments, and development programs	44, 45
Anti-corruption	G4-SO4	Communication and training on anti-corruption policies and procedures	
	G4-SO5	Confirmed incidents of corruption and actions taken	43
Anti-competitive Behavior		Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	
Compliance		Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	55
Supplier Assessment for Impacts on Society	G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	- 40
		Significant actual and potential negative impacts on society in the supply chain and actions taken	
Grievance Mechanisms for Impacts on Society		Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	43
Product Responsibility			
Customer Health and Safety		Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	55
Product and Service Labeling	G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	- 55
	G4-PR5	Results of surveys measuring customer satisfaction	52
Marketing Communications		Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	
Customer Privacy	G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	55
Compliance	G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	

* GRI G4 Aspects Not Included in LS Mtron's Material Issues : ENVIRONMENTAL (Biodiversity, Transport), HUMAN RIGHTS (Investment, Security Practices, Indigenous Rights, Assessment), SOCIETY (Public Policy)

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

Overview of LS Mtron's Sustainability Report 2014

- Reporting Principle GRI G4 guidelines (CORE)
- Reporting Boundary LS Mtron and its subsidiaries
- Reporting Scope Economy (On a K-IFRS basis), society and the environment in general
- Reporting Period Jan. 2014~Dec. 2014 (On a fiscal year basis), 2012~2014 for a portion of the achievements made
- Assurance Third-party independent assurance
- Reporting Cycle Annual publication (Previous report issued in May 2014, the next report set for publication in May 2016)
- Content Organization Criteria LS Mtron's Sustainability Management Steering Wheel
- Head Office 11FL, LS Tower, 127, LS-ro, Dongan-gu, Anyang City, Gyeonggi Province, Korea

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References on the Creation of This Report

This report was created by LS Mtron's company-wide Sustainability Management Steering Council under the supervision of the Sustainability Management Executive Office. The report content was prepared on the basis of our 'Sustainability Management Steering Wheel' which presents focus areas of the pertinent year, and two to three representative outcomes were selected in each focus area in consideration of business impact and stakeholder interest. For those focus areas where interacting stakeholders are different from one another, materiality deviations were not considered.

This Report Was Created by (Job titles were not specified)

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Previous Reports





Sustainability Report 2009

Sustainability Report 2010

Sustainability Report 2011



Sustainability

Report 2012

Sustainability Report 2013

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