



Link the World Think the Future

LS Cable & System 2011 Sustainability Report

ABOUT THE REPORT

“LS Cable & System 2011 Sustainability Report,” is our second sustainability report, and outlines our efforts to grow further as a sound company and contribute to building a better society. By disclosing our economic, social, and environmental achievements in an integrated manner in terms of “Management” and “Performance,” the report aims to provide a balanced account of our stance in sustainability management.

One integrated report

We integrate the annual report and the sustainability report for more balanced review of economic, social and environmental performance. This integrated report contains both financial and non-financial efforts to reduce negative effects from business activities and to increase the value of stakeholders as a whole.

We will continue to devise new growth engines for the future through sustainability management, and will maintain a high level of transparency in our reports on key activities and achievements to our stakeholders.

Our 5 efforts for more effective accounts of the performance

- First, we reported on how our products are contributing to creating a sustainable society.
- Second, we provided an in-depth account of our management goals and achievements in terms of the issues considered most important from the perspectives of realizing our business strategy and the interests of stakeholders.
- Third, we have developed and set forth a sustainability performance index.
- Fourth, we have opened up our ears to the voice of our local community and reflected it in the report.
- Fifth, we have reported on the best practice of our subsidiaries at home and abroad.

Reporting Period : January 1, 2011 to December 31, 2011

The report includes some activities or achievements carried out or made prior to 2011 or during the 1st half of 2012 that were deemed to deserve reference herein. In such cases, the period pertaining to the activities or achievements are specified.

Boundaries: Head office, plants (Gumi, Anyang, Indong, Donghae) in Korea, research institutes : The performance of our plants overseas is specified as such.

Reporting Scope :

Management activities and performance regarding the issues considered most important to our business and stakeholders

Data Collection

- Data was collected and processed from the MIS Management Information System by 7 sustainability working committees and the division in charge of performance.
- Three year’s worth of data, collected from 2009 to 2011, has been provided for use when reviewing the changes in quantitative performance. When collecting certain data or providing reference data for comparison was deemed impossible, it was specified as such.
- All financial figures are presented in Korean Won (KRW) in the Korean report and in US Dollars (USD) in the English report (based on the average exchange rate of 2011).

Assurance

To ensure the accuracy and reliability of the information contained herein, the report has been subject to in-house reviews and 3rd party verification. (For the 3rd party assurance report, please see p. 86~87.)

Reporting Guidelines : GRI G3.1 Guidelines, AA1000AS, ISO 26000.

GRI Guideline Application Levels : We have self-declared our reporting to be of an “A+” level against the following “Criteria for the GRI Application Level.” This has been confirmed by a third-party assurance provider and GRI.

Criteria for the GRI Application Level

Report Application Level	C	C+	B	B+	A	A+
Standard Disclosures ● G3 Profile Disclosures ● G3 Management Approach Disclosures ● G3 Performance Indicators & Sector Supplement Performance Indicators	Output Report on : 1.1, 2.1~1.10, 3.1~3.8,3.10~3.12, 4.1~4.4, 4.14~4.15	Report Externally Assured Not Required	Report on all criteria listed for Level C plus : 1.2, 3.9, 3.13, 4.5~4.13, 4.16~4.17	Report Externally Assured Same as requirement for Level B	Report Externally Assured Management Approach Disclosures for each Indicator Category	Report Externally Assured Report on each core G3 and Sector Supplement Indicator with due regard to the Materiality Principle by either : a) reporting on the Indicator or b) explaining the reason for its omission.
	Output Report on a minimum of 10 Performance Indicators, including at least one from each of : Economic, Social and Environmental.	Report Externally Assured Management Approach Disclosures for each Indicator Category	Report Externally Assured Report on a minimum of 20 Performance Indicators, at least one from each of Economic, Environmental, Human Rights, Labor, Society, Product Responsibility.	Report Externally Assured Management Approach Disclosures for each Indicator Category	Report Externally Assured Report on each core G3 and Sector Supplement Indicator with due regard to the Materiality Principle by either : a) reporting on the Indicator or b) explaining the reason for its omission.	Report Externally Assured Report on each core G3 and Sector Supplement Indicator with due regard to the Materiality Principle by either : a) reporting on the Indicator or b) explaining the reason for its omission.
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Link the World, Think the Future

Sustainability management, corporate philosophy, core value, and internal capacity of LS Cable & System

In 2011, the global economy went through a turbulent period riddled with economic recession and uncertainties.

Likewise, we faced an unfriendly business environment: externally, the Middle East, one of our key markets, witnessed worsening uncertainties, while investment returns remained flat at home. However, our strengthened fundamentals and the win-win approach of stakeholders helped us overcome the risks effectively.

In particular, with the belief that taking up our social responsibility and pursuing eco-friendly management serve as a stepping stone for the company's continued growth, we have embraced LSpartnership, which calls for the cooperation and win-win relationship with stakeholders, as the new way forward in our corporate management. Rooted in LSpartnership, our sustainability management will serve as a pivot that keeps our employees and partners remain unwavering in the fast-changing environment, and become our capacity with which we can turn this crisis into a new opportunity.

If you need additional information or have an inquiry in relation to this report, please contact us by referring to the following

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Driven by Cooperation & Innovation 2011 Achievement Timeline

1 January

LSpartnership Declaration¹ Declared LSpartership as the company's new management philosophy that pursues mutual growth by establishing partnerships based on respect, care, and trust

Green Company Designation¹ Gumi and Indong plants were re-designated by the Ministry of Environment as a Green Company in recognition of our contributions to the environment.

LS Creativity School Seminar¹ Held the LS Creativity Seminar, which aims to foster creative thinking and organizational culture that befit the 2011 management goals – namely, innovating the business model and boosting global competitiveness.

[Subsidiary] LS-VINA in Vietnam, Vietnam's Golden Dragon Awards¹ LS-VINA was awarded the Golden Dragon Award by Vietnam Economic Times, one of Vietnam's main economic newspapers, for the fifth consecutive year (starting from 2006). The award is given to outstanding foreign investment companies.

[Subsidiary] LS-VINA in Vietnam, Vietnam's Labor Medal Awards¹ LS-VINA received the Grade 2 Labor Medal from the Vietnamese government for its contribution to boosting Vietnam's economic growth and outstanding performance.



Establishment of Korea's First Cooling System for Power Cable Tunnels¹ Completed Korea's first cooling system for power cable tunnels in a project stretching 4 km in Saha-gu, Busan. (Transmission efficiency expected to increase by 14-20% yearly.)

Recognition as an Outstanding Company of the City of Anyang¹ Was recognized as Anyang's Outstanding Company for our contribution to development of local community.

Company-wide Training on Ethics Management & Fair trade¹ Conducted training on voluntary compliance to ethics management and fair trade for employees at all plants from February 16 to 18 (3 days).

Green Company Designation¹ Donghae plant was designated as a Green Company by the Ministry of Environment. The Donghae Plant was acknowledged for its diverse eco-friendly management activities including its efforts to save resources and minimize pollutants.

2 February



3 March

Korea's First Cable Company to Obtain AEO Certification¹ Acquired the AEO Certification, which is given to the companies that show excellence in import & export security by the Korea Customs Service.

Cultural Heritage 'Protection Campaign¹ Employees in the Donghae plant visited the Iron Age Remains at Songjeong-dong, Donghae, for protection activities such as collecting waste and repairing curb stones.

Donghae plant's Zero Accident Goal Achievement¹ The Donghae plant attained its goal of absolutely zero accidents for 350 days (from April 14, 2010 to March 29, 2011).

[Subsidiary] LSHQ in China, Certification Acquisition for Extra-high Voltage Overhead Lines¹ LSHQ was awarded CEC's (China Electricity Council) certification for the manufacturing of steel reinforced aluminum cable for 1000kV extra-high voltage transmission.

* AEO (Authorized Economic Operator) Certification : As an international standard created to ensure stronger trade security and a more efficient customs process, it is granted to the companies meeting criteria such as customs compliance, appropriate record-keeping, financial solvency, safety standards, etc.

** ACSR : Transmission cable made by twining an aluminum wire around a steel reinforced core cable. Installed between transmission towers, it is lighter and cheaper than copper lines and has high tensile strength.

4 April



New English Name, LS Cable & System¹ The company's english name was changed from LS Cable to LS Cable & System, reflecting the company's business vision as a trustworthy partner in the global market for not just cables but also for green business, applications, and solutions.

Ceremony for Founding the "Shared Growth Council"¹ Held the launching ceremony of the "Shared Growth Council," which aims to build a sustainable system for co-prosperity by seeking ways to create a symbiotic relationship and for sharing medium and long-term strategies with suppliers.

Use of Eco-friendly Timber Drums First in Korea¹ Became the first company in the Korean cable industry to use eco-friendly timber certified by the FSC(Forest Stewardship Council) for drums used to transport and store products.



5 May

Investment in New Power Cable Plants in the USA and India¹ Laid the groundwork for building 2 new power cable plants, one in North Carolina, USA and one in India for energy business localization.

Green Purchase Voluntary Agreement¹ Participated in the Green Purchase Agreement for promoting eco-friendly production and purchasing practices.

Collective Agreement Signing¹ Held the 2011 Wage & Collective Agreement Signing Ceremony, where labor and management agreed to renew wage & the Collective agreement and pledged to cooperate in achieving the company's goals.

I-Fair Event¹ Held the LS Group Innovation Event. Approximately 30 outstanding employees from overseas subsidiaries were invited and participated in a field trip to Korean business units as a way of promoting our innovation culture.

Development of Power Supply Cable to Aircraft¹ Became the first Korean company to develop an aircraft power supply cable used to provide power directly from the airport to an aircraft.

International Certification for a Wind Power Generation Monitoring system¹ Became the first Asian company to receive Germanischer Lloyd's certification for our wind power generation monitoring system.

Meeting with the CEO¹ The CEO and quality officers met to highlight the importance of quality control and share ideas on improvements.

Training for foreign employees¹ Conducted training for foreign employees from overseas and domestic business sites to boost their understanding of different cultures and enhance their communication skills.

[Subsidiary] Alutek Co., Ltd. Winner of Seoul Good Public Design (SGPD) Awards¹ Alutek's 6 products - 2 railings, 2 pergolas, 1 guardrail and 1 security light - were selected for the 5th Seoul Good Public Design.

6 June

7 July

Demonstration of the World's First EV Charging System Using Railroad Infrastructure¹ Introduced an EV charging system using the city metro-rail power network at Suseo Station in Seoul, for the first time in the world.

Wireless Mobile Phone Charger 'Chaver' Release¹ Launched Chaver, with which mobile phones can be charged by simply being placed on a pad without any cables. Chaver is suitable for portable communication devices that require large-capacity batteries and has almost no danger of short-circuiting as no contact points are exposed.

R&D Awards Ceremony¹ Held the annual R&D Awards Ceremony, where outstanding R&D results are shared and rewarded.

LS Blood Donation of Love Relay¹ Joined the "LS Blood Donation of Love Relay" event with LSIS and LS Mtron, three major companies headquartered in LS Tower



8 August

First in Asia to Obtain IRIS Certification¹ Acquired the IRIS(International Railway Industry Standard) certification from the UNIFE (Union des Industries Ferroviaires Européennes)

Culture Trip for Members of Aehyangwon in Gimcheon¹ 'True Love Team', a volunteer group of the Gumi plant invited members of Aehyangwon, a social welfare institution in Gimcheon and held a social contribution event that included a culture trip.

[Subsidiary] Renovation Project of the Public Hospital by LSHQ in China¹ Signed an agreement with the Chinese Red Cross to renovate a dilapidated public hospital in Yichang City, Hubei Province. It aims at modernizing the medical facilities in rural regions.

10 October

Greenflor, Inauguration Ceremony at Indong Plant¹ The Greenflor Team has completed its relocation of the Anyang manufacturing base to the Indong plant. Improvements in productivity and quality control are expected with the latest facilities.

Plant Tour by Shared Growth Council¹ Hosted a tour of domestic plants for employees in the Shared Growth Council consisting of Q-Partners and other outstanding suppliers.

[Subsidiary] LS Group's Full Support for Student Loan Interest Payment to New Recruits¹ Decided to provide new employees joining the company in 2012 with full support for the interest payments of their student loan for one year after the start of their employment.

9 September

First Portable Electric Vehicle Charger in Korea¹ Developed a portable electric vehicle charger that can be used anywhere a power outlet is available.

First Commercial Deployment of Super Conducting Cable¹ Started commercial power supply using a 410 m super-conducting cable, which is one of the world's longest for power distribution, at the Icheon test bed.

Sponsor of the National Baduk Contest in Vietnam¹ Sponsored the Vietnam National Baduk Contest held in Ho Chi Minh to vitalize the cultural exchange between Vietnam and Korea and to promote Baduk throughout the nation.

[Subsidiary] Training for Organization Revitalization at LSCT in China¹ Developed an outdoor training program aimed at boosting morale and revitalizing the organization.

Partnership with SMEs for Green Growth¹ Concluded a 'SMEs & Large Company Joint Green Growth Agreement with suppliers to reduce carbon emission and jointly promote green projects.

Energy Management System for Mobile Network Operator¹ Implemented an energy management system that enables real-time and integrated management of energy use at each base station, distributor and data center, based on the existing wireless network.

12 December

Establishment of R&D Center in China¹ Established an R&D Center in China to bolster business competitiveness and secure greater technological abilities of the local subsidiaries through the development of local custom products and promotion of core technologies.

[Subsidiary] LS Group's Support for Socially Vulnerable Individuals¹ Donated USD 631,826 to the Community Chest of Korea for the needy.

11 November





Chairman Message



The year 2011 was filled with uncertainty due to a global economic downturn arising from the continued fiscal crisis in Europe, and a limit to prediction of economic indicators due to unexpected movement of the exchange rate and commodity prices. On top of this, the political turbulence in the Middle Eastern and African markets made business forecasting extremely unstable. Despite this hostile business environment, we achieved a notable sales growth compared to the previous year through our efforts to secure new customers in the Middle East, South America, and Central Asia. However, in terms of profit, the incurrence of unexpected non-recurring losses ultimately led to the disheartening result of a deficit in earnings before tax, in spite of our internal efforts.

Dear Stakeholders,

Accepting the current difficulties as growing pains that must be faced if we're to leap higher, we will strive to translate all our continued efforts for the future into tangible outcomes. At the same time, we will reinforce our internal standards and processes to ensure that all employees engage in transparent and fair transactions.

The year 2012 marks the 50th anniversary of LS Cable & System.

Even this year, when we prepare to take our first step towards the next 50 years, the business environment before us still remains hostile, with high exchange rates, commodity prices, and interest rates, as well as the delayed recovery of advanced economies and the unrest in the Middle East. However, based on the preserved strength we have built over the last 50 years, we will overcome the current crisis with wisdom and become a sustainable company that contributes to the value and sustainability of humankind

In 2012, the year of the Black Dragon in the Asian zodiac, we promise to become your best partner in realizing all your dreams. Thank you for supporting LS Cable & System.

CEO & Chairman
Christopher Koo

CEO Message

We will become a trustworthy partner, creating greater values with our stakeholders



Q What does “LSpartnership” mean?

LSpartnership is a new management philosophy that LS Group declared at the beginning of 2011. It entails internally achieving excellent results with talented employees who are armed with a sense of ownership, based on respect, care, and trust, while externally cooperating with openness and achieving growth with stakeholders. Although rooted in our former management policy, “Walking with Customers,” the new philosophy widens the scope of stakeholders to include employees and partners as well as customers, and seeks sustainability management that ensures mutual growth.

LSpartnership is not a mere fancy slogan or motto; rather, it will become the principle that drives our business, corporate culture, and employees, and serve as a standard against which all behaviors and value judgments are measured.

Q In terms of sustainability management, what are some of LS Cable & System’s key achievements in 2011?

For us, global management is an opportunity for growth and demands the assumption of new responsibilities and roles as well. By taking into account the impact on and the expectations of our stakeholders, we pursue management that brings value to our shareholders, investors, customers, local community, suppliers, and employees while existing in harmony with the environment. To this end we laid the groundwork for implementing sustainability management in 2010, and published the “LS Cable & System 2010 Sustainability Report,” our first sustainability report, in 2011. Some of our achievements include creating a green society, promoting shared growth, and building an infrastructure for social contribution through an eco-friendly product line-up including electric vehicle (EV) solutions, ‘Shared Growth Council’ activities and the public hospital renovation project in China. We will continue to contribute to ensuring a more prosperous future for our global partners and future generation through green management; customer-satisfaction based on quality management, fair-trade and cooperation with our suppliers. Furthermore; we will promote and disseminate our sustainability management practices to our business sites around the globe.

Q What were some of LS Cable & System’s business achievements in 2011?

We have been focusing our efforts on globalizaion. In particular, we began implementing our plans to establish power cable manufacturing plants in the USA and India and have a plan to localize our energy business, and will fully launch our business after the plants are completed in 2012. We also won a number of strategically meaningful contracts. Namely, we became the first Korean cable manufacturer to win a turn-key contract from National Grid, an American company, for a 35 kV submarine cable project, as well as a 380 kV extra high voltage cable contract from Tennet, the Dutch Transmission System Operator. These

achievements paved the way for us to enter the European market, where few top global players have held a prominent position. We have also been making inroads into new global markets by winning large-scale contracts, including those for extra-high voltage cable, busduct and optical fiber integrated power cable in Asia, Oceania, South America, and the Middle East.

We have also been striving to find new customers and create new markets by acquiring GL certification, which is the most prestigious of its kind in the field of wind power generation and by attending international fairs, such as Hannover Messe, and publishing newsletters to inform customers of our products, applications, and solutions.

With regard to new technologies and new products, we have signed a performance agreement with the Ministry of Knowledge Economy for national projects related to smart grids and the development of super conducting power devices and application technologies. Furthermore, for the first time in Korea we launched Chaver, a wireless charger for Smartphones such as iPhones and Galaxy phones, and have completed building a high-speed electric vehicle charging infrastructure for local governments.

Q Lastly, we’d like to ask you about the corporate policies for 2012.

Marking the 50th anniversary of our company, I plan to lead LS Cable & System with the following three business policies. for next 50 year growth.

First, we will step up our efforts to innovate our profit structure. We plan to achieve our business goals by improving the profitability of existing businesses and deriving desired outcomes from projects that are aimed at securing new growth engines, while also reducing deficit deals and making our subsidiaries fully-fledged.

Second, we will aggressively pursue marketing innovation to increase sales productivity. We will make sure that our product development and sales go hand in hand, and also enhance our marketing capabilities by strengthening the competitiveness of our global business through the creation of synergy between our head office and subsidiaries.

Lastly, we will innovate our corporate culture to achieve our vision of becoming the Global No. 1 cable manufacturer by 2015. By bringing innovation to our work process through an open corporate culture and “Work & Life Balance,” we will boost our confidence in achieving our goals.

CEO
Jongho Son



Who we are

Inside a human body are blood vessels approximately 100,000 km (60,000 miles) long as well as countless nerves that connect organs and tissues and supply the oxygen and nutrients they need to function. In society, it is the cable that functions as the blood vessels and nerves in our daily lives to supply the energy and information needed by all.

LS Cable & System, the Vehicle of Energy and Information

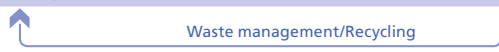
As a basic industry of any nation, the cable industry is significant enabling the delivery of energy and information through the supply of power cables, which are used to supply electricity, communications cables, which are used to send and receive data, audio and video and magnet wires & industrial cables, which are needed for home appliances, ships, automobiles and other machinery to function. The cable industry offers a wide variety of products, requires large-scale equipment investments for production, and is vulnerable to volatile commodity prices and exchange rates, which makes investment and risk control particularly important. We have secured core capacities that are optimized to the cable industry through our various innovation activities, global growth strategies, and communication and cooperation with our stakeholders. And now, we have become the 3rd largest cable manufacturer in the world in terms of sales.

LS Cable & System, the world's 3 rd largest Cable Manufacturer	
Equity	KRW 77.6 billion /USD 673million (consolidated: USD 552million)
Sales	KRW 4,798.2 billion/ USD 4,160million (consolidated: USD 7,668 million)
Operating profit(loss)	KRW -15.4 billion (consolidated: USD 11.7 million)
Production	KRW 3,815 billion (USD 3, 444 million)
Employees	9,168 persons (2,439 employees at LS Cable & System, 686 employees at domestic subsidiaries, 6,043 employees at overseas subsidiaries)
Subsidiaries	17 consolidated subsidiaries (domestic & overseas), 33 consolidated sub-subsidiaries
Business Area	Energy system , telecommunication system, materials, Integrated module, solutions

Industry Characteristics	Our Response
A capital-intensive industry that requires large-scale facility investments	<ul style="list-style-type: none"> Realize the economy of scale through timely equipment investments Pursue M&As and strategic partnerships with companies that have close business relevance Build large-scale manufacturing complexes through cooperation with local communities Improve the facility management process through a flexible corporate culture
Multiple product lines & multiple standards with more than 100, 000,000 varieties	<ul style="list-style-type: none"> Identify market needs through communication with customers Foster development capacity for new technologies and products through R&D Implement cross selling through global subsidiaries Promptly produce new and high-quality products through partnerships with suppliers
Huge impact of raw material price on manufacturing costs, accounting for 70-80%	<ul style="list-style-type: none"> Minimize risks through global management Implement a company-wide system for managing risks related to exchange rates and raw materials Secure a stable supply of raw materials through vertical integration Reduced resource use by developing eco-friendly technologies and recycling

Our Activities in Life Cycle

	Raw materials	Production	Products	Uses
Business	<p>Transactions with 919 suppliers</p> <p>Copper 211,677 ton Aluminum 26,088 ton Polyethylen 16,029 ton</p> <p>Electricity 56,322 TOE LNG 16,491 TOE Steam 3,589 TOE</p>	<p>2,382 employees of Head office, R&D Center and, 4 domestic plants</p> <p>Cable USD 2,535.9 million Electricity USD 678.5 million Telecommunications USD 222.9 million</p> <p>Total sales USD 3,443.5 million</p>	<p>Cable Domestic USD 1,721.0 million Overseas USD 610.9 million Electricity Domestic USD 836.5 million Overseas USD 577.1 million Telecommunications Domestic USD 115.3 million Overseas USD 300.0 million</p> <p>Total sales USD 4,160.5 million</p>	<ul style="list-style-type: none"> For power transmission/ & distribution For power supply & telecommunications network within ships and marine structures For photovoltaic /wind power power generation For power supply & signaling to railway/rolling stock For power supply & telecommunications networks at airports For city facility management For high-speed wired/wireless telecommunications For building management For factory and machine operations For automobile driving Home appliance operation Floor carpeting
Key activities	<ul style="list-style-type: none"> Reduction of resource use Reduction of GHG Fair trade with partners Management of exchange rate/ commodity risks 	<ul style="list-style-type: none"> Health & safety improvement at work sites Development of employee capabilities Process innovation Development of local community Reduction of pollutants 	<ul style="list-style-type: none"> R&D Product mix & packaging according to customer needs Product delivery 	<ul style="list-style-type: none"> Customer satisfaction improvement Follow-up management & service
Creation & distribution of economic value, GHG reduction, Social contribution				



Mega Trend



Climate change The report from the UN's Intergovernmental Panel on Climate Change (IPCC) says that the average global temperature has risen by 0.74°C and sea level has increased by about 10–25 cm in the last 100 years. As climate change has already had an observable effect on environment, bringing with it desertification and increased droughts and flooding, it has become one of the biggest threats to human security.



Urbanization With an astonishing increase in population and economic power in Asia and South America, urbanization is taking place at a rapid pace. Under the UN's definition, a city is referred to as a region with a population of more than 100,000. The urban population is expected to jump by 84%, from approximately 3.4 billion in 2009 to 6.4 billion by 2050., by 84%



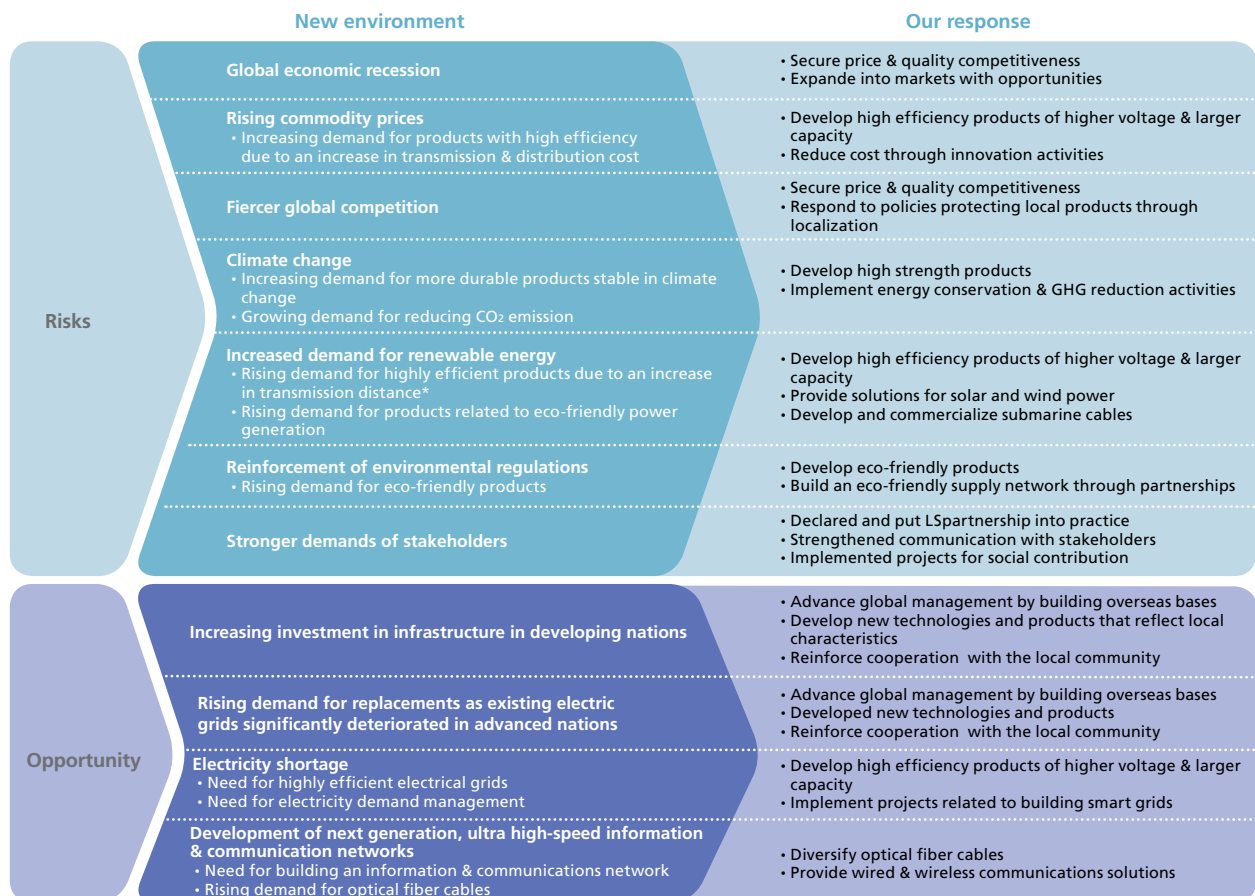
Convergence of technology Technological convergence refers to combining technologies once used separately by different industries to develop new technologies, products, and services. Especially in business, new opportunities are created by boosting application capacity for IT (Information Technology), BT (Bio Technology), NT (Nano Technology), and ET (Environment technology), the four major technological revolutions.

A New Business Environment Surrounding the Cable Industry

There has been a view that the cable industry was a stable but matured industry with low potential for growth after the 1980s. However, rapid urbanization, the worldwide electricity shortages and the development of ultra high-speed information/communications have provided the industry with new opportunities for growth. On the contrary, we need to devise a strategy for risks including the global economic downturn, a rise in commodity prices, climate change and environmental regulations. While taking full advantage of opportunity through high-quality eco-friendly products, global management, and our partnership with stakeholders, we will control risks by taking relevant countermeasures.

LS Cable & System Prepares to Take the Next Step Forward

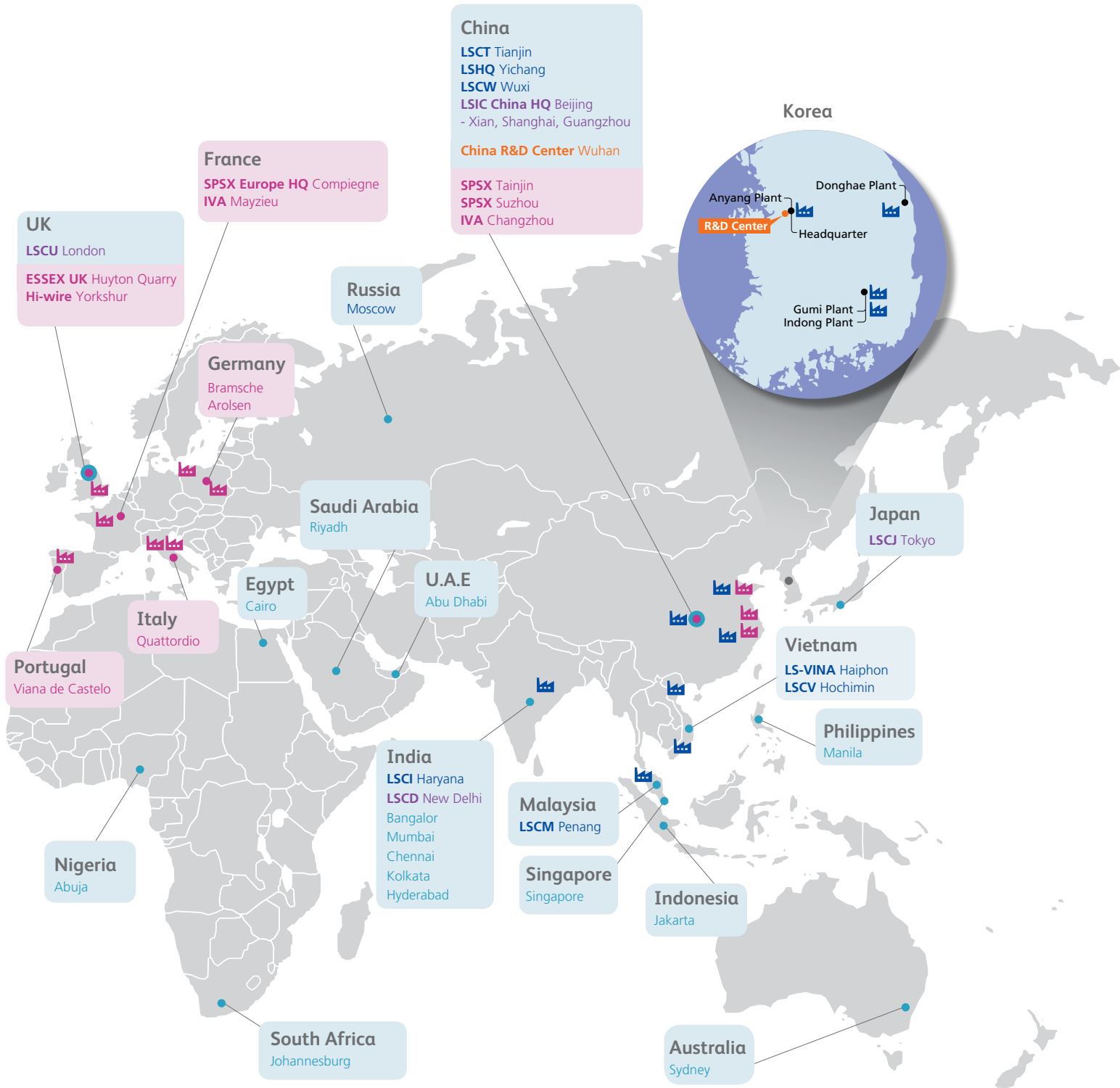
In 2011, we improved internal capacities in order to secure new growth engines. To move away from the safer practice of selling a single type of product, and to respond aggressively to the changes taking place around the cable industry, we've put into action various improvement measures such as innovating our business model and boosting investment in R&D. Furthermore, we focused on strengthening the capacities of our overseas plants that we had expanded in order to minimize business fluctuations caused by the local economy's volatility and to respond promptly to the demands of our global customers. Rather than focusing on short-term achievements that lack streamlined objectives or strategies, we will store our capacities for the future by building a strong foundation.



* When solar heat, wind power, or other renewable energies are generated in regions with adequate amounts of sunshine or wind. Thus, the distance between the generation site and locations where power is consumed increases compared to that for thermal power or hydroelectric power generation.



Where we operate



We have built a global network that consists of 37 manufacturing plants and 64 sales bases in 26 countries. LS Cable & System and Superior Essex are the main bases for production and supply in Asia and in the Americas and Europe, respectively.

On the domestic front, we have manufacturing plants in Anyang, Gumi, Indong, and Donghae and 5 subsidiaries, each of which specialize in product-specific production capacities, from basic cable materials to next generation, extra-high voltage cables and specialty cables.

We also have a global business network that reflects the characteristics and core capacities of each region as well; in the Asian market it is based in China, India, Vietnam, and Malaysia and on the U.S.-based Superior Essex in the American and European market. This enables us to produce almost all types of cables and products related to them all around the globe.



*The map above do not mark the 6 factories of our 5 domestic subsidiaries (JS cable, Alutek, Pountek, GCI, Kospace).



Our Products and Services

Energy Cable & Systems

A Total Solution that Brings Light & Energy to the World



Extra-high Voltage cable

1 Extra-high Voltage Cable System

This cable system is installed and operated in underground electric tunnels to transmit large quantities of electrical power safely while preserving urban aesthetics.



Submarine cable

2 Submarine Cable System

Developed by LS Cable & System for the first time in Korea and the fourth time the fourth in the world, the 250 kV DC MI^{Mass} Impregnated **extra-high voltage submarine cable** is a specialty cable that transmits large quantities of electric power between

islands and between the mainland and islands while also serving as a telecommunications cable, bringing together the best cable technologies. Its installment in the 105 kilometer-long seabed section between Jindo and Jeju Islands is scheduled to be completed in 2012. Moreover, we have been awarded a contract for a 35 kV submarine cable project from National Grid, a power grid operator in the eastern part of the U.S, which is a turn-key contract covering everything from cable delivery to installation and the completion test. We completed the project at the end of 2011, and entered commercial operation in 2012. We offer turn-key solutions for the entire power transmission system, including the survey & selection of route for installment, manufacturing & transport of long length cables, installments, installment of protective equipment for cables, and testing.

3 IT Solutions for Electric Power

R-TAS™ : Real Time Ampacity Estimation System

This system collects real-time data on the transmission lines, the temperature of the installation environment, thermal capacity, and transmission load. It converts the collected data into transmittable power and provides quantitative information on short- and long-term load allocation to the the power transmission line operator.



Superconducting cable

4 Super-conduction Cable System

Utilizing the superconductivity phenomenon in which electrical resistance is reduced to zero at extremely low temperatures (below minus 196°C), the **superconducting cable system** is known as the “dream power cable” that can transmit and distribute large quantities of energy with minimal electrical loss.

Aiming to commercialize the superconducting cable system, which serves as the basis for smart grid projects, we joined hands with Korea Electric Power Corporation (KEPCO) to install a superconducting cable system for power distribution at the Icheon substation, Gyeonggi Province, becoming the second in the world to test-operate the electric power system. We are also kickstarting our superconducting cable business by supplying our products to the U.S. Tres Amigas Superstation Project, the world’s first superconducting power grid commercialization project, with American Superconductor Corporation (AMSC).



Over Head Transmission line

5 Over Head Transmission Line, OPGW

Optical fiber overhead Ground Wire

Overhead lines, which are usually installed and operated on transmission line towers, can be categorized into **overhead transmission lines** and **overhead ground wires**. Transmission lines transmit electricity from power plants to primary substations located near customers. Overhead ground wires protect transmission lines from lightning strikes and help the fault current flow in the event of a breakdown. **OPGW** combines the optical fiber with the overhead ground wire, adding the ability to play as a telecommunication cable.



Medium Voltage cable

6 Medium & Low Voltage Cable

With a range from 0.6/1kV to 22.9kV, this power distribution cable is used to stably supply power to distribution circuits in residential, commercial, or industrial buildings.



Wind Power Cable

7 Industrial Specialty Cable

In maritime structures, commercial ships, vessels, nuclear power plants, wind turbines, mining, harbor cranes, subways, high-speed trains and station buildings, a variety of cables are used to supply power as well as to monitor and control various systems and provide telecommunication links. Often used in confined spaces in a variety of environments, they are resistant to oil, seawater, radiation, and mud. They are also flame-retardant, and do not emit poisonous gas when burned.



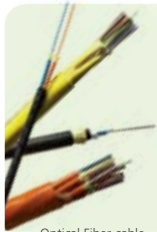
Busduct system

8 Busduct System

This system has the advantage of being able to transmit large quantities of electricity in confined spaces, and can also be extended or moved easily thanks to its easy load bifurcation and simple cabling structure. As a result, it is used widely in factories, buildings, apartments, large discount outlets, research laboratories, department stores, golf courses, tunnels, extra-high voltage substations, LNG depots, airports, seaports, and other places with high demand for electricity. In 2011, we received the GL(Germanischer Lloyd) and LR (Lloyds Register) approval certification for our busduct system for ships.

Telecommunication

Providing a Ubiquitous Network Where Information can be Exchanged Anywhere, Anytime



Optical Fiber cable

1 Optical Fiber, Optical Fiber Cable

Optical fiber generates total reflection of light due to the refractive index differential between the core and clad layer, and transfers light containing information via its core layer. An **optical fiber cable** consists of several strands of optical fiber, and play an extremely important role in a wire/wireless telecommunication network. In particular, we were selected as Vodafone Qatar's official partner for its optical telecommunication network project, and are now expanding our overseas SI business, which is centered around Asia and the Middle East all the way to Latin America.

Local Area Network cable/
Coaxial cable

2 Local Area Network (LAN) Cable System, Coaxial Cable

LAN cable systems consist of high transmission rate telecommunication cables and wires used for voice, video and data communications within the telecommunication link system at a customer's premises. Coaxial cables are used as high-frequency signal transmission links between the transmission equipment and antenna at mobile telecommunications base stations. They include feeder cables for signal transmissions and leakage coaxial cables for signal radiation, which enable wireless telecommunications in basements or tunnels where radio signal reception is non-existent.



GPON

3 Fiber To The Home Solutions

The FTTH solution consists of (1) network devices such as GPON Gigabit Passive Optical Network)/EPON Ethernet Passive Optical Network, which links the optical fiber cable network between telephone companies and subscribers, (2) the optical fiber cable system that links a long-distance and high-capacity transmission network to subscribers' homes, (3) and our network integration service that offers network consulting, design, setting up, and maintenance to meet customer's needs.


4 Quadruple Play Service Solutions

The QPS system, developed by LS Cable & System as the first of its kind in the world, is a solution that enables a single line to simultaneously support four different services – namely the internet, digital broadcasting, VoIP, and mobile telecommunications.



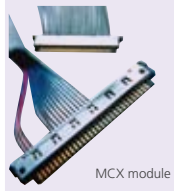
Integrated Module & Cable Systems

Offering Optimal Solutions to Specialty Requirements



Industrial cable

1 Industrial Cable & Module



MCX module

Industrial cables & modules include **home appliance cables** that link various electrical devices inside electric/electronic appliances, **FA** Factory Automation **cables** that transmit signals and power to industrial robots used for factory automation, **military cables** that provide signal and power to military weapon systems including tanks, aircraft, ships, and vessels, and **network cables** used in industrial telecommunications and control systems. **MCX** Micro Coaxial Cable modules, used in mobile phones and ultrasonic medical instruments due to their compact sizes and maximum flexibility, are in rising demand, as mobile phones support multimedia features, home appliances become smaller, and data transfer networks become faster and the data transfer volume increases. We now supply the world's finest 0.016mm-wide MCX cable to global mobile phone manufacturers.



Local Area Network cable/
Coaxial cable

2 Automotive Electric/ Electronic Component Solutions

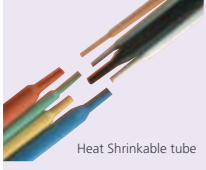
Our **high-voltage cables**, which are heat resistant up to 125-200°C, corrosion-resistant, flame-retardant, flexible, and electromagnetically-shielded, as well as sealing and shielding connectors and high-voltage harness products, are used as key components for eco-friendly vehicles (EV/HEV/FCEV). The market for these products is expanding into other sectors that require high-voltage and high-amperage products, such as industrial heavy equipment, ships, and plants.

3 Automotive Wire & Cable

Automotive wires & cables are used to provide power to various systems required by automobiles to run and to activate/control various sensors. Our automotive wires & cables are highly durable and flexible, and are heat resistant up to 150-200°C. We also supply eco-friendly products such as recyclable PP (polypropylene) cables



ABS cable



Heat Shrinkable tube

4 Heat Shrinkable tube

A heat shrinkable tube is a polymer synthetic resin product which, when exposed to heat, shrinks at a pre-determined rate while maintaining its original shape. It can shrink by 33-75% or more widthwise and by 10% or less lengthwise, depending on the product, and adheres tightly to its target, providing insulation, identifying cores, and preventing corrosion. It has a wide variety of uses, such as for industrial purposes, telecommunications, automobiles, power distribution panels, ships, electric power supply, the defense industry, home appliances, precision electronics, and cable breakouts.

5 Wireless Power Transmission System



Chaver

Chaver is the wireless charger for Galaxy II and iPhone 4 & 4s. A mobile phone is charged by putting a receiver cover over the phone and placing it on the pad, without the need to connect it to a separate terminal. Chaver's charging efficiency is equivalent to that of wired chargers.

Industrial Materials

Leading Core Technologies with High-Tech Materials

1 Copper Rod

We only use copper cathodes in order to minimize electric loss and ensure the high purity of our copper rods. The copper rods are mainly used for manufacturing cableconductors and for other special uses (e.g. train wires, rectangular wires, etc). In addition, we are enhancing our presence as a global player by developing cutting-edge new materials, such as oxygen-free copper and copper-replacing alloys, and by localizing business.



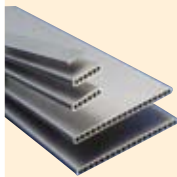
Copper rod



Magnet wire

2 Magnet Wire

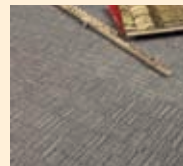
Magnet wire is made by coating the surface of a copper or aluminum conductor (round or flat) with a special varnish that has insulating properties. It is coiled inside driving motors of electrical or electronic devices, and converts electric energy to electromagnetic and mechanical energy, and to convert mechanical energy to electric energy. It is an essential component of all machines that consume electricity, including transformers, dynamos, vehicles, TVs, refrigerators, washing machines, air conditioners, microwave ovens, and motors. In particular, the fine rectangular wire for automobiles, whose thickness is 1/10 that of conventional rectangular wires, is suitable for small & high power motors and increases motor output by more than 50% compared to conventional round magnet wires, reducing the weight of the automobile and thus enhancing fuel efficiency.



PFC

3 Aluminum Materials

We succeeded in developing a wide variety of industrial materials, including the forging material for vehicles, housing materials for ABS Anti-lock Break System and ESP Electronic Stability Program, tubes for condensers, and polyamide-coated tubes, for which domestic businesses had relied solely on imports. The high-strength XTAL Extra Thermal Aluminum Alloy conductor for overhead transmission lines, the first of its kind in the world, uses a new aluminum alloy, ensuring stable conductivity at high temperatures with no change in strength or form. Customers have lauded it as a highly innovative product.



Flocking carpet(PURGOTEX)

4 Greenflor, Industrial Rubber

Based on the rubber compounding technology we have acquired over the years, we produce rubber products and rubber tiles (flooring materials) for industrial uses. We help create a pleasant indoor environment through our products, including **Greenflor** (eco-friendly brand), Prugotex (high-density, cutting-edge carpet tile), Softrong and **Safeplan** (eco-friendly, antibacterial flooring), **Spoflex** (Korea's one and only flooring for sports facilities), special flooring for ships, rubber flooring for trains, and noise insulation materials for floors. In particular, Prugotex, which we developed for the first time in Korea using the flocking method, is a high-end industrial carpet tile whose density is 10 times greater than that of conventional carpets. It has been well-received by the market as an innovative product that prevents contamination and the reproduction of dust mites and bacteria, and because it can also be cleaned with water.



Value from our Products



1. Power Generation

We supply cable systems that transmit electricity generated at nuclear, hydroelectric, wind, thermoelectric, or solar power plants, as well as a wide range of cable systems for telecommunications, control, and monitoring.

► Superconducting cable system, Extra-high voltage cable system, Industrial specialty cable, Wired/wireless telecommunications network solution, Sensor cable, Wind power generation solution, Photovoltaic power generation solution, CTC for transformers, Fire/earthquake/outskirt monitoring system, Fire-proof sealant, Magnet wire for motors, Heat shrinkable tube, Flooring, Lighting system, Water quality/weather information management system



2. Harbor Cranes

We provide a wide variety of cables and cable accessories used for yard/marine cranes, which solve the issue of transhipment capacity needed to respond to the increasing global trade.

► Reel application cable, Festoon application cables, Special (spreader, lift, chain, remote) application cables, Connectors, Control system



3. Airports

On top of providing a stable power supply to the airport buildings as well as the telecommunications infrastructure necessary to build an ultra high-speed wired & wireless telecommunications environment, we also offer customized solutions for runways, boarding bridges, baggage management system, airport railways, and other special purposes.

► Runway lighting system, Power supply cable for airplanes, Baggage management system, Wired & wireless telecommunications system, Fire-alarm/CCTV/lighting/control system, Busduct system, Low/medium/high voltage cable system, Power/control cable for boarding bridges, Flocked carpet, Rubber flooring, Heat shrinkable tube, LED lighting, Heating cable, Power/telecommunications/control system for airport railways, Conductor rail



4. Ships, Vessels, Marine Plants

We offer a wide range of wired & wireless solutions that supply the necessary power to ships, vessels, and marine plants, control various equipment and enable telecommunications. Because these systems are used in isolated spaces in special environments, they are fireproof, heatproof, cold-proof, earthquake-proof, and mudproof, and designed to withstand hot weather.

► Industrial specialty cable system, Busduct system, Submarine cable system, Umbilical cable, Wired & wireless network solution, Flocking carpet, Fireproof sealant



5. High Capacity of Power Transmission

Our products transmit large quantities of electricity generated at power plants to where it is needed via extra-high voltage cables safely and with minimal electricity loss.

► Extra-high voltage submarine cable system, Extra-high voltage cable system, IT solution for electric power, Overhead transmission line, Optical fiber overhead ground wire



6. Factories

We contribute to enhancing production efficiency by providing busduct systems that enable easier power supply in accordance with changes in the factory layout, as well as factory automation and telecommunications/control cable systems.

► Power distribution cable system, Busduct system, FA cable, Wired & wireless telecommunications system, Signal/control cable, Oil leak/fire/facilities surveillance system, Heat shrinkable tube, Flooring/carpet/lighting system



7. Mining

We provide safe packages that include electric power/control cable system for special equipment used for mining, as well as integrated cabling/transmission & distribution system for the safety and efficient management of workers and resources.

► Excavator, Mobile transformer, Specialty cable for conveyor belts, Wired & wireless telecommunications cable system, Power distribution cable system



8. Electricity Distribution

Our power distribution networks supply a large quantity of transmitted electricity to the distribution circuit of factories, buildings, and households from substations.

► Medium & low voltage cable, Industrial specialty cable, Busduct system, CTC for transformers



9. Cities

We build convenient and safe modern cities by providing our **U-City** solution which includes: **U-Green** (weather and environmental pollution data, water & sewage leakage management, etc.), **U-Life Safety** (crime, disaster, accident prevention, etc.), **U-Traffic** (traffic signal control, bus arrival information guide, transfer guide, public parking lot management, etc.), **U-FMS** (public utilities maintenance, streetlight control, etc.), **U-Education** (remote learning, e-Book, etc.), **U-Portal** (mobile civil petition, wired & wireless portal, media board, etc), **U-Street** (infrastructure for ultra high-speed wireless telecommunications, etc.), **U-Gallery** (information on exhibitions/conventions and visitors), and other solutions such as the EV^{Electric Vehicle} charging infrastructure.

► Power distribution cable system, QPS solution, IPTV solution, WiFi solution, HFC solution, Antenna for base stations, Next generation broadband wired & wireless network system, EV charging infrastructure



10. Buildings

We provide solutions that control, supervise, and operate the systems used for supplying power and telecommunications networks to buildings and enable a safer and more efficient management of buildings.

► Fire surveillance system, Wired & wireless telecommunications solution, Busduct system, Medium & low voltage cable system, CCTV, Entrance/parking management system, Building information system, Video conference system, In-building broadcasting system, Building control center system, Data center solution



11. Automotives

We ensure safety and convenience by providing cables, harnesses and components used in fossil fuel-powered cars and EVs

► Aluminum PFC tube for onboard heat exchangers, Magnet wire for motors, Heating wires for seats, GPS, Hi-pass terminal, Cable for power supply/signal/control/telecommunications, Heat shrinkable tube, High voltage components for hybrid & EVs, Wireless charger for smart phones (Chaver), Aluminum panels, etc



12. Railways& Rolling Stocks

We provide a wide variety of electric power/telecommunications/signaling systems used for rolling stocks, railways, and railroad stations. Also, we supply carpet for passenger cars and feeding systems for heavy Rail.

► Catenary wires, Messenger wire, Wired & wireless telecommunications system, Signaling system, Controlling cable, Feeding system, Flocked carpet, Dust-proof rubber tile



13. Homes

We ensure a more prosperous way of life through our products found in home appliances such as TVs, refrigerators, and cell phones, as well as through our crime prevention system, fire surveillance system, FTTH system, power distribution system, soundproof materials for floors, and U-Home (home care, remote medical treatment, etc).

► MCX cable harness, FTTH, LAN system, Magnet cable for motors, Wire for backlight units, CCTV, Fire surveillance system, Medium & low voltage power distribution system, Soundproof materials for floors, Wireless charger for smart phones (Chaver)



Vision and Strategy

We established a new vision to become “Global No. 1 Company in the Cable Industry by 2015” as our new guideline for the future. The new company vision reflects our determination to achieve sustained growth by becoming the world’s best in all areas, including financial performance, social responsibility, and environmental management, through our consistent pursuit of innovation based on our management philosophy of partnership.

Towards Global No.1

In 2009, we arrived at the conclusion that stunted growth originated from the business fragmentation between subsidiaries, sales centered around single products, and insufficiently integrated management infrastructure. As a response, we set forth four strategic initiatives that needed to achieve our vision, by gathering the opinions of our employees and holding strategy meetings at each business division. The initiatives consisted of 1) Expansion of global presence, 2) Business model innovation, 3) Improvement of global management competency and 4) Improvement of financial structure. In 2011, they were revised to 1) Strengthening overseas business competitiveness, 2) Improving profitability, 3) Strengthening global management competency, and 4) Improving financial structure, to reflect the changed management environment such as increased uncertainties in the global economy and exacerbated unrest in the Middle East, which is our strategic region. Nevertheless, this revision was still rooted in the four strategic initiatives first set forth in 2010.

To foster the overseas plants as the foothold of value creation_ Strengthening overseas business competitiveness

- The demand for cables is closely related to the infrastructure investment of a nation or region. Thus, the impact of local economic condition on business is quite large. We have been diversifying our global market to minimize the fluctuation in business performance of each region, and have successfully secured our global foothold in China, Southeast Asia, India, and North America. As part of the first phase of our plan to strengthen our overseas business competitiveness, we have been focusing on stabilizing our business abroad through measures such as building mutual understanding

and trust, building a consensus on future strategies, and rationalizing our business structure that is centered around areas of core competencies. During the 2nd phase, we will focus on enhancing our corporate value based on measures aimed at enhancing our business structure, improving our profit, and strengthening our organizational competencies, with the goal of boosting our competitive edge.

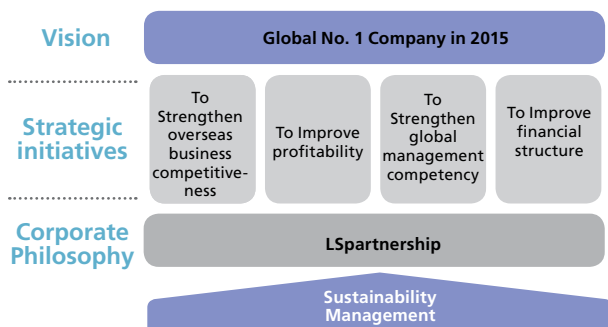
To realize performance by secured assets_Improving profitability

- A company is like a tree that is nurtured with the interests and care of its stakeholders, and its most important role is to yield a high amount of fruit. We plan to deliver investment profits to our stakeholders by realizing performance in areas we have been fostering our future growth engine, while also accelerating our growth to the next level. We are expanding our profit base through our next generation technology products, including superconducting cables, submarine cables, and smart grids, customer-oriented applications and solutions that provide all cable-related products and services needed for an entire project, and the synergy created from the global network.

To strengthen management fundamentals_Strengthening global management competency

- Factors that influence corporate management have become more diverse, and the management environment is also changing at a more rapid pace. We plan to strengthen our fundamentals to overcome the high level of volatility in our surroundings. While securing technological competitiveness through R&D, we are promoting and disseminating our corporate culture of ‘creating greater value through cooperation’.

Corporate Vision



Core Competencies



through efficient management, quality assurance, management innovation, and talent nurturing. Furthermore, by helping sustainability management, which involves responding to the needs of multiple stakeholders in the global market and assuming responsibilities given to us, we take root, and will take one step further from being a great company to being a beloved company.

To enhance stakeholders' value by creating economic value_Improving financial structure • A company has to create economic and social values for sustainability. It is true that our debt ratio has increased slightly due to our aggressive investments aimed at securing a long-term growth engine. Nevertheless, we hope to improve our financial structure, stabilize our business base and provide greater value to our stakeholders by reaping output from investment, securitizing our assets, and improving profitability.

LSpartnership, Creating Greater Value Together

We are interacting with stakeholders in a horizontal network. Based on our corporate philosophy of LSpairtnership, which was declared in January 2011, we will share a business goals with our stakeholders—customers, employees, suppliers, shareholders, investors, and the local community and cooperate to achieve them through mutual respect, care, and trust.

Rooted in "Integrity," which involves complying with principles and fundamentals based on morality and working in a transparent and rational manner, LSpairtnership consists of "Respect," which involves understanding one's partners' opinions and values and cooperation with sincerity; "Care," which involves providing opportunities to one's partners to unleash their capabilities and helps them grow; and "Trust," which provides a trustworthy partner based on ultimate responsibility and expertise.

In other words, LSpairtnership is about achieving great performance through mutual respect, care, and trust, and trust by LS people, who are armed with integrity and a sense of ownership, and pursuing

greater value together through open cooperation. We strive to internalize this value everyday.

LSpairtnership



-  **LS is**
your trustworthy partner
-  **Members of LS**
perform better when together



COMMENT

"The term 'partnership' may sound cliché to some, but LSpairtnership aspires to be a 'True Partnership.' A 'True Partnership,' is not just words, which therefore, is not easy to achieve. In a 'True Partnership,' improvement or 'versioning up' is essential."

-Chairman & Ceo of LS, John Koo



Sustainability Management Strategy

At the heart of the sustainability management lies “partnership,” and we aim to become a company that prospers with our stakeholders. We pursue sustainability management as one of our strategic initiatives, based on the corporate philosophy of “LSpartnership”. Launching the Sustainability Management Council in 2010 as a company-wide council, we established a sustainability management implementation roadmap reflecting an analysis of the external environment and our competencies and results of the employees interviews. Furthermore, we devised 13 strategic initiatives and 61 implementation tasks that are linked to our vision of “Global No. 1 Cable Manufacturer by 2015.”

Sustainability Management Implementation Roadmap

With the goal of building a global sustainability management system that combines sustainability and the management process, we have established a 3-stage roadmap that covers the period from 2010 to 2015, with three phases that last for two years each. With objectives given for each phase, the roadmap specifies the policies and tasks to be implemented by 6 sustainability working committees – namely, Green Management, Social Contribution, Ethics Management, Risk Control, Employees, and Suppliers. We have successfully implemented Phase I, “building the framework.” Based on the established framework, we will enhance the implementation process and step up our efforts to shoulder the responsibility as a global company by promoting sustainability management throughout our subsidiaries at home and abroad. For a more effective implementation of sustainability management, we have a plan to establish a Plan-Do-See Cycling system and develop a set of performance indicators for progress review.

Sustainability Management Implementation System

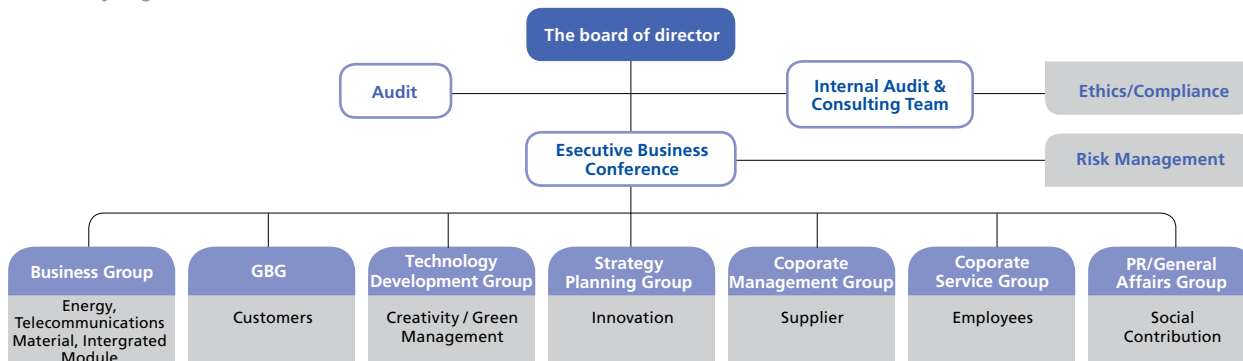
- The implementation of sustainability management is centered

around the Sustainability Management Council, which is a decision making body at a corporate level, Sustainability Management coordination secretariat and 7 sustainability working committees (we add ‘customers’ as a new working committee in 2012), which are responsible for hands-on operation. Comprised of the CEO as well as the directors of each business group, the Sustainability Management Council is a corporate-level consultative body that discusses the major issues related to our sustainability management and decides on policies. It monitors the progress and votes on measures to facilitate the process. The Sustainability Management coordination secretariat is responsible for the company’s sustainability management, setting up plans and reviewing and reporting on the accomplishments. The 7 sustainability working committees consist of Green Management, Customers, Social Contribution, Ethical Management, Risk Control, Employees, and Suppliers, and each of which are in charge of putting the specific strategies outlined in the roadmap in practice.

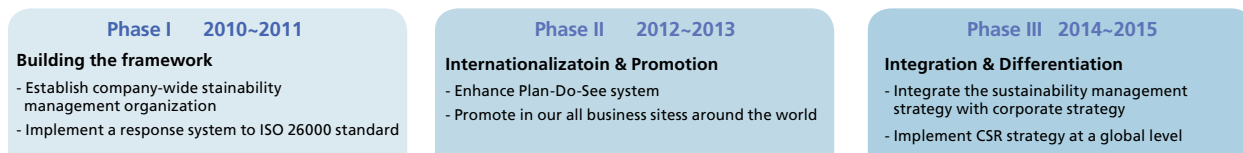
Systematic & Integrated Management

• We manage business operations and risks of the every business sites around of the globe, through an organized system. The company activities are clearly defined, and persons in charge are designated for each activity. Our organization consists of the Business Group and 6 Supporting Group of GBG ^{Global Business Group} Technology Development, Strategy Planning, Corporate Management, Corporate Service, and PR/General Affairs. Each group pursues business performance in its respective fields and reports on the results at the monthly ‘Executive Business Conference’ which covers corporate strategy and operations. At the ‘Executive Business Conference’, in which the directors participate, the business performance is evaluated, necessary measures are implemented, and guidelines are provided for future activities. Also, the Internal Audit & Consulting Team monitors whether all business activities are implemented in a rational manner according to the law and company policies.

Sustainability Organization



Sustainability Management Roadmap



Governance

We have implemented responsible management by establishing a management system centered around the board of directors, and have improved transparency through a holding company. We are also enhancing our management performance by creating synergy between the owner CEOs and professional CEOs. We comply with Korea's commercial law and OECD's principles regarding corporate governance. We have put in place an institutional framework for sound corporate management by defining a decision-making process at the corporate level and the roles of the administrative body through the Articles of Association, while also strengthening our performance management system.

BOD-Centered Responsible Management

A BOD-centered management responsibility ensures rational decision-making, effective performance supervision, and prompt response to various issues at our overseas business sites. As a top decision-making body, our Board approves of major agendas on issues such as corporate policies, strategies, and business activities. Board members are appointed through a general shareholders' meeting, and based on their experience and expertise in management, they strive to accomplish corporate vision and maximize stakeholders' value. As of May 2012, our Board consists of four members; and since cable industry requires large investments and nimble response to various risk factors that exist at our overseas business sites, our CEO currently serves as the chairman of the board. Moreover, to implement strategies more effectively, the Board receives regular and irregular briefings on the performance carried out worldwide. Special meetings are convened for immediate decision making. In 2011, 15 board meetings were held in total, from which 27 agendas were passed, including those on debt warranties of overseas subsidiaries, evaluation results of internal accounting management system, current status of compliance, and implementation results of the fair trade self-compliance program. (please refer to "Business Report" for details) Remunerations payable to directors are capped as approved by the general shareholders' meeting, and consist of salaries and (special) bonuses that are prescribed by positions. We

assess directors' performance using indicators linked to our business goals and evaluation purposes, thus reflecting results in their remunerations.

Management Transparency & Efficiency through the Holding Company System

In 2008, the former LS Cable Co., Ltd. split into LS, a holding company, LS Mtron for the machinery and electronic business, and LS Cable & System for the cable business. As a result, LS Cable & System became an affiliate of the LS Group. A holding company system helps establish a simple governance system consisting of the holding company and its affiliates, and also enhance management transparency because the performance of the entire group could be identified clearly. Furthermore, management efficiency is improved since we can focus on business while the holding company acts as a coordinator, providing guidance on investments and visions. This system also helps clarify who are responsible for the outcomes.

Auditing System for Securing Management Transparency & Fairness

For transparency and fairness, we carry out internal and external audits by a third party institution. In compliance with the "Act on External Audit of Stock Companies," our external audits involve a third party accounting firm verifying appropriateness of our accounting. Through our internal audits we review and supervise our internal control system and managerial practices. External auditors are appointed by the general shareholders' meeting under the Commercial Act and company policies. Auditors supervise the transparency and fairness of the company's accounting and work process, and they reserve the right to require Board of Directors to report on operation and look into the company's financial position.

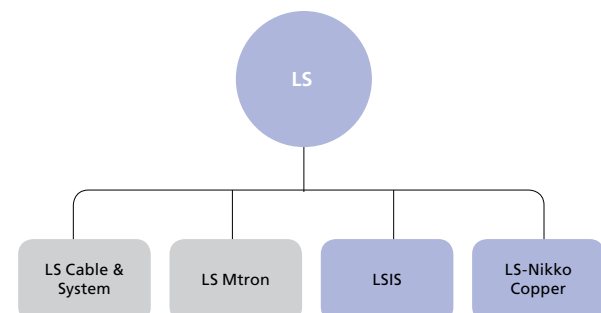
Board of Directors

As of May 2012

Name	Position	Responsibility	Career Highlights
Christopher Koo	CEO/Chairman	Chairman	<ul style="list-style-type: none"> • BA of Business Administration, Korea University • Former Managing Director of LG International • Former Vice President of LG Investment Securities • Chairman of Business Division at LS Cable & System/LS Mtron
Jongho Son	President	CEO	<ul style="list-style-type: none"> • BA of Linguistics, Seoul National University • MBA, McGill University • President of LS Cable & System
Jaeun Koo	President	COO	<ul style="list-style-type: none"> • MBA, Chicago University • Managing Director of China Division at LS Cable & System • Executive Director of Telecommunications Business Division at LS Cable & System • President of LS Cable & System
Roehyun Myung	Executive Director	CFO	<ul style="list-style-type: none"> • Master of International Business Administration, Yonsei University • Executive Director of LS Cable & System

Holding Company System

■ listed ■ unlisted





Stakeholder Engagement

We incorporate stakeholders' opinions that raised from "communication" and "participation" into our business activities. With the goal of taking the corporate philosophy of "LSpartnership" into action growing from a win-win relationship with stakeholders, and in pursuit of a sustainable company, we have set up a number of communication channels, identifying the interests and needs of our stakeholders and responding to the issues identified.

We interact with a wide variety of stakeholders. Following the ISO 26000 guideline, we have selected our key stakeholders, based on their influence, among (1) those influenced by our company activities, (2) those who influence the company's performance, and (3) those with legal, financial, or operational responsibilities, and are en-

gaged in a variety of activities to strengthen our communication with them. In the future, we will further divide the stakeholders into smaller groups to better reflect the characteristics of each business site and establish a participation strategy to better identify the opinions of our stakeholders across the globe.



2011 Material Issues

We seek to implement sustainability management in more effective ways by identifying and managing issues having importance to our corporate strategy as well as stakeholders. We utilize the 'Materiality Matrix' that shows the importance of each issue in relation to the others based on our internal aspects (the corporate management) and external aspects (stakeholders' concerns and interest).

Material Issues Identification Process

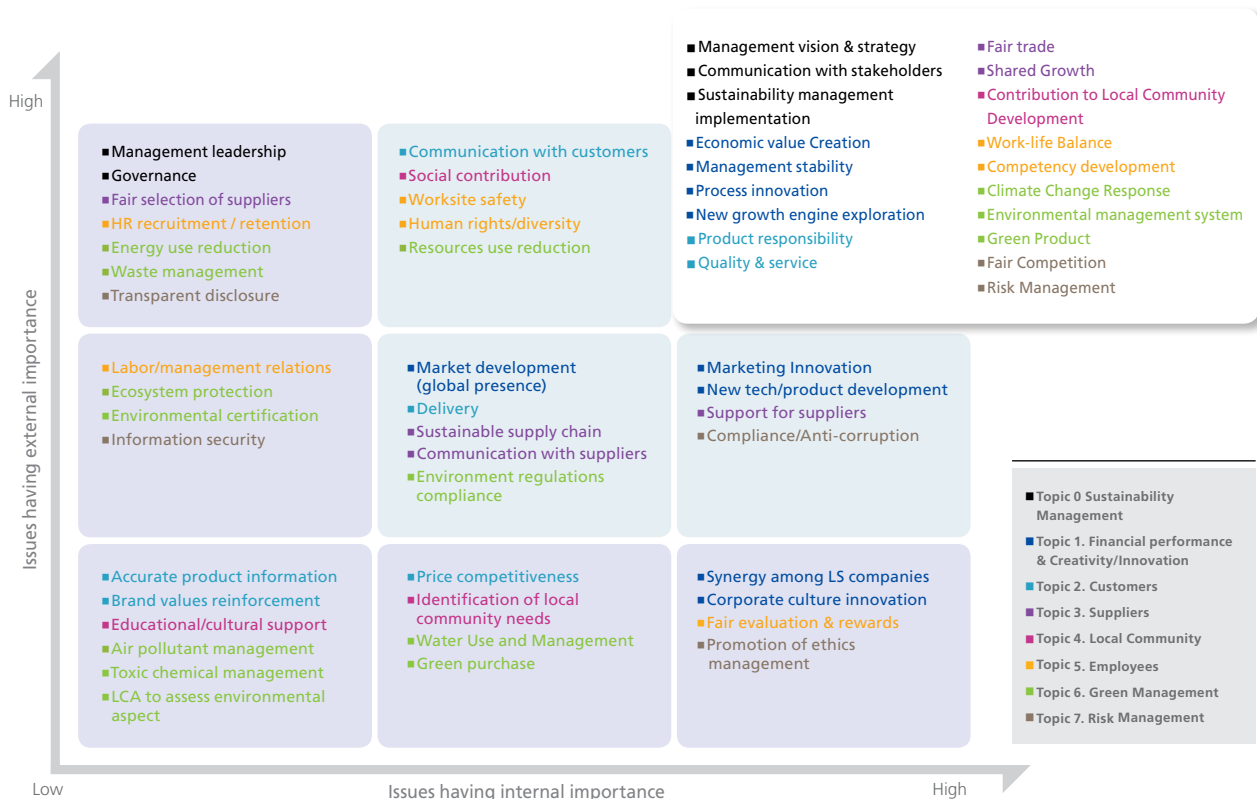


2011 Material Issues

We have identified 58 material issues and 19 issues considered most important regarding Sustainability Management and 7 topics. Those topics are combining **6 areas of sustainability management strategies** customer, green management, social contribution, risk control & ethical management, employees, and suppliers with financial performance and creativity/innovation as our future growth engines. Regarding the most material issues in the 8 areas, policy directions, our activities in 2011 and future plans are reported in detail in this report.







Six New Material Issues

When compared to 2010, among the 19 the most material issues, there are 6 newly-added material issues: management vision & strategy, new growth engine exploration, management stability, competency development of employees, local community development, and green product. Our analysis showed it reflected external environment of global economic slowdown, increasing interests in internal development following external expansion and growing consumer demand for green products.






















What we did in 2011




Topic	Vision	Material Issue (Aspects)	Mid/Long-Term Approach
Financial Performance 	To be Global No.1 by 2015 based on sales	Economic value creation	Improve profitability through improving low value-added business structure, increasing share of high value-added products, raising production efficiency and strengthening quality competitiveness
		Management Stability	Stabilize business base & add shareholder values through improving financial structure
		Indirect economic impact	Actively participate in global infrastructure projects through diversifying overseas markets
Creativity & Innovation 	To secure sustainable growth engines	New growth engine exploration	Aggressively develop new technologies & products by increasing R&D investments
		Market Presentation	Strengthen business competitiveness and expand global presence through enhancement of business & profit structures and global competency
	To secure global-level corporate competency	Process Innovation	Achieve management objectives through business process innovation
Customers 	To walk with customers	Product safety	Strengthen safety and reliability throughout all processes in an entire life cycle to ensure safe use of our products
		Quality & service	Provide high quality products and services to meet customer expectations and requirements
		Communication with customers	Increase customer satisfaction by listening to and reflecting their opinions
Suppliers 	To establish & a global-level, sustainable supply chain network	Fairness in transactions with suppliers	Based on mutual trust, build cooperative network with suppliers through fair trade
		Shared growth	Build ecosystem for win-win growth through substantial support
		Communication with suppliers	Strengthen trust and attain shared goals based on strategy sharing and better understanding
		Fairness in selection & evaluation	Establish competency building/managing system for suppliers in order to improve competitiveness of the entire supply network
		Investment & Procurement / Sustainable supply chain establishment	Lay the groundwork of sustainability management throughout the entire supply network through phased proliferation
Local Community 	To build & expand a strategic social contribution system reflecting business & brand image	Indigenous rights, local community	Active social contribution through strategic CSR system in line with our business & corporate policy direction
		Indirect economic impact	Contribute to local economic development through investment and job creation
Employees 	To establish creative, innovative global corporate culture	Employment / Diversity & equal opportunity / Non-discrimination/ Prevention of forced labor & child labor /eoanswk practices	Global corporate culture that respects human rights and diversity

 Insufficient(less than 50% of target)  Partially accomplished(50-90% of target)  Accomplished(more than 90% of target)

Performance in 2011	Progress	Plans for 2012	Management Group	Page
<ul style="list-style-type: none"> Sales : LS C&S USD 4,160 million (consolidated 7,668 million) Profit(Loss)for the year: LS C&S USD 56,729(Consolidated 149,105 million) 		<ul style="list-style-type: none"> Sales : USD 9,017 million or more(consolidated) Operating Income: 4.6% or more Productivity: improving 10% 2011 level 	All division	30-31
<ul style="list-style-type: none"> Current Ratio: 107.9% Debt Ratio: 377% 		<ul style="list-style-type: none"> Debt-to-equity ratio 300% or less Innovation activities : 6-Sigma and individual tasks Cost reduction: USD 66.8 million or more 	Corporate Management/ Strategy Planning	30-31 34-35
<ul style="list-style-type: none"> Established production bases in 26 countries Strengthened sales bases in South America, Australia, Russia, and Africa Invested in production facility of power cable in USA, China and India 		<ul style="list-style-type: none"> Promote cross-selling Enhance product portfolio Promote localization at each business site & expand energy/ telecommunication business 	Strategy Planning Group	10-11 32-33
<ul style="list-style-type: none"> R&D investment : USD 3.3 million Established an R&D center in China Pilot project for superconducting cable system Launched wireless charger for smart phones Overseas Certification: GL approval certification for CMS for wind turbines / the IRIS(International Railway Industry Standard) certification 		<ul style="list-style-type: none"> R&D investment : USD: 4.2million Increase new product sales: 25% or more Update enterprise-wide roadmap on core technology development Improve solution business competency 	Technology Development Group	16-17 32-33
<ul style="list-style-type: none"> Overseas sales : USD 1,619 million Local talents recruitment/retention/training (Overseas employee: increased by 4.3%) Trainings for overseas employees including invitation to I-fair and dispatch works 		<ul style="list-style-type: none"> Overseas sales:KRW1,853.2 billion Retain & train core HR Lay the groundwork to improve profit Support innovation activities of subsidiaries 	Strategy Planning /Global Business	10-11 32 51-52
<ul style="list-style-type: none"> 6-Sigma projects: 149 projects 152 Quality Control project at production facility Suggestions(908 from Imagination Island, 15,736 from Execution Island) Acquired AEO certification, FTA exporter qualificaion 		<ul style="list-style-type: none"> Quality improvement of the 6-Sigma project Keep & expand the Quality Control project to suppliers Provide more incentives for suggestion activities 	Strategy Planning	34-35
<ul style="list-style-type: none"> Analyzed product safety during design / manufacturing processes Kept in place product labeling Kept Product Liability insurance 		<ul style="list-style-type: none"> Keep conducting safety analysis Keep Product labeling Keep Product Liability insurance in place 	Quality Environment Management Office	39
<ul style="list-style-type: none"> Held Quality Meeting in Business Group (12 times a year) & Corporate Quality Review Meeting (once a year) 		<ul style="list-style-type: none"> Establish quality improvement strategy through cooperation between production-development-sales teams Keep the quality meeting & quality review meeting in place Establish quality school 	Quality Environment Management Office	37-39
<ul style="list-style-type: none"> Published newsletter (12times) Establish/revise the Customer Satisfaction Management Regulations Conducted automobile cable customer survey, overseas customer survey 		<ul style="list-style-type: none"> Publishing newsletter Conduct corporate integrated customer survey by theme, product category 	Global Business Group	37-38
<ul style="list-style-type: none"> Adopted 3 guidelines of the Fair Trade Committee Adopted priceliding system: increase of the total USD 9.6 million for 843 cases Expanded cash payment (covering monthly payments of up to USD180 thousand, 100% cash/cash-equivalent payment) 		<ul style="list-style-type: none"> Comply with the Fair Trade Committee Expand cash payment criteria up to USD270 thousand (monthly) 100% cash/cash-equivalent payment Keep a company-furnished free material support 	Corporate Management Group(CPO*)	41
<ul style="list-style-type: none"> Extended no-interest, no-collateral loans to suppliers & loans with preferential interest Joint technology development projects (12 projects) Provided training support for suppliers(103suppliers, 139 employees) Expanded financial/Technological/educational/ managerial support to 2-tier suppliers 		<ul style="list-style-type: none"> Expand financial support to suppliers Support new product development through joint R&D, information sharing, technology escrow system Devise training programs considering suppliers' needs Provide incentives to 1-tier suppliers that support 2-tier suppliers 	Corporate Management Group(CPO*)	42
<ul style="list-style-type: none"> Commenced Shared Growth Council Conducted open discussion with suppliers (35 suppliers) Conducted supplier survey 		<ul style="list-style-type: none"> Shared Growth Council to operate in full swing Expand open discussion with more suppliers Improved less-performing areas identified from supplier survey 	Corporate Management (CPO*)	44
<ul style="list-style-type: none"> Conducted supplier evaluation (6 suppliers were newly added as Q-partner) 		<ul style="list-style-type: none"> Support the suppliers that fail to meet evaluation criteria Provide certification and incentives to excellent suppliers 	Corporate Management (CPO*)	43
<ul style="list-style-type: none"> Carry out trainings on global purchasing policies Conducted sustainability management monitoring (10 suppliers) 		<ul style="list-style-type: none"> Distribute global purchasing policies to overseas subsidiaries Manage and support relatively poor areas identified from the sustainability management monitoring 	Corporate Management (CPO*)	45 72-73
<ul style="list-style-type: none"> Analyzed our impact on local community (subsidiary in China) Presentation on relocation of the and future plan on site development (Anyang) Support for the socially marginalized(welfare programs of Anyang and Gunpo) Established the Philanthropic Health Center of LS Hongqi Cable & System(China) 		<ul style="list-style-type: none"> Develop LS Group's flagship social contribution program in line with LS Partnership Expand 'Cultural Heritage Protection Campaign' currently in operation in Donghae worksite Launch social contribution programs run on participation of employees Strengthen global CSR activities 	PR/General Affairs	47-48
<ul style="list-style-type: none"> Revitalized local economy though the research institute expansion & relocation and relocation of Anyang plant to Gumi Equipment investment in the US, China and India 		<ul style="list-style-type: none"> Continuous investment at home& abroad Provide energy/communications infrastructure through investment in overseas production facility 	Strategy Planning	49
<ul style="list-style-type: none"> Expanded Global recruitment Developed Korean cultural experience programs for foreign employees Reaffirmed our principles on human rights by reporting our UN Global Compact performance results – zero case of child/forced labor Run Anti-sexual harassment counseling desk Trainings on on ethics, human rights and sexual harassment prevention 		<ul style="list-style-type: none"> Carry out campus recruiting in North America Support the settlement of foreign employees in Korea Make a guidebook about work & life in Korea Share counseling cases of anti-sexual harassment Keep providing ethics, human rights and sexual harassment prevention trainings 	Corporate Service Group	52

*CPO : Chief of Purchase Officer



Topic	Vision	Material Issue (Aspects)	Mid/Long-Term Approach
Employees 	global corporate culture	Training & Education	Develop human capital to put corporate management strategies into action and secure global competitiveness
		Welfare / work-life balance	Create a pleasant workplace with creative & innovative corporate culture
		Labor-management relations	Establish win-win labor-management culture on the basis of mutual trust and cooperation
		Health & safety	Achieve zero accident in all our worksite across the world through enhancing our health & safety system
Green Management 	To be a global green company by establishing an environmental management system	Overall	Create value by setting up corporate-wide environmental strategies and processes
		Material	Use resources efficiently by recycling of raw materials and products
		Energy, transport	Make significant efforts to reduce greenhouse gas emissions in an entire value chain
		Water	Use water resources efficiently through recycling
		Biodiversity	Minimize impact on the ecosystem and protect it to create an environmentally-friendly worksite
		Waste water, Wastes, Air pollutants	Build eco-friendly worksites through strengthening management of environmental pollutants
		Green products	Increase the environmental value of society by providing more green products
		Compliance	Comply with domestic/international laws and regulations
		Green partnership	Establish solid green partnerships with stakeholders through eco-friendly supply network and transparent disclosure of environment-related performance
		Risk Management 	To respond to financial & non-financial risks comprehensively through a global-level risk-control system establishment
Anti-Competitive Behavior/ Anti-corruption/ Compliance/ Public Policy	Strengthen compliance system so that fair trade & anti-corruption culture can take root		
Ethics management	Build and disseminate an ethical management system linked to corporate vision and values		

Insufficient(less than 50% of target) Partially accomplished(50-90% of target) Accomplished(more than 90% of target)

Performance in 2011	Progress	Plans for 2012	Management Group	Page
<ul style="list-style-type: none"> Set self-development objectives & gave supervisor feedback Training hours/ per employee: 63.33 hr Training expense: USD 2.2 million Provided high performing leaders/ employees overseas training opportunity Granted LS Master title to best technical experts (3 employees) 		<ul style="list-style-type: none"> Establish system to manage individual innovation project of employees Support cyber training system establishment of suppliers Keep in place the reward system for employees with great performance Identify room for improvement of the career development system- compile & share profiles for each worksite Bolster work-related training program Conduct quality management training targeting all employees 	Corporate Service	54-55
<ul style="list-style-type: none"> Work-life balance: encouraged refresh leave (to executives and general managers, in particular) Put Family Day in practice Provided more welfare-related choices to employees Completed for new dormitory for workers in Gumi/Indong sites 		<ul style="list-style-type: none"> Implement activities for improving work and life balance Expand refresh leave Commence Task Force initiatives to spread global corporate culture 	Corporate Service	56-57
<ul style="list-style-type: none"> Implemented with the Participation & Cooperation Promotion Council Monthly meeting Facilitated communication (Son's Book Café, 5 books, 385 postings) Zero labor dispute 		<ul style="list-style-type: none"> Hold Participation & Cooperation Promotion Council every quarter Maintain communication channels including monthly meeting, Son's Book Café and Talk with CEO 	Corporate Service	53
<ul style="list-style-type: none"> Carried out a labor/management joint safety inspection-removed 114 risks factors identified Acquired OHSAS18001 certification in all domestic worksite Occupational accident ratio-0.27% 		<ul style="list-style-type: none"> Identify and remove risk factors in the field Acquire OHSAS 18001 by all domestic/overseas subsidiaries (by 2013) Upgrade IT system for health & safety management Attain a goal of Zero occupational accident 	Quality Environment Management Office	58-59
<ul style="list-style-type: none"> Established the implementation system of environmental strategies Acquired ISO14001 certification (Gumi, Indong, Anyang and Donghae) Designated as Green Company- Gumi, Indong, Donghae worksites 		<ul style="list-style-type: none"> Develop environment performance indicators and evaluation system Build environmental audit/accounting system Acquire ISO 140001 certification by all domestic/overseas subsidiaries (by 2013) Pursue an enterprise level Green Company Designation(~2015) 	Quality Environment Management Office	61-63
<ul style="list-style-type: none"> Reused/recycled(Copper-483 tons, Waste material-2,348 tons recollected) Used recycled wooden drums (6.1%) Collected waste cable products 		<ul style="list-style-type: none"> Develop recycling technologies Develop a weight reduction design of wooden drums 	Quality Environment Management Office	66
<ul style="list-style-type: none"> Reduced greenhouse gas emissions (0.39tonCO₂eq/ton of products in 2010 → 0.32tonCO₂eq/ton of products in 2011) Conducted energy diagnoses at the corporate level Reset energy & greenhouse gas related KPIs and set reduction target Disclose carbon information through COP, our Sustainability Management report and website Reduced greenhouse gas emissions using marine transportation (84%) 		<ul style="list-style-type: none"> Improve a basic unit of energy use for production by 10% compared to 2011 Establish a IT system for greenhouse gas management Life-cycle carbon footprint: Low Carbon Performance Indication certification (rubber flooring, carpet) Spread energy/carbon management know-how throughout the supply chain Identify areas in the logistic processes where greenhouse gas emissions can be reduced 	Quality Environment Management Office	64-65
<ul style="list-style-type: none"> Water use-743,944 tons (an 11% increase) Operated water recycling system 		<ul style="list-style-type: none"> Reduce a basic unit of water use through recycling 	Quality Environment Management Office	66
<ul style="list-style-type: none"> No worksite in areas of high biodiversity Ecosystem protection : protection of migrant birds near Haepyeong wetland 		<ul style="list-style-type: none"> Conduct environment assessment Continue environmental clean-up activities 	Quality Environment Management Office	49
<ul style="list-style-type: none"> Air pollutant reduction : dust prevention & collection equipment installed (air pollutants emitted : 28.7 tons) Water pollutant reduction : lower than 30% against the legal limit (water pollutants emitted : 1,976Kg) Hazardous chemicals control : management of organic solvents Waste reduction: outsourcing to specialists (wastes generated: 16,380 tons) 		<ul style="list-style-type: none"> Newly invest in dust prevention facilities of SCR furnace Maintain current policy of lowering emission less than 30% of legal limit Develop alternatives & improve processes for hazardous chemicals control Develop improved recycling technology & find new recycling vendor for waste reduction 	Quality Environment Management Office	66-67
<ul style="list-style-type: none"> Expanded green product line-up (increase from 50% to 72%) Expanded product development for renewable energy (wind turbine solution, PV solution, EV charger, etc.) Analyzed 20 newly-added substances as SVHCs in the REACH list Analyzed CE-marking, hazardous substances 		<ul style="list-style-type: none"> Increase the green product ratio up to 80% Increase the investment into development of green products up to 65% of the entire development budget 	Technology Planning Corporate Management Group(CPO)	68-71
<ul style="list-style-type: none"> Analyzed trends in environmental regulations Zero violation of environment regulation 		<ul style="list-style-type: none"> Keep analyzing domestic/international trends in environmental regulations 		69,75
<ul style="list-style-type: none"> Disclosed corporate environment performance through Sustainability Management report and CDP Signed Green Purchasing Agreement with the Environment Ministry Run pilot green supplier program with 9 suppliers 		<ul style="list-style-type: none"> Publish a report on green purchasing performance Carry out 'Corporate & SME Green Partnership for Low Carbon' activities with 10 suppliers Expand suppliers participating in green Cooperator certification program 	Quality Environment Management Office Corporate Management (CPO)	74
<ul style="list-style-type: none"> Managed risks of currency exchange rates, raw material prices and interest rates- forward system, purchasing forward contracts for raw materials, interest rate swap agreement began a project to build a corporate risk control system 		<ul style="list-style-type: none"> Frame a manual for new projects and investments Establish a financial monitoring system 	Corporate Management	77
<ul style="list-style-type: none"> CEO declared voluntary compliance with fair trade Conducted fair trade training in all worksites (5 sessions) Conducted anti-corruption training at HQ and Anyang Plant Carried out a status check-up on fair trade practices 		<ul style="list-style-type: none"> Provide an intensive training on fair trade Upgrade the reference on Self Compliance with fair trade Execute corporate compliance & diagnosis activities 	Corporate Service	78
<ul style="list-style-type: none"> Created global standards and manual on ethical management Conducted ethical level evaluation Raised awareness on ethical management 		<ul style="list-style-type: none"> Revise the ethics principles & guidelines of LS Group Post ethical management articles Conduct ethical level evaluation 	Internal Audit & Consulting Team	79-80

2011 Performance

Topic 01 _ Financial Performance
& Creativity / Innovation

Topic 02 _ Customers

Topic 03 _ Suppliers

Topic 04 _ Employees

Topic 05 _ Local Community

Topic 06 _ Green Management

Topic 07 _ Risk Management



Topic

01 Financial Performance & Creativity / Innovation



We will continue to create values through Creativity and Innovation. There has been a view that the cable industry is stable as a facility-intensive and infrastructure industry, but we aim at jumping up a higher ground by challenging a new path of global management, technological innovation and process innovation. Especially, we are willing to enter such uncharted territory if it helps deliver energy and information in a safer and faster way to every corner of our society, so to be a company to create and share more value.

Chief Executive's Comment



"We experience diverse changes and trends surrounding the cable industry vividly through our relations with customers, competitors, and related other industries. In the face of such changes, ceaseless efforts to respond to such changes and prepare for the future are needed to develop and deliver technologies that our customers really want."

– CEO Jong-Ho Son

Survey Results

Q LS Cable & System is capable of generating revenue over the long-term

71.33% 84.85% 84.21%



Employees



Customers



Suppliers

Q LS Cable & System is making efforts to secure future growth engines

75.89% 74.24%



Employees



Customers

Q Our company, LS Cable & System is proactive in improving its business process

61.52%



Employees

What we did in 2011

- Changed English company name into LS Cable & System to reflect the newly-launched solution business
- Increased sales by 24% through new market expansion and new business
- Strengthened corporate competency of the global production bases through investment in power cable plants in the US, India, and China
- Opened an R&D center in China
- Completed installing a superconducting cable system for power distribution in a world largest scale
- Acquired international certifications (the International Railway Industry Standard certification for railway cable, GL certification for CMS for wind turbines)
- Carried out innovation initiatives including 6-Sigma, Director's Big Y, Quality Control projects at production facility group activities, suggestion activities

What we will do next

- Improve profitability by restructuring low value-added business structure, increasing high value-added products, improving production efficiency and improving quality competitiveness
- Consolidate foundation of projects that are aimed at securing new growth engines, and realize performance
- Minimize business risks
- Create synergies through cooperation and cross-sales among subsidiaries
- Enhance production capacity of the US, India, and China
- Boost global business competitiveness through marketing innovation
- Strengthen R&D competency of Chinese subsidiary
- Expand portfolios of Application/ Solution products



Created and Distributed Value

In 2011, our sales jumped by 24% from the previous year through a flat-out effort to secure new customers in South America and central Asia, and so on. However, we marked a deficit due to a low profitability by global economic turbulence and non-recurring loss. In 2012, we aim to prevent such recurring loss and achieve business objectives by leveraging our accumulated competency.

Created Value

The price of copper, which accounts for the highest portion of cable manufacturing, has continuously increased to reach USD 10,000 per ton in 2011. It dropped a bit in the second half, recording the annual average price of USD 8,821, which is about 17% up from the 2010 figure of USD 7,535 per ton. In 2011, our nominal sales increased about USD 388.1 million due to the increase in copper price.

Also, we posted USD 4,160 million in sales with increase in USD 806 million, on the back of new market expansion in Middle East and Asia areas for transmission and distribution businesses as well as newly-launched business projects such as submarine.

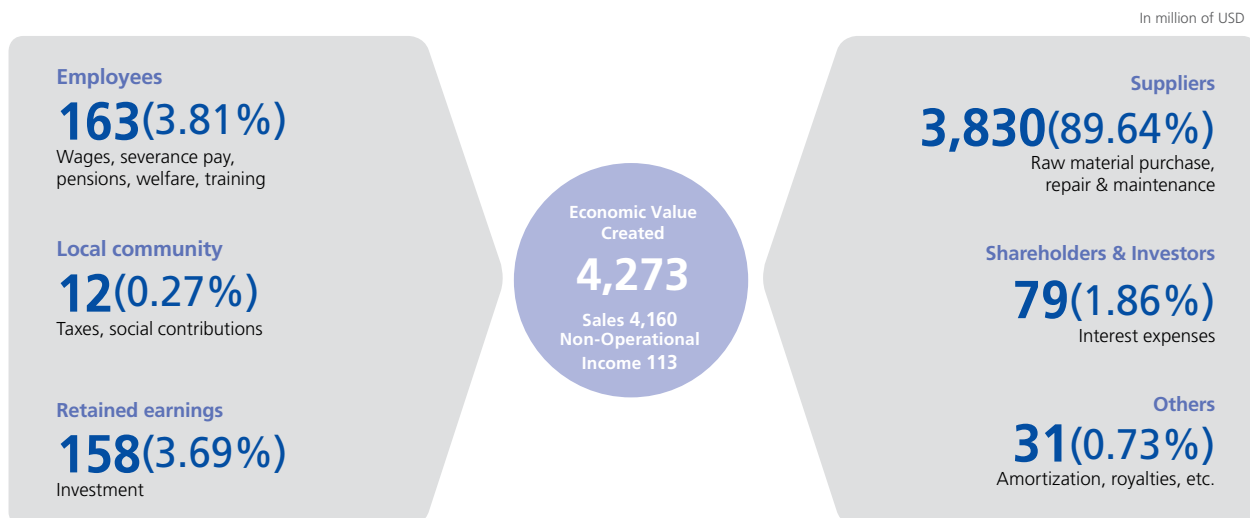
However, heated competition in Middle Eastern and Asian markets caused profitability to be deteriorated. It's partly attributable to Korean won-US dollar currency exchange rates, which fell to KRW 1,108 in 2011 from the 2010 average of KRW 1,156 per dollar, having the impact of reducing profit by about KRW 16 billion. Furthermore, due to extraordinary losses, and fines from the Fair Trade Committee, operating profit of 2011 reduced USD 143 million from the previous year, recording USD 13 million deficits.

Distributed Value

We create values in cooperation with our major stakeholders. The values created benefit not only us but also all our stakeholders. We have realized profitable return to our investors through interest expenses, while providing employees with diverse support for self-development and financial security through employment. In addition, we have contributed to growth of our suppliers through fair trade and supports, and enabled our customers to be more competitive with high quality products we deliver. We, as a corporate citizen, pay taxes to the central and local governments of where we operate, and contribute to the advancement of the local community through philanthropic activities.

Growth

In 2011, our sales jumped by 24.0% from the previous year. This was the result of different factors: 17% increase year-on-year in the price of copper which is the key material of cable products, new market expansion in Middle East and Asia, and the launch of new projects (submarine cable and solution business). Asset increased USD 300 million or 10.3% compared from the previous year. It was a solid growth of growing current assets since inventories decreased 10% while trade receivables and short-term financial instruments increasing USD 257 million.



*As we adopted K-IFRS (Korean International Financial Reporting Standards) from the fiscal year that started after January 1, 2011, financial performances of 2010 is presented at a converted value.
 * Major adjustments (following changes to K-IFRS) in financial position, income (expense), and major cash flow are presented in our Audit Report.

Profitability

Despite high growth in 2011, we recorded operating profit deficit of USD 13 million for the first time since our foundation. With the economic downturn in Europe and the US, major European cable companies expanded their entry into Middle Eastern and Asian markets, which in turn led to fierce competition, decrease in market price, and deteriorating profitability. Also, losses incurred from the newly launched project, fines from the Fair Trade Committee, and losses on non-ferrous products and currency translation adversely affected profitability as well.

We will minimize non recurring losses through strengthening pre-review and management on new projects and investments. Also for the existing projects, we make efforts for sustained profitability by eliminating internal waste factors and vitalizing innovation initiatives in the field.

Stability

Our current ratio improved 17% compared to the previous year to record 107.9% as of the end of 2011. However, the debt to equity ratio jumped to 377% from 299% in 2010, due to increased borrowings that are largely attributable to a bond issuance worth USD 207.6 million with a call provision in November 2011, which was a measure to pay back some private loans prior to maturity in early 2012. We plan to reduce the debt to equity ratio back to 2010 levels through liquidating idle land and generating operating income in 2012.

Activeness

Total asset turnover ratio continues to improve each year. Going forward, we will improve it even more by eliminating inefficiencies in processes and assets.

Future Plan to Improve Financial Performance

We marked a deficit in 2011 incurred due to deteriorated profitability by the global economic slowdown and extraordinary losses. We aim to minimize such extraordinary losses and achieve business objectives by leveraging our accumulated competency for better performance. In the energy business, we will improve profitability by receiving more orders for high voltage cable from overseas and carrying out quality & product management initiatives. And we will nurture promising business projects such as submarine cable, industrial specialty cable, and superconducting cable among others in an effort to secure stable profits into the future. For better financial performance in the telecommunications business, we plan to restructure our business model with greater focus on high value-added products, and expand the solution business. In addition, to meet our growth goals over the long term, we will continue nurturing future-oriented projects including the infrastructure for EV ^{Electric Vehicles}.

Created Values			Growth	
Sales in millions of UDS	Operating Profit in millions of UDS	Profit(loss) for the Year in millions of UDS	Sales Growth Ratio Unit : %	Total Asset Growth Ratio Unit : %
4,160 2011	-13 2011	-56.7 2011	24.0% 2011	10.3% 2011
3,354 2010	130 2010	55.5 2010	24.5% 2010	2.3% 2010

Profitability		Stability		Activeness
Operating Income Ratio Unit : %	Net Income to Total Assets Unit : %	Current Ratio Unit : %	Debt to Equity Ratio Unit : %	Asset Turnover Ratio Unit: times
-0.3% 2011	-1.8% 2011	107.9% 2011	377% 2011	1.4 2011
3.9% 2010	1.9% 2010	90.7% 2010	299% 2010	1.2 2010



Innovation of Way of Doing Business for Customers

The year 2012 marks the 50th anniversary of LS Cable & System's foundation. Although it is said that we are on a path of continuous growth with a stable organization, we, rather, accelerate innovation. We need to provide what customers want as the way they want in order to grow stably and continuously in the fast-changing management environment today. This is our innovation initiatives!

We Satisfy Customer Needs from Near

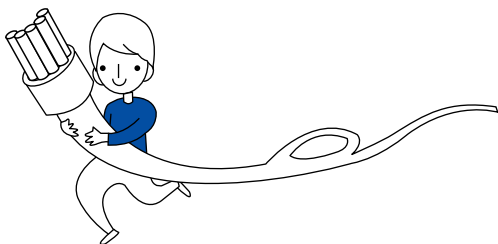
Since cables are key products used in building up national infrastructures, a cable manufacturing company has to have deep knowledge on the situations of a country and specifications of the product customers need. Improving cooperation among sales bases, production bases and the head office in 26 countries, we aim to satisfy customers' demands across the world accurately and promptly and provide products and services what customers need more effectively, as well. For this goal, we make honest efforts to improve production competency of overseas subsidiary and diversify our portfolio of products and services.

Strengthening Competency of Sales Bases • We perform business with 64 sales bases in 26 countries around the world. Thanks to continuous expansion of sales bases since 2009, our business has grown significantly not only in quantity, but also in quality based on cooperation between subsidiaries and prompt information sharing on market and customer needs.

Expansion of sales bases ¹ We have continuously expanded our sales operation, from the existing Asian and Middle Eastern markets to North America and Europe regions, and more recently, to South America, Australia, Russia, and Africa. We set up new offices to better listen to ideas/opinions of local customers and provide our services from a nearby base.

Strong cooperation between overseas subsidiaries ¹ We also intend to make our customer service more effective by closely cooperating with overseas subsidiaries in the areas of training, information, procurement, and customer service. Linking both core competencies that we and Superior Essex (SPSX) hold, we try to do telecommunications, industrial materials, and power businesses successful. Also cooperation among sales offices is instrumental in strengthening our customer service.

Strengthening Competency of Production Bases • In order to expand our global production bases and reinforce their production competency, we have made following efforts:



Sharing resources and mutual support ¹ We support overseas subsidiaries, which are located in different regions and have different production capacity, to make sure that quality products are manufactured at all production bases. Currently, our subsidiaries share training, work process, technologies and resources, and support each other.

Equipment technology Support ¹ We have organized the Facility Service (FS) team to better support our subsidiaries with their equipment maintenance & productivity system establishment. The FS team not only provides equipment technologies directly, but also contributes to developing production technologies and quality control through competency building training.

R&D center established in China ¹ We opened our R&D center in Wuhan, China, in November 2011. We expect benefits from this center in diverse fronts including development of products customized to the location, strong business competitiveness through core technologies development, and improvement of technological competency. In addition, the center is expanding cooperation for joint research and technology development with 'High Voltage Research Institute', which is a research division under the State Grid Corporation of China, largest power company of the nation.

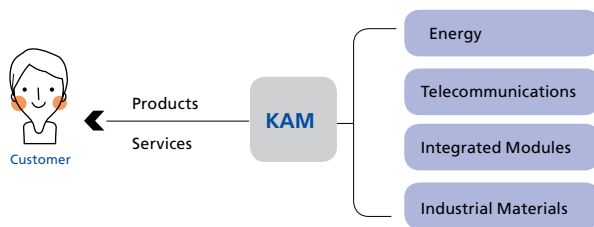
Portfolio expansion ¹ In an attempt to diversify the portfolio of overseas production subsidiaries, we made investments in production facility of power cables in our subsidiaries in the US, China and India. The investments enabled us to identify necessary products at different growth stages of the local market and to provide distribution/high voltage cables to local customers in a timely manner. Furthermore, we are going to provide what local customers want with profound understanding of regional characteristics and various specifications of the product.

'Director's Big Y Task' ¹ This initiative requires an overseas subsidiary CEO and the Business Group at Head Office to perform a Director's Big Y task jointly, and is designed for the following two purposes: 1) to create synergies through mutual cooperation and the CEO of our overseas subsidiary information sharing and 2) to enhance competitiveness through performing the task. The Director's Big Y is a program, under which a director take responsibility to resolve a strategic task having most significant importance to the organization. It is an innovation activity for realizing desired performance with full responsibility utilizing organizational resources.

We Provide What Customers Want

On the basis of our understanding of customers industry as well as technological competitiveness, we provide quality products and services that customers want. In addition, we provide packages of products and services from the perspective of customer, which ensure convenience to customers but also enhanced quality of products by maximize the interoperability of the products.

Application/Solution Services • In order to provide customer oriented solutions, which is different depending on industries, we transcend the category-based sales and instead offer customers customized solutions combining cable-related all products and services that a customer needs in areas including vessels, airport, port, railway, automobile, building, infrastructure, wind turbine and photovoltaic power generation. In addition, we organize a KAM ^{Key Account Manager} team as a single channel of sales to satisfy customers in need of diverse product lines related to cables, so to minimize the inconveniences customers might experience when purchasing diverse items.



Development of Lighter & Smaller, More Efficient Products • For cables of different sizes, but the same performance, the smaller and lighter one costs less in maintenance, and therefore, is more advantageous to the user. Also it costs less to install a smaller and lighter one. For this, we have developed the following high efficiency products.

GAP-type low sag & high capacity overhead transmission cable ¹ We have successfully commercialized a high-efficiency product, which uses aluminum alloy as conductor due to its high conductivity. As a replacement for current power cables, this product alone makes it possible to transmit twice as much electricity without the need for additional power transmission towers and lines.

Light-weight optical fiber overhead cable ¹ An Increase in communications data transmitted requires an increase in the number of cables that are being installed over the ground. To reduce installation and maintenance costs and improve urban landscape, we have developed light-weight optical fiber overhead cable. For domestic clients, we modified our installation method not to roll up the remaining cables* and ensure the same performance.

*Rolled-up remaining cables : overhead cables installed using electric polls are usually connected on the ground and raised to support strands. After installation, the remaining cables are rolled up and attached to the junction box. But since it is not pleasing to the eye and also adds electric load to the polls, we install cables without it.


Wireless power transmission technology ¹ We have developed wireless charger for smart phones, named Chaver. Putting a cover on the cell phone and placing it on the pad are all you need to do. It takes about 2 hours to fully charge a phone, the same charging efficiency as wired a charger. Chaver’s excellent technology is being recognized by Wireless Power Consortium, WPC with its certification of Qi, a new wireless charging standard. We plan to launch wireless charger for notebooks and tablet PCs.

Aluminum PFC tube ¹ There is a growing trend of making electronic products and vehicles lighter. For vehicles particular, light-weight parts are being used to improve fuel efficiency. In line with this trend, we have developed and been providing Aluminum PFC tubes, lighter than existing copper tubes, to be used for vehicle air conditioners. It is also cost competitive due to increased copper prices.

MCX harness ¹ Data processed within televisions have increased thanks to high-quality digital TVs and transition to 3D. To solve the problem of complex cable bundles mounted inside a TV, we have developed MCX harness, which enables efficient data transfer with much fewer cables (51 cables →31cables).

Development of Eco-Friendly Products

With much attention being paid to resource depletion and global warming, there is a growing interest in eco-friendly alternative energy and high-efficiency energy sources. We provide products to be used for generation, transmission and distribution of eco-friendly energy such as wind turbine. Also we have made continuous efforts to develop products that don’t emit toxic materials in any circumstances: production and operation, and unusual events such as fire.

 For detailed information, please refer to “Green Product Lineup Expansion” on page 69~73.



Innovation of Work Process

We are dedicated to realizing the grand principle of innovation, “Growth with Customers,” by innovating hardware and software we provide to customer, and the way we process it internally, as well.

Securing Future Growth Engines through ‘Director’s Big Y’

We implement ‘Director’s Big Y’ projects, in which a director of each business group carries out project with ownership using 6-Sigma techniques. The ‘Director’s Big Y’ projects are generally future-oriented ones aligned with strategies of their business group, involving directors not only in production and R&D group but also management and support group, and CEOs of subsidiaries at home and abroad. ‘Director’s Big Y’ activities help lay the groundwork for mid / long-term growth.

Process Innovation

By managing information on all functions and activities of sales, production, purchasing, accounting, and logistics on-line through the integrated corporate management information system, our employees to access the information they need with much ease, while guaranteeing transparent management and fair performance evaluation. Recognized our increased efficiency of internal management process, we obtained AEO certification and FTA Exporter Certification, in 2011.

AEO Certification • We, first in the domestic cable industry, obtained Authorized Economic Operator (AEO) certification from the Korea Customs Service in March 2010. The certification allows us to deliver safe products faster as we save time and money with streamlined custom procedures and process. Based on WCO’s criteria on safety management for export/import supply network, customs

authorities of each nation grant the certification to the company that meet the following criteria: compliance, internal control system, safety management standards and financial soundness. Currently, this system is in effect in 45 countries including the US, China, EU, Japan and Canada.

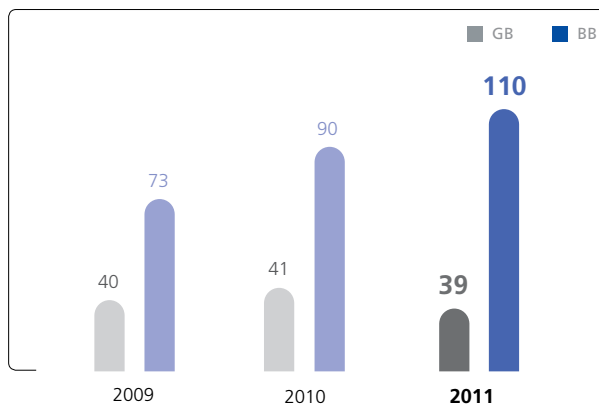
FTA Exporter Certification • Granted by the Korea Customs Service to a company with ability to prove the country of origin, the certification allows the holder to enjoy benefits including a simplified process to get the certificate of origin issued and less paper to be submitted. The certification allows us to respond to customer needs even faster with significant money and time saved in the exporting process.

Problem Solving Activities through 6-Sigma

We have been pursuing 6-Sigma initiatives since 2007 for internal innovation, which will result in improved products and services. 6-Sigma activities task solving activities with clear objectives and planned schedule involve solving problems through objective and scientific analysis. Currently we implement 6-Sigma projects in diverse areas, such as internal process reform, product quality improvement and product development. Through 6-Sigma projects, we can achieve a corporate improvement objective, while participating employees sharpen their competency through problem solving experience. We hold the performance-sharing meeting on a yearly basis to share excellent cases and spread the improvement results throughout the organization.

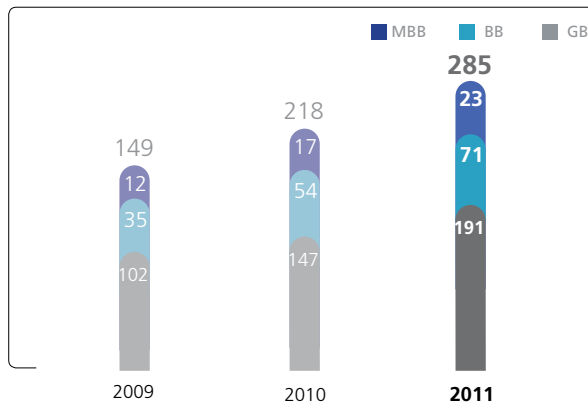
Number of 6-Sigma Project

Unit : number of project



6-Sigma Belt-Certified (accumulated)

Unit : person



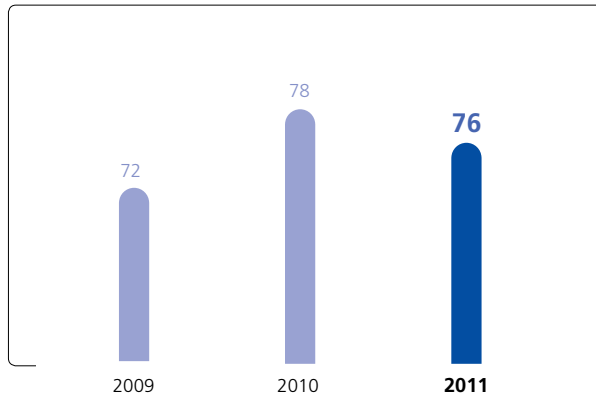
Quality Innovation Starting from the Site

We have implemented 3-R, and 5-S and 'My Machine' activities on-site to address problems in the manufacturing process. The 3R and 5S refers to "Right product, Right quantity, Right place" and "Soft, Straighten, Shine, Standardize and Sustain," respectively. The 'My Machine' activities require all employees to maintain their site production facilities with a sense of ownership. All these activities are designed to improve productivity and product quality. In addition, we operate group activities of "Quality Control project at production facility" that solve on-site problems using 6-Sigma methodologies, reward excellent activities semiannually and distribute them to the entire organization.

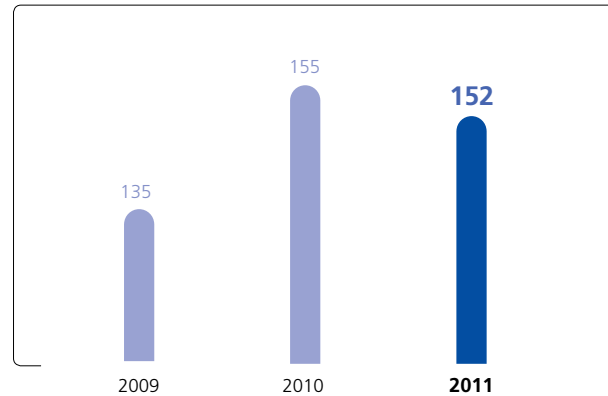
Listening to Employee's Suggestion Idea

We operate the 'Imagination Island' and 'Execution Island,' from which we collect various ideas and suggestions from employees to make positive changes to our business. The 'Execution Island' is an online suggestion system, in which employees can post their ideas about problems in the production site or make suggestions for improvement in following areas: productivity, quality, waste/loss reduction, energy, delivery, environmental safety, work improvement. The 'Imagination Island' is an idea/opinion sharing program at the corporate level and allows employees to post their ideas on business, products, sales, quality, cost reduction, corporate culture, systems, and work system. Depending on participation level, each employee is entitled to an imaginary title and can collect mileages, making it all the more enjoyable to participate in.

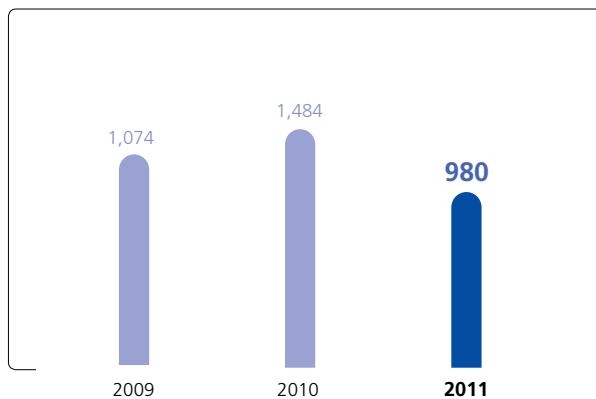
Number of on-site Quality Control Group Unit : number of group



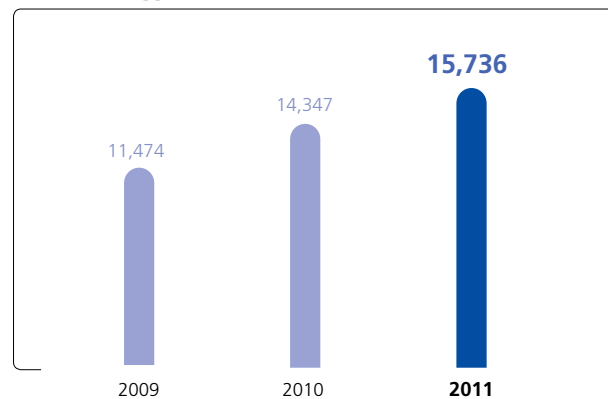
Number of on-site Quality Control Project Unit : number of project



Number of Suggestions on Imagination Island Website Unit : Case



Number of Suggestions on Execution Island Website Unit : Case

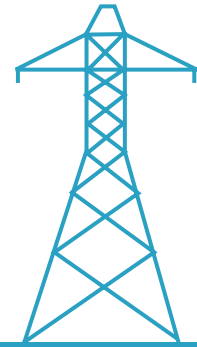


First On-Site Quality Control Project in Korea

The Korea's first on-site Quality Control (QC) project group was born in Goldstar Cable, the former company of LS Cable & System in March 1970. It was 'Saemaeul QC project group'. Our QC project activities were 5 years ahead of year of 1975 when the Ministry of commerce and the IAO(Industrial Advancement Office) began to encourage Korean companies to manage quality. Mr. Weon, general manager of the Quality Management Bureau, IAO(Industrial Advancement Office), participated in our 1st QC competition event, which was held in Anyang manufacturing facility in November 1974, read following congratulated message; "I'd like to pay my respect to your innovation activities that you showed as a pioneer in on-site QC activities 5 years ago. The IAO office will introduce your on-site QC group activities to other companies around the nation as a best practice.



Topic 02 Customers



Guided by our vision of becoming the global No.1 in the cable industry by 2015, we strive to provide products and services that increase customer value. To this end, we try to provide the best products consumers want by cooperating internally within corporate different teams, externally with suppliers, and with consumers. 2012 marks the 50th anniversary of our foundation. It is said that age 50 is when one knows the will of heaven. We believe the will of heaven for us is nothing less than the voice of customers, to which we will be fully committed.

CEO's Comment

"Customer inquiry is the gift of god"

We do our utmost to return customer's trust in us with excellent technology and quality. We promise to reinvent ourselves to become a top-tier company leading the world cable industry through innovative customer-oriented business model and global synergies."

-Jong-Ho Son, CEO

Survey Results

Q LS Cable & System takes full responsibility when a problem occurs to its product/service.

74.46%



Employees

82.64%



Customers

Q LS Cable & System offers quality products and services superior to those of its competitors

69.50%



Employees

75.64%



Customers

What we did in 2011

- Published newsletter to share corporate news and technology information
- Held customer seminar to introduce products and services and listened to customers
- Revised customer satisfaction management policy
- Held monthly quality meetings of the business group
- Held quality review meetings

What we will do next

- Publish newsletters on a regular basis
- Expand the scope of customer satisfaction survey (from product category-based survey to corporate-level survey)
- Hold quality meetings & quality review meeting consistently
- Establish quality academy

Customer Management System

We implemented Customer Relationship Management system, through which we identify, solve and share what customer wants. For the registered opinions/ideas of customers, a problem solving group composed of experts from different fields analyzes key customer requirements and derives corrective measures to improve customer satisfaction.

Improvement Initiatives based on Customer Opinions

Performance Management • We select and manage indicators related to customer satisfaction, and monitor performance through the ERP system. In addition, evaluation is regularly carried out, using criteria that we developed to assess performance. Based on the evaluation results, we decide on detailed plans to achieve the objectives.

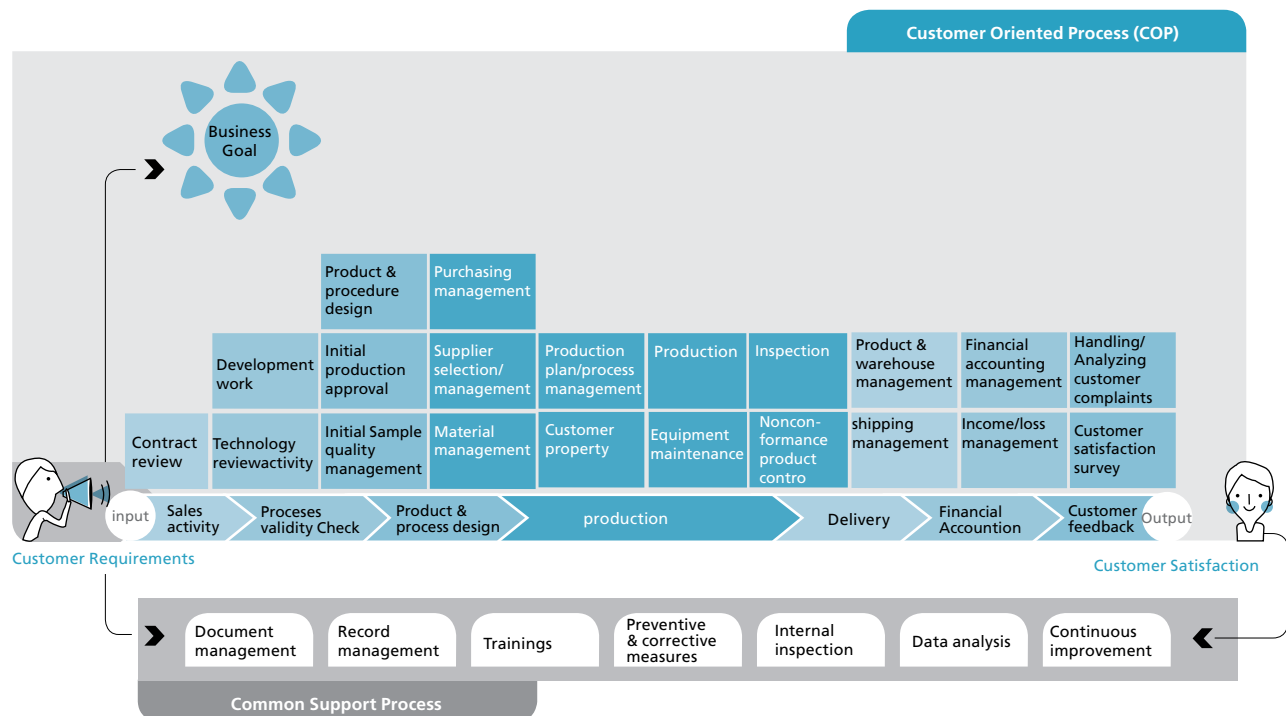
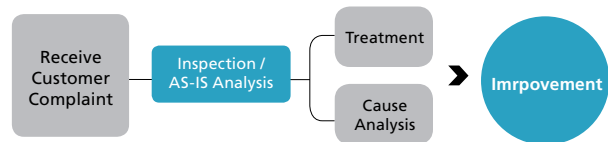
Customer Oriented Process • Customer Oriented Process (COP) is an effective tool to handle customer requirements. The process begins with collecting customer requirements. Then we take a systematic approach, reviewing identified requirements using checklists for each step of the product (sales, work procedure, design, production, delivery and financial accounting, and maintenance). This process enables us to identify areas for improvements, execute corrective measures, and utilize the results back in product improvement and development.

6-Sigma • We select some customer requirements having critical influence on product quality as CTQ (Critical to Quality), and have them managed as 6-Sigma projects. We analyze collected customer requirements; and identify major issues from the analysis. Among the major issues, we derive CTQs and select them to be resolved using a 6-Sigma tool.

Active Process of Customer Complaint Management

Quality Review Meeting • We hold the quality review meeting each year to share quality-related customer complaints at the corporate level. At the meeting, we go over quality management performance over the year and share major cases of quality management failure to find the root causes and ways to prevent similar issues from happening again.

Complaint Handling • We make continuous efforts to prevent issues that result in customer complaints. When a complaint arises, we respond with agility in accordance with the established system, which involves cause analysis, developing improvement measures and continuous monitoring to prevent recurrence of similar problem.





Communication with Customers

Our approach to strengthen communication with customers is bi-directional: We 1) provide customers with information on our corporate policy, initiatives and products, and 2) identify customer needs and requirements and incorporate them in our product development and manufacturing.

Active Provision of Information

Newsletter • We publish a monthly newspaper containing information on our product development, new projects, and major policies. The newsletter is distributed via E-mail.

* Subscription: marketing@lscns.com, pr@lscns.com

Seminars • We invite various stakeholders including customers to various seminars to introduce our products and exchange ideas. Recent trends in the cable industry and technological developments are shared in those seminars, facilitating discussions on our future directions and cooperation with customers.

Telecommunications solution seminar † In March 2011, we invited about 200 people engaged in wireless/wired communications business, to our seminar held at the LS Tower located in Anyang, Gyeonggi Province. We introduced our telecommunication solutions.

Guangzhou technology seminar † In July 2011, we held power technology seminar jointly with LS Hongqi Cable & System, our Chinese subsidiary, in Guangzhou, China. With the 130 attendees from the power industry of the region, we shared information on our high voltage technology and its application in products, including super-conducting cable, submarine cable, and high capacity overhead transmission cable.

Accurate Product Information

Usually, our product provision is decided based on open bidding. We provide detailed information on product, which required for in bid-

ding participation and try to ensure accuracy of information we provide through marketing activities including advertising, promotion and sponsorship along with product information materials such as brochure. We comply with the regulations on marketing, communication and product provision and there is no violation case in 2011.

Listening to Customers

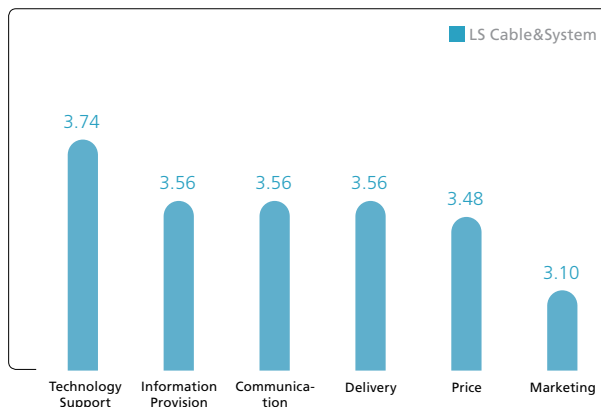
Intranet • We share information on markets, technologies and customers via Intranet and the collected information is discussed among related departments and can be reflected to our customer response and service.

Customer Satisfaction Survey • We conduct customer survey every year to understand customer satisfaction level and derive areas for improvement. The survey results are shared within the company and managed as improvement objectives. We intend to listen to more customers by upgrading the survey methods.

Customer Satisfaction Survey Results Unit : point on a scale of 5.0

Business Unit	Item	2009	2010	2011
Automotive Cable	Quality	3.8	3.9	3.9
	Delivery	3.8	3.9	3.7
	Service	3.8	3.9	3.9
	Average	3.8	3.9	3.8

Customer Satisfaction Survey Results (Overseas Customers of Energy Business Group) Unit : point on a scale of 5.0



*Satisfaction level of LS Cable & System, on the assumption that those of competitor is 3.



Guangzhou Technology Seminar

Quality Management

Based on our guiding principle on quality that “we recognize our customers as the reason for our existence and do our very best to obtain customer trust and satisfaction by providing safe products and services that meet customer needs and requirements in a timely manner”, we have established the ISO-based quality management system.

Quality Management System

Management Organization • For effective quality management, we organized the Quality Environment Management Office under CQO with roles and responsibilities related to quality management. Also, within the Business Group the Quality Assurance Team, which directly report to the director, is organized to test and guarantee product quality

Quality Manual • We created quality manual and procedure based on ISO9001 to set forth a clear standard and procedure for effective quality management activities. Also we monitor on a regular basis the quality improvement activities whether they are carried out according to procedure defined in the manual.

Corporate-wide Quality Management System • To make sure that all our activities in every step—e.g., corporate management, resource securing, product development, purchasing and production— are in line with requirements by customers and ISO, we clarify roles and responsibilities of each Group and manage systems so that products and services with satisfying quality can be provided in a stable and continuous manner.

Product Safety Management

In every step from development and design, to manufacturing and inspection, and to sale and maintenance, we strive to increase product safety and reliability so that customers can use our product safely throughout the end of the lifecycle of the product. Especially, by establishing the Product Safety Management System (PSMS), we meet legal criteria at home and abroad as well as social expectations. Based on PSMS, we carry out preventive and corrective activities to enhance customer safety.

Protection of Customer Right

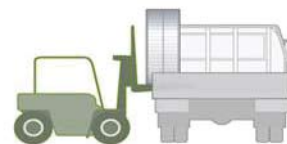
We initiate a product recall when we become aware of a defect that makes a product unsafe, in order to remove the unsafe product from use and so to protect consumers. A product recall is a system that calls an entire line of products considered dangerous or defective back, and take a corrective actions including refund, repair, or replacement. We do not collect customer’s private information as a Business-to-business (B2B) company that most of our customers consist of companies. Also, all data base including customer’s are managed by IT security system such as access right to information by works and position, document security, prevention system of in-house information(DRM), which ensure protection of customer information. There is no incidents of non-compliance with regulations on customer privacy and provision of product and service.

Responsibility of the Quality Management

	Quality System	Development/Design	Purchasing	Production/Inspection	Customer
QA	<ul style="list-style-type: none"> Initiatives for quality objectives set by the Business Group 	<ul style="list-style-type: none"> QP/CP/PPAP Product Certification (By certified organization/customers) 	<ul style="list-style-type: none"> Import inspection (raw material from outsourcing / OEM) 	<ul style="list-style-type: none"> Test/NCR (process, product, Delivery, witness) 	<ul style="list-style-type: none"> Customer complaints/return management Audit
QM	<ul style="list-style-type: none"> Quality assurance Initiatives for quality objectives Standardization, training 	<ul style="list-style-type: none"> Laws & regulations on quality Recent movements of competitors 	<ul style="list-style-type: none"> Import inspection 	<ul style="list-style-type: none"> Measurement devices management 	<ul style="list-style-type: none"> Measures against complaints from major customers Site visit on results



Keep drums up right: Don't lay drum flat on their flanges

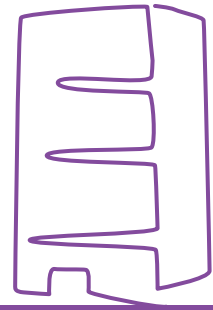


Use forklift or crane to load/unload cable drums

Caution label requiring a careful handling



Topic 03 Suppliers



Our suppliers have made great contribution to the accelerated growth we have achieved thus far. Our cooperative network bolstered by the competitive edge of our suppliers ensures better quality products for customers and greater growth opportunity for companies around the world. Depending on the kinds of products or services provided, our suppliers are generally classified into four main categories: suppliers of (1) raw materials, (2) commodities, (3) non-ferrous metals, and (4) maintenance service. In 2011, we maintained transactions with 919 suppliers. In relations with suppliers, we consider the size of companies and features of items that they supply, since our suppliers are clearly divided into two distinct groups: large businesses supplying non-ferrous metals and petrochemical products, and SMEs supplying other materials.

Stakeholder's Comment

"At a time when prices of international raw materials are fluctuating, 100% price-based payment adjustment mechanism and company-furnished free materials by LS Cable & System are of great help."

-Park Seok-mo, CEO of Hankook Wire

Chief of Purchase Officer's Comment

"We have various supplier support initiatives in place for shared growth and focus on helping suppliers stand on their own feet rather than patronizing them."

-Hwang Yoon-sub, CPO

What we did in 2011

- Complied with the Fair Trade Commission's three guidelines : fair business contracting practices, supplier registration/management, and establishment/operation of in-house review committee on subcontractor transactions
- Implemented price-sliding system, reflecting fluctuation of international raw material prices
- Increased cash payment and company-furnished free materials
- Expanded financial/technical/educational/managerial supports to second-tier suppliers
- Conducted supplier survey on their level of satisfaction with transactions

What we will do next

- Strengthen fairness in all transactions (mandatory issuance of hard copies of terms and conditions, internal review on subcontractor transactions)
- Improve the operation of the Shared Growth Council (logistics integration among member companies, information dissemination on market & shared growth initiatives)
- Identify suppliers who fail to meet the evaluation criteria & implement capability enhancement programs
- Ensure liquidity of suppliers through appropriate prices of supplied products, expanded cash payment, and funding assistance

Survey Results

Q LS Cable & System does not make unreasonable demands to suppliers

70.74% 84.58%



Employees



Suppliers

Q LS Cable & System has various supports in place for the development of suppliers

63.80% 80.42%



Employees



Suppliers

Fair Transactions with Suppliers

We aim to establish a cooperative network with suppliers based on mutual trust through fair transactions. For this, we comply with guidelines of the Fair Trade Commission and, in particular, immediately make payment price adjustment based on international raw material prices, which is a reasonable transaction method to reduce suppliers' financial burdens in transactions with us. In addition, we seek to ensure fair trade in actual transactions by expanding cash payment and company-furnished raw materials.

Introduction of 3 Guidelines of Fair Trade Commission

We have adopted the Fair Trade Commission's top 3 guidelines, namely fair contracting practices, supplier registration/management and in-house review committee on sub-contractors. We have fully disclosed our guidelines that institutionalize the above three items on the E-Procurement website, thus helping them trust us and check our purchasing policy. As for the payment, the single most sensitive concern for suppliers, we made it possible for suppliers to file for adjustment of payment at any time. Also we gladly accept an adjustment request, as long as it is reasonable. We issue hard copies of standard terms and conditions in relation to trade with all suppliers, and plan to improve this practice in 2012 by internally checking for any unissued items.

Price-Sliding System based on International Raw Material Prices

In order to minimize the burden on suppliers due to price changes of international raw materials, we introduced a price-sliding system based on raw material price, by which price changes of raw materials are immediately reflected in payment for purchase.

We make purchases based on actual trade prices of copper, which is the most heavily used and relatively expensive material used to manufacture cable products, and conduct price adjustments according to the changes in prices of petrochemical products and oil, as well as the exchange rates. In 2011, a total of USD 9.6 million was increased in 843 cases by the payment adjustment mechanism and requests from suppliers.

Organization for Supplier Support and Management

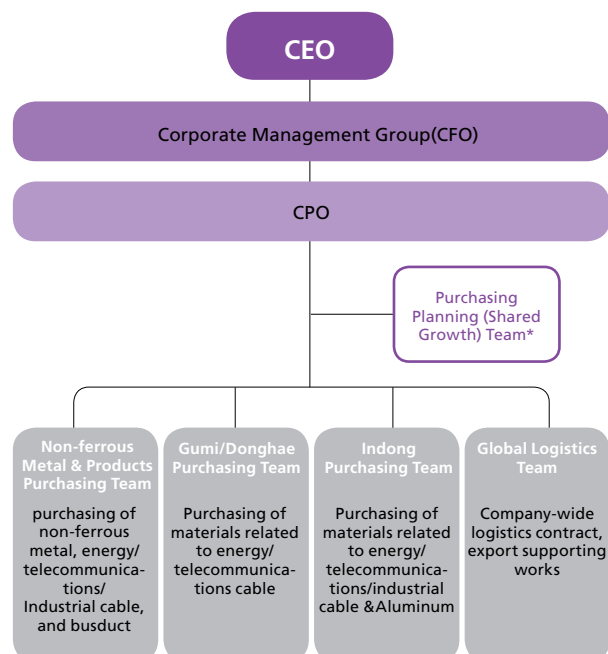
The Purchasing Planning Team and Purchasing Teams in each business site are responsible for supporting and managing suppliers. The Purchasing Planning team is in charge of general shared growth initiatives, while the purchasing team deals with purchasing-related work including supplier selection, bidding, and quotation. Information on our suppliers and transactions are posted and managed on the E-Procurement system, allowing a systematic management of suppliers.

Contribution to Supplier's Stable Management

In 2011, we improved payment terms for financial stability of suppliers. Cash payment, which used to be limited to payments less than USD 4,500 per month, has been expanded to cover payments up to less than USD 180,000 per month starting from April, 2011. Due to this change, cash payment ratio of 2011 has improved significantly from 16% to 40%, with a total of USD 360 million paid in cash. We have paid cash equivalents (cash or trade receivable secured loan without recourse) for all transactions, including payments worth more than USD 180,000. We plan to pay cash for payments up to USD 270,000 per month for each supplier and maintain a 100% cash equivalent payment ratio.

As suppliers are highly susceptible to the fluctuation of raw material prices and market conditions, we also provide suppliers with company-furnished copper, a key material used for manufacturing cable, to alleviate their burden caused by buying raw materials. With company-furnished material worth USD 130.8 million in 2011, we contributed to the stable management of suppliers. We hope to grow together with our suppliers by identifying and supporting suppliers experiencing difficulties in securing raw materials.

Organization in charge of building Partnership with Suppliers



* Any questions regarding supplier issues ☎ 02-2189-9611 ✉ suchangkim@iscns.com



Supporting Activities for Win-Win Growth

We provide supports for suppliers in a variety of field and in 2011 in particular, we laid the groundwork for providing support to second-tier suppliers. Going forward, we intend to broaden the scope of such support measure and continue to seek partnerships with suppliers to ensure substantial cooperation that goes beyond perfunctory support.

Support for Technical Development

For technological development of suppliers, we perform joint development projects and help protect technologies through patents assistance. In 2011, we extended about USD 1 million to fund 12 technology development projects of 16 suppliers and assisted technology license permission of two suppliers and one joint patent application. We aim to enable suppliers to develop and improve technologies and will further expand our technological assistance through joint R&D, technology information sharing, assisting new product development with option to purchase, technology escrow*, and product localization.

* Technology Escrow: A system to fully protect supplier's technology by keeping technology in the Large and Small Business Cooperation Foundation, independent certified institution.

Support of Trainings

We provide training programs on patents, product quality and sustainability management, all of which are designed to increase competitiveness of the suppliers. In 2011, we delivered 8 training sessions and seminars for 154 employees of 117 suppliers. The training programs that we plan for 2012 will cover contents relevant to the real management environment to satisfy needs of the suppliers. Also we will provide more diverse training opportunities.

Financing Support

We extended the zero-interest, no-collateral direct credit to support

suppliers with operational cost and factory relocation expenses. Also, we created mutual cooperation funds together with financial institutions so that suppliers can access credit at low interest rates. We raised USD 1.2 million in 2011, a 73% increase from the 2010 level, to create a USD 23.5 million-worth mutual cooperation fund. We will further expand the scope of financial assistance to our suppliers.

Second-tier Supplier Assistance

In line with our effort to promote shared growth, we began supporting second-tier suppliers. 2011 was the year we focused on establishing the system to expand our support to second-tier suppliers with the combination of direct assistance and indirect assistance through first-tier suppliers. In 2012, we plan to launch various initiatives including incentives so that first-tier suppliers actively participate in paying in cash and increasing unit prices for second-tier suppliers.

Financial assistance available to suppliers

	2010	2011
Indirect assistance	Agreement on USD 9 million in network loans (0.3% preferential rate)	Maintain current level (0.3% preferential rate)
Hybrid assistance	USD 13.5 million in Mutual Cooperation Fund (USD 2.7 million in capital donation)	USD 23.5 million in Mutual Cooperation Funds (raised USD 1.3 million, 1.5% preferential rate)

Suppliers Training

	Date	Venue	Training Topics	Trainees (person)
Training	20~21, Apr 2011	Lifelong Education Center of Eretec Inc.	Sampling test method & test data analysis	22 from 18 companies
	19~20, Jul 2011	Juseong College	Improving quality productivity through lean production innovation	19 from 13 companies
	9~23, Aug 2011	Suppliers' site	Understanding of sustainability management, Outline on our CSR Audit	35 from 10 companies
	17~18, Oct 2011	LS Cable & System	LS Cable & System plant tour (on-site visit)	23 from 22 companies
	17~19, Nov 2011	LS Cable & System	Six Sigma	10 from 9 companies
	Feb.~Aug	LS Cable & System	Six Sigma Project Support	5 from 5 companies
Seminar	16 ~ 17, May 2011	LS Cable & System Training Center	Patents Non-ferrous metals market outlook Open discussion with suppliers	23 from 23 companies
	5 ~ 6, Sep 2011	LS Cable & System Training Center	Shared growth policy/Patent/FTA/Sustainability management/Discussion with 2nd-tire suppliers	17 from 17 companies

Assistance for Second-tier Suppliers

		Assistance detail	Incentive
Support through 1st-tire suppliers	Shared growth agreement	Agreement by a first-tier supplier that it will provide its subcontractors (second-tier suppliers) with the same support it received from us	Add 2 points in evaluation
	Mutual cooperation package loan	Enabling early collection by a second-tier supplier from a first-tier supplier	
	Training assistance	Direct training to executives of second-tier suppliers	Add 1 point in evaluation
Direct support	Price information Disclosure	Disclose price adjustments information on products of first-tier suppliers on our website, allowing second-tier suppliers to adjust price to the same conditions.	
	Mutual cooperation funds	Extending loans at preferential interest rates to second-tier suppliers (low rate 1.5%)	

Fair Selection & Evaluation of Suppliers

Based on our judgment that corporate management environment is changing from competition between individual businesses to competition between networks; we are making efforts to discover competitive suppliers and improve our network competitiveness through regular evaluation. In selecting suppliers, we analyze whether suppliers fulfill the necessary requirements for transaction including management status, production capacity, and product quality, based on corporate-wide global purchase policy. Also, we comprehensively consider economic, social, and environmental performances, such as environment management capability, safety at workplace, and compliance. After evaluation, we take a customized management approach so that suppliers can grow into a more competitive company.

Fair & Transparent Selection System

In order to select competitive suppliers, we introduced the global purchase policy as well as supplier selection process. We secure transparency in supplier selection and procurement by operating the E-Procurement system (<http://eproc.lscable.com>), through which suppliers access our selection policy.

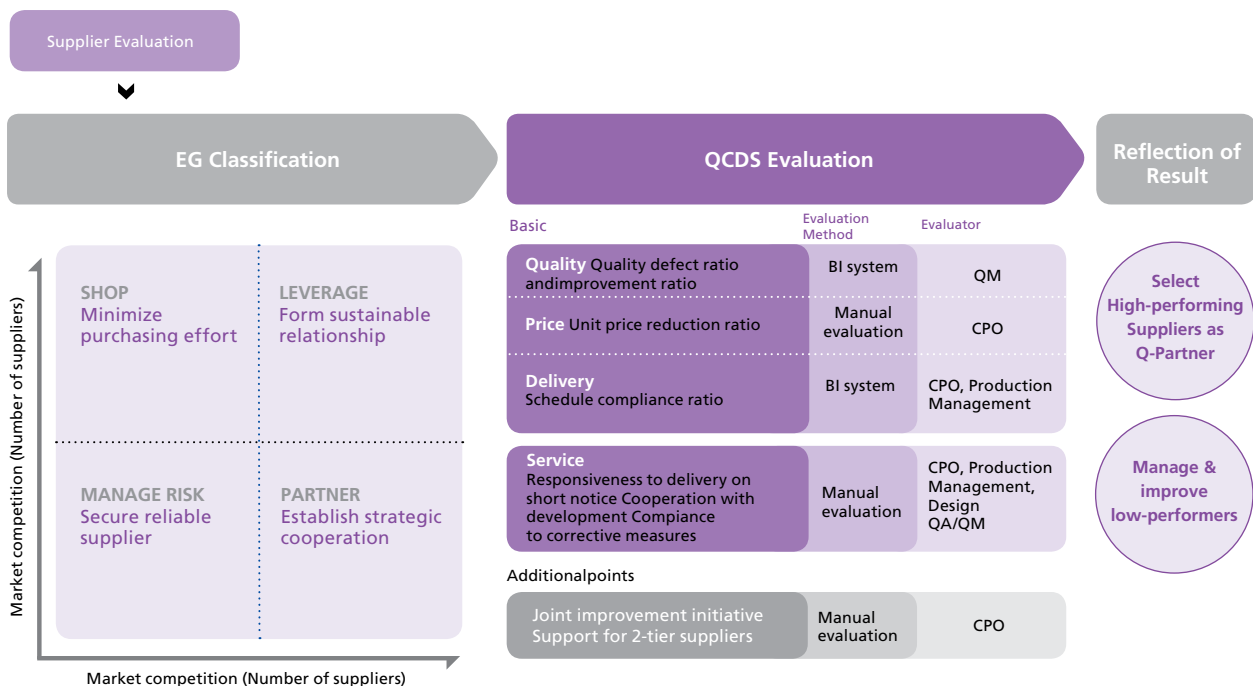
Q-Partner, Certification of Outstanding Supplier

We have an evaluation system in place to promote competitiveness of suppliers. Evaluations are conducted annually on quality(Q), cost(C), service(S) and delivery(D) and target the suppliers with transaction worth more than USD 0.5 million and more than 10 deliveries during the evaluation period from January to December. The process consists of three broad steps: EG classification*, QCDS

evaluation, and evaluation result reflection. As a method to enhance objectivity and fairness of the selection process, all suppliers are classified according to business line and material profile and are subject to different criteria weights based on the assigned Evaluation Group. Also, suppliers are also entitled to additional credits in relation to the win-win growth cooperation so that second-tier suppliers may enjoy the benefits of the win-win growth. We certify suppliers that excel in evaluation as Q-Partners and provide prize money, certificates, medals as well as incentives such as in-house training programs, marketing support, acceleration of payment due dates. Based on evaluation results of 2011, we selected six new Q-Partners : JC Com. Co., Ltd, HYTC Co., Ltd, Haedong Co., Ltd, BBN Steel Co., Ltd, Sungwoo Techron, and Hankook Wire.

* EG(Evaluation Group) Classification : classify evaluation group by business line and material profile

Evaluation and management process





Communication, Very First Step to Mutual Trust

We keenly listen to the ideas and suggestions of our suppliers to resolve their grievances through Shared Growth, CPO's site visit, seminars and supplier opinion survey. Through communications, we will improve our network competitiveness, through which we share performance and growth with suppliers.

Shared Growth Council

The Shared Growth Council, which is composed of 35 excellent suppliers, was established in April, 2011. The council will have more than four official gatherings a year in order to promote growth strategy and information sharing between us and suppliers, and among suppliers through workshop, training and site visits. If 2011 was the year to lay the groundwork for the council, it will have discussions to deliver tangible results in 2012.

Listening to Voice from a Site

Our CPO ^{Chief of Purchase Officer} visited suppliers to listen to their opinions regarding management issues. Visiting all 35 member companies of the Shared Growth Council in 2011, he witnessed business operation, listened to opinions including even those not related to the contract with us, and shared ideas for improvement. We plan to make such visits on a regular basis and hold open discussions meeting with about 40 suppliers in 2012. It will establish a solid foundation for communication between us and our suppliers and contribute to growth of the suppliers.

Outside Supplier Seminars

The Purchasing Team created a venue to communicate with Production Management & Development department in order to provide main outside suppliers with the opportunity to expand their business contract. In the business presentation-like seminars, each supplier presented its major equipment and technologies and shared

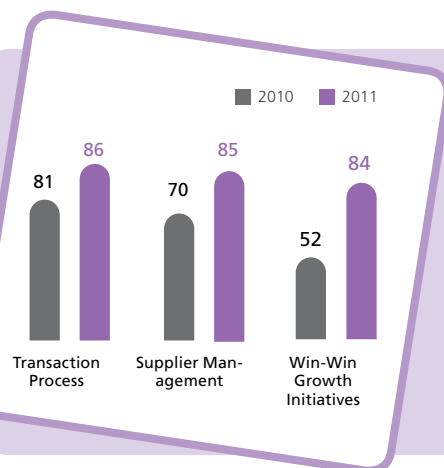
ideas whether it can supply products to other Business Groups as well. A total of 9 suppliers participated in 3 seminars in 2011, and we plan to discover innovative business items and strengthen creative cooperation relations through quarterly seminars with outside suppliers in 2012 as well.

Satisfaction Survey of Suppliers

The Purchasing Planning Team has conducted a survey of suppliers to better understand their satisfaction of transaction with us. Our survey for 2011 was conducted in November and targeted top 120 suppliers by purchase amount on three categories: transaction process, supplier management, and win-win growth initiatives. The survey results show that satisfaction level improved in all three categories, compared to 2010. We will continue to conduct such surveys regularly so that we can listen to diverse opinions, based on which we will identify and address areas of improvement.

Grievance Procedure Channel

We receive and address suggestions, criticisms, and grievances through the Cyber Reporting menu on Ethical Management website. Received comments are independently managed to ensure confidentiality and thus to help all suppliers express opinions and enjoy all due rights. The Purchasing Planning team often promotes the Cyber Reporting menu, while listening carefully to ideas/suggestions of suppliers and strengthening effort to internalize fair transaction practices all the time.



Supplier Survey Result

Under the transaction process category, suppliers responded positively with more than 80 points with regards to registration & evaluation of suppliers, ordering and import inspection, and most noticeably, 92.5 points in the payment area. Price agreement was scored at 71.5 points, which is not high enough but 11.7 points up from the previous year and hints a major progress in our effort to apply fair price of supplied products. Under the win-win growth initiatives category, the level of satisfaction jumped to 84, 32 points up in a year, showing the initiatives are effectively spread to suppliers. In 2012, we will find and implement ways to increase satisfaction level in the price area.

Sustainable Supply Chain Establishment

The sustainable supply chain is built on sustainable relations between our suppliers. We identify the most crucial factors to those relations, including product quality, delivery, compliance, environment and human rights, and aim to manage them through cooperation. For this goal, we take a phased approach considering characteristics and realistic conditions of supplier and aim to lay the foundation of sustainability management first.

Global Purchasing Policy

We set up global-standard purchasing policy to promote product quality and service, fair transactions, social responsibility, environmental management and work site safety. The policy serves as useful guideline for suppliers in understanding and practicing sustainable supply network of LS Cable & System, as it covers our economic, social and environmental considerations throughout the purchasing process. In 2011, we carried out trainings on global purchasing policy and disclosed them on the E-Procurement system for suppliers to reference. We plan to distribute translated versions of global purchasing policy to overseas subsidiaries to help systematic purchasing activities and supplier management.

Sustainability Management Monitoring

We monitor sustainability management to identify the status of sustainability management of suppliers and encourage its practice. In 2011, we monitored 10 member suppliers of the Shared Growth Council and conducted self-diagnosis, on-site inspection, and improvement plan establishment.

Monitoring Results • The monitoring identified one excellent supplier and two good and the remaining seven suppliers failed to meet the monitoring criteria. Most suppliers fared well in terms of labor and welfare, while fair transaction and law compliance, envi-

ronmental responsibility, and local community contribution were evaluated to be in need of improvement. We will focus on those less-performing areas in 2012 with the goal of increasing the average from 56.6 points in 2011 to 70 points, and expand the scope of monitoring as well.

Building upon what we achieved in establishing sustainability management monitoring environment for suppliers in 2011, we will continuously operate the monitoring system in 2012 so that it can take its place as our own supplier management program.

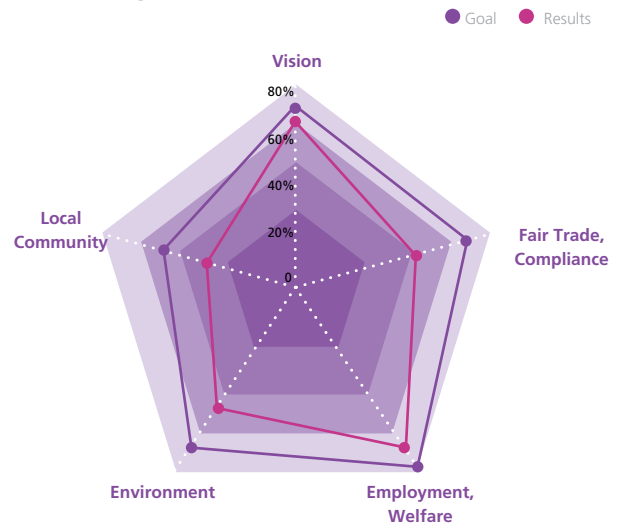
Checklist for Sustainability Management Monitoring

Items	Description
Sustainability management vision	Executive's commitment, Strategy establishment, Risk management
Compliance	Compliance with international standards, laws & regulations, and guidelines, etc.
Fair operation practices	Human rights, Ethics, Ttransparent management
Employment (welfare & benefits)	Working environment, Work site safety
Environmental responsibility	Resources & HazMat management, Environmental information disclosure
Contribution to local community	HR recruitment & supplier selection from local community

Sustainability Management Monitoring Process

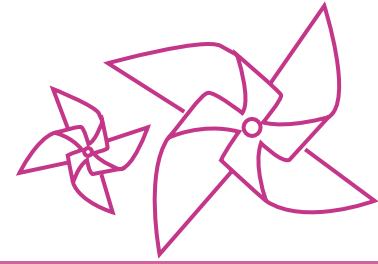


2011 Monitoring Results





Topic 04 Local Community



Local community is the solid ground, upon which our business is based and develops. We believe it is corporate responsibility to return the love we received from local community, which provided worksites and human resources so that our business can flourish and bear fruits. We aim to contribute to growth and development of local community, going beyond mere support. We think our social contribution activities have not been up to the level of corporate size, employees' commitment and our business scale. We plan to establish strategic social contribution system in line with our business and brand image. In addition, we will accelerate our social contribution activities of global subsidiaries.

Stakeholder's Comment

"Just as a small good deed makes a big love, LS will continuously support the marginalized and low-income families through sharing with participation of our employees"

—Cha-hong Koo, CEO/Chairman of LS Group

"The more we share, the more we get and learn"

—Yun-sub Choi, Product Innovation Team

Survey Results

Q LS Cable & System contributes to the development of local community

72.53%



Employees

83.26%

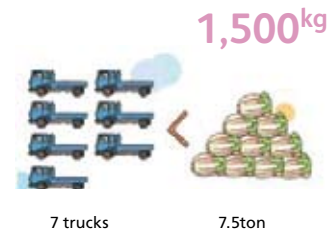


Community

1,500Kg the amount of Kimchi we made in 2011

We have donated 1500kg Kimchi a year on average for 5 years since 2007.

The total amount of kimch donated up to now is as much as 7.5ton, which is more than 7 trucks (1ton truck).



What we did in 2011

- Contributed to revitalizing regional economy: research center expansion, relocation of Anyang business site to Gumi, and investment into plants in the US, China, and India
- Sponsored the welfare programs of Anyang and Gunpo, and carried out philanthropic supports for the marginalized
- LS Honqi Cable & System, subsidiary in China supported a renovation project of the local public hospital.
- LS-VINA, subsidiary in Vietnam, donated USD13,000 for sharing activities,

What we will do next

- Develop LS Group's flagship social contribution program in line with LS Partnershipa
- Develop social contribution programs in which employees participate
- Strengthen global social contribution activities

Social Contribution System

We define the cities of Anyang, Gumi, Indong and Donghae where domestic business sites locate, and regions where our overseas subsidiaries operate, as the local communities. We carry on a wide variety of social contribution activities in our local community so that we can deliver practical assistance through active communication with stakeholders. With “sharing” and “development” as the two pillars of our social contribution, we engage in philanthropic activities, global volunteering, local economy revitalization, educational/cultural support, and environmental conservation.

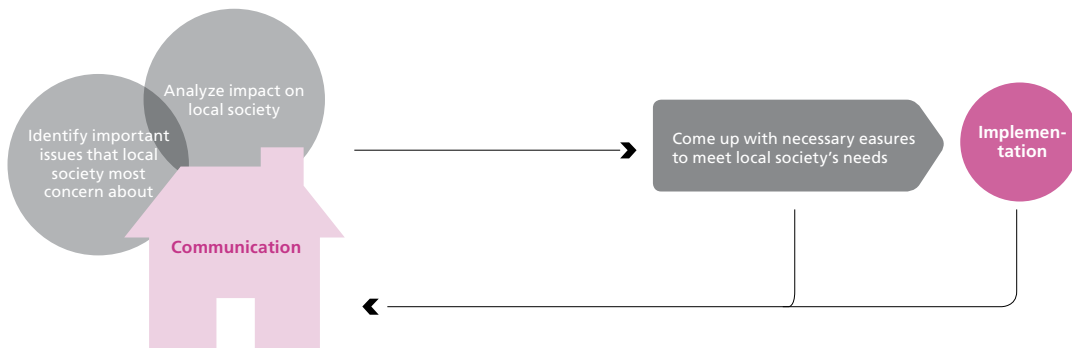
Social Contribution Organization

The Social Contribution working committees of sustainability working committees is responsible for analysing our business impact on local society and developing a contribution program considering regional characteristics. The Labor Relations Planning Team and The HR & General Affairs Team at each business site are leading social contribution activities on the basis of communication with local community stakeholders. The Social Contribution working committees currently participates in a LS Group TFT, which is organized aiming at developing a group level strategic contribution program.

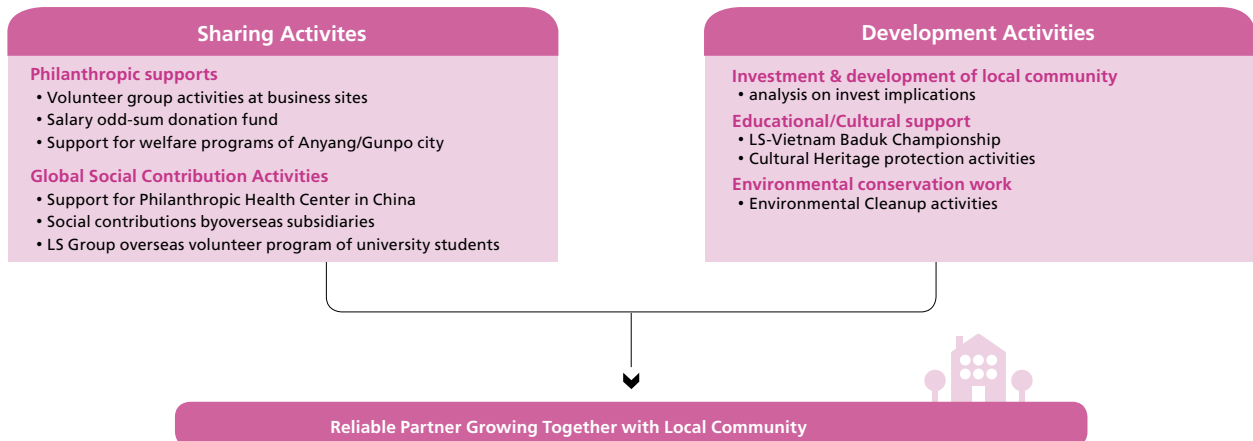
Strengthening Communication with Local Community

In 2011, as we face important issues regarding local society including phased relocation of Anyang worksite to Gumi and increased role at Donghae worksite as a local citizen, we bolstered communication with stakeholders in order to help local community understand those issues and collaborate with each other. CEO Jong-Ho Son participated in a monthly morning meeting of Anyang local government on Feb. 1, 2011 to explain background of relocation of Anyang business site to Gumi and our plan on how to develop the site in the future.

Response to Issues of Local Society



Social Contribution System





Sharing Activities

Raising salary odd-sum donation fund, we have supported the underprivileged social group. Our employee's volunteer group, the 'Chamsarang Society (True Love Society)' of Gumi and Indong site and the 'Jeongnanum Society(Sharing Love Society), held a social contribution event such as heating coal briquette donation, lunchbox delivery campaign for neighbors, in a regular basis. Furthermore, we make a sincere effort to fulfill our social responsibility in global sites as a global citizen.

Philanthropic Supports

Volunteer Group Activities • We have promoted social contribution activities through the volunteer groups organized at each plant in Gumi, Indong and Donghae. Each group focuses on helping out the marginalized in local communities, utilizing fees collected from members, ad-hoc donation, and contributions.

Salary-Odd Sum Donation • Upon the voluntary consent of employees, we collect odd sums amounting to less than USD 1 from their salaries and bonuses on a monthly basis. We donate a matching sum to the fund that adds the same amount of grant as employees' offer. With the odd sum donation, we grants about USD 3,500 in sponsorship every month to 37 needy neighbors including senior citizens living alone, people with physical handicaps or children living with their grandparents in Anyang, Gumi, Indong and Donghae(as of 2011). In addition, we support the Bono Welfare Center in Ansan City which takes care of children with physical handicaps, so to enable the children to communicate better with the society and hold on to their dreams.

Sponsorship for Welfare Programs of Anyang & Gunpo

• We proposed to set aside about USD 1,800 to donate USD 900 each to the welfare projects of Anyang and Gunpo, our local communities, out of the yearly donation that all LS Group affiliates make together to the Community Chest of Korea. Through consultation with the local governments, we selected the appropriate programs through which our donations could be used to support the socially vulnerable class in practical ways. Based on these activities, we received a plaque of appreciation from the city of Gunpo that is given to companies excelling in social contribution. Our plant in Donghae,

which was completed in November, 2009, launched various activities including cultural heritage protection actives and sponsorship of "Love for Donghae, Love for the Environment: Drawing Contest, as a member of the local community,

Global Social Contribution Activities

We are expanding our social contribution activities with focus on local communities where our overseas subsidiaries operate, such as China, India, and Vietnam. In 2011, we developed a contribution program from a more long-term and constructive perspective, going beyond simple contributions made by each subsidiary.

Sharing Activities in China • Together with the Chinese Red Cross, LSHQ, one of our subsidiaries in China, supported the renovation of public hospital in Yichang City, Hubei Province, completed its construction in May 2012. This project aims at modernizing the medical facilities in rural regions, resulting in better access to high-quality medical services of the people. LSCW another subsidiary in China is focusing its attention on supporting education. For instance, it has donated over 100 books every year to Wuxi Korean School and granted scholarships to students at Harbin University since 2008.

Sharing Activities in Vietnam • LS-VINA, our Vietnamese subsidiary, has been visiting and helping the socially vulnerable groups during the holiday season every year since 1999. In 2011, it spent a total of USD 13,000 to support orphanages, schools for the blind, and families of Agent Orange victims and war veterans, as well as to provide housing to the needy and to supply PCs to schools in rural areas.

2011 Major Activities of the Volunteer Groups

Group	Activity Description	Beneficiary	Date/Frequency	Participants(person)	Performance (Unit: USD)
Chamsarang (Gumi/Indong)	Free meals for the elderly	Gumi Social Welfare Center	Monthly	15/month	3,600
	Housing renovation service		Ad-hoc	10/visit	1,000
	Kimchi-making campaign for neighbors		Year-end	40	4,000
	Briquette donation	Gumi Health Center	Year-end	20	2,000
	Volunteer activities at orphanages	Kimcheon Welfare Home	Monthly	10/month	2,600
	Hair-cut service, birthday party for the elderly, heating & meal expense donation	Seongsim Elderly Home Ansa Elderly Community	Monthly	5/visit	3,500
	Provision of lunch for needy children	Buksam & Yesan Elementary Schools	Monthly	-	3,000
Jeongnanum (Donghae)	Party for the elderly in Songjung-dong	Songjung Elderly Club	Once/year	2	8,000
	Rice & kimchi donation to Songjung Community Association	Songjung Community Association	Year-end	27	4,730
Total					32,430

Development Activities

We help our local community grow with a balance from economic, social and environmental perspectives through an investment expansion economically, cultural and educational supports socially, and environment conservation activities, environmentally.

Contribution to a Revitalization of Local Economy

A Positive Economic Impact on Anyang & Gumi • The Anyang plant is currently being relocated to Donghae and Gumi, Indong site. In 2011, Greenflor Team completed their relocation to the plant in Indong. The research institute in Anyang was relocated to the new R&D center in Gunpo in March 2012. These are long-term measures to develop the site of Anyang plant and research institute into production and research complexes, housing facilities, and office buildings of LS Group. They are expected to generate a positive economic impact on the local communities by creating jobs and building new infrastructure.

New Investments into Overseas Worksites • Through Superior Essex, our American subsidiary, we invested a total of USD 60 million in the city of Tarboro, North Carolina, to build a power line manufacturing plant, which will begin in operation in May of 2012. We also invested USD 36 million in India to add a production line for power lines in a telecommunication manufacturing factory located in Bawal, Haryana, in northern India. The line is scheduled to begin production from the first half of 2012. In addition, we established an R&D center in Wuhan, Hubei province. We plan to develop it into China's best comprehensive R&D center in the cable industry, and are expanding the recruitment of local researchers.

Local communities have high hopes for our aggressive investments. In an unprecedented press release, the government of North Carolina stated that "The new plant will create new jobs." On a similar note, Senator Clark Jenkins was quoted as saying that he expected the new factory to contribute greatly to the economic revitalization of Tarboro and North Carolina.

Cultural and Educational Supports

LS-Vietnam Baduk Championship • Our Vietnamese subsidiary LS-VINA has been supporting the Vietnamese national Baduk championship held in Ho Chi Minh city from 2011. In tandem with increasing interest in Baduk in Vietnam, LS-VINA is actively engaging in distributing Baduk as well as facilitating cultural exchanges between the two countries. Ever since Chairman Christopher Koo of LS Cable & System was appointed as an honorary ambassador for Vietnam in Korea, We have been supporting important events to facilitate cultural exchanges and understanding between Vietnam and Korea, including 65th Independence Anniversary of Vietnam, Vietnam Cultural Tourism Festival and Korea-Vietnam Friendship Night.

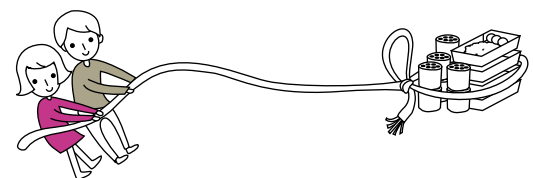
Nurturing Technical Experts • Since our signing of an MOU with Sudo High School of Technology in 2010, we conduct regular on-site training in our worksite for talented students in order to nurture talented technical experts. In 2011, we selected 4 students and granted them opportunities to onsite training for 23 weeks.

Cultural Heritage Protection • We have engaged in 'Cultural Heritage Protection Campaign', which involves cleanup and maintenance activities near the Iron Age Remains at Songjeong-dong. Designated as Cultural Property of Gangwon Province No. 84 in 2005, this place is where multiple housing areas and about 100 relics were found. We plan to expand this movement to other worksite.

Local Environmental Protection

Environmental Conservation • We have carried out a variety of activities to conserve the local environment. In Anyang site, 'Saving Anyang Stream' campaign is conducted at least twice a year, while the Gumi and Indong site perform the joint cleanup activities in Mt. Geumo regularly. These programs have the distinct characteristic of the participation of both labor and the management. In addition, employee clubs such as the mountain climbers club and scuba diver club also participate in environmental cleanup campaigns.

Participating in a Wild life Protection Program • In order to protect the migratory birds in the Haepyeong wetlands located in Gumi, we feed the birds near Nakdong River and carry our cleanup events held near the birds' habitat every year, with the Gumi local government and Daegu Environmental Office. The Haepyeong wetland is the largest wintering pond along the Nakdong River for white-fronted geese. Every year, from October to April, about 35 different species of migratory birds, including some 10,000 white-fronted geese as well as a number of endangered species of cranes, come to the wetlands to pass the winter or to rest. At our events aimed at protecting the birds, we scattered rice seeds, barley, wheat, sorghum, and other foods along the sand bank of the island, and also treated wounded birds and returned them to nature.





Topic

05 Employees



Employees' satisfaction is the starting point in satisfying all stakeholders including customers, suppliers and local communities. Achievement in sustainability management is also made by our employees. Our effort for employee satisfaction begins with respect for them. Based on a horizontal partnership, we treat all employees with respect and consideration and without discrimination. Furthermore, to ensure our employees realize their full potential, we provide various supporting measures and strive to promote a happy workplace. Our 9,168 employees around the world are creating a stable and creative corporate culture bolstered by mutual trust between labor and management.

Stakeholder's Comment

Since joining the LS family, we experienced a lot of changes. Our employees now take more pride in their work, with great improvements in welfare, such as provision of work uniforms, commute shuttle service, and better work environment. Noticeably, many investments have been made into training programs to disseminate corporate visions and core values to all employees through organization revitalization training as well as various work-related training sessions, such as user training after ERP system implementation, newly-hired worker training, and sales capability training. I'm sure that LS HongQi Cable & System's future is bright with these efforts. Go, LS Cable & System!!

– Manager He Zu Ling, HR Division of LS HongQi Cable & System

Survey Results

Q LS Cable & System supports work-life balance of its employees

59.01%



Employees

Q LS Cable & System makes sufficient investment into employees' training

63.61%



Employees

What we did in 2011

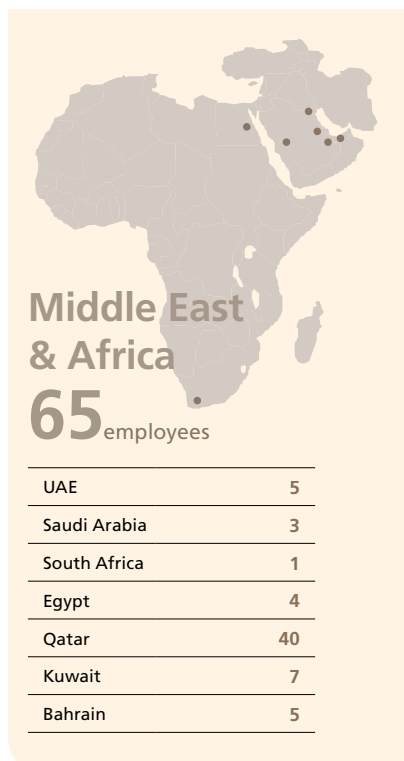
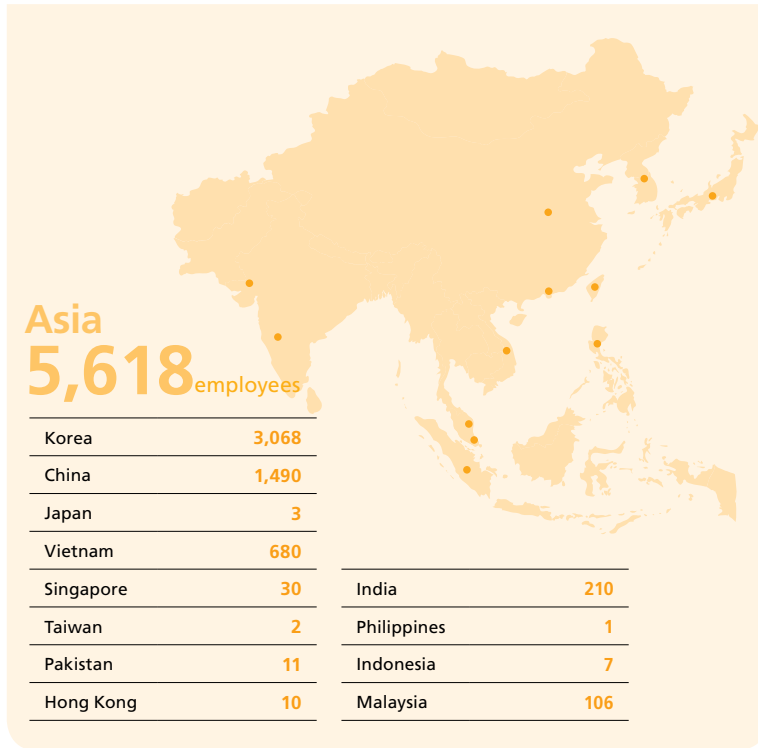
- Expanded global recruitment (foreign employees ratio-71.4)
- Developed Korean cultural experience programs for foreign employees
- Achieved zero case of child/forced labor and labor dispute in all global site
- Facilitated communication through reading: Son's Book Café (5 books, 385 postings)
- Launched LSMaster certification system
- Built a cyber-training system
- Improved work-life balance: encouraged refresh leave
- Reduced occupational accident ratio to 0.27% from 0.54%

What we will do next

- Hire global talent through on-campus recruitment at North America
- Support a cyber-training system at subsidiaries
- Conduct a program that disseminates global corporate culture
- Provide trainings on ethics, human rights and sexual harassment prevention
- Support cyber training system establishment of suppliers
- Reinforce work-related training program
- Maintain communication channels including monthly meeting, Son's Book Café and Talk with CEO
- Expand refresh leave
- Implement 'Director's Big Y' project for work and life balance
- Identify and remove risk factors in the field

Employee in Our Global Network

Total **9,168** employees





People, Our Most Valuable Asset

We hire a variety of talent from around the world. We now practice our “the same, but different” principle with employees from diverse cultural backgrounds pursuing corporate common goals. The basic approach we apply to all business sites is that we understand social and cultural differences for each business site and incorporate them in the system while respecting human rights.

Respect for Human Rights

Compliance with International Human Right Principles

We respect four ILO principles—freedom of association, a ban on forced labor, a ban on child labor and non-discrimination—and prohibit unfair discrimination for reasons of gender, academic ability, nationality, religion, or region of origin, as stipulated in the chapter 5 of our code of conduct. Also we guarantee the three rights of labor: the right to organize, the right to bargain collectively, and the right to take collective action according to the Article 33 of the Constitution, and prohibit child labor and forced labor. We observe rules, principles, and laws with regards to human rights and have monitored compliance. We operate a variety of channels through which discriminatory or unjust practices can be reported, such as the cyber ombudsman and hotline for preventing any kind of sexual harassment, and anyone can report or get counseling under anonymity without having to log on to our website. In 2011, there were no violations.

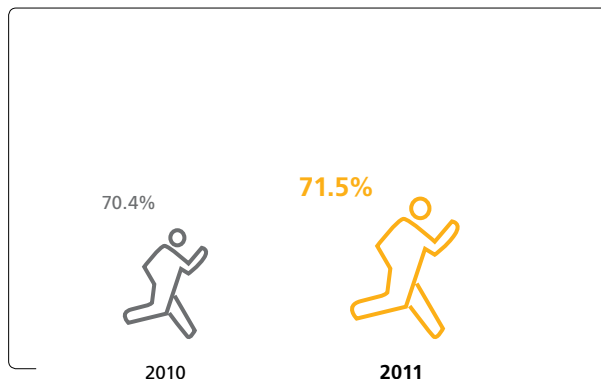
Human Rights Education • We provide anti-sexual harassment and human rights training programs to the entire employees every year. In 2011, we conducted anti-sexual harassment training for all 2,393 employees and 1,298 persons completed the ethical training program for diversity and non-discrimination. In addition, we conduct anti-sexual harassment and ethical management training in the corporate core training programs for new hires and overseas transferees. Our facility management & security contractor, the Serveone, also provide training on human rights. In 2011, 18 employees of responsible for security, who belongs to Serveone, received a human right training every month.

Global Talent Recruitment • We hired talented people in Korea and elsewhere in the world via various recruitment channels. Notably, to secure global diversity and strengthen global capacity, we hire more local employees at our business sites overseas. And with the goal of increasing the share of foreign employees to 10% of total employees working in Korea, we try to procure global pool of talent with partnership with search firms in key strategic spots around the world and with campus recruits in prestigious universities. We also came up with institutional support to respect diverse backgrounds of our employees and better protect human rights. We operate a global help desk to help resolve any grievances/challenges of our employees. We also provide an opportunity to get a position and short-term training packages in Korea to the employees working in overseas subsidiaries and branches, with the purpose to nurture core talents to global leaders.

Respect for Female Resources

Although female workers are still a minority in portion given the nature of the industry, a industrial material manufacturing industry, we actively hire female talents through creating a female-friendly work environment and providing institutional support such as maternal leave. As a result, female employees are in increase in number. As of 2011, female managers account for 2.3% of the total of management positions, and we have a plan to recruit more female talent and nurture female leaders via specialized leadership training programs.

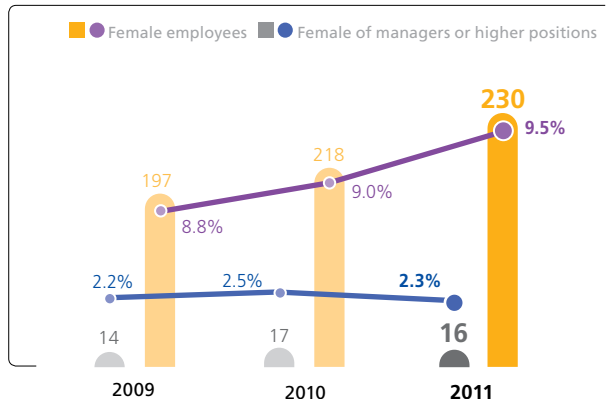
Ratio of foreign employees



*Data of domestic subsidiary is not included.
*Data of 2011 includes the number of employees in overseas construction project.
*Data of 2009 was not collected

Female Employees & Managers

Unit : person



Mutual Growth through Communication and Trust

Our mutually beneficial labor-management relationship is on the basis of mutual trust and communication. In accordance with international human rights principles and domestic laws, we guarantee the right of employees to form and join trade union. Also, the management group and labor union promise to respect and cooperate with each other in order to improve the working conditions while facilitating corporate growth. Both have collaborated as strategic partners without labor disputes for the last 23 years and shared common vision through seamless communication.

Strategic Partnership

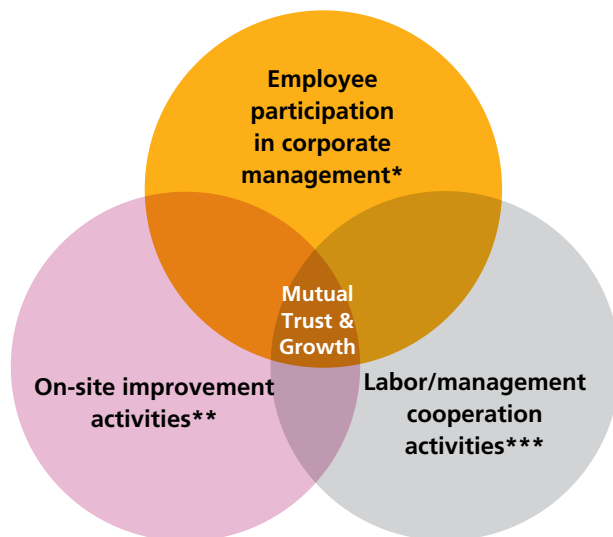
We have strengthened mutual trust between labor and management through guaranteeing participation of employees in corporate management and joint collaboration initiatives. Notably, we made it mandatory to go through discussion with labor union when it comes to changes in working conditions in an effort to prevent degradation of working conditions and ensure job security.

[Collective Employment Agreement Article 20]

The company shall try as much as possible to ensure job security of the members and discuss matters having an important effect on job security (new HRM system, wages, benefits, organizational restructuring and downsizing, etc.) via the Participation & Cooperation Promotion Council in each workplace before implementation.

Strengthen communication for mutual trust

We provide corporate management information to employees via various channels and communicate actively with them to promote mutual understanding.



* The Participation & Cooperation Promotion Council, The Labor/Management Council, Sharing of business information in monthly meetings

** Onsite grievance handling, local community service, environmental conservation programs

*** Employee satisfaction surveys, open discussions, dialogue with employees, grievance counseling

Son's Book Café • We make use of reading as a tool to facilitate internal communication and share their ideas, while encouraging reading as a way to get knowledge, ideas, and inspiration. Selected books by the CEO are distributed to all employees, and the employees are encouraged to post their ideas not only on the books but also on corporate management on the webpage, titled 'Son's Book Café'. We read 5 books together in 2011.

Onsite Satisfaction Survey • The labor/management joint council conducts an onsite satisfaction survey every year. The survey has 8 categories: 1) Opinions on managers (manager, deputy general manager, and general manager) 2) opinions on supervisors 3) communication 4) corporate culture 5) labor-management relationship 6) labor union 7) working environment & safety 8) job management 9) welfare & reward. The result of the survey is used to find out and address onsite issues, thus improving employees' satisfaction level.

Key Communication Channels

	Attendants	Frequency	Description
Son's Book Café	All employees	Ongoing	Share ideas on books recommended by CEO & provide feedback on corporate management
Monthly meeting	All employees	Monthly	Share business information
Business Group meeting	All employees of each group	Monthly	Share business information
Participation & Cooperation Promotion Council	Labor union leader & 7 others CEO & 7 others	Quarterly	Discuss present management issues Discuss issues related to employees
Labor/Management council	Union Secretary General & 3 others Labor relations planning team manager & 3 others	Quarterly	Discuss issues related to employees
Employees Association	Employee representative	Monthly	Address grievances and improve the HR system Organize various events
Talk with CEO	Employees selected by topic	Monthly	Share opinions on specific topics with the CEO
Innovation activity sharing	All employees	Semi-yearly	• Share success stories in individual project
• Project presentation		Semi-yearly	• Share best on-site improvement cases
• On-site QC Activity presentation		Yearly	• Share best 6 Sigma activities & 'Director's Big Y'
• Performance sharing meeting			



Global Competency Development

We make every effort to cultivate a global leader who is capable of realizing corporate vision and goals and contributing to a more prosperous human life. For this end, we have developed a systematic human resource development system having a tie with corporate strategies and competency desired by the company. Also, we encourage our employee to develop such competency as Positive Mindset, Creativity-driven Innovation and Professionalism.

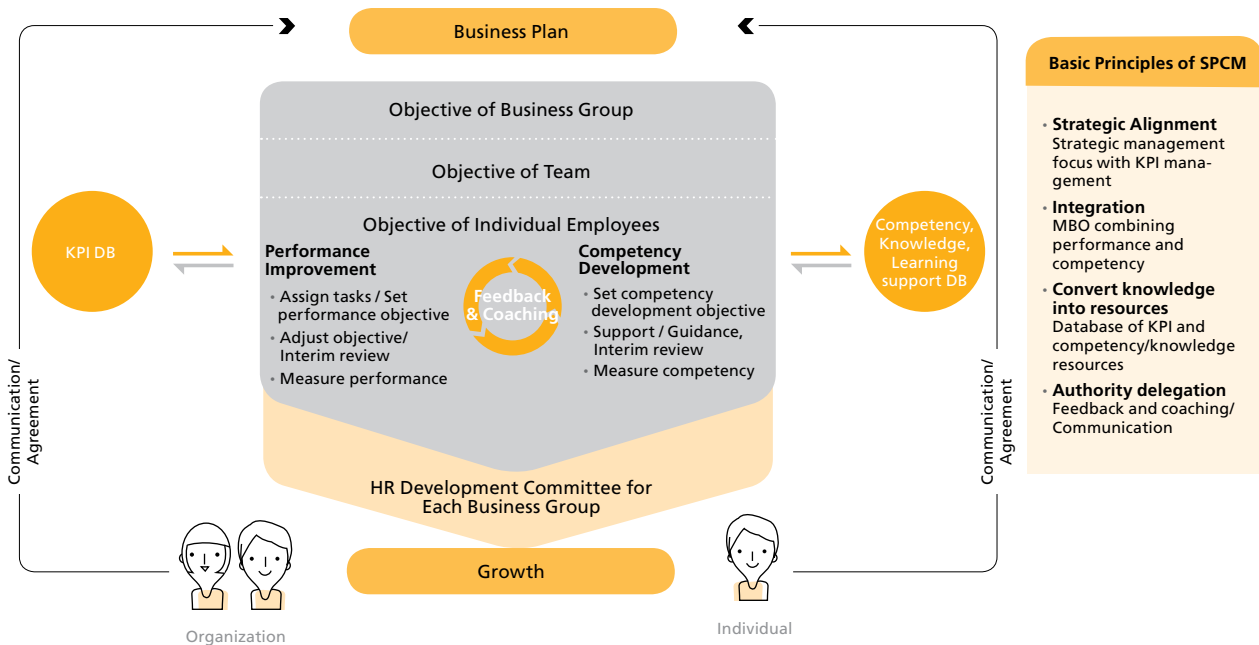
Objective-Oriented Performance Management & Fair Evaluation

We have the SPCM (Strategy Performance Competency Management) system to manage and improve the performance of our employees. Early every year, employees set goals for their business group, team, individual tasks and personal development and check their achievement progress through counseling with supervisor and interim review, and follow-ups that help resolve problems. The SPCM system also sets up KPI (Key Performance Index) and competency metrics to ensure effective performance through regular review and feedback. Noticeably, the system provides a clear guideline on performance evaluation criteria and requires compliance of established evaluation processes. In the meantime, we have supervisors provide feedback on evaluation results and give employees the opportunity to raise an appeal to prevent distortion of the evaluation and ensure transparency. The performance management system encourages performance improvement as it is linked to the incentive system that provides performance-based reward by employee or by team. In addition, equal rewards are provided for equal performance, and there is no discrimination in salary between male and female employees.

Strategy-linked Human Resources Development System

Our HR development system designed to nurture global talents focuses on three directions: entrepreneur leaders who will implement business strategies, professionals who grow to become top experts in each field, and global leaders leading our overseas business. All employees are given equal opportunities to improve their capabilities in accordance with human resources management regulations and the company's code of conduct. Based on evaluated performance and career development targets, we establish HR development plan customized for individual employees and facilitate regular counseling sessions with supervisors, which helps employees to develop their career with a link to corporate development direction. In addition, we have training programs and courses not only for in house employees but also for those of the subsidiaries and suppliers and plan to support the implementation of cyber training system of subsidiaries starting from 2012.

Strategic Performance/Competency Management (SPCM)* System



*SPCM : Strategic Performance & Competency Management

Congratulations of Great Performance

Overseas trip for Employees with Excellent Performance

• We offered overseas trip to 55 employees selected as excellent employees of 2011. They visited Shenyang (15-19, Aug) and to Mt. Baekdu (22-26, Aug).

Employee of the Month • We select the employees who achieved excellent performance in their own field (sales, production, development, and support) or contribute to establishing innovative corporate culture, as employee of the month. we reward them, thus providing incentives for better performance.

Mid/long-term Training • We select and support talented employees every year through mid/long-term trainings: various degree courses (MBA courses linked to foreign graduate school, etc.) and overseas trainings. In 2011, a total of 13 employees received the specialized trainings required for long-term competency.

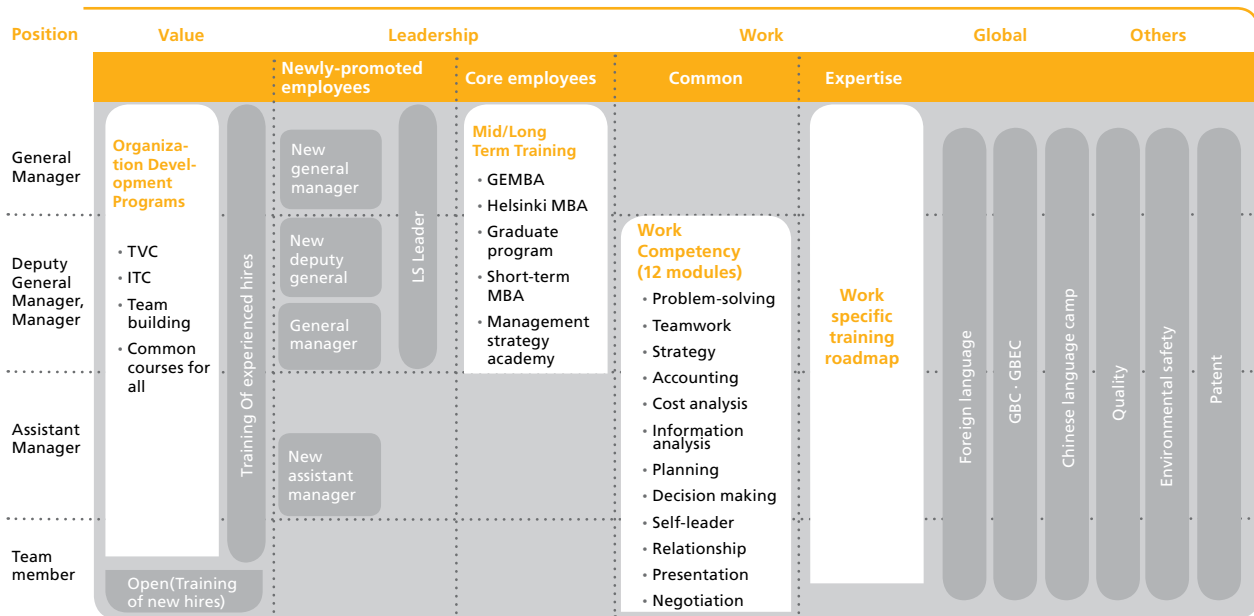
Various Contests to Promote Innovation Activities

• To facilitate continuous improvement, we hold various contests to prize excellent performances. We encourage employees with excellent performance and motivate innovation activities by sharing them. Currently, we operate performance sharing meetings (Director's Big Y, 6-Sigma project), project presentation meetings (individual project), on-site group activity presentation (on-site group project), R&D prizes (R&D tasks). In 2011, 46 excellent innovation activities were rewarded at the corporate level.

Overseas Tracking Given to Well Performing Team Head

• In order to encourage excellent leadership and performance and help them achieve work-life balance, we offer tracking tour to team managers who showed great performance. Based on evaluation results, we provide selected team managers and their spouses tracking experience to Kota Kinabalu for 3 nights & 5 days.

HR Development System



LS MASTER SYSTEM

Introducing to nurture specialists in each field, we gave LS Master title to selected 3 employees in 2011. The certified LS Masters will serve as a role model to all employees while transferring technology and managing knowledge. LS Master certification



Better Quality of Life

Diverse efforts are made to ensure employees lead a healthy, stable, and prosperous life. To make a great work place, we have incorporated dreams and happiness of employees in our management philosophy, established various welfare systems so that employees can find satisfaction and pleasure both at work and home, and improved the working environment.

Support for Physical and Mental Health

Giving comprehensive consideration to physical, mental, and economic health, we operate our welfare system in 6 broad areas. Diverse programs in each area promote health of employees and their family, support healthy recreational activities, and encourage network among colleagues so that employees can refresh themselves. In addition, children scholastic benefits, housing assistance programs, and support for retirement preparation keep employees financially secured so that they can focus on their jobs with a sense of self-esteem.

Psychological Counseling Service • We provide psychological counseling service at the Gumi site and R&D center. We hired professional psychiatrists provide one-on-one counseling for all employees who may want counseling on a continual basis.

Place for Female Employees • We operate a nursing room and female staff lounge. Also the female employees association is in operation to gather opinions from female employees and support club activities.

Space for Creativity • We make diverse efforts to improve working environment at each work place so that employees can develop creativity and sensitivity. Notably, we launched the “Door to Imagination,” a place where employees read books, do culture activities, have a discussion, and take a rest as an activity for improving creativity.

Imagination Island • Launched in 2009, the “Imagination Island” is a suggestion system designed to encourage innovation in all corporate management areas including business system, corporate culture and technological development. It allows employees to propose their creative ideas in a fun and easy way in the island of imagination. Participation will lead to accumulation of mileages and outstanding ideas are rewarded every quarter directly from our CEO.

Welfare Service

Categories	Benefit Descriptions
Healthy Life	<ul style="list-style-type: none"> • Medical expenses reimbursed for employees • Sports facilities • Medical expenses reimbursed for family members • Medical clinic/first-aid room by the in-house welfare fund • Medical checkup for employees/spouses • Counseling program
Cultural Life	<ul style="list-style-type: none"> • Club activities-activity costs support • Anniversary celebration(birthdays, weddings): gift cards offered (USD 360/person) • Culture events: movie tickets, family invitation, tickets for sports event, family day(once a month)
Energetic Life	<ul style="list-style-type: none"> • Refresh leave: twice a year for 3 days or more • Family refresh grant: for employees working 15 and 20 years consecutively • Recreational facilities: condominiums, free lodging at the Baekam training center • Company outing: twice a year (Spring & Autumn)
Stable Life	<ul style="list-style-type: none"> • Allowances and leave for congratulations & condolences of employees and their family members • Housing loan • Dormitory and/or apartment housing • Scholarships: full scholarship for children in middle/high school/university • Insurance: group life insurance(covering death, incapacitation due to disease) • Commuting stipend: Commuting buses and shuttles
Promising Life	<ul style="list-style-type: none"> • Online training course: in-house online training course every month (job skills, leadership, foreign language, etc.) • Mid/long-term education support: master's degree course, MBA, intensive foreign language course, etc. • Outside training courses: job skills(professional qualification) education, foreign language course fees
Prosperous Life	<ul style="list-style-type: none"> • Discount on products manufacture by the group(all products of LS Networks) • Awards for the employees of long year service • Gift for the retired employee

Family-Friendly Management

We have a variety of family-friendly initiatives to ensure work-life balance of employees as well as happier life for their family.

Family Day • We designate one day per month as family day on which employees may leave their office on time to have time with their family members. We also host various family day events engaging employee family members.

Events for Parents of Employees • We invite parents of employees to workplace. In 2011, we invited 150 parents and family members of employees to present carnations and have cruise ship tour.

First-Birthday Ring • We offer a piece of gold ring to babies of our employees to celebrate their first-birthday.

Gift Cards • Gift cards are offered on wedding anniversary day for married employees and on birthday for single employees.

Recreational Facility • We cover the cost of accommodation at hotels, resorts, pensions, and other recreational facilities so that employees can enjoy their vacation with family. Also free lodging at the Baekam training center located in Ulgin, North Gyunsang Province is available

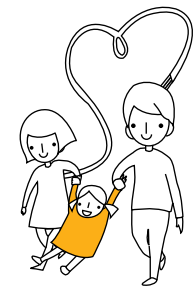
Maternal Leave • We allow employees with a child under age 6 to take maternity leave up to a year and guarantee returning to work after the leave. In 2011, 3 female employees went to maternal leave, with the two employees among them came back to the original team they had belonged to, and reaming one people retired at her desire.

In-house Welfare Fund Disbursement(2011)

Workplace	Beneficiaries(person)	Amount(in USD)
Head office	65	79,430
Laboratory	28	37,007
Anyang	31	42,423
Gumi	79	106,508
Indong	41	54,157
Donghae	15	16,247
Total	259	335,770

Scholarship Disbursement(2011)

Workplace	Beneficiaries	Amount(in USD)
Head office	72	382,706
Laboratory	21	102,897
Anyang	92	472,967
Gumi	275	1,343,082
Indong	95	400,758
Donghae	55	297,861
Total	610	3,000,271



SEONINJAE, WHERE EMPLOYEES RELAX AND STUDY

In June, 2011, We completed the construction of new dormitory for employees at Gumi/Indong sites. With 4 stories (above ground) and two underground levels, the dormitory can accommodate up to 500 and is equipped with facilities for physical fitness, cultural life, self-development and research, such as golf course, table tennis room, BBQ facility, seminar room, and internet lounge, etc.



Healthy and Safe Workplaces

We take initiative for creating safe working environment through cooperation of Labor and management group. In addition, as our business site becomes globalized, there is a need to control multiple risk factors. Considering such changes, we established an occupational health and safety management systems based on OHSAS 18001, International Standard for health and safety management. With our objective of achieving 'zero accident at all our business sites around the world,' we practice safety management strategies to enhance health & safety management system, perform trainings and preventive activities jointly arranged by labor and management, and promote a healthy and safe workplace.

Systematic Management

Health & Safety Organization • We have a health & safety management organization at the corporate level. We also conducted health & safety checks and identifies risk factors on a regular basis at each site, through a specialist.

OHSAS 18001 Certification • All our domestic sites (Gumi, Indong, Anyang, and Donghae) are OHSAS 18001 certified and getting post-certification test & re-certification assessments each year from the certification authorities. We have continued to improve our ESH (environment, safety and health) management system that is up to the global standards and plan to complete certification process of OHSAS 18001 for domestic and global subsidiaries by 2013.

OHSAS 18001 Certification

Domestic Worksite	Domestic Subsidiaries	Global Subsidiaries
Gumi, Indong, Anyang, Donghae	JS Cable, Alutek	LSHQ (Chinese subsidiary)

Managerial Efficiency & Transparency Ensured through IT system • To better manage information on health and safety management activities, we use a computerized system, which enables real-time access to health & safety management performance and facilitates company-wide sharing of the information. The system covers information of the evaluation result of worksite health & safety level, improvement areas and goals/ improvement program. We plan to expand the scope of managed data in the system with system upgrade.

Health & Safety Management by Labor and Management

Occupational Health and Safety Committee • We operate the Occupational Health and Safety Committee, in which equal number of labor and management (7 representatives, respectively) participate, including labor union leaders, honorary health & safety supervisors, safety managers and health managers. The Occupational Health and Safety Committee is convened once every quarter but a provisional session can be called when it is needed, with a role of improving the entire level of safety by collecting feedback and making decisions to mitigate safety risks on the site. In 2011, we installed ventilation facilities in 67 places, selective emitters and noise control facilities, which are considered that improvement is needed from the work site assessment result.

Labor/Management Joint Activities • With the purpose of making substantial progress in on-site health and safety management, labor and management jointly visit the site and address issues through joint safety checks. In 2011, the joint safety checks led to improvements in about 114 dangerous equipments.

Health & Safety Training

To raise awareness on health and safety among employees, we conduct health & safety trainings on a regular basis. We asked a 3rd party professional agency to conduct trainings on health & safety management for safety supervisors every year, and provide regular trainings for all employees, at least two hours every month, on the importance of safety, danger of machinery/equipment and their handling. We operate health & safety trainings for suppliers as well, and share related information during our monthly meeting with suppliers.

Notably, workers handling hazardous/dangerous materials or machinery/equipment are required to have applicable qualifications and complete a special training in an effort to prevent a major industrial accident. Trainings involve both case studies learning and discussion, in order to achieve the training goals of preventing an accident & building problem solving capability.

Health & Safety Training

	Courses	Target	Training hours
Employees	Regular training	• Production workers • Office employees • Managers/supervisors	2 hrs per month 1 hr per month 16 hrs per year
	Course for new hires	• New hires	8 hrs
	Course at the change in works	• Newly appointed employees to safety related works	2 hrs
Suppliers	Special training	• Workers handling hazardous machinery	16 hrs
	Regular training	• In-house construction contractors	2 hrs per month

Programs for Making a Healthy, Safe Worksite

Zero-Accident Declaration • Every year we declare our commitment to zero-accident in all worksite to increase safety awareness among employees. The general manager of each department draws up a yearly plan on health & safety and announces it, and employees adopt the declaration on zero-accident and safety activity.

Hazard Detection • We have improved on-site problems through voluntary safety check every month. And hazard detection exercise is carried out involving all employees on the hottest and coldest days of the year, when safety awareness might fall to the lowest.

Improving Safety of Equipment Use • All machinery/equipment are checked by users to ensure safety on a daily basis. We commission regular safety checks (once in every other year) to external specialists for hazardous/dangerous machinery/equipment. Also we identify and remove problematic areas through voluntary safety check every month, while putting easy-to-notice image safety signs on all machine/equipment.



Health Promotion Program • We provide comprehensive medical checkups to employees over age 35 and their spouses for free of charge. We support those with health issue and in need of professional treatment for medical expenses. For employees who need to take good care of their health, we give them health improvement plan together with advice on lifestyle, exercise and diet.

Psychological Counseling • For psychological health and grievance resolution, we provide grievance & psychological counseling services. Grievance counseling service helps employees discuss any issues that might be difficult to talk to their supervisors through formal communication channel. Representatives of labor union or employees association serve as secretaries and listen to employees and help cope with challenges. Psychological counseling is provided by professional psychiatrists who listen to employees and give advice.

Occupational Accident Count and Ratio

Category	2009	2010	2011	
Industry accident	Gumi	3	4	1
	Indong	0	3	3
	Anyang	0	1	0
	Donghae	0	1	0
	Company total	3	9	4
Company-wide accident ratio (%)	0.20	0.54	0.27	
Average accident ratio of the same kind industry (%)	0.55	0.61	0.52	



Zero-Accident Declaration



Labor/Management Joint Safety Check



Topic 06 Green Management



We are continuously promoting the green management through our eco-friendly management practices and the development of eco-friendly products. We always consider our environmental impacts in product life cycle, from R&D and design to disposal step, and are making every effort to minimize the environmental footprints. Taking one step further from meeting the environmental standards specified by the law, our green management practices strive to create value by establishing company-wide environmental strategies and processes, and also to secure global competitiveness. Currently we have finished laying the groundwork for green management, and are getting ready to leap forward as a global green company through its implementation and promotion.

Do you know?

A cable company gets rid of cables

To create a truly ubiquitous environment, we plan to achieve the transition from wired to wireless power supply and are stepping up our efforts in technological development and market expansion. "Wireless magnetic resonance charging" is a mechanism that involves creating a magnetic field and making a transmission coil resonate with a reception coil. In other words, just as the two prongs of a tuning fork create a sound by resonating together, electricity is transmitted by making two copper coils resonate in the same magnetic field after adjusting their wavelengths. Because it does not require the use of cables, wireless electricity transmission technology enables resource conservation and enhances convenience. It is also garnering much attention due to the fact that because it requires zero contact, it has secured environmental safety while expanding the scope of its application in the electric and electronic sectors. We succeeded in turning TVs and LED lamps on using this technology, and launched Chaver (Charger + Cover), a wireless charger for smart phones, which uses electromagnetic induction.

What we did in 2011

- Implemented measures to lower GHG emissions
- Conducted energy diagnoses at the corporate level and estimated reduction potential (in 4 domestic sites)
- Laid the groundwork for low carbon supply chain by signing 'SME & Large Company Green Partnership'
- Reset energy & greenhouse gas related KPIs and set reduction target
- Disclose carbon information through GHG Target Management and COP
- Expanded product line for the renewable energy (wind power generation solutions, photovoltaic solutions, EV charging system, etc)
- Analyzed 20 newly-added substances as SVHCs in the REACH list
- Implemented 'Green Purchasing Agreement' with government
- Analyzed CE-marking, hazardous substances
- Certified 9 companies as Green Cooperator
- Expanded green product line to 72%

What we will do next

- Improve the basic energy unit per production* by 10% compared to the 2011 level (3.9GJ/ton product → 3.5GJ/ton product)
- Establish a IT system for greenhouse gas management
- Spread energy/carbon management knowhow throughout the supply chain: Build an inventory for 10 suppliers, energy conservation technology support
- Estimated the carbon footprint for the entire life cycle: rubber flooring, carpet
- Increase the green product ratio up to 80%
- Increase the investment in green product development up to 65% of the entire development budget
- Report our green purchasing performance
- Carry out 'Green Partnership with SME' with 10 suppliers

* Basic Energy Unit per Production: Energy used (GJ) during the manufacturing process to produce one ton of product (amount of energy used for manufacturing only; energy used at the head office, training center, offices, and dormitories is not included)

Survey Results

Q LS Cable & System effectively puts green management into practice.

73.73% 84.68% 80.48% 77.78%



Employees

Suppliers

Community

Customers

Q LS Cable & System is aggressive in responding to climate change.

65.01% 74.23% 78.43% 77.78%



Employees

Suppliers

Community

Customers

Q LS Cable & System works hard to develop eco-friendly products.

77.61% 86.57% 78.10% 78.79%



Employees

Suppliers

Community

Customers

Green Management Policy

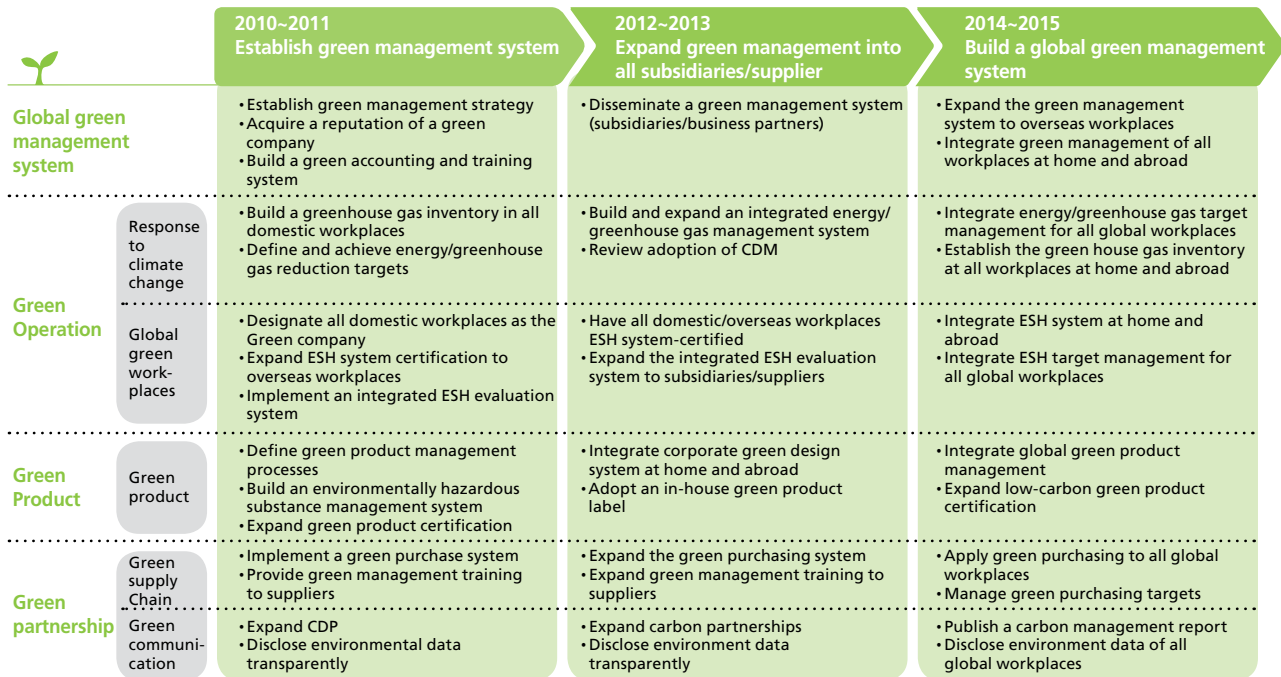
We establish green management system that meets a global standard while also reflecting the characteristics of a local site. Based on this system, we push ahead with the following environmental strategies for realizing the vision of becoming a global green company; (1) Green Operation, which aims to reduce the environmental and energy load by our operations, (2) Green Product, which seeks to enhance the development of eco-friendly green technology and products, and (3) Green Partnership, which aims to establish the eco-friendly supply chain.

Mid-Term Green Management Roadmap

Our green management strategies consist of step-by-step initiatives – namely, establishing the green management system, expanding it to subsidiaries and suppliers, and building a global green manage-

ment system. Going forward, we will improve the effectiveness of our green management through the development of performance indicators and evaluation system.

Mid-term Green Management Roadmap



2011 Green Management Activities

Item	Green Operation	Green Product	Green Partnership
Activities	<ul style="list-style-type: none"> Enhance response to climate change Expanded eco-friendly sites Conducted resource saving activities Reduced pollutants 	<ul style="list-style-type: none"> Expanded green product lineup Enhanced our low-carbon products Improved the hazardous substance management system 	<ul style="list-style-type: none"> Expanded the green supply chain Disclosed our environment information with transparency Strengthened communication
Achievements	<ul style="list-style-type: none"> Diagnosed the energy use of all plants Reset GHG/energy KPIs Maintained Green Company Certification (Gumi, Indong, Donghae) Obtained ISO 14001 certification (domestically: 100%, overseas: 60%) Collected and recycled wastes (2,830 tons) 	<ul style="list-style-type: none"> Raised green products ratio(72%) Expanded the Eco-Design system Inspected the hazmat control process (LS Cable & System and suppliers) 	<ul style="list-style-type: none"> Participated in the Corporate & SME Green Partnership Promoted Green Purchasing (government agreement, supports suppliers) Disclosed our environmental achievements Developed green products/technologies and made policy proposals
Risk factors	<ul style="list-style-type: none"> Emissions trading GHG Target Management System Increased recycling of raw & subsidiary materials 	<ul style="list-style-type: none"> Strengthened product regulations (REACH, ROHS, WEEE) increased demand for green products materials 	<ul style="list-style-type: none"> Expansion of the evaluation system for the product life cycle Customers' increased demand for carbon disclosure Promotion of environmental conservation activities
Team in charge	Facility Planning Team, Facility Management Team, Environmental Safety Team, Production Team	Technology Management Team, Purchasing Planning Team, Development/Design Team	Purchasing Planning Team, PR Team, Development/Design Team



Green Management Organization

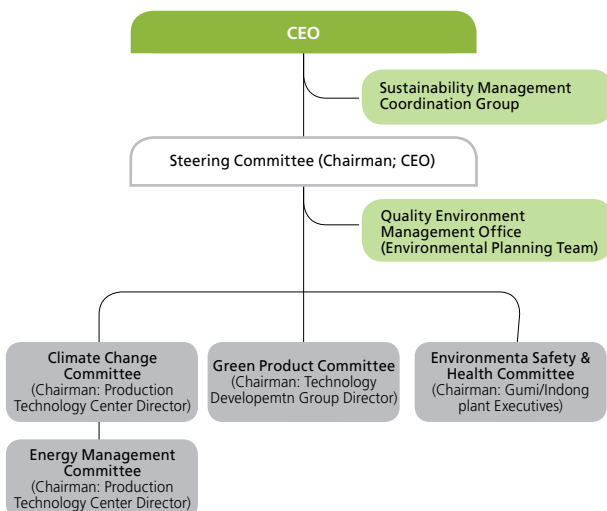
To enhance green management and facilitate internal communication, we have a green management steering committee meeting twice a year under the leadership of the CEO. It consists of the Climate Change Committee, the Green Product Committee, and the Environment Safety & Health Committee. In 2011, the **Climate Change Committee** established an implementation plan regarding the emission allowance reflecting the GHG target negotiation with government, set its energy reduction target and devised its equipment investment plan. Furthermore, it also responded aggressively to the changing environment for climate change by deciding supports for suppliers' establishment of the inventory. The **Green Product Committee** introduced PLEAT in all development projects to ensure green product development, and applying this to our internal ERP system enabled the effective computerized management of green development projects.

Environmental Management System

We have declared our company-wide policies on environment and work place safety, and built an environmental management system that meets the ISO 14001 standard, which is an international standard on environmental management. At the same time, we identify the environmental risks related to our business each year, and take corrective actions for improvements. Currently, all of our domestic plants acquired the ISO 14001 certification and we have a plan that all our subsidiaries at home and abroad are certified by 2013, starting with our Malaysian subsidiary in 2012.

In recognition of our capabilities in system-based environmental management, Gumi, Indong, and Donghae plants have been designated as Green Companies. Moving away from the conventional policies that focus on meeting regulations, we are currently engaged in voluntary environmental management activities.

Green Management Organization



Evaluation & Continued Improvement

Every year we implement an environmental impact assessment on the entire life cycle, from the purchase of raw materials to product manufacturing and transportation, and take improvement measures against the serious environmental impacts and risk factors that are derived from the assessment. For environmental impact assessments, we categorize our corporate activities into processes that can be measured and assessed. Then for each process, we identify the input & output substances as well as the volume and toxicity of pollutants, and assess the harmfulness of the substances used during the process as well as the risk factors involved, taking into account the related laws and regulations. Moving forward, we plan to promote these life cycle management practices among our suppliers as well as our subsidiaries at home and abroad.

Environmental Investments & Benefits

Investments in Environment • We continue to make investments in reduction of environmental impact, in transition to an eco-friendly manufacturing process and improvement of the employee's safety and health. In 2011, our investment in environmental safety amounted to a total of USD 22 million: more specifically, we invested USD 17.5 million in R&D of the green product, USD 1.3 million in change toward an eco-friendly process and in environmental equipment, USD 0.9 million in conserving energy, and USD 2.3 million in enhancing the safety and health of employees and reducing the impact on the environment

Environmental Cost & Benefit • We analyze the environmental cost and benefit of our activities, with the aims of objectively identifying the outcomes of our environmental management and strengthening our competitiveness. Currently we are analyzing the cost and benefit involving energy saving, green product development and waste treatment, and will include more items in our analysis in the future.

Environmental Cost & Benefit

Unit: millions of USD

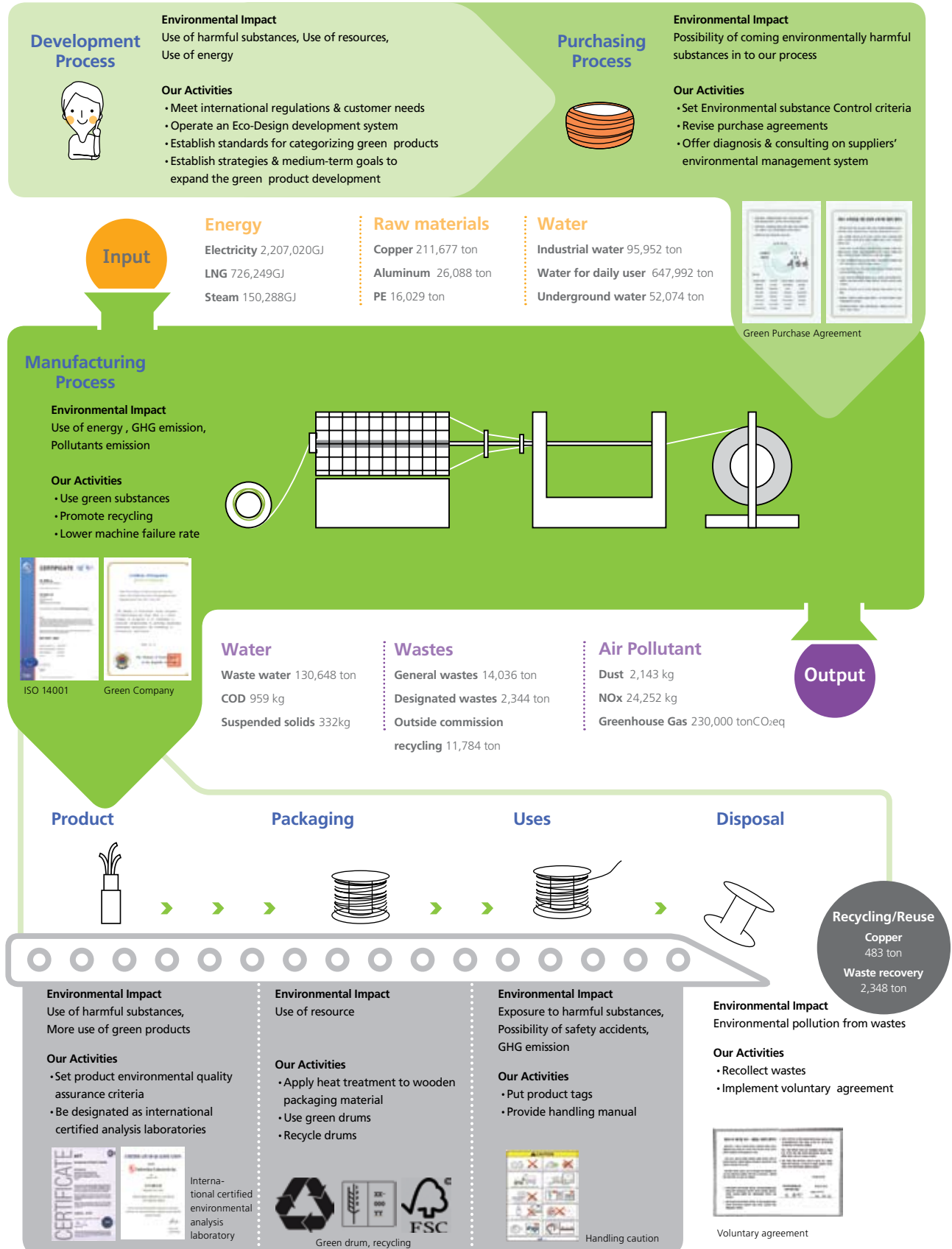
Category	2009	2010	2011	
Green Products	R&D investment costs	8.4	13.7	17.5
	Sales of green products*	-	1032.7	1281.4
Energy Conservation	Investment in energy use	0.3	1.3	0.9
	Profit from energy saving	1.0	1.6	2.2
Waste Treatment	Treatment costs	0.5	0.7	0.8
	Margin from sales**	23.1	27.6	35.9

* 2009 data of green product sales was not collected

** Margin from sales: profit generated by recycling valuable materials from waste (such as copper and PE)

Life Cycle Assessment Activities

*Scope: 4 domestic sites (Gumi, Indong, Anyang, Donghae). However, data of energy use and GHG emissions covers the 4 domestic site as well as the head office, training institutes, offices, and dormitories.





Reduction of Energy Use & GHG Emissions

The global discussion on and movement towards low-carbon green growth is already in full swing in diverse ways, and the Korean government also enacted the Framework Act on Low Carbon Green Growth voluntarily and is stepping up its efforts to lower GHG emissions through its cooperation with industries and the private sector. In the cable industry, the amount of energy used in the manufacturing process is relatively smaller than that of other industries, which implies that there is less room for reducing GHG emissions; however, to solve the global challenge of climate change, we are striving to minimize the emission of GHGs throughout entire life cycle, which includes not only the manufacturing process but also the purchase of raw materials and the disposal of the product. In particular, we have recently expanded the product development related to the renewable energy, providing an infrastructure with which our customers can contribute to lowering GHG emissions.

Climate Change Risks and Opportunities

	Risks	Opportunities	Activities
Regulatory	<ul style="list-style-type: none"> • Korean government's target to reduce GHG emissions by 30% from BAU* by 2020 • A carbon emission cap on companies, according to the government's negotiation • Increased responsibility (e.g. writing & submitting an implementation report) 	<ul style="list-style-type: none"> • Expansion of the smart grid market to secure stable power supply and minimize power loss • Increased green business opportunities related to renewable energies such as EV, wind farms, green buildings, LED lighting, etc • Expansion of energy-efficient infrastructure for GHG reduction 	<ul style="list-style-type: none"> • Drew up a GHG statement verified by a 3rd party • Launched the Climate Change Committee & established of company-wide target for basic energy unit • Implemented the 'Energy Conservation & GHG Reduction Implementation Plan' • Prioritized the procurement of energy-efficient facilities • Produced wind power cables & busducts • Developed EV harnesses & modules • Produced superconducting cables & terminals • Installed EV charging systems (17 places)
Physical	<ul style="list-style-type: none"> • Stability of VCV tower structure due to increased frequency and intensity of typhoons • Decreased construction-ready days due to a rise in the number of rainy days from climate change • Increased yellow dust from desertification <ul style="list-style-type: none"> -Increased costs for fiber optic cable clean room maintenance -Increased defects due to dust • Increased cable durability risk due to sudden temperature changes and an increased number of typhoons 	<ul style="list-style-type: none"> • Increased demand for submarine and wind power cables due to typhoons and the rise in sea levels • Increased demand for reliable and durable cables resistant to sudden weather changes 	<ul style="list-style-type: none"> • Operated a crisis response process in each workplace • Enhanced safety measures for clean room facilities • Launched new businesses with mass production of durable submarine cables • Demonstrated product quality by securing outstanding production technology and through in-house high-intensity testing
Others	<ul style="list-style-type: none"> • Rise in costs due to fuel and commodity price increases • Increased customer preference for low-carbon products • Customers' demand for CDP 	<ul style="list-style-type: none"> • Stable commodity sources • Increased preference for green products and green companies 	<ul style="list-style-type: none"> • Responded to CDP of supply chain • Secured stable supply of copper through LS Nikko's copper • Built a green supply chain through green partnership • Expanded green product certification (Greenfloor, flooring, etc) • Expanded green product line up

*BAU (Business As Usual): Emission volume projected in BAU without mitigation activities



INSTALLED EV CHARGING SYSTEM IN 17 PLACES INCLUDING SEOUL, DAEGU, ETC.

An electric car is propelled by electricity instead of fossil fuel. Although its invention predates that of gasoline-powered cars, it had not been successfully commercialized due to the inconvenience of charging battery. However, EVs have been placed under the spotlight once again, due to the increased interest in climate change and the advances made in EV charging technology. By completing the high-speed EV charging infrastructure project commissioned by the Korea Environment Corporation (KECO), we installed high-speed EV chargers in 17 places in Korea. Also, we became the first company in the world to link EV charging system with railroad infrastructures. The GHG emission level of an electric car is only one tenth of that of gasoline-powered cars. And we are playing a pivotal role in promoting this green next-generation mode of transportation.

Energy Use and GHG Emission

Energy Use • The amount of energy used in 2011 was 3,083,557GJ, which showed a 0.1% increase from that of 2010. This pertains only to fixed combustion and the use of indirect energy, and does not include the energy used for mobile combustion. The cause behind this rise was the increased use of LNG and steam for wintertime heating, mainly, the amount of electricity used for production actually decreased slightly. As a result, the basic energy unit, which shows the input energy per unit product, was 4.29 in 2011, showing a 6.7% improvement from 4.60 in 2010.

GHG Management • We built a GHG inventory in 2005 that covers entire domestic business including 4 domestic plants (Anyang, Gumi, Indong, and Donghae), head office, two training institutes, and the solution business group. Also, we received a 3rd party verification for information accuracy. The total GHG emissions in 2011, including SF6, was 230,000 tonCO2eq, showing a 12% decrease from the year before.

Direct emission, which includes fixed & mobile combustion and process emission (including SF6), was lowered by 21% (29,000 tonCO2eq), compared with previous year. This can be attributed to the reduced use of SF6 due to the improvement of SF6 facilities. Indirect emissions, the amount of GHG emitted by the use of electricity and steam purchased outside the company, decreased by 2,000 tonCO2eq, compared with previous year.

Energy Conservation & GHG reduction activities

We use LNG, electricity, and steam, and also rely partly on LPG as energy sources. To use less energy, our Facility Management Team is leading the activities that are aimed at improving the energy use of all business sites; meanwhile, waste of energy is minimized in the manufacturing part through quality improvement, reduction of facility waiting time, and other activities for process optimization. In particular, we are continuously reducing our use of SF6 by repairing facilities that use SF6 and introducing a recovering system. On top of these activities, efforts are being made to reduce GHG emissions in distribution and in employees' commuting activities (operation of commuter buses, use of public transportation for business trips).

Key Reduction Activities • We invested a total of USD 0.9 million for the innovation activities of all business sites as well as the Facility Management Team's initiatives. By conducting a self-diagnosis on energy-intensive processes and coming up with ideas for improvement, we have minimized energy loss and improved production efficiency, which in turn is improving our basic energy unit. Resulting from our energy saving activates engaging all grouped, costs related energy consuming is USD 30 million in 2011, less UDS 2.15million than the originally expected costs of USD 32.1million. This is equivalent to 262,631 GJ of saved energy and 13,000CO2eq of GHG reduction.

Product Expansion Related to Renewable Energies • We contribute to the reduction of indirect GHG emissions by developing renewable energy products and superconducting system solutions. The increased efficiency of the transmission and distribution system by the superconducting systems minimizes energy loss, thereby reducing the amount of energy used to generate electricity. In addition, we can reduce GHG emissions and construction costs as well by shortening the number of construction days required from installing new cables. We are also contributing to GHG reduction by providing energy-saving solutions to our customers through the supply of core modules and operation system to the renewable energy sector, such as wind power generation cables & operation system and cables related to photovoltaic generation.

GHG Reduction in Transportation • In order to minimize the environmental impacts of transportation, we are diversifying the modes of transportation by product characteristics. As a result, we are striving to minimize the use of air transport, which has a larger GHG emissions footprint, and to increase the use of maritime transport. In 2011, 84% of our products were delivered via maritime transport. In addition, through our Integrated Logistics Team which was established in 2010, we are lowering the direct and indirect GHG emissions caused by our transportation, not only reducing the logistic costs and enhancing transport efficiency.

Reduction Highlights

Plants	Items	Investment (Unit : USD)	Saved costs (Unit : USD/year)	Saved energy (GJ)	GHG reduction (tCO2eq)
Gumi	Installed a temperature detection sensor through OH T/L heat treatment	903	903	121	7
Indong	Improved leakage detection for optical cables	2,708	10,831	1,450	75
Indong	Repaired a 10-ton boiler air preheater	24,370	22,565	1,361	69
Indong	Cleaned & overhauled the condenser in a 450RT turbo freezer	12,637	9,026	1,208	63
Donghae	Lowered the electricity costs by compressor by replacing air nozzle	903	2,708	362	19
Donghae	Specialty/submarine energy patrol – standby power was turned off	1,805	9,026	1,208	63
Donghae	Lowered LNG costs by improving the recovery of boiler condensation water	903	42,423	2,559	130
Anyang	Replaced the steam heaters in the company's cafeteria with electric fan heaters	18,052	27,078	3,624	188
Anyang	Demolished sections with no steam use	1,805	4,513	321	22



Environmental Impacts Mitigation

Efforts to Use Resources Efficiently

We use Cu, Al, PE, and PVC as main resources for production. We are continuously developing recycling technologies for raw materials and products in order to ensure the efficient use of resources, while also widening the areas we use recycled raw materials. In addition, to reduce the resources used for packaging materials, we improved the design of wooden drums, which are our main packaging material, and optimized the number and size of the drums by securing advanced technologies, thereby minimizing wood consumption. The wooden drums used in packaging and transportation are recovered from major customers upon agreement and recycled after repair and maintenance. In 2011, we used recycled drums by approximately 6.1% of all wooden drums. Scrap wire is also recovered from products disposed of at the end of their lifecycle, following the Voluntary Agreement on Waste Recovery & Recycling with the Ministry of Environment. In particular, approximately 40 ton of scrap copper generated from the manufacturing process is fed back into the production process each month to reduce resource consumption.

Use & Management of Water Resource

The Anyang plant is provided with water from Paldang reservoir, the Gumi & Indong plants from the Nakdong River and the Donghae plant from the Dalbang reservoir through K Water, Korea governmental agency for comprehensive water resource development and providing. We use about 2,038 ton of water per day, and our water consumption is deemed to have only a minor impact on each water source. The water we use can be categorized into industrial water, which is used as a coolant for cable manufacturing processes, and water for daily use, which is used by our employees. To reduce water consumption, we operate a recycling system that transfers waste cooling water discharged from the cooling process after extrusion to a cooling tower, where it is filtered and cooled before being fed back into the extrusion process. Our total water consumption has risen slightly over the past three years due to increased production.

Air Pollutants Control

The major air pollutants emitted from our operation include NO_x, which is generated in the manufacturing process of magnet wires, and dust, which is created during the SCR* (Southwire Continuous Rod System) process. The amount of NO_x emitted each year is approximately 24 ton, accounting for 86% of the amount of all air pollutants combined, while the amount of dust emitted every year equals 2.1 ton, accounting for 8%. We have installed a dustproof equipments, including a RTO^{Regenerative Thermal Oxidizers} and a SCR^{Selective Catalytic Reductor}, to minimize the emission of NO_x, as well as dust collecting equipments to control the dust generated by the SCR smelting furnace. Furthermore, the pollutants are monitored continuously and kept below 30% of the legal requirements. In 2012 we will make new investments in the dustproof equipment for SCR smelting furnace in order to boost the efficiency of our dustproof equipments.

* SCR(Southwire Continuous Rod) : Continuous copper rod production system developed and patented by U.S. Southwire(USA)

Water Pollutant Control

Our plants are not in or near any special water protection zones, special control zones or protected areas for biodiversity. In addition, the wastewater generated during the production process at the Gumi and Indong plants is treated at the wastewater treatment facility before being discharged into the local sewage treatment plants. The wastewater from the Anyang and Donghae plant is discharged directly into the sewage treatment plants. Our wastewater consists mostly of waste cooling water, which is created during the cooling process after extrusion in our cable manufacturing process. The main pollutants in the wastewater are COD and SS, and it does not contain any toxic materials or heavy metals that are detrimental to the ecosystem. When it is treated before being discharged into the sewage treatment plants, the wastewater is treated to 30% of pollutant density of the legal requirements or below. Thus, it can be assumed that the wastewater discharge from our worksite has little impact on public waters and the ecosystem. A specialized 3rd party contractor monitors the treatment process at least once a month to ensure the safe treatment of wastewater. In addition, we have installed wastewater flow meters to measure and record the volume of discharged wastewater every day. The amount of water pollutants emitted by our operation decreased in 2011, due to the process separation of the Anyang plant.

Chemical Substance Management

To prevent accidents related to chemical substances and enable their safe handling and storage, we have established and are implementing a set of standards for controlling chemical substances for each manufacturing process, taking into account their properties and the environmental threat they potentially pose. At each site, a comprehensive accident prevention system has been put in place, covering all stages involved including storage, to eliminate any risk of accidents. Only employees who have received training and are deemed qualified can transport and handle hazardous chemicals. In addition, for major facilities that use hazardous chemicals, regular emergency drills are devised around possible scenarios to train employees to respond to chemical-related accidents.

Hazardous chemicals used in our operation include cresol, xylene, ammonia, and NaOH. Cresol and xylene used in magnetic wire manufacturing account for the largest proportion of hazardous materials. We are trying to reduce cresol consumption through various measures, such as by developing alternative substances.




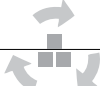


Waste Management

Key wastes generated in our operation include waste oil and organic solvents from production processes, general industrial wastes such as discarded synthetic resins, synthetic rubber, and wood, and other wastes generated by employees in their daily lives. Our waste treatment is managed by specialized 3rd party waste disposal contractors, who are subjected to regular inspection and assessment at

least once a year. Also, by managing the entire process of waste treatment using the government's online system (Allbaro System: www.allbaro.or.kr), we enable a real-time monitoring of whether waste disposal is conducted in an appropriate manner. Wastes are incinerated, reclaimed, or recycled. To expand the scope of recycling, we are developing technologies for recycling inciner-

ated wastes while also looking for new recycling contractors. As part of our effort to increase the recycling of wastes, about 70% of wastes generated in all plants are now recycled by specialized waste disposal contractors. As a result, a fair amount of copper, PVC, PE, and other resources are recovered from about 11,200 ton of waste each year.

Major Resource Consumption Reduction Activities

<p>01 Discarded Cu is recycled into Cu tape</p>  <p>Scrap copper from production processes is recovered by a contractor, melted and extruded into recycled Cu tape and then delivered back to LS Cable & System</p>	<p>02 Wooden pallets and drums are recovered and reused</p>  <p>Wooden pallets and drums used in product transport are recovered and reused</p>	<p>03 SF₆ is recovered and reused</p>  <p>SF₆ used during power inspection is recovered and reused</p>
<p>04 Discarded compounds are recycled</p>  <p>To reduce resource consumption during the production process, recyclable material is reviewed and used wherever possible if they meet design/manufacturing criteria.</p>	<p>05 Lightweight drum design is adopted to reduce resource consumption</p>  <p>The design of the wooden drums used for shipping cables was optimized to reduce the amount of wood required and the amount of wooden packaging materials so that help save costs and reduce environmental impacts.</p>	<p>06 Scrap and discarded materials are recovered and recycled voluntarily</p>  <p>To recover resources from products to be disposed of, a voluntary agreement was signed with the Ministry of the Environment in 2008 to recover and recycle as much scrap cable and discarded materials resulting from the manufacturing process as possible.</p>





Environmental Impacts Mitigation

The term “green product” generally refers to a product that is not harmful to its users, requires less resource consumption, and boasts high energy efficiency. However, at LS Cable & System, we’re taking one step further from such primary requirements and redefined green products that go hand in hand with our company-wide strategy of “expanding Green Biz.” We hope to become the supplier of eco-friendly solutions that are composed of Green Material, Green Technology, Green Product and Green Application/Solution; and by doing so, we hope to increase the value of our company, customers, and society.

Our Green products that Heightens Legal, Environmental, and Economic Value

We have established our own definition of and management measures for green products, and are operating accordingly. Our green products satisfy the conventional definition of green product in that they boost energy efficiency, eliminate or reduce hazardous materials, save resources, etc. Furthermore, our green products are required to meet the 3 criteria: (1) **Eco-Basic Products**, which meet the legal regulations and our customers’ needs (2) **Eco-Value Added Products**, which enhance customer value through the minimization of environmental impacts throughout their life cycle, and (3) **Eco-**

New Products, which are aligned with new market needs. We are accelerating efforts to develop green products by establishing our response strategies according to different standards that categorize green products and also enhancing the management system by introducing systematic monitoring through ERP, our own green mark certification program, and Eco-Index.

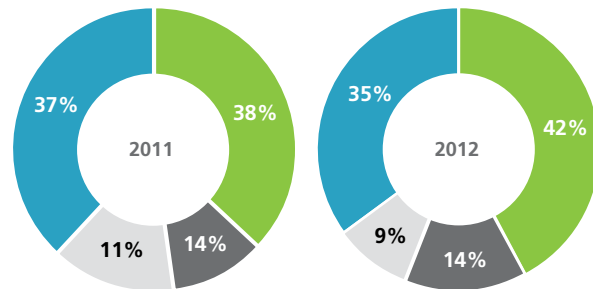
With the challenging goal of raising the ratio of green products satisfying the in-house definition and criteria up to 90% by 2013, from current level of 72%, we have focus on our R&D capacities on the development of green products.

Target for Green Products (Ratio of number of products)



Investment for Green Product R&D

● Eco basic ● Eco value-added
● Eco new ● Non-green



Definition of Green Product

Eco value-added

- Increase sales and enhance image by developing eco-friendly characteristics
- Products with domestic/foreign green certifications/marks

- Reduced resource consumption
- Reeduced hazardous substances
- Recycling
- High energy efficiency
- Easy disassembling & disposal

Eco basic

- Products that meet legal regulations
- Products that meet customers' demand for eco-friendly characteristics

Electronic Waste Management Act, E-Waste Recycling Regulations, Restriction of Hazardous Substances (Electronic Equipment), RoHS2 REACH SVHC EU/ELVWEEE, RoHS CCC (China Compulsory Certification), Act on the Resource Circulation of Electronic Equipment, Restriction of Hazardous Substances (Electronic Equipment)


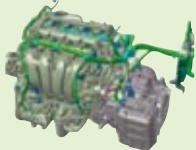


Eco new

- Discovery/creation of new markets (growth engine)
- Products applicable to green industries (designated by the government)

Eco-Basic Product

We are accelerating efforts to secure competitiveness in the global market by responding aggressively to the global movement to strengthen environmental regulations. We have categorized products that have been developed as a response to international environmental regulations, such as RoHS and REACH, as Eco-basic products; these are managed by a hazardous material analysis system that we have implemented.

Halogen-Free Cable Products for High Temperatures



			
<p>135°C HF product for automobiles</p> <ul style="list-style-type: none"> • A halogen-free product used for wiring in the engine room of a car, it has replaced the 125°C Br XLPE product • Non-irradiated type with enhanced grade for heat resistance (135°C) 	<p>150°C high-voltage, high-flexibility HF insulating material</p> <ul style="list-style-type: none"> • Nontoxic and halogen-free. Used as insulation/sheath materials for high-voltage cables used in car batteries • Applicable to cars as well as HEVs, buses, excavators, etc. • Has high resistance to heat, and can be used at 150°C 	<p>150°C HF insulating material for homes</p> <ul style="list-style-type: none"> • A cable used for wiring in home appliances, with high resistance to heat and containing eco-friendly insulating materials with no halogen-based flame retardants • Made with PO-type materials with reasonable prices instead of TPE, silicone, or other expensive high-polymer materials, the product has price competitiveness as well as excellent heat-resistant properties 	

Leaky Coaxial Cable



- Coaxial cable for wireless communication that can be used in tunnels and other locations with bad radio wave reception
- Uses raw materials that do not contain substances regulated by RoHS / REACH

Fine Flat Wire for Electronics

- A rectangular wire used in inductors, reactors, and other electronic components. It boasts excellent edge coverage, adhesiveness, flexibility, and insulation, and meets international environmental regulations including REACH and RoHS

High-Performance Tube



High-performance tube for ships

- Used to access cable terminals on ships; meets international environmental regulations including RoHS and REACH



High-Performance Tube



Anti-tracking tube for switch box

- Used to protect the busbar inside switchboards. Satisfies international environmental regulations including RoHS, and REACH

Fire-Resistant Busduct System

Fire-Resistant Mini-way

- Satisfies the IEC 60331 standard for fire-resistant properties, and is used for switchboards in buildings
- Secured flame retardancy by only changing the materials used for its access kit insulation board and supporting insulator
- Secured performance reliability without the use of hazardous substances such as halogen

Class F insulating material

- Meets the requirements for Class F, which is a grade that rates the fire-resistant properties of busduct products used in buildings/building distribution boards
- Developed by increasing the amount of inorganic filler. It is an eco-friendly product without any organic solvents, and it has better flexibility and flame retardancy than competing products.



Eco-Value Added Product

This type of product is created using the Eco-Design process, which minimizes the environmental impacts of a product throughout its entire life cycle while taking into account the environmental factors to enhance competitiveness of product's function and quality. Eco-Value Added Products aim to provide enhanced value to our customers by offering products that are enough to satisfy current environmental regulations and even more eco-friendly than the existing ones.

HVDC Transmission Solution



Overhead Transmission System

- Lowers electricity loss compared to existing transmission methods; it is an HVDC (High Voltage Direct Current) transmission system that can transmit large volumes over long distances because its voltage is low compared to its electric flows. Examples include overhead transmission systems that are used above the ground, and submarine cables & systems that are used to transmit electricity between the mainland and islands

Submarine Cable & System



Submarine cable & system

- Lowers electricity loss compared to existing transmission methods; it is an HVDC (High Voltage Direct Current) transmission system that can transmit large volumes over long distances because its voltage is low compared to its electric flows. Examples include overhead transmission systems that are used above the ground, and submarine cables & systems that are used to transmit electricity between the mainland and islands

FOMS(Fiber Operation & Management Solution)



- A solution that enables the prevention of malfunctions and swift recovery through an optical network diagnosis function. Recycling optical components is possible.

MV Solution



Air blown Optical fiber composite MV cable

- An air blown cable used for electricity/ telecommunications distribution system; prevents optical/rolled up cable loss and enables electricity transmission and high-capacity telecommunications, facilitating our response to future demands in optical cables



MV Separable Connector

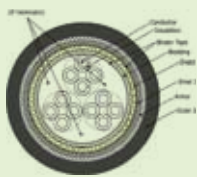
- Unlike a conventional termination, which exposes the joints of conductors, a separable connector has conductors with covered joints, reduces the distances, and blocks harmful electromagnetic waves generated by the conductors' high pressure parts



High performance thermo plastic PP insulated MV cable

- Compared to existing XLPE cables, non-cross linked PP insulated cables (1) do not require additional crossing link process, (2) do not emit methane gas, which is a by-product of cross linked, and (3) make the recycling of insulating materials

Railway Application



Signal cable for high-speed trains

- A cable used for signal transmission within high-speed railway system, it uses raw materials that do not contain substances controlled by RoHS and other international regulations



Catenary wire/Messenger wire

- Replaced the Cu/Cd alloy conventionally used in messenger wires, which are used as feeder lines for electric railroads, with the eco-friendly bronze alloy

Fire-Resistant Busduct System






CR-type JIS for fire resistance certification

- A cast resin busduct system that combines existing epoxy compounds with silicon resin, which forms SiO₂ after combustion, for improved fire resistance

Eco-New Product

We aim to dominate the market and innovate our business model by conducting R&D on green products that can serve as future growth engines. Currently, we are engaged in aggressive product development that is focused on renewable energy, superconducting system solutions, wireless electricity transmission, and EV solutions.


Superconducting System Solution

 <p>154kV long-term reliability test</p> <ul style="list-style-type: none"> • Can replace 4 existing transmission cables with one 154kV superconducting cable • Construction costs can be reduced when installing a new transmission line (electric culvert construction à conduit line construction), • low electricity loss that does not create electrons- 	 <p>220kV superconducting cable system</p> <ul style="list-style-type: none"> • Used to link the decentralized switch and the electric power system that use renewable energy; can replace 8-10 existing cables • Lowers electricity loss by more than 30% in comparison to existing cables 	 <p>22.9 superconducting cable demonstration on real grid</p> <ul style="list-style-type: none"> • Can replace 5 existing distribution cables with one 22.9 kV superconducting cable • Reduces electricity loss by 20% compared to existing cables • Solves the problem of insufficient land for substation construction in urban areas (A substation built in the suburbs can supply electricity to downtown with superconducting cables)
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Renewable Energy

 <p>Wind power cable & generation operating solution (Cable & Harness, CMS)</p> <ul style="list-style-type: none"> • A total solution (WindSol™) for wind power generation, which is considered as the next-generation eco-friendly power generation, that includes cables & harnesses and CMS • Additional supervision system for fires, product quality, etc • Enables predictive maintenance through the monitoring and diagnosis of wind turbines, minimizing the increase in costs caused by suspension due to malfunction, use of equipment/manpower, halted production, etc 	 <p>Photovoltaic cable (Junction Box kit, Ribbon wire) & operation solution</p> <ul style="list-style-type: none"> • Used as a subsidiary material for modules used in a photovoltaic power generation system; its Junction Box Kit enables module assembly automation • The ribbon wire, which collects electricity by connecting the silicon cells of a solar battery, possesses a soft property that enhances module productivity; developed a gilding product that contains no lead
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Wireless Electricity Transmission



Induced electromotive force, self resonance type wireless charger

- Enhanced portability and convenience due to the absence of cables
- Secured environmental safety due to the absence of contact (water, dust, metal)
- Expanded the scope of application in the electric/electronic sectors (underwater, special environments)


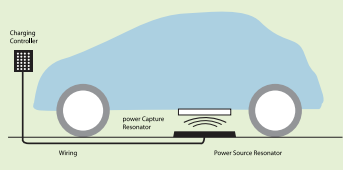
Wireless Electricity Transmission



Wireless charging & NFC dual mode

- Can replace credit cards with the use of NFC (Near Field Communication)
- Contributed to the wider use of smart devices by making charging more convenient

EV Charging Solution

 <p>EV charger(portable)</p> <ul style="list-style-type: none"> • One of the world's smallest charger (220 x 85 x 48 mm³) that can be used to charge an EV at a house in between travels with a common plug • First product to acquire safety certification for electric products (K 61851-22) 	 <p>EV wireless charging technology</p> <ul style="list-style-type: none"> • Enables the safe transmission of large volume of electricity with no risk of a short circuit • Efficient management of electricity transmission & reception • Improved residential environment due to increased use of eco-friendly EVs
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Green Supply Chain

We have built a green purchasing system to promote the production and consumption of the green products and to provide our customers with green products by eliminating all hazardous substances in the first stage of raw material procurement. Furthermore, we certify suppliers who provide green products as Green Cooperators.

Green Purchasing

We are promoting the purchase of green products by establishing a green purchasing guideline and revising the related standards and guidelines. In particular, we signed the "2011 Industry-wide Green Purchasing Voluntary Agreement" in 2011. In reference to the Green Product Purchase Promotion Act and the Green Growth Framework Act on Low Carbon & Green Growth by the Korean government, we break down a green commodity into 2 categories, subject to purchase type and intended use. ; below are the details.

	Definition	Scope
Green Purchasing	Purchase of general goods and office supplies Purchase of office supplies and other goods used in office life through MRO	Products with Eco-Label certification (green mark)
		Products with GR Mark (recycling mark)
		Products with saved energy (energy mark)
		Products with other environment marks (domestic/foreign)
Green Procurement	Purchase of raw materials, packaging, and outsourced products (OEM, ODM) Procurement of raw materials/ used as inputs for product manufacturing through a contract with suppliers	Products that lower hazardous substances
		Products that lower waste

Green Purchasing • We encourage the purchase of office supplies, office equipment, and consumables with domestic/foreign green marks. We have designed the Green product preference system that suggest to buy eco-products if the price differential between an eco-product and a comparable conventional product is within 10% and place an eco-product at the top of the search results, when the purchaser looks for a product.

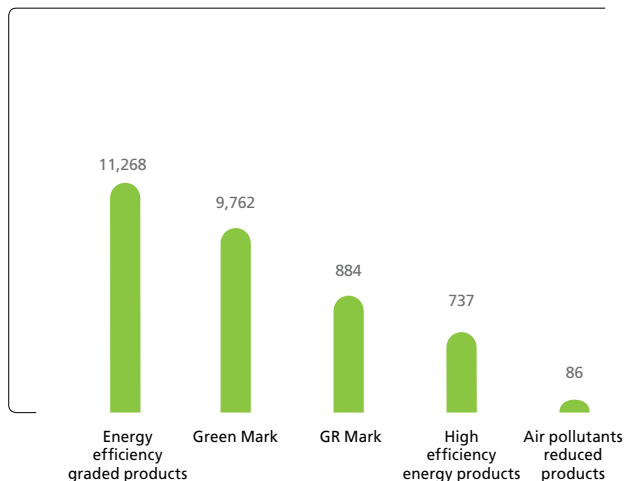
Green Procurement • We are creating a management system with which we can procure raw & subsidiary materials, packaging, and outsourced products with no hazardous substances. We have established hazardous substance control criteria consisting of 3 phases in consideration of global regulatory frameworks and customer requirements. The procured product's raw materials are currently being investigated through documentary evidence of hazardous substances management. Also, by managing the related documents online through the linkage with "E-Procurement," an electronic purchasing system, we have made management more convenient and have enhanced the efficiency in responding to customers' requests for information disclosure. By managing the information on hazardous substances in the entire procurement process and disclosing the related data to our customers in a transparent manner, we have successfully reduced the environmental impacts of our products and are getting ready to respond flawlessly to international environmental regulations, agreements and customer requests.

Hazardous Substance Control Criteria

	Phase 1	Phase 2	Phase 3
Substance	6 substances regulated by RoHS	Substances regulated by global regulatory frameworks and/ or green cable criteria	Substances to be reduced voluntarily
Method	Analysis data by certified agencies are collected so that eco-friendly products are safeguarded completely from the adulteration of these substances	These substances are banned from being used for specific industrial products specified by LS Cable & System	These substances are designated to be phased out voluntarily

2011 Green Purchases According to Certifications

Unit: millions of USD



Green Cooperator

Based on our assessment, we grant the Green Cooperator Certification to suppliers who deliver green raw & subsidiary materials. As a green supply chain management system, it completely prevent hazardous substances from making their way into our product value chain, making sure that we provide customers with products that contain no harmful materials. At the same time, this serves as an opportunity for our suppliers to build an environmental management system. The Green Cooperator Certification process consists of three steps, in which the supplier's overall management system for hazardous substances is assessed. A supplier must first acquire the Green Cooperator Certification in order to be selected as LS Cable & System's Q-Partner. We provide the Green Cooperators with benefits given to outstanding partners, as well as training and support to maintain and enhance their eco-friendly management system.

Green Cooperator Test Certification • In May 2011, we selected 9 suppliers who were relevant to the law and customer demands related to hazardous substances, and carried out our Green Cooperator test certification. The results showed that the suppliers' management of hazardous substances fell short of our standards. So to help them build their own hazardous substance control system, we offered training to the employees in charge and provided guidelines on establishing the management manual and on quality assurance.

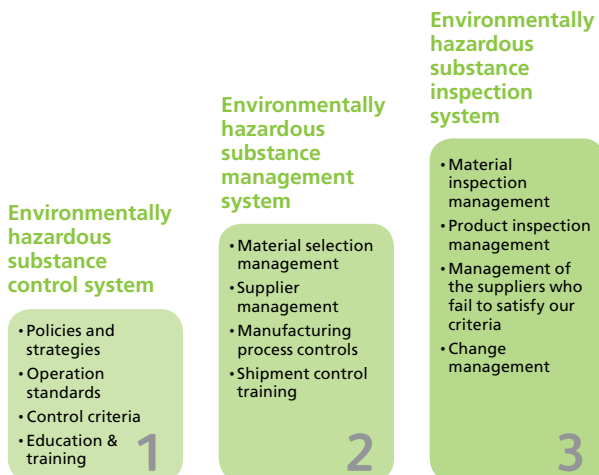
Also, the test certification gave us a chance to grasp the present condition of the Green Cooperator Certification Program and to

solve the identified issues. Internally, by using PLEAT, we made improvements to analyze a product's environmental safety for each stage of the process, from development planning to evaluation, aiming to incorporate Eco-Design into the entire development process. Also, we included the standards on hazardous substances in the specifications for purchased/outsourced products and improved information-sharing among related divisions. In the future, we plan to form an auditing team to monitor purchases and nurture auditors from the quality assurance teams in each business division to further strengthen our internal capacities. Externally, we provided guidelines on the procedure and manual for product environmental quality assurance system, thereby helping our suppliers build their management systems, which were deemed by the test certification to be insufficient. Furthermore, we will ask the suppliers to select employees who will receive continuous training from LS Cable & System, and reflect this in the suppliers' training curriculum.

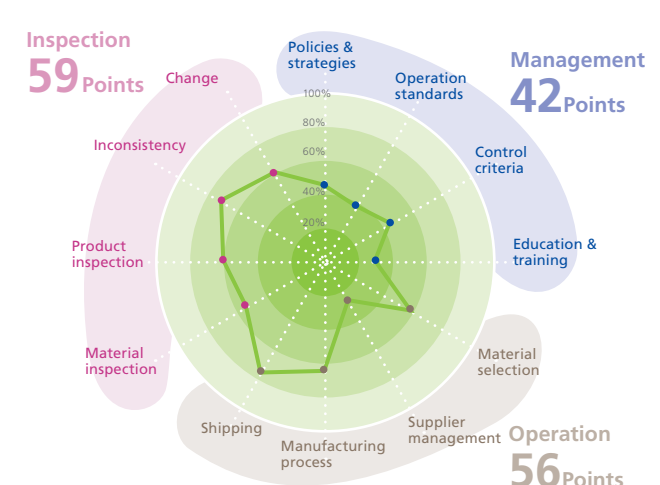
Green Supply Chain Build Up by Expanding the Green Cooperator Certification Program

• In the future we plan to implement the Green Cooperator Certification Program across the globe. To ensure the fairness of our evaluation, we will use different assessment categories for our suppliers depending on their transaction volume with us, legal risks, and the type of company. We will provide the suppliers who have acquired the Green Cooperator Certification with certificates, and continue to provide training and follow-up management.

The Green Cooperator Certification process



2011 Green Purchases According to Certifications





Green Communication

The environmental issues we face transcend national borders, and cannot be solved by the efforts of individual companies, regions, or nations. Through our cooperation and communication with stakeholders, we plan to implement green management practices in more comprehensive and in-depth way, and to prevent risks in advance. While disclosing our eco-friendly achievements with transparency, we hope to raise society's environmental awareness and create a consensus about green society by actively exchanging ideas on environmental issues with our stakeholders.

Green Purchasing

We strive to disclose our environmental information to customers and stakeholders in a transparent manner. We currently disclose information on our environmental management activities through a green company information disclosure system. Also, by participating in CDP, we provide our key customers and the government with GHG data, whose objectivity has been verified through 3rd party experts each year. In the future we plan to disclose information on our green management activities through our sustainability report and website every year.

Communication on Environmental Management

We make policy-related proposals on technical roadmaps to governmental organizations and academic societies involved in the development of green technologies & products. Furthermore, we offer regular environmental management diagnosis and training to our suppliers and suggest improvement measures, thereby helping them enhance their environmental management practices.

Corporate & SME Green Partnership

To build a sustainability management system in which we can prosper with our suppliers, we have been implementing the "Corporate & SME Low Carbon Green Partnership" as a national project led by the Ministry of Knowledge and Economy. For approximately two years (Nov. 2011 – Oct. 2013), we will be engaged in projects

related to building a GHG inventory, establishing a hazardous material management process, building an information system, and nurturing hazmat management experts. The targets of these projects are 10 suppliers, who were chosen from a number of outstanding suppliers designated as Q-Partners. Through this measure we hope to systemize our GHG/energy/hazmat management.

GHG Inventory Establishment • Based on our experience of building GHG inventories at all of our plants in 2011, we plan to aid our suppliers build their own inventories.

Hazardous Material Management Process • Through a clean production process that is linked to Green Purchasing with our suppliers, we plan to implement hazardous substances control management and produce green products.

Building an Information System • Using the system currently in place at LS Cable & System, we plan to build an information communication system that enables hazardous substances management, energy management, and the management of carbon emission reduction measures.

Nurturing Experts • We will conduct various workshops, group training, and on-site training on topics such as climate change and carbon technology for the CEO and executives of our suppliers.



- 1 Sustainability Report
- 2 Environmental information disclosure system
- 3 Environment trainings for suppliers
- 4 CDP participation
- 5 Policy proposals on green technology/product

Remarkable Energy Saving Activities in 2011

Cleaned & overhauled the condenser in a 450RT turbo freezer

We removed the scale inside the tube of a heat exchange condenser in a summertime turbo freezer by washing the condenser and painting the corroded parts. Through this activity, we can reduce energy use of freezer by 3% compared to previous year, by improving efficiency in heat exchange.



Cleaning the copper coil

Replacement of heat exchanger in heat furnace

In the process of analyzing the cause of difference in fuel basic units and inspecting the facilities, a leakage was detected in the heat exchanger plumbing of an old heat furnace. A total of USD 42, 423 was invested to replace the heat exchanger, which enhanced fuel efficiency and lowered the LNG use.



Before replacement



After replacement

Remarkable Air Pollutant Emission Reduction in 2011

With the relocation of Anyang plant's production line (manufactures industrial cables and carpets) to the Indong plant, we executed the relocation & installment of the plant's air pollution control equipment. We invested USD 1.1 million to install a cleaning precipitator (700CMM) and 13 other precipitators to minimize the emission of air pollutants, and succeeded in significantly lowering the concentration of pollutants.

Category	Dust (mg/m ³)	HCl (ppm)	HF (ppm)	H2S (ppm)
Legal criteria	100	6	3	10
Level of measured	0.7	0.8	0.2	0.1
Ratio of emission to legal criteria	0.7%	13%	7%	1%

Our Response to International Environmental Regulations

1) Response to RoHS

The revision of the EU RoHS II in July 2011 expanded the scope of RoHS-regulated products to include cables with a voltage of 250V or less. As a result, on top of our RoHS measures that were implemented to boost our exports to Europe and meet the customer demands, we have also introduced the "CE Marking," which is a new requirement of RoHS II. We develop technologies that enable us to manufacture products using materials that contain no hazardous substances, and these products are provided through the green supply chain. Also, before shipment we conduct an inspection using an XRF-ray fluorescence analysis equipment to check for hazardous substances, and we provide our customers with a certified analysis report. In addition, we implement the CE Marking system through our self-compliance declaration and evidence collection each of the components used in our products contain none of the 6 hazardous materials.

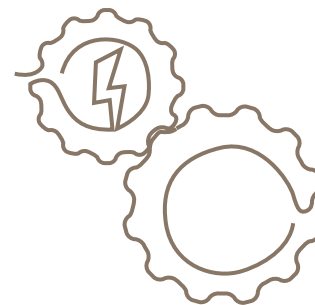
2) Response to REACH

The number of substances controlled by REACH has been increased continuously; as of December 2011, 20 new substances have been added as highly-dangerous hazardous substances, increasing the total number of controlled substances to 73. Each business Group has a person in charge of green products, who checks on the highly-dangerous hazardous substances designated by REACH each month, and also collects materials on hazardous substances, such as MSDS, Mill Sheet, and component analysis, from suppliers to create a list that outlines the chemical substances contained in all materials. We are also currently developing substances that can replace the highly-dangerous hazardous materials, and we plan to completely eliminate their uses by building a IT System on environmentally hazardous substances.



Topic

07 Risk Management



A risk is the potential that an unpredicted event may negative impact an organization. However, unlike danger, its impact can be minimized when managed properly. We carry out activities aimed at reducing risks which are related to finance, IT, sales/marketing, compliance, ethics management, and strategy implementation. In particular, our activities related to the non-financial risks involve ensuring strict compliance to domestic/international laws and company regulations and ethics or strategy related risk control. It is an act of maintaining the market order and respecting the customers' rights externally, while internally, it enhances the validity and efficiency of our work by helping our management practices be carried out in a legal manner

CEO's Comment

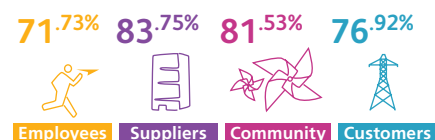
In today's society, great emphasis is placed on the concept of "fairness" in every sector. Corporate management is no exception with increased demand of fair trade; and ignoring this demand can lead to severe sanctions. Therefore, fair trade and compliance has become an essential factor of the business, and I believe that ensuring fair trade must be rooted in company executives' commitment as well as in all employees' actions and efforts.

I would like to ask our employees for their continued and rigorous efforts to help a fairer and more transparent corporate culture take root; by strictly abiding by fair trade laws and our code of ethics, and by striving to improve their win-win cooperation with suppliers.

– Jongho Son, CEO

Survey Results

Q LS Cable & System competes in a fair manner.



Q LS Cable & System effectively manages its ethics management programs, such as the whistleblower program



What we did in 2011

- Began building a company-wide risk control system
- Conducted fair trade training (fair trade & Anti-Corruption Act at the head office; CP training at all workplaces)
- Implemented a diagnosis of fair trade practices in subcontracting
- Built a an ethics level assessment system
- Conducted company-wide ethics training
- Posted ethics management articles on the company's bulletin board to foster ethics

What we will do next

- Devise a company-wide risk control indicator
- Conduct in-depth training on fair trade for each business area (subcontracting/internal transaction/collusion)
- Conduct internal diagnosis on subcontracting and collusion
- Revise the handbook on CP (Self-compliance program for fair trade)
- Revise LS Group integrated code of ethics and guideline
- Continue conducting ethics level assessment
- Expand ethics training to subsidiaries overseas

Financial Risk Management

Sound and Stable Operation

We try to strengthen management soundness and stability, by minimizing potentially adverse effects of volatile of exchange rate and commodity price on the company. In particular, we have implemented the company-wide risk control system, with the purpose of maximizing a corporate value by minimizing risks that reflect huge impact of raw materials on product manufacturing.

Forward Exchange System • We match the inflow and the outflow of each currency and hedge against the remaining exposure with derivative financial instrument such as forward exchange contracts. Through forward exchange contracts, we can fully understand of the currency position of the company and promote management stability by reducing the volatility of foreign exchange rates. Also, currency trading for speculative purposes is strictly prohibited.

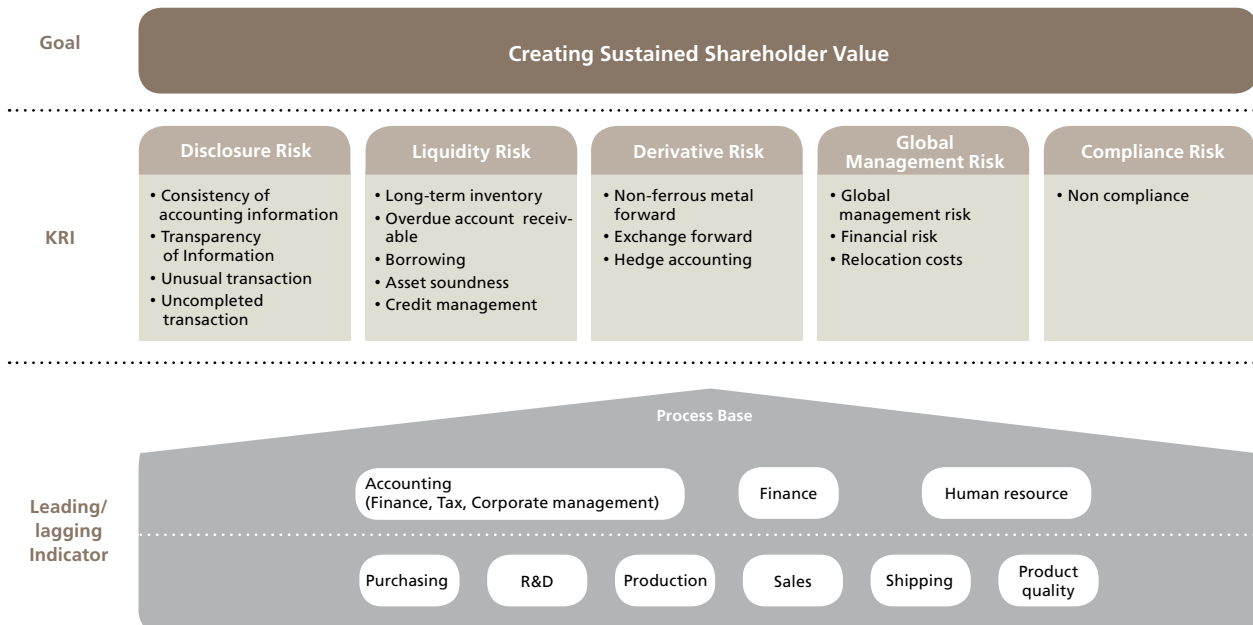
Derivative Contract • We are exposed to commodity price risks on copper, aluminum, lead and others but we could hedge against the risk by entering into commodity future or forward contracts. Also, we recognize copper futures based on fair value hedge accounting system.

Interest Swap • Interest rate risks mainly arise from long-term borrowings. We manage cash flow interest rate risks by using floating-to-fixed interest swaps, aiming at minimizing uncertainties caused by the volatilities of interest rates and net interest expenses

Integrated Financial Risk Management by Monitoring System Establishment

The importance of risk management is being emphasized due to increased uncertainties in the management environment, globalization, more volatility in economic variables and strengthened regulation with introduction of IFRS, the new financial accounting standard. Reflecting these changes, we have reinforced a more strengthened financial monitoring system by improving the existing risk management system, in which risk factors are managed in the after-process, which makes it less systematic and independent. Our planned financial monitoring system will identify leading indicators of each process, which have a significant impact on management indicators, define risks and provide means of management, ensuring an integrated management. We plan to complete an establishment of the monitoring system by October 2012 and expand it to our subsidiaries home and abroad by 2013.

Financial Risk Monitoring System





Non-financial Risk Management

Fair Trade Culture : From Response to Prevention

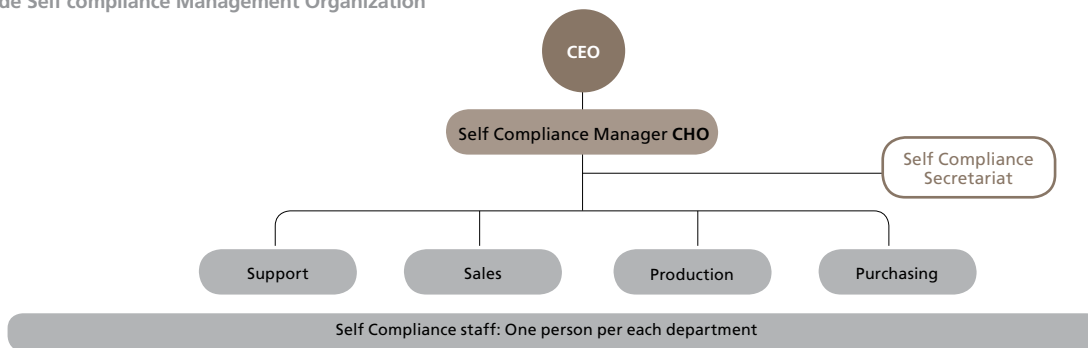
The demand for the establishment of fair trade culture is getting fiercer both at home and abroad. Consequently, the concept of fair trade is no longer just an issue dealt with through a company's risk control activities; rather, it is now directly related to the company's survival itself. In 2011, we were sanctioned by the Fair Trade Commission five times for our unfair practices. We have seen the error of our way, and to prevent a recurrence we introduced a self-compliance program for fair trade (CP; Compliance Program) in December 2010, thus striving to help a culture of fair competition take root. CP is a company-wide compliance management system that is used to comply with laws related to fair trade. With its introduction, we can devise clear code of behavior for compliance and prevent law violations in advance.

Self Compliance System • We hope to become a company that leads the way in fair competition, thus striving to become the "Global No. 1 Player" in terms of compliance as well as external growth. The CHO, the head of business support division, has been appointed as the Self Compliance Manager, and our fair trade self compliance management organization consists of the Self Compliance Secretariat as well as the Support, Sales, Production and Pur-

chasing Divisions. Currently we are engaged in a wide variety of activities to promote fair trade, such as reviewing the key issues of CP, reviewing and diagnosing the current level of fair trade compliance, and consulting on business activities related to fair trade. In particular, by learning from mistakes, from 2012 we will concentrate more on enrooting the concept of fair trade by reinforcing preventive measures.

Reinforcing the Implementation of CP • We are stepping up our efforts with CP activities to prevent risks related to fair trade. In February 2011, our CEO re-declared our commitment to pursue self-compliance. We invited third party experts to provide training on fair trade at all of our workplaces, and conducted a training program on fair trade and Anti-Corruption Act in November to raise employees' awareness. In addition, we distributed a manual on self-compliance as well as special notebooks for fair trade self-compliance that can be used as a guideline for all behaviors at workplace. We also conducted a review on the head office's subcontract transactions and requested that wrong practices be rectified voluntarily. Furthermore, we established a contract preview system to check in advance whether the execution of a certain contract violates the law in any way.

Fair Trade Self compliance Management Organization



Status of the Fair Trade Self-compliance Program

7 items	LS Cable & System's activities (plans)	Status
Declaration of self-compliance commitment	• Re-declared the commitment for self-compliance during a training session on fair trade	Completed in February 2011
Appointment of a self-compliance manager and organization preparation	• Appointed a self-compliance manager • Designated one self-compliance staff in each department - Fair trade self-compliance secretariat (legal affairs team)	Completed on December 20, 2010 (ongoing)
Distribution of self-compliance manual	• Published and distributed a self-compliance manual	Completed on December 20, 2010 (ongoing)
Regular training programs	• Conducted fair trade self-compliance training program at all workplaces (5 times) • Conducted fair trade & anti-corruption training program at the head office and Anyang plant	Completed in February 2011 Completed in October 2011
Diagnosis and auditing	• Carried out a subcontract transaction diagnosis at the head office	Completed in September 2011
Punishment for violation of any fair trade laws/regulations	• Registered regulations on penalty provisions for employees violating laws/regulations related to fair trade • Once a violation is exposed, a review committee will be convened to take disciplinary and corrective measures	Disciplinary measures expected
General operation (document control system)	• Set up a bulletin board on a company intranet • Distributed the document control guidelines	Completed in February 2011

Fair Trade System Enhancement in 2012 • In the future, we will aggressively enhance the self-compliance program in order to help the culture of fair trade take root. From 2012, while making it mandatory for all new employees to sign the fair trade & compliance pledge, we plan to revise and reinforce our fair trade training curriculum to make it more applicable to work by offering mandatory courses and on-line training at different levels, moving away from the group-centered training conducted in the past. We will incorporate the revised law and cases into the curriculum, and also improve our self-compliance manual and conduct frequent diagnoses to make sure there are no violation risks caused by misunderstanding the law. In the case of the diagnosis on subcontract transactions, we hope to expand it to all our workplaces and thus pursue a win-win growth by promoting a culture of fair trade among our suppliers. Through these measures, we hope to become a leading company in terms of fair trade.

Implementation of Ethical Management, a Principle-driven Management

As the foundation of corporate management, ethical management is a social responsibility we must assume as a corporate citizen, as well as the standard of our business activities and behaviors. LSpartnership has chosen “integrity,” which entails honesty and rationality, as its core value, thereby strengthening our commitment to ethical management and regarding it as the basic element of creating desirable outcomes. We will reinforce our ethical management infrastructure and help ethical management take root so that all employees can take into practice it in their daily lives.

Establishment of Ethical Management System • Based on our CEO’s strong commitment to ethical management, we have set the vision of “establishing a culture of ethical management on a global scale” and are implementing our strategies accordingly. Up until 2006, we laid the foundation for ethical management by revising our code of ethics, launching the Ethics Secretariat, and creating new programs and regulations. From 2012, we plan to expand our ethical management framework to our domestic subsidiaries first,

before promoting it globally to achieve our vision for ethical management.

Ethical Management Program • We have in place a cyber reporting system that offers improved convenience and anonymity. We also continue to implement various PR measures and training programs to encourage our employees to practice ethical management.

Reporting system ¹ We have a cyber reporting channel as well as an online counseling office. Our reporting channel guarantees (1) confidentiality, (2) job security, and (3) waiver of liability, so that employees, customers, suppliers, and other stakeholders can feel at ease when filing a report. We also reward reporters five times sum received in maximum(up to USD 4,513). In 2011, a total of 33 reports were made, 3 of which involved unfair work practices. All reports have been handled and concluded according to regulations.

Clean company program ¹ We strive to promote a clean corporate culture through a self-reporting program on the acceptance of financial favors from third parties. When the acceptance of such favors has been unavoidable, we encourage the individual involved to voluntarily make the report. Items collected from the program that are not returnable are donated to social welfare facilities of local communities.

Ethical management PR articles ¹ Since 2006, we have been posting a variety of articles on ethical management updates, the corporate code of ethics and ethical management schemes, guidelines, best practices, etc, on the intranet’s bulletin board.

Ethics management training program We require newcomers and newly-hired employees with experience to complete a corporate ethics training program as a mandatory course, and also conduct ethics training on employees who will posted at overseas branches. In 2011, we conducted training in ethics management & fair trade self-compliance, as well as an anti-sexual harassment e-Learning program, for employees at all of our workplaces.

Ethical Management Roadmap





Statement of ethical commitment ¹ All employees hired by LS Cable & System are required to sign a statement of ethical commitment upon joining the company.

Ethical level assessment ¹ We have been conducting the Ethical Level Assessment from 2010 on all employees. It is an assessment tool that applies and links international guidelines related to ethics (including UN's Universal Declaration of Human Rights and International Covenants on Civil and Political Rights, the OECD guidelines for Multinational Enterprises, ISO26000 (international standard on social responsibility), and GRI's Sustainability Reporting Guidelines), international indicators including the IVA¹ Intangible Value Assessment, DJSI² Dow Jones Sustainability Index, and the FTSE³ Financial Time Stock Exchange index, and our own code of ethics. It promotes an enterprise-wide ethical management practice on a global scale. The evaluation aims to analyze the ethical level of employees for improvement, and consists of indices for ethical management framework, corporate ethics implementation, and work-related ethics implementation.

In the 2011 evaluation, the total score was 75.8; scores for ethical management framework, corporate ethics implementation, and work-related ethics implementation were 73.4, 72, and 82.1, respectively. In 2012, we plan to devise and implement various improvement measures for categories that showed relatively insufficient performance, such as revising LS Group's integrated code of ethics and guidelines, reinforcing the promotion of ethics management system, and disseminating best practices.

Ethics management with suppliers ¹ To promote ethics management among all our domestic subsidiaries, we have integrated our ethics management system that includes the reporting system and Clean Company program. Starting from 2012, we also plan to expand our ethics management framework to our subsidiaries.

Responsible political participation ¹ We offer our expertise to the government and other organizations related to our company on industrial policy establishment, and are putting responsible political participation into practice through rational discussions. Over the

past 3 years, we have never made a contribution to politicians or political lobbyists.

Achievements through Strategic Risk Control

In the midst of a rapidly-changing business environment, we are effectively managing the risks related to executing strategy by reviewing its alignment with the changing environment. We seek to minimize the risk of strategy failures and achieve our goals through rational and appropriate decision-making in the process of regular executive meetings, monthly management of indicators, and on-site caravan activities.

A strategic risk can arise in relation to company goals, the appropriateness of strategies and resources used for their implementation, strategy implementation, response to changes in the market environment, and the impact of strategic decision-making. We strive to minimize risks through a process that involves "identifying risk → analyzing cause → evaluating impact → responding to risk."

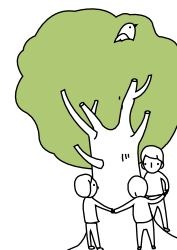
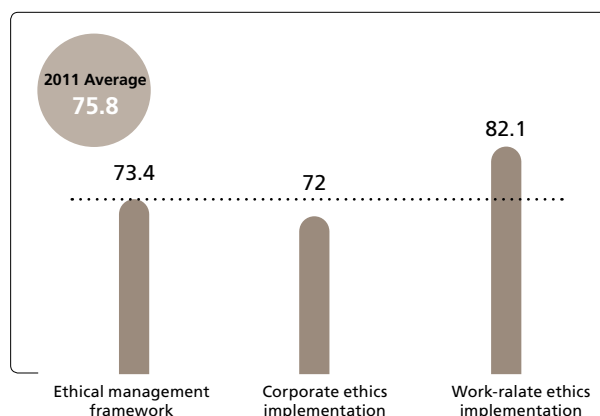
Workshop for Executives • Two executive workshops are held every year, once during the first half and once during the second half, to better respond to the rapidly changing market environment. At each workshop the attendees discuss the external and internal business environment, review and revise the established strategies according to changes in the business environment, thus making sure that the medium- and long-term goals, short-term strategies, the strategies implemented by each business division maintain consistency and validity.

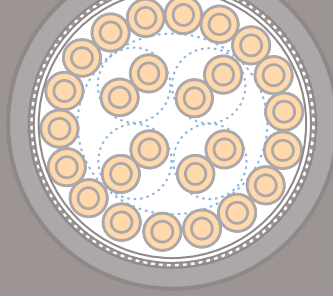
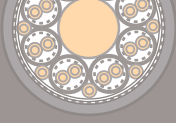
Management of Indicators • We measure the effectiveness and efficiency of executing our strategy by managing the progress being made in relation to staff, customers, sales, production, purchases, R&D, and other areas in terms of indicators. In addition, we regularly monitor the risks and performance level related to our strategy execution by adding up the indicators each month and sharing the results within the company.

On-site Caravan • A caravan is a vehicle pulled by a camel or a horse and is used to transport people and goods across the plains or the desert. At LS Cable & System, it refers to the activity of visiting business sites and taking stock of the progress on-site. Each month, the CEO chooses one business site (including those overseas) and visits there in person to check whether the on-site activities and performance are sufficient and provides guidance on site management to enhance strategy execution and effectiveness.

Ethical Level Assessment Results in 2011

Unit: Points





APPENDIX

Membership in Industry & Business Associations

Performance Index

ISO 26000 Evaluation Report

Third-party Assurance Statement

GRI Guideline Index

Awards

GRI Application Level Check Statement

UN Global Compact's Principles





Membership in Industry & Business Associations

1	Gyeonggi Employers Federation	18	KAIST(Knowledge Management Research Center)	35	Korea Association for ICT Promotion
2	Gyeonggi Province Conference of Environmental Engineers	19	ONA(Open Network Alliance)	36	Korea Industries Confederation for Commercialization of Superconductivity
3	Korea Industrial Safety Association	20	Korea Management Association(KMA)	37	Korean Standard Association
4	Korean Institute of Electrical Engineers	21	Korea International Trade Association	38	Korea CFO Association
5	Korean electric Association	22	Korea Invention Promotion Association	39	Korea HRD Center
6	Korea Management Institute	23	Korea Productivity Center(KPC)	40	CIGRC
7	Seoul Economist Club	24	Korea Fire Safety Association Gyeonggi Chapter	41	CIREK KNC(Korean National Committee)
8	Anyang Chamber of Commerce	25	Korea Fire Safety Association Gyeonggi Chapter	42	FTTH Council Asia-Pacific
9	Anyang Green Technology Council	26	Korea Engineering Services Association	43	FTTH Industry Council
10	Korea Association of Energy Service Companies	27	Korean Personnel Improvement Association(KPI)	44	IBS Korea
11	Reserve Forces Officers Council	28	Korea Electrical Contractors Association	45	ICF
12	Federation of Korean Industries	29	Korea Electrical Manufacturers Association	46	International Management Institute at Federation of Korean Industries
13	Research Council of Power Cable	30	Korea Railroad Electricity Technology Association	47	ITS Korea
14	Korea Securities Depository	31	Korea Electric Wire Industry Cooperative	48	IWCC
15	MKE Emergency Planning Council	32	Korea Radio Promotion Association	49	Korea Intellectual Property Association (KINPA)
16	Korea Employers Federation	33	Korea Information & Communication Contractors	50	SERI CEO
17	Korea Fair Competition Federation(KKCF)	34	Korea Telecommunication Technology Association		

Performance Index

Financial Performance : 2010 figures are calculated in accordance with IFRS^{International Financial Reporting Standards}, and may have some discrepancies from the figures in last year's report.

Statement of Income

USD in thousands

	LS Cable & System Ltd.		LS Cable & System Ltd. & Subsidiaries	
	2010	2011	2010	2011
Sales Revenue	3,354,171	4,160,493	6,743,607	7,668,094
Cost of Sales	3,050,876	3,940,695	6,085,080	7,153,658
Gross Profit	303,295	219,798	658,522	514,436
Operating Expenses	187,226	212,422	450,250	469,788
Other Operating Income	158,455	252,940	222,626	324,152
Other Operating Expenses	144,356	273,676	210,055	357,128
Operating Profit(Loss)	130,168	(13,360)	220,884	11,672
Financial Income	10,134	15,167	7,292	8,633
Financial Expenses	78,175	80,369	141,609	147,105
Other Non-Operating Income	4,203	9,980	(25,850)	(15,793)
Profit (Loss) Before Income Taxes	66,330	(68,582)	60,681	(142,593)
Income Tax Expenses (Income)	10,845	(11,862)	13,173	6,512
Profit(loss) for the year	55,485	(56,720)	47,508	(149,105)

Government Grants

USD in thousands

		LS Cable & System Ltd.		LS Cable & System Ltd. & Subsidiaries	
		2010	2011	2010	2011
Tangible Asset	Land	12,766	12,767	14,841	14,841
	Machinery	413	384	437	403
	Others	-	-	8	4
Intangible Asset	Development Costs	1,383	1,348	1,383	1,348

Statement of Financial Position

USD in thousands

	LS Cable & System Ltd.		LS Cable & System Ltd. & Subsidiaries	
	2010	2011	2010	2011
Total Current Assets	1,220,489	1,506,388	2,428,888	2,834,695
Cash (equivalents) /Financial deposit	155,805	313,689	243,363	397,989
Trade Receivables	635,325	724,415	1,132,118	1,308,581
Inventories	248,204	222,880	810,881	817,399
Other Assets	181,155	245,404	242,526	310,726
Total Non-Current Assets	1,686,296	1,692,027	2,236,469	2,257,501
Property, Plant and equipment	688,936	680,513	1,234,778	1,277,088
Intangible Assets	37,972	33,539	564,413	553,031
Other Non-Current Assets	959,388	977,975	437,278	427,382
Total Assets	2,906,785	3,206,870	4,667,610	5,102,917
Total Current Liability	1,345,416	1,396,458	2,356,044	2,350,751
Total Non-Current Liabilities	832,862	1,137,796	1,574,870	2,200,644
Total Liabilities	2,178,278	2,534,254	3,930,914	4,551,395
Capital Stock	99,714	99,714	99,714	99,714
Share premium	666,079	645,862	666,079	645,862
Accumulated Deficit	(38,820)	(77,133)	(111,129)	(243,449)
Accumulated Other Comprehensive Income	1,769	4,173	10,099	9,008
Total Equity	728,507	672,616	736,699	551,576

Consolidated Cash Flow Statement

USD in thousands

Account	2010	2011
Cash Flows From Operating Activities	(246,306)	(280,540)
Cash Flows From Investing Activities	113,877	(308,099)
Cash Flows From Financing Activities	192,501	604,090
Net Increase in Cash and Cash Equivalents	60,072	15,451

Social Performance

Investments	in millions of USD		
	2009	2010	2011
Equipment Investment	147.8	75.8	58.3
R&D Investment	22.0	32.6	33.4

New Product Sales	in millions of USD		
	2009	2010	2011
Growth-type*	161.3	306.9	442.3
Alternative-type**	498.3	541.6	523.5

*New project, new product, or a product for a new purpose that the existing product doesn't offer
 **A product with design change, improved function, or expanded specification from the existing one

The Number of Employees	Unit : person			
	2009	2010	2011	
LSC&S	Head Office	507	568	554
	Anyang	363	362	189
	Research Institute	168	204	202
	Gumi/Indong	996	1,001	1,212
	Donghae*	160	218	225
Total	2,194	2,353	2,382	
By work group	general	1,129	1,249	1,287
	Sojourning Staffs	57	59	57
	Technical post	897	920	916
	contract basis employees	168	184	179
Total	2,251	2,412	2,439	
Domestic Subsidiaries	JSCable	341	341	325
	Alutek	133	159	142
	Pountek	55	66	68
	GCI	107	119	127
	Kospace	35	34	24
Total	671	719	686	

Employees with Handicaps	Unit : person		
	2009	2010	2011
Number of (Ratio)	23(1.1%)	25(1.1%)	29(1.2%)

Non Compliance Reporting System	Unit : cases		
	2009	2010	2011
Number of Reporting(Ratio)	13(100%)	17(100%)	33(100%)
Financial favor acceptance	3	3	1

Ethics management Promotion	Unit : cases, sessions		
	2009	2010	2011
Ethics Article Posting	51	46	52
Ethics training (hours)	7 (23)	3 (6)	12(12)

* 1 cyber training in 2009(including subsidiary)

Retirement Pension System

We have retirement pension systems covering every employee since the end of January, 2011. When the system was first introduced, all employees initially joined the DB(Defined Benefit) plan with the freedom to transfer to the DC(Defined Contribution) plan by application on a quarterly basis. To help employees better understand the system, we provide an on-site presentation and information materials via internet. We have seven companies consisting of banks, insurance companies and security firms to run our pension in 2011, and are planning to add two more companies in order to give employees more options.

Patent Applications	Unit : cases		
	2009	2010	2011
Domestic	155	140	169
International	72	38	17

6-Sigma Project on Customer Requirements	Unit : cases		
	2009	2010	2011
Product Improvement	20	27	46
Product Reliability	16	16	22
Product Development	16	22	25

Job Creation & Turnover Rate	Unit : %		
	2009	2010	2011
Recruitment Rate	8.0	7.8	7.4%
Retirement Rate	3.5	7.8	6.4%

Local Talents Hired	Unit : person		
	2009	2010	2011
Anyang	50	36	21
Gumi/Indong	54	38	17
Donghae	14	32	7
Total	118	106	45
In Percentage	60%	50%	33%

Company-wide Training Days & Expenditure	Unit : person		
	2009	2010	2011
Training hour per head	45.7	75.1	66.9
Expenditure (in millions of USD)	1.46	2.66	2.21

Union Members	Unit : person				
	Anyang	Gumi	Indong	Donghae	Total
	51	432	302	130	915

* Union members: LS Cable & System employees who submits an application for admission to the labor union

Salary-Odd Sum Fund	Unit : in USD		
	2009	2010	2011
The neglected group	32,494	36,826	37,910
The Bono Welfare Center Supports	7,044	5,389	7,280
Total	39,571	42,215	45,189

Fair Trade Training	Unit : person				
	Head office	Anyang	Research institut	Gumi/Indong	Donghae
Target	514	185	195	335	69
Date		2.16		2.17	2.18



Environment Performance

Energy use

Unit : GJ

Category	2009	2010	2011
LNG	669,082	713,469	726,249
Electricity	1,956,043	2,220,399	2,207,020
Steam	141,784	146,105	150,288
Company Total	2,766,909	3,079,973	3,083,557
Basic unit(GJ/ton of product)	4.28	4.60	4.29

GHG Emissions

Unit : 1,000 tonCO₂eq

Emissions	2009	2010	2011	
Direct emission (Scope 1)*	38	41	42	
	SF ₆	43	93	63
Indirect emission (Scope 2)**	111	125	123	
Other indirect emission (Scope 3)***	2	2	2	
Company total	192	261	230	
Basic unit (tonCO ₂ eq/ton of product)	0.30	0.39	0.32	

The emission coefficient applied to the GHG estimation is based on the Guidelines for National Greenhouse Gas Inventories (IPCC, 2006)

* Fixed (combustion in boilers, etc), mobile (operational vehicles), leakage (fire extinguishers, etc) and process emissions (production processes)

** Emission by electricity and steam.

***Emission from leased buildings, 3rd party contract fleets (commuter vehicles, transport fleets), business trips, etc

Waste Water Discharge

Unit : ton

Category	2009	2010	2011
Discharge (ton)	124,100	150,500	130,648
Basic unit (discharge (ton)/ product output (1,000 ton))	192.1	224.6	181.7

Air Pollutants Emission

Unit : kg

Category	2009	2010	2011
Dust	4,803	3,940	2,143
NOx	20,982	20,355	24,252
HCL	1,245	1,033	1,550
HF	156	142	119

Water Pollutant Discharge

Unit : kg

Category	2009	2010	2011
BOD	41.1	89.0	47
COD	863.3	1,158.2	959
SS	138.6	613.0	332
T-N	421.1	351.1	305

Waste Disposal

Unit: ton, %

Category	2009	2010	2011
Incineration*	2,964	3,810	3,580
Reclamation **	438	710	1,033
Recycled volume	10,336	10,636	11,247
Recycling ratio (%)***	75	70	71

* waste oils, waste organic solvents and sludge from wastewater treatment, etc.

** dust form air pollution control facilities and household waste.

*** scrap materials from production processes and activated carbon from air pollution control facilities, etc.

* Energy / GHG data : 4 domestic plants, Head office, Sales office, Training institutes, Dormitories

* The other data : Gumi, Indong, Anyang and Donghae Plants

Major Resources Use

Unit : ton

Category	2009	2010	2011
Cu	249,941	243,033	211,677
Al	19,398	27,289	26,088
PE	19,490	21,370	23,615
PVC	7,720	6,467	6,516

Water Use & Basic Unit

Unit : ton

Category	2009	2010	2011
Water for daily use	527,094	523,940	647,992
Industrial water	91,335	88,309	95,952
Underground water	76,172	55,274	52,074
Total	694,601	667,523	743,944
Basic unit (water consumed(ton)/ product output (1,000 ton))	0.97	0.93	1.03

Air Pollutant Emissions

Unit : ton

Category	2009	2010	2011
Company total	27.3	25.5	28.7
Basic unit (kg/1,000 ton)	42.3	38.1	39.9

Water Pollutant Discharge

Unit : kg

Category	2009	2010	2011
Discharge (kg)	1,833.8	2,916.9	1,976.0
Basic unit * discharge (kg) / product output (1,000 ton)	2.8	4.4	2.7

Waste Treatment

Unit : ton

Category	2009	2010	2011
Designated wastes*	2,033	2,297	2,344
General wastes*	11,688	12,859	14,036
Company total	13,797	15,156	16,380
Basic unit (volume (ton)/product output (1,000 ton))	21.3	22.6	22.8

* Designated wastes: waste oils, organic solvents, paints, acids, etc.

** General wastes: Scrap wire, synthetic resins, synthetic rubber, household waste, and other designated wastes

Environmental Investment

Unit : millions of USD

Category	2009	2010	2011
Environmental investment*	3.47	1.01	1.33
Maintenance expense**	1.43	1.57	2.32
Energy conservation investment***	0.30	1.30	0.90
R&D expense****	8.39	13.72	17.51

* Environmental investment: Investment in environmental facilities, green processes, and safety & health facilities

** Environmental maintenance expense: Labor costs for environmental safety, health administration costs, employee training costs, environmental safety facility maintenance costs

*** Energy conservation investment: Investment in facilities for energy conservation

**** Environmental R&D expense: Green product development costs

Evaluation Report on LS Cable & System's Implementation of ISO 26000



To the executives & stakeholders of LS Cable & System

※ We provide the summary of the Evaluation Report in this report. You can see the full text of the report on our website. (www.lscns.com/sustainability)

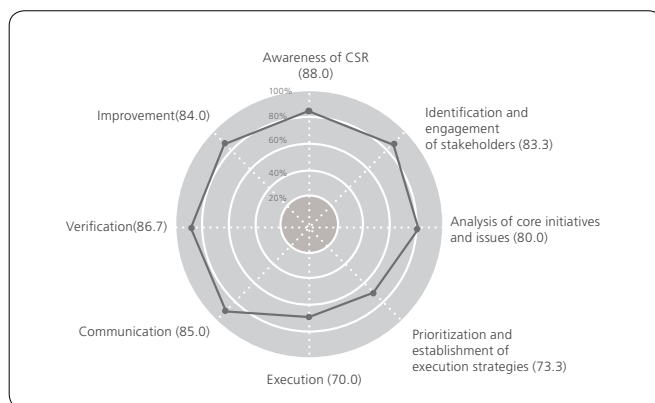
Evaluation Standards

Based on ISO 26000, the international standard on social responsibility, the Korea Standards Association (KSA) developed a "CSR Implementation Evaluation Checklist." The ISO 26000 checklist includes the process on CSR implementation as well as the evaluation of performance in relation to seven core subjects (governance, human rights, the environment, labor practices, fair operating practices, consumer issues, and community involvement & development). Based on the ISO 26000 checklist, KSA evaluated LS Cable & System's level of implementation on CSR.

Evaluation Scope

KSA evaluated LS Cable & System's overall internal/external activities, mid- to long-term strategies, activities related to CSR, and the process of implementing sustainability management strategies, among other factors. The results were assessed based on the review of internal documents (including policy documents), performance data, and the computation system.

Process Evaluation Results



I. CSR Process Evaluation: 292 points / 360 points

In terms of the CSR process, LS Cable & System's level of implementation is satisfactory, based on the CEO's commitment to practicing sustainability management. We have verified that a regular review of the process has been carried out through activities such as the publication of the sustainability report and the establishment of sustainability management strategies and implementation roadmaps.

We recommend that in the future, the company enhances its execution capabilities by subcategorizing the engagement of its stakeholders before implementation, regularly reviewing and confirming related activities at management meetings, and incorporating them into the decision-making process.

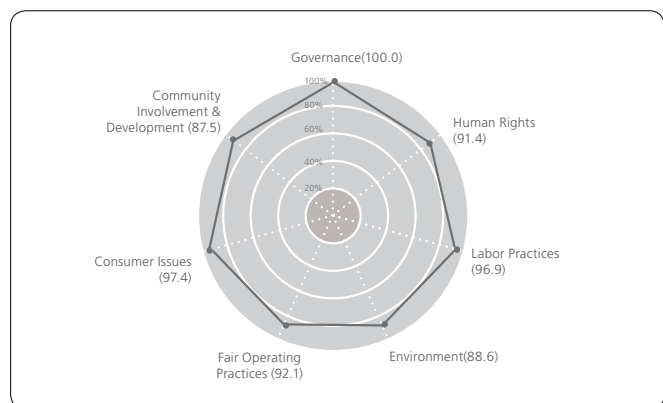
Evaluation Results

LS Cable & System received 885.5 out of 1000 points, verifying that the company has achieved Level IV of ISO 26000 Social Responsibility implementation. This means that its employees have a high awareness on social responsibility and that the company's management system, policies, and practices are well-organized.

Conclusion

LS Cable & System's CSR activities are at a stage in which they are being integrated into all stages of the company's activities. The company's system and level of implementation to respond to the ISO 26000 is quite outstanding. We recommend that it strengthens its communication with stakeholders, monitors its mid- and long-term performance on the implementation of sustainability management, and incorporates the results into employee performance in order to heighten its integrated execution capabilities related to CSR.

7 Core Subject Evaluation Results



II. Evaluation of the 7 Core Subjects : 593.5 points / 640 points

LS Cable & System generally fared well in implementing the seven core subjects ISO 26000. It showed excellent performance in terms of governance and labor practices, and showed good results in human rights, fair operating practices and consumer issues. Please visit our website for detailed result of each initiative.



June 1, 2012
Chang-Ryong Kim
 Chairman and CEO,
 Korean Standards Association

김창룡

Third-party Assurance Statement

Dear LS Cable & Systems Management and Stakeholders

Introduction

The Korean Standards Association ('the assurance provider' hereafter) was commissioned by LS Cable and Systems to perform an independent assurance engagement of the 'LS Cable & Systems Sustainability Report 2011'. KSA, the assurance provider, is responsible for reviewing the validity of the report content through the examination of the systems and evidence to produce information and performance data and for presenting independent assurance recommendations. The responsibility for collecting, analyzing and organizing all the claims and reported information in this report lies solely with LS Cable & Systems.

Independence

As an assurance provider, KSA does not have any interest in LS Cable & Systems other than conducting this third-party assurance engagement and KSA's independence and autonomy is fully assured.

Assurance Standards and Level

KSA followed the AA1000AS (2008) standard, ISO 26000, and the GRI G3.1 guidelines to perform the assurance engagement. The AA1000AS (2008) assurance principles of inclusivity, materiality, and responsiveness were utilized in assessing the report and KSA provided moderate level assurance which covers reliability regarding procedures to generate specific performance data.

Assurance Type and Scope

KSA performed Type 2 assurance engagement in accordance with the AA1000AS standard. Such Type 2 assurance aims to evaluate the report's compliance with the reporting responsibility principles under the AA1000AS (2008) and present reliable assessments of the performance data of sustainability management contained in the report.

The scope of this assurance engagement covers the report data spanning from January 1, 2011 to December 31, 2011 and the on-the-spot inspections were limited to the headquarters of LS Cable & Systems.

Assurance Methods

KSA undertook the following activities to collate information, materials and evidence regarding the assurance scope and perform the assurance engagement.

Visiting the LS Cable & Systems headquarters and conducting interviews with employees in charge of preparing data in respective fields of sustainability reporting.

- Reviewing the reporting process covering stakeholder identification & engagement and materiality test
- Reviewing the reporting process covering stakeholder identification & engagement and materiality test
- Reviewing internal management systems regarding sustainability management performance
- Tracing and examining internal documents and basic materials
- Reviewing whether the report coincides with the audit report on the company's financial performance

- Reviewing the company's disclosure of its management methodology and the report's application level check in accordance with the GRI G3.1 guidelines
- Reviewing the application of the UN Global Compact Advanced Level

Outcomes and Feedback

KSA reviewed and provided feedback on drafts of the report and modifications were made if deemed necessary. KSA is not aware of any significant errors or biases regarding the company's sustainability management initiatives illustrated in this report as a result of its assurance engagement. KSA is also assured that the report satisfies requirements for the Application Level A+ of the GRI G3.1 guidelines.

KSA presents the following feedback in accordance with the AA1000AS (2008) assurance principles

Inclusivity

KSA assessed the level of stakeholder engagement at LS Cable & Systems in taking response actions on sustainability issues in a responsible and strategic manner and developing these response measures.

KSA believes that the company is running stakeholder engagement channels including discussions and surveys and the engagement process is operated in an appropriate manner. In particular, KSA is confident that the inclusion of stakeholder engagement in the company's mid/long-term sustainability management strategy and action plans is a clear demonstration of its commitment toward stronger stakeholder engagement.

Materiality

KSA assessed whether the company presented material issues that may affect its stakeholders in this report.

KSA is confident that the company properly undertook the materiality test process in selecting issues material to stakeholders and is not aware of any omissions or exclusions of data material to stakeholders. In particular, we believe that the company is serving as a pioneer in publishing this integrated report which includes both the annual report and the sustainability report and thus incorporating interest of a wider spectrum of stakeholders.

Responsiveness

KSA reviewed whether the company responded to material sustainability issues where stakeholder interest is high and that such response activities were proactively communicated through the sustainability report.

KSA believes that the company is responding to sustainability issues material to its stakeholders in an appropriate manner. The company is undertaking systemized response measures in accordance with its sustainability management strategy. Especially, it is commendable that the company pursues balanced disclosure of information by presenting data as it is in the report, makes commitment toward continued improvements and takes relevant actions.

Sector-specific Feedback and Recommendations

In order to properly respond to sustainability issues of stakeholders and to ensure effective communication of such responses in undertaking compa-

ny-wide sustainability management initiatives, KSA believes that the following recommendations are worth LS Cable & Systems' consideration.

Sustainability Management Framework

To ensure that LS Cable & Systems moves towards the phase II (incorporation and dissemination) and the phase III (integration and differentiation) of the sustainability management practice roadmap already under progress, LS Cable & Systems would be better positioned to integrate communication activities covering stakeholder engagement, issue identification, recognition of sustainability management challenges and report publication with its company-wide management strategy action framework.

- To set up stakeholder engagement strategies by further segmenting stakeholder groups and to manage and incorporate stakeholder feedback on a company-wide level
- To stipulate the criteria of materiality test and to reflect the recognition of those dilemmas that may arise due to discrepancies in stakeholder expectations
- To present targets according to future mid/long-term action plans and to report relevant progress, thus continue to enhance the responsiveness

Economy

LS Cable & Systems offers a complete overview of its economic performance through the report. In particular, its balanced presentation of economic data will assist LS Cable & Systems' trust-based communication with stakeholders. LS Cable & Systems will benefit from continuing with this practice.

Environment

is committed to disclosing more of its environmental management. The company is recommended to give a focused description of top priority issues such as response to climate change and prevention of pollutants in the upcoming years.

Society

Given that LS Cable & Systems' initiatives to fulfill its social responsibility are primarily focused on its Korean business sites, the company would benefit from introducing strategic sustainability management performance management systems to its overseas sites and expand these systems gradually.

Sustainability management at LS Cable & Systems may further evolve through the integration of ISO 26000, the international standard on corporate social responsibility, on a company-wide level and the sustained improvements. KSA believes that the company would be able to enhance its internal/external value as a leading organization in meeting social responsibility by examining respective themes of social responsibility and undertaking sustained improvement activities in the upcoming years.



June 1, 2012
Chang-Ryong Kim
Chairman and CEO,
Korean Standards Association

김창룡





GRI Guideline Index

● Fully Reported ● Partly Reported ○ Not Reported ⊙ Not Applicable

Reporting Level	Page	ISO 26000 - Core Subjects and Issues
Principle of Stakeholder Engagement		Community Involvement
Boundary Protocol		Promotion of Social Responsibility within Value Chain
Strategy and Analysis		
1.1	6-7	Organizational governance
1.2	8-9	
Organizational Profile		
2.1	8	Organizational governance
2.2	12-17	
2.3	10-11, 21	
2.4	10	
2.5	10-11	
2.6	21	
2.7	10-11	
2.8	8	
2.9	-	
2.10	89	
Report Parameters		
3.1	About the report	Organizational governance
3.2	About the report	
3.3	About the report	
3.4	About the report	
3.5	23	
3.6	About the report	
3.7	About the report	
3.8	About the report	
3.9	About the report	
3.10	About the report	
3.11	About the report	
3.12	88-89	
3.13	86-87	
Report Parameters		
4.1	21	Organizational governance
4.2	21	
4.3	21	
4.4	22-23	
4.5	21	
4.6	21	
4.7	21	
4.8	18-19	
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4.10	21	
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4.13	82	
4.14	22-23	
4.15	22-23	
4.16	22-23	
4.17	22-23	
Economic (Disclosure on Management Approach) pp. 24-27		
EC1	30	Community involvement and development/ Community involvement/Social investment/ Social investment
EC2	64-65	Climate change and mitigation

Reporting Level	Page	ISO 26000 - Core Subjects and Issues
EC3	83	Conditions of work and social protection/Community involvement and development
EC4	82	
EC5	-	Conditions of work and social protection/Community involvement and development
EC6	45	Promoting social responsibility in the value chain/ Community involvement and development/Employment creation and skills/Social investment
EC7	45	Community involvement and development/Employment creation and skills/Social investment
EC8	47-49	Economic, social and cultural rights/Community involvement and development/Community involvement/Education and culture/Technology development and access/Social investment/ Social investment
EC9	31	Economic, social and cultural rights/Promoting social responsibility in the value chain/Respect for property rights/ Access to essential services/Community involvement and development/Technology development and access/ Technology development and access/Wealth and income creation/Social investment
Environment (Disclosure on Management Approach) pp. 26-27		
EN1	65	The environment/Sustainable resource use
EN2	66	
EN3	65	
EN4	65	
EN5	65	
EN6	68-71	
EN7	65	
EN8	63, 84	
EN9	66	
EN10	26-27	
EN11	-	The environment/Protection of environment, biodiversity and restoration of natural habits
EN12	-	
EN13	-	
EN14	26-27	
EN15	-	
EN16	65	
EN17	65	
EN18	65	
EN19	-	
EN20	63, 84	
EN21	26-27, 84	The environment/Prevention of pollution
EN22	26-27, 62-63	
EN23	-	
EN24	-	
EN25	66-67	The environment/Sustainable resource use/ Protection of environment, biodiversity and restoration of natural habits
EN26	68-71	The environment/Sustainable resource use/ Promoting social responsibility in the value chain/ Sustainable consumption
EN27	63-66	The environment/Sustainable resource use/ Sustainable consumption
EN28	27	The environment
EN29	65	The environment/Sustainable resource use/ Promoting social responsibility in the value chain
EN30	62	The environment

● Fully Reported ○ Partly Reported ○ Not Reported ◎ Not Applicable

Reporting Level	Page	ISO 26000 - Core Subjects and Issues
Labor Practices and Decent Work (Disclosure on Management Approach) pp. 26-27		
LA1 ●	51	
LA2 ○	51-52	Labour practices/Employment and employment relationships
LA3 ●	56-57	Labour practices/Employment and employment relationships/Conditions of work and social protection
LA4 ●	53	Labour practices/Employment and employment relationships/Conditions of work and social protection
LA5 ●	53	Labour practices/Employment and employment relationships/Conditions of work and social protection/Social dialogue/Fundamental principles and rights at work
LA6 ●	58-59	
LA7 ●	59	Labour practices/Health and safety at work
LA8 ●	58-59	Labour practices/Health and safety at work/Community involvement and development/Community involvement/Education and culture/Health
LA9 ●	58-59	Labour practices/Health and safety at work
LA10 ○	83	Labour practices/Human development and training in the workplace
LA11 ●	54-55	Labour practices/Human development and training in the workplace/Employment creation and skills
LA12 ●	52	Labour practices/Human development and training in the workplace
LA13 ●	52	Discrimination and vulnerable groups/Fundamental principles and rights at work/Labour practices/Employment and employment relationships
LA14 ●	52	Discrimination and vulnerable groups/Fundamental principles and rights at work/Labour practices/Employment and employment relationships/Conditions of work and social protection
LA15 ●	57	Discrimination and vulnerable groups
Human Rights (Disclosure on Management Approach) pp. 24-25		
HR1 ●	43	Human rights/Due diligence/Avoidance of complicity/Promoting social responsibility in the value chain
HR2 ●	43	Human rights/Due diligence/Avoidance of complicity/Employment and employment relationships/Promoting social responsibility in the value chain
HR3 ●	52	Human rights/Avoidance of complicity
HR4 ●	52	Human rights/Resolving grievances/Discrimination and vulnerable groups/Fundamental principles and rights at work/Employment and employment relationships
HR5 ●	52-53	Human rights/Due diligence/Human rights risk situation/Avoidance of complicity/Civil and political rights/Fundamental principles and rights at work/Employment and employment relationships/Social dialogue
HR6 ●	52	Human rights/Due diligence/Human rights risk situation/Avoidance of complicity/Discrimination and vulnerable groups/Fundamental principles and rights at work

Reporting Level	Page	ISO 26000 - Core Subjects and Issues
HR7 ●	52	Human rights/Avoidance of complicity/Employment and employment relationships/Promoting social responsibility in the value chain
HR8 ●	52	Human rights/Resolving grievances/Discrimination and vulnerable groups/Fundamental principles and rights at work/Employment and employment relationships
HR9 ○	-	Human rights/Resolving grievances/Discrimination and vulnerable groups/Civil and political rights/Respect for property rights
HR10 ●	52	Due diligence/Human rights risk situation
HR11 ●	52	Resolving grievances
Society (Disclosure on Management Approach) pp. 24-27		
SO1 ●	46-49	Economic, social and cultural rights/Community involvement and development/Employment creation and skills/Social investment/Respect for property rights
SO2 ●	80	
SO3 ●	79, 83	Fair operating practices/Anti-corruption
SO4 ●	79	
SO5 ●	80	Fair operating practices/Responsible political involvement/Community involvement
SO6 ●	80	
SO7 ●	80-81	Fair operating practices/Fair competition/Respect for property rights
SO8 ●	80	Fair operating practices/Respect for property rights/ Social investment
SO9 ○	-	
SO10 ○	-	Community involvement and development
Product Responsibility (Disclosure on Management Approach) pp. 24-25		
PR1 ●	39	Economic, social and cultural rights/Promoting social responsibility in the value chain/Consumer issue/ Protecting consumers' health and safety/Sustainable consumption
PR2 ○		
PR3 ●	39	Consumer issue/Fair marketing, factual and unbiased information and fair contractual practices/Protecting consumer's health and safety/Sustainable consumption/Consumer service, support, and complaint and dispute resolution/Education and awareness
PR4 ●	39	
PR5 ●	37-38	Consumer issue/Fair marketing, factual and unbiased information and fair contractual practices/Protecting consumer's health and safety/Sustainable consumption/Consumer service, support, and complaint and dispute resolution/Education and awareness
PR6 ●	38	Consumer issue/Fair marketing, factual and unbiased information and fair contractual practices/Consumer service, support, and complaint and dispute resolution
PR7 ○	38	
PR8 ○	-	Consumer issue/Consumer data protection and privacy
PR9 ●	36-37	Consumer issue/Consumer service, support, and complaint and dispute resolution

Additional Information

2.9	No changes in structure, or ownership during the reporting period	LA2/LA10	We will report detail data by 2015
EC5	We are in compliance with local labour law which regulates gender and wage level.	HR9	No violations involving rights of indigenous people
EN19	We don't use ozone-depleting gases listed on Kyoto protocol	SO9/SO10	No negative impact to communities
EN23/EN24	No case of significant spills and cross-border transactions of hazardous wastes during the reporting period.	PR2/PR8	No violation regarding product safety. All database including customers are managed by IT security system.

Awards

March, 2011	Prime Minister's Award celebrating the 20th anniversary of IR Jang Yeong-sil Award (Yang Hun-cheol, Principal Research Engineer)	August, 2011	Engineer of the Month Award, (Lee Su-gil, Principal Research Engineer)
April, 2011	Minister's Award celebrating the Science Day (Park Rae-hyeok, Principal Research Engineer)	October, 2011	Minister's Award celebrating the World Standards Day (Han Seop, Senior Research Engineer)



Statement GRI Application Level Check

GRI hereby states that **LS Cable & System** has presented its report “Link the World, Think the Future” (2011) to GRI’s Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 24 May 2012

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The “+” has been added to this Application Level because **LS Cable & System** has submitted (part of) this report for external assurance. GRI accepts the reporter’s own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world’s most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 9 May 2012. GRI explicitly excludes the statement being applied to any later changes to such material.



UN Global Compact

We participate in UN Global Compact, a voluntary initiative on corporate social responsibility, and are doing our best to abide by its 10 principles related to human rights, labor, the environment, and anti-corruption. This report aims to show our performance on the implementation of these principles, based on the 24 advanced-level criteria. We will strive to continue and further our CSR implementation.

Principles	Details to report	
Strategy, Governance and Engagement	1. Key aspects of the company's high-level sustainability strategy in line with Global Compact principles	<ul style="list-style-type: none"> • Disclose LS Cable & System's commitment to, performance on, and future plans for sustainability management • Establish a company-wide sustainability strategy and form an organization for its implementation
	2. Effective decision-making processes & systems of governance for corporate sustainability	<ul style="list-style-type: none"> • Analyze the opportunities and risks related to sustainability management, as well as the social and environmental impact of LS Cable & System's corporate activities • Discuss and decide on key issues related to sustainability management through management meetings, the decision-making body
	3. Engagement with all important stakeholders	<ul style="list-style-type: none"> • Currently establishing the definition of key stakeholders and devising channels for their engagement • Currently making efforts to incorporate the stakeholders' opinions when establishing a management strategy
UN Goals and Issues	4. Actions taken in support of broader UN goals and issues	<ul style="list-style-type: none"> • Support UNDP's Millennium Development Goals • Currently striving to fight poverty, improve hygiene, and ensure a sustainable environment by carrying out activities at LS Cable & System's business sites across the world, such as supporting the alienated members of society, establishing Charity Hospitals, and launching environmental cleanup activities
	5. Robust commitments, strategies or policies in the area of human rights	<ul style="list-style-type: none"> • Declare LS Cable & System's principles of respecting human rights through the company's code of ethics and employment regulations • Raise awareness by conducting human rights training, posting PR materials, etc • Evaluate the company's level of human rights protection through regular evaluations • Operate counseling centers, grievance procedure system, whistleblower system • Conduct regular reviews on performance through ISO26000 and GRI 3.1 and establish future plans
6. Effective management systems to integrate the human rights principles		
7. Effective monitoring and evaluation mechanisms of human rights integration		
8. Key outcomes of human rights integration		
Human Rights Implementation	9. Robust commitments, strategies or policies in the area of labor	<ul style="list-style-type: none"> • Comply with ILO conventions, the National Labor Relations Act, and the Social Security Act • Specify mutual rights and duties through collective agreements • Discuss and decide on key labor-related agendas through the Involvement & Cooperation Expansion Committee • Conduct Labor-Management Committee's yearly on-site satisfaction survey • Operate report channels for reporting unfair labor practices • Specify the prohibition on child labor and forced labor in employment regulations and collective agreements
	10. Effective management systems to integrate the labor principles	
	11. Effective monitoring and evaluation mechanisms of labor principles integration	
	12. Key outcomes of integration of the labor principles	
Labor Principles Implementation	13. Robust commitments, strategies or policies in the area of environmental stewardship	<ul style="list-style-type: none"> • Established the Green Management Mid-term Roadmap and built an environmental management system based on ISO14001 • Manage the Green Management Committee, headed by the CEO, as well its affiliated committees – the Climate Change Committee, Green Product Committee, and Environmental Safety & Health Committee • Currently evaluating the environmental impact of the company's activities and monitoring the performance related to the environment by forming an Environmental Planning Team • Disclose the company's environmental performance through its sustainability management report, website, and COP
	14. Effective management systems to integrate the environmental principles	
	15. Effective monitoring and evaluation mechanisms for environmental stewardship	
	16. Key outcomes of integration of the environmental principles	
Environmental Stewardship Implementation	17. Robust commitments, strategies or policies in the area of anti-corruption	<ul style="list-style-type: none"> • Declared the company's code of ethics, and formed the Ethics Secretariat to handle all work processes related to ethics and anti-corruption • Establish the Ethical Management Implementation Roadmap • Operate reporting channels and ethics counseling centers • Conduct an evaluation of the level of ethics on all employees every year and devise improvement measures • Review compliance with the law and the code of ethics through management evaluation • Conduct regular reviews on performance through ISO26000 and GRI 3.1 and establish future plans
	18. Effective management systems to integrate the anti-corruption principle	
	19. Effective monitoring and evaluation mechanisms for the integration of anti-corruption	
	20. Key outcomes of integration of the anti-corruption principle	
Anti-Corruption Implementation	21. Implementation of the Global Compact principles in the value chain	<ul style="list-style-type: none"> • Integrate the ethical management systems including the reporting system and the Clean Company program with other domestic subsidiaries • Send suppliers letters of cooperation on ethical management and request for their pledges on implementation • Establish global purchasing guidelines that incorporates the UNGC principles as well as other elements of sustainability management • Provide sustainability training to suppliers and conduct evaluation
	22. Information on the company's profile and context of operation	<ul style="list-style-type: none"> • Report on the company's impact and activities in relation to governance, markets, products, and product cycle • Report on performance based on ISO 26000 and GRI 3.1 • Receive verification from the Korea Standards Association (KSA), a third-party verification authority, on the company's system and performance
23. Incorporation of high standards of transparency and disclosure		
24. Independent verification by a credible third-party		
Value Chain Implementation		
Transparency and Verification		

