

2013

Sustainability Report

Link the World
Think the Future

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Sustainability Management

This describes the methodology to systematically and effectively manage our sustainability management, including the direction and values that LS Cable & System pursues, the goal to realize the values, the specific tasks to achieve the goal, and the organizations in charge to perform the tasks.

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10 Issues in 7 Topics

This illustrates our efforts and activities for sustainability management in 2013. We make a report on the key issues and activities of 7 sustainability management topics, namely, finance & creativity/innovation, customers, suppliers, local communities, employees, green management, and risk management.

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About this Report

We view that ‘sustainability management’ is to believe in the value of co-prosperity and to make a daily practice, not just a determination, of such value. We have issued our sustainability report every year since 2011 as part of the effort to share our principles and activities to connect human to human, human to societies, and the present to the future.

Purpose of Reporting | We continue to make progress toward long-term sustainability by reviewing and sharing our efforts and performance with stakeholders for the improvement of economic, social, and environmental values.

Reporting Period | The reporting period covers January 1, 2013 to December 31, 2013, and to keep track of the trends in the performance, three years’ data (from 2011 to 2013) has been provided. If deemed to be in need of reference, activities carried out in the first half of 2014 are included and specified with the points of time.

Boundaries | The report includes the performance of the head office, and 4 plants in Korea (Gumi, Anyang, Indong, Donghae) and Gunpo R&D center.

Reporting Scope | The report outlines our response and performance regarding the issues of significance in terms of the impacts on business activities and the interests of stakeholders on the 7 major topics of sustainability management.

Materiality Mapping Process

Step 01 Identifying	Identify material issues through policy & strategy analysis, employee survey, interview of person-in-charge, domestic and international regulation analysis, peer benchmarking, and media analysis
Step 02 Prioritizing	Prioritize the issues on importance and urgency
Step 03 Finalizing	Finalize the ‘most significant issues’ to report through internal & external review and verification

Reporting Guidelines | This report is aligned with Global Reporting Initiative (GRI)’s G3.1 Guidelines and we make a self-declaration that it satisfies the application standard of ‘A+’ level of the Guidelines. It also serves as our Communication on Progress (COP) for the ten principles of the UN Global Compact.



Assurance | The information contained herein is subject to internal reviews and third party verification.

Data Collection | Data was collected and processed from the Management Information System by the Performance Management Department. The data of 2012 and 2013 were reused because there has been no change in the data calculation methods.

Currency | All financial figures are presented in Korean Won (KRW) in the Korean version of the report and in US Dollars (USD) in the English version.

Key Changes in 2013

LS I&D Spin-off | As of December 31, 2013, we were divided into LS Cable & System as a surviving company and LS Investment & Department (LS I&D) in charge of Cyprus overseas investment and property development, allowing each company to make a full commitment to its unique business and to strengthen its core competitiveness. In particular, the overseas investment business of LS I&D will increase its business value by promoting the performance and improving the business structure of Superior Essex, a subsidiary of Cyprus, while the property development business will focus on real estate securitization. This is expected to raise value of stakeholders, including shareholders, in the long run.

Completion of Donghae 2nd Plant | The 2nd cable factory in the Donghae site was built on October 24.

2013 Material Issues

For more effective sustainability management, the issues of significance in terms of stakeholder interest and business impact are identified and managed with priority. Since the materiality evaluation process was internally designed in 2010, the evaluation results have been reflected on the following year's sustainability management plans and report.

Material Issue Evaluation in 2013¹ In 2013, we changed a material issue evaluation method used to identify key issues from 'sustainable management system' and '7 topics.' As a result, we conducted an analysis of materiality only regarding 7 topics: finance & innovation, customers, suppliers, local community, employees, green management, and risk management. The reason we changed the method is that external stakeholders have limited access to internal management issues. We look forward to identifying the interests of external stakeholders more clearly and specifically.

Top 10 Issues¹ We identified 31 material issues and selected 10 of them as priority. We defined new issues of respect of human rights, worksite safety, and compliance/ethical management because we want to go beyond management to shared growth and co-existence; not only stockholders but also stakeholders and social values; and from financial capital to trust capital so that we can expand and develop our management scope to reexamine and strengthen human rights, safety, compliance, and ethical management, all of which are the base of our business activities.

10 Most Significant Issues in 2013



Chairman Messages

First of all, I would like to express my deepest gratitude to you, all stakeholders who spared no effort to continue to pay attention to and fully support LS.

I am very pleased to see this fourth edition of the Sustainability Report as a communication channel with you.

The purpose of this report is to share with the stakeholders what we performed last year and what we have planned for a new future and sustainable development.

This report was prepared to share with you our achievements of the previous year and also our goals for a new future and sustainable growth.

We are making continuous efforts to improve our performance of sustainable management and have set our direction for sustainable growth as, 'To strengthen the basics.'

For the last half century, we have achieved steady growth while contributing to the national economy. As part of the efforts to continue our sustainable growth through social contribution for the coming half century, we will start over from the basics. That is to say, we will realize the value of our stakeholders and open a new future based on liability for our base products; respect and consideration for people and society; and innovation and challenge for a better future.



“We will realize the value of our stakeholders and open a new future based on liability for our base products; respect and consideration for people and society; and innovation and challenge for a better future.”

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Product Liability

When it comes to cable quality, people use the word ‘reliability’. That means, when a cable manufacturer lose reliability, even once, he/she cannot get it back. In this regard, we are determined to be thorough and perfect with our products.

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Respect and Consideration for People and Society

The best value that cables can provide is to increase mutual understanding and promote coexistence by connecting people and society, and present and future. With respect and consideration for people and society, we will realize a people-oriented workplace, trust with suppliers, and products that increase the value of society.

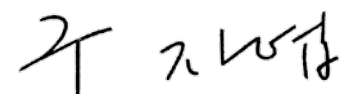
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Innovation and Challenge for Better Future

Due to climate change and depletion of natural resources, energy production and supply methods are at a crossroads of enormous change. Likewise, the cable industry is also at the center of the change. We will lead the change for a better world through future-oriented technologies and product innovation.

Distinguished stakeholders, we will carry down our basics and principles that made us who we are today, and spread new elements required for the new times so that we can be a reliable partner to our stakeholders. Once again, I would like to extend my sincerest gratitude to all of you for your unreserved efforts to support us.

Chairman Cha-Yub Koo



CEO Messages

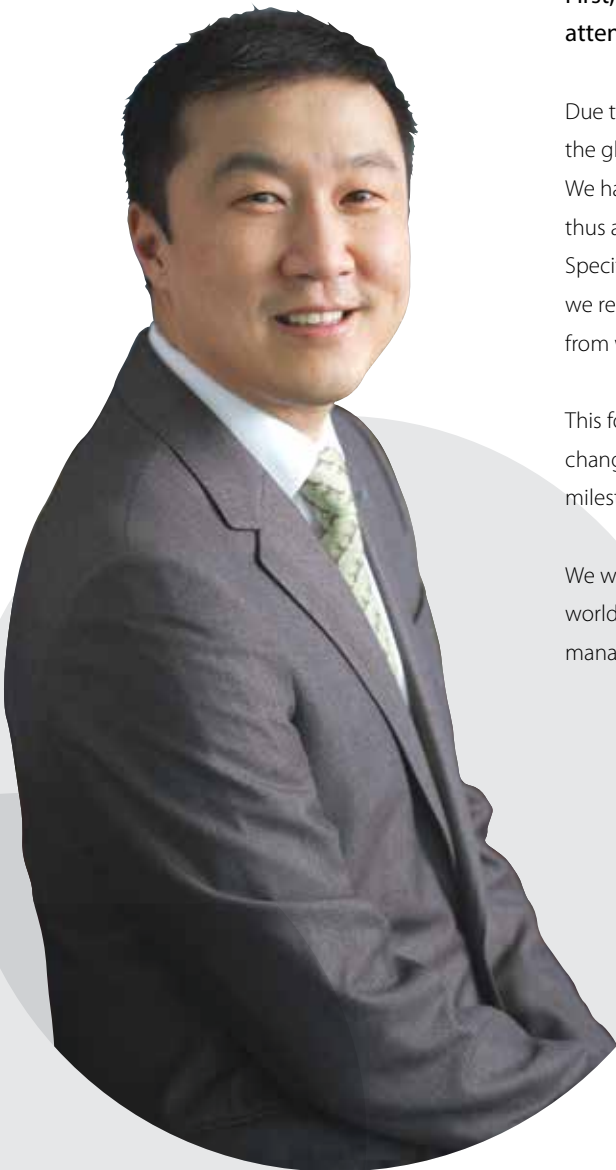
“We will create bigger values by complying with principles in a transparent manner to achieve sustainable growth and a better future.”

First, we would like to express our sincere gratitude to you for your attention and support for us this year.

Due to uncertainties and delayed investment, the global economy is still faced with a trend of low growth. We have also witnessed a slump in the relevant industries and thus are seeking new strategies for sustainable growth. Specifically, as we went through an unsavory incident that caused you anxiety, we reviewed the current and future management directions from square one from where we started.

This fourth sustainability report contains our thoughts and efforts to make changes with accountability, and is expected to become one of our major milestones for a long journey toward sustainable management.

We will exert all possible efforts to achieve sustainable growth and make a better world. Taking this opportunity, we would like to share our vision on sustainable management with our stakeholders.



1

First, we will create value together with our stakeholders.

Given that cables connect all of society in a network form, they are the fruits of care and cooperation among customers, communities, suppliers, and employees. We strive to satisfy customers with our customized products and services, and to share our philosophy and goals with suppliers and employees so that each one of their expertise can be manifested. To that end, we are willing to listen to the different opinions of our stakeholders and reflect them in our corporate strategy development and preparations for the future.

2

Second, the value creation process must be transparent and comply with principles.

Outcomes that did not follow principles are meaningless. We believe that our compliance management will lead us to achieve sustainable performance, and will focus the management on encouraging all staff members to believe in and comply with the value. As the first step, on January 2, 2014, we declared our commitment to Compliance Management, and have explored ways to operate programs that allow us to practice the Code of Conduct in a more sufficient manner.

3

Third, we will create bigger values.

Since values that a company create are distributed to and circulated among stakeholders and thereby become a growth engine to keep society moving, we will make an attempt to create a bigger value. To that end, all employees will fulfill their responsibilities for their tasks while cooperating with stakeholders to create synergy. Although economic slowdown in newly developed countries and fluctuations in foreign exchange rates and raw materials prices will act as a stumbling block to growth, we will maintain our competitiveness in the existing core businesses such as high voltage cable while generating visible outcomes in the new growth areas such as submarine cables and HDVC that we have prepared for the future.

We become a responsible company based on LS suppliership.

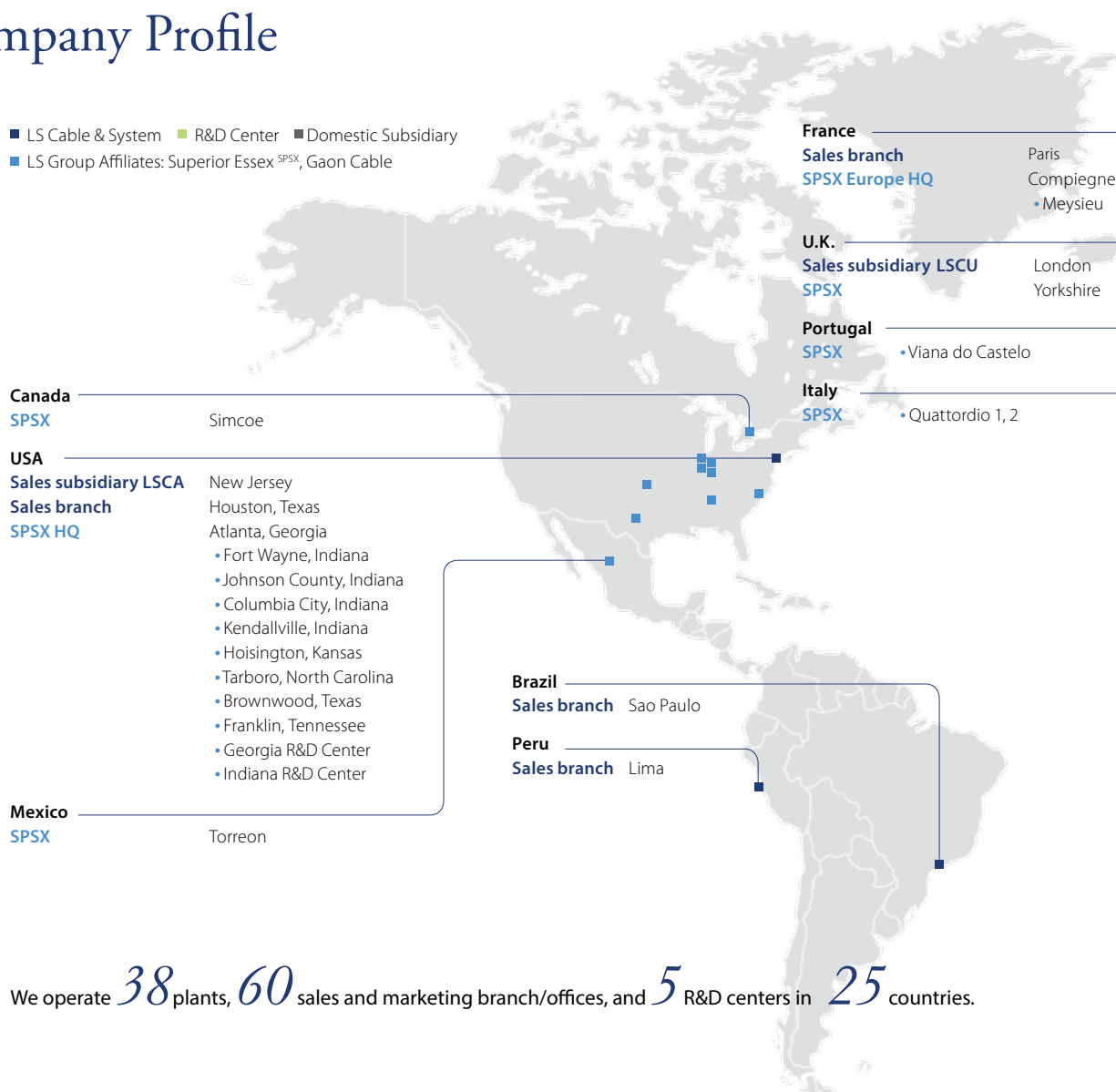
The year 2013 was the 10th anniversary of LS Group's foundation and also a meaningful year for us as an energy and telecommunication expert in the global market with name of LS Cable & System. However, at the same time, we also looked back and took time for self-reflection because we raised concerns from the public over quality issues in one of subsidiaries. We will take full responsibilities for our wrongdoings and take this as an opportunity to recast our system. We will make enormous efforts to regain the trust of the public and our stakeholders. We strongly believe that we will achieve what we want in the near future as we continue to do our job by playing by the book. We hope you will maintain your interest in and support for us so that we can be reborn as a responsible company. We look forward to your opinions and advice. Thank you very much.

President & CEO Ja-Eun Koo



Company Profile

- LS Cable & System ■ R&D Center ■ Domestic Subsidiary
- LS Group Affiliates: Superior Essex ^{SPSX}, Gaon Cable



We operate **38** plants, **60** sales and marketing branch/offices, and **5** R&D centers in **25** countries.

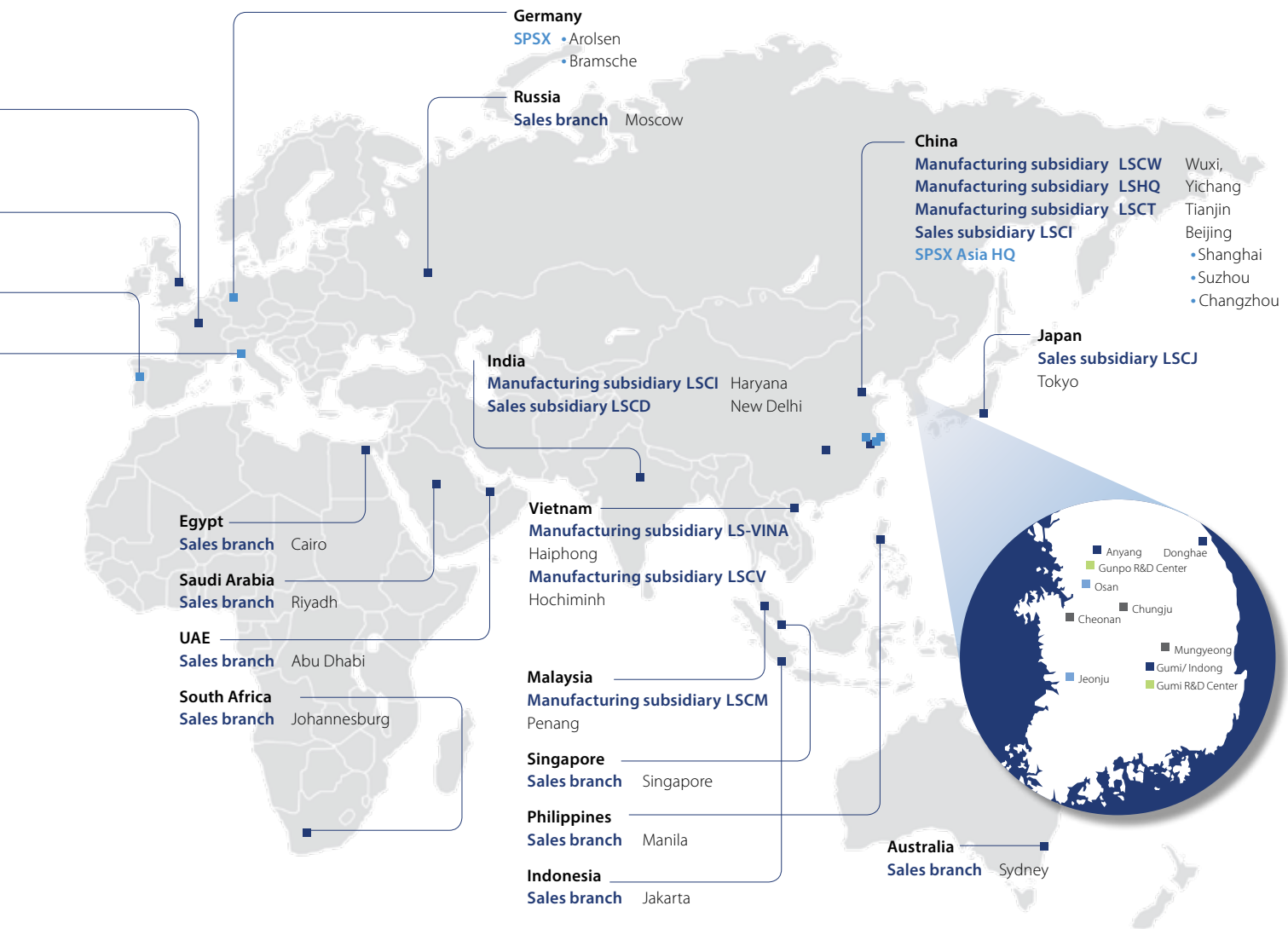
Our Business | We develop, manufacture, and provide various kinds of cable systems used for energy delivery and telecommunications throughout the industry and everyday life by providing **energy cables** used to supply electric power for home and industrial use, **communication cables** used to build info-communication networks, **industrial cables** used to supply power to, control, and operate electrical and electronic devices, and construction projects for installing cabling systems.

Status of Operations | LS Group, to which LS Cable & System belongs, holds three cable companies according to product features and location and operates 38 factories in 25 countries. Among them, we have nine factories at home and seven abroad. We share resources in cooperation with the group affiliates and subsidiaries, and support one another, thereby meeting the demands of global customers.

Company Name	LS Cable & System	Assets* (thousand, USD)	2,430,864	Employees	2,205 persons (4,800 including domestic and overseas subsidiaries)
Headquarters	Anyang, Korea	Sales* (thousand, USD)	3,350,391		
CEO	Ja-Eun Koo	Operating Profits* (thousand, USD)	123,448	Number of Subsidiaries**	2,205 persons (4,800 including domestic and overseas subsidiaries)
Founded in	1962	EBITDA* (thousand, USD)	171,627		

* Financial data here covers LS Cable & System alone, not subsidiaries.

** Subsidiaries that LS Cable & System holds a majority of voting rights.



Our History |

1962~1983 Laying the Foundation

- 1962 Established Korea Cable Industry Co., Ltd.
- 1966 Built Anyang Site
- 1978 Built Gumi Site
- 1982 Built R&D Center
- 1983 Set up high voltage VCV tower

1984~2003 Growth

- 1984 Established Geumsung Optical Communications
- 1994 Founded LGMW & LGME, Joint Venture in Malaysia
- 1997 Founded LG-VINA, Joint venture in Vietnam
- 1997 Started up Indong Site
- 2003 Split from LS Group

2004~2013 Quality Enhancement

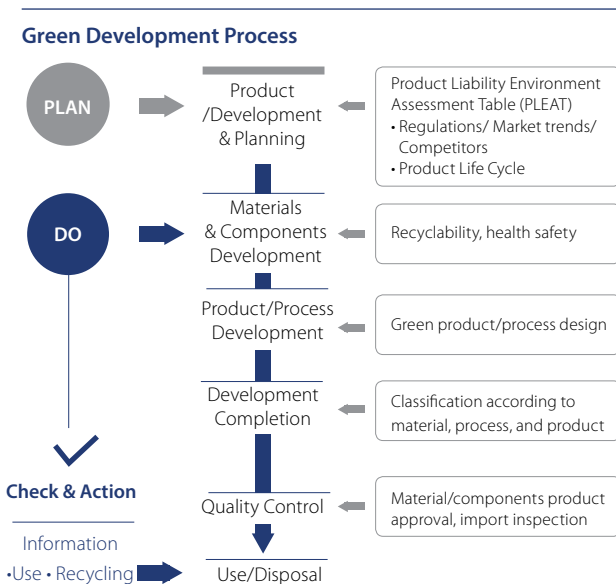
- 2005 Set up Wuxi Industrial Complex in China
- 2008 Launched LS Holdings/
2009 Acquired LS Hong Qi Cable
- 2009 Built submarine cable plant in Donghae
- 2011 Implemented testbed project on super conducting cable in Incheon
- 2012 Established electrical power plants in the U.S. & India
- 2013 Spun off Cyprus Overseas business

Green Products

Our green product development aims at increasing environmental values of customers and the entire society. To that end, we have established three criteria for green products: Eco Basic Products, Eco Value Added Products, and Eco New Products, and accelerated our efforts to develop technologies based on a roadmap for each criterion. In addition, the concept of Eco-Design has been applied to the product development stage since 2010, while eco-friendliness is considered throughout the entire life cycle, ranging from materials, process, products, to disposal and recycling

Development Plan | We aim at developing green products to steadily decrease their environmental impact by applying eco-friendly strategies about resource efficiency, environmentally harmful substances, compliance, and energy efficiency to the entire product life cycle ranging from product development to disposal based on the existing quality system. Moreover, if products developed according to the green product process meet the internal standards, they are categorized as green product and granted an LS Cable & System Green Mark.

Development Process | Our green products are manufactured according to the process of planning, execution, review, and improvement. The environmental safety of products is analyzed at the stage of planning based on the PLEAT^{Product Liability Environment Assessment Table}, while recyclability and environmental safety of materials are considered at the stage of development and then designed. The quality of the finished products is managed through material and process approval and import inspection, and their recycling information is offered at the stage of disposal.



Green Product | Our green products meet the general standards for green products, such as energy efficiency enhancement, toxic materials removal and reduction, and resource reduction, and are defined as follows: **Eco Basic Products**, which meet the legal regulations and our customers' needs, **Eco Value Added Products**, which enhance customer value through the minimization of environmental impacts throughout their life cycle, and **Eco New Products**, which create new markets for future growth engines.

■ **Eco Basic Products:** Eco Basic Products are safe to use thanks to the development of globalized products and technologies that meet the toxic substance regulations and regional environment and quality standards. They include REACH, RoHS and ELV in the electrical and electronic field, and WEEE in the automobile field.

■ **Eco Value Added Products:** Eco Value Added Products Contribute to are manufactured according to the Eco-Design process to meet the legal regulations and boast more eco-friendliness than existing products. They not only meet the legal environmental regulations but also consider environmental factors throughout their life cycle so that they can reduce environmental impact, resource use, and toxic materials, increase energy efficiency, and promote recyclability, degradability, and disposability.

■ **Eco New Products:** Products in the renewable energy and green industry will build up ecofriendly infrastructure throughout society and serve as a new growth engine in the future. We will contribute to reducing energy consumption and GHG emissions in society by conducting research and development on superconducting cable, high voltage harness for EVs, wind & solar energy solutions, and high voltage direct current (HVDC) system.

Green Mark | Products and technologies that meet the internal green product standards are certified as Eco Product, and those with more eco-friendliness are categorized as Global Eco-Product.



Eco Basic Products¹

Fiber To The Antenna (FTTA) Solution

FTTA refers to optical fiber/electric power solution designed for wireless base stations that use RRH^{Remote Radio Head} and allows the user to send fast and massive amounts of data directly to the antenna. This solution contributes to reducing energy consumption, resources, and costs and allows easy operation, installment, and maintenance by not using the TMA^{Tower mounted Amplifier} and replacing existing multiple coaxial cable sets with a single set.



High Durable Heating Wires for Seats

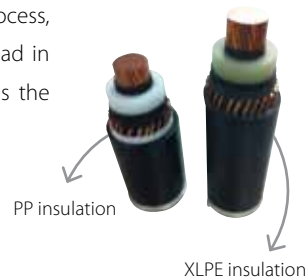
These heating wires for car seats use silver wire conductor that are incorrodible and easy to install and fluoroplastic insulator with excellent high-temperature insulation. In addition, a variety of alloy conductors and nylon sheath products that meet the customers' needs for resistance and endurance have been developed.



Eco Value Added Products¹

22.9kV 110°C Non-bridging PP Insulating Cable

This cable sends a massive amount of electricity by increasing the allowable temperature to 110°C through a change of the insulation material of the existing 22.9kV cable from XPLE to PP. This recyclable cable does not emit methane gas during the manufacturing process, contributes to easing the overload in the downtown area and reduces the operating cost.



Cable System for Railway Infrastructure

This eco-friendly cable system for railway infrastructure uses low smoke-generating and low toxic-coated materials that exclude hazardous materials such as cadmium and reduce smoke and toxic materials generated from cables in the case of a fire. It is also applied with electromagnetically shielding technology.

• Power Feeding System



• Applications for Stations



• Signaling & Communication System



Eco New Products¹

Solar Ribbon Wire

This wire is a key component that collects electricity generated from each solar cell of photovoltaic power modules. This super-low yield strength interconnecting ribbon wire has drastically reduced its yield strength by reflecting customer needs for such kind of wire and optimizing each process for conductor materials, rolling, and plating.



Eco-friendly High-Voltage Harness for Vehicle

A high-voltage connector connects electricity between vehicle battery and power system. We are currently developing eco-friendly harness products based on the high-voltage connector products of international standards that can safely convey high-voltage and high-current electricity within eco-friendly vehicles.



■ **Certified Analysis and Test Agency for Environmental Hazardous Materials** We have been stepping up our efforts to respond to hazardous substance management including investment in analysis technology and facility. In recognition for these efforts, we have been designated as Korea's first certified laboratory that analyzes and tests RoHS regulated substances by Underwriters Laboratories (UL) in U.S. and Technischer Überwachungsverein (TÜV) in Germany.

Opportunities, Challenges, and Our Response

Uncertainty. This is the most appropriate word that describes the present situation that our society is facing. In a time of uncertainty and change, what drives us to achieve sustainable growth is to keep the basics, not to forget our original resolution, and to make progress to play our fundamental role better. We go back to the basics, recheck what we are capable of, and focus on our most important role of 'manufacturing incomparable cables' so that we can effectively deal with the sweeping changes across the globe and the challenges that the cable industry is faced with.

New Business Environments and Our Response

New Business Environments



Prolonged Economic Recession

The global economy is experiencing a long period of low growth. The financial crisis of advanced countries and low export of and investment in emerging countries have contributed to lowering the global economy growth rate from 3.9% in 2011 to 3.2% in 2012, and again to 3.0% in 2013, while the slowdown in the demand has delayed the recovery of the cable industry.



Climate Change

In its report for 2013, the Intergovernmental Panel on Climate Change, IPCC expected that the global average temperature would rise by 3.7°C and the sea level by 63 centimeters in 2100 if the increase of GHG emissions remains at the current level. In fact, climate change is threatening our life by causing heat waves, floods, draughts, and desertification.



Urbanization

From 1970 to 2011, the number of mega cities with populations of over 10 million has increased from 2 to 23. And their resident population has multiplied 10 times from 39.5 million to 359.4 million, which is expected to reach 630 million, more than 50% increase, by 2025.¹⁾ In particular, the rapid urbanization of developing countries has caused them to take up 74% of the total mega city population.



Population Structure Change

The extended life expectancy and low birth rate have brought about an increase in the aging population. As of 2013, the world population aged over 60 stands at 0.84 billion and is expected to reach 2 billion by 2050, which is tantamount to 21% of the whole population, thanks to the annual increase of 1.0% in advanced countries and 2.9% in developing countries.²⁾

Our Response

Like any other business entity, we are also in a difficult situation, suffering from low profit margins. However, we are improving our financial performance by focusing on management efficiency rather than business expansion through organizational streamlining, cost-cutting, and business structure improvement. Also, we are making all-out efforts to enhance technology and quality competency by going back to the basics and also long-term performance by solidifying our customer relationship.

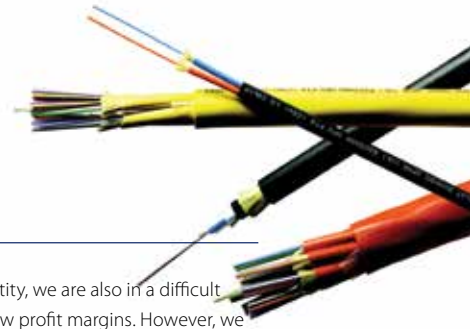
In order to boost the power generation by using new and renewable resources, we are developing and providing cables and monitoring system for solar and wind power generation, and also engaging in the development of components and systems of eco-friendly cars such as electric and hybrid cars. In addition, we are contributing to reduce energy loss in transmission by providing high voltage cables of world highest technology.

We are not only providing general power grids that allow a stable supply of energy, but also solutions for eco-friendly and intelligent cities, including intelligent power grids that promote efficient energy use; eco-friendly cables that allow the production and transmission of renewable energy; and power supply, telecommunication, and control cables for traffic facilities such as urban railway.

As the health industry and robot industry that can support the livelihood of the aging population and replace their labor are expected to flourish in the coming years, we are continuously developing a variety of cables for medical appliances, robots, and factory automation.

1) World Urbanization Prospects : The 2011 Revision

2) World Population Prospects : the 2012 Revision



Cable Industry Environment in 2013

Strong Points

Mass production of various cable products must be possible within a specific period since they are used for large-scale projects. Moreover, massive production facilities are also required because their manufacturing process has connectivity from the beginning to the end. We have established 3 R&D centers and 16 production facilities at home and abroad, securing the capability to implement all kinds of global cable projects ranging from development, design, production, to construction. In addition, we have a diversified product portfolio, including low & medium voltage cable, extra-high voltage cable, submarine cable, telecommunication cable, various integrated module & cable, and specialty cables.

Weak Points

We boast a variety of product lines ranging from basic cable materials to high-tech products. However, the lines include products with high competition intensity in price and those with relatively low added-value due to a less sophisticated process level. Therefore, we are planning to increase high value-added products through business structure improvement. Meanwhile, during the process of securing future growth engines with focus on high value-added products, our debt ratio has increased due to investment expansion. As a result, we are currently seeking the improvement of a financial structure through asset securitization and operating asset efficiency.

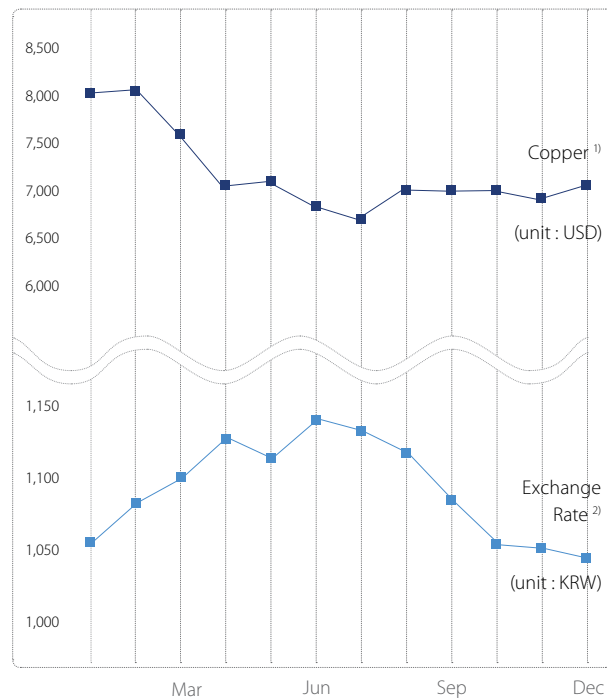
Opportunities

While emerging countries are making more investments in power grids and next-generation communication facilities thanks to their increasing income, advanced countries are witnessing more need to replace the existing old power infrastructure. Moreover, since frequent abnormal temperature are causing more fluctuation in power demand, much attention is now being paid to high-efficient power grids that allow a stable supply of massive amounts of electricity. All of these are considered as opportunities to us, of which the main business is high-voltage cable, and our eco-friendly power system for renewable energy sources such as wind power and solar heat are expected to serve as future growth engines.

Threats

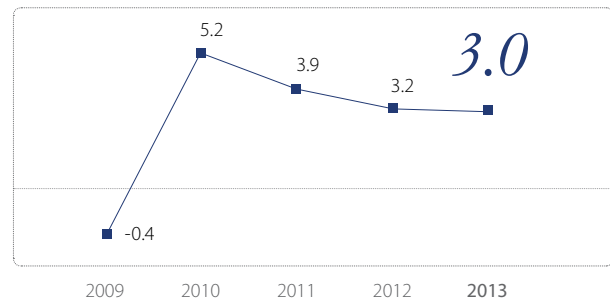
The cable industry is regarded to be at the maturity stage with a moderate growth rate as most demand has been made only for replacement since the investment in power and communication infrastructure was completed mainly in advanced countries. Furthermore, the delay of investment in infrastructure due to global economic recession has weakened the demand for cables, while the expansion of supply due to increase of facilities by domestic companies and entry of competitors into the key market have caused much fiercer competition. In addition, given that raw materials such as electrolytic copper account for more than 70% of manufacturing costs, the fluctuation of raw material prices and exchange rate might have negative impacts on profitability and working capital.

Raw Material Price Trend in 2013



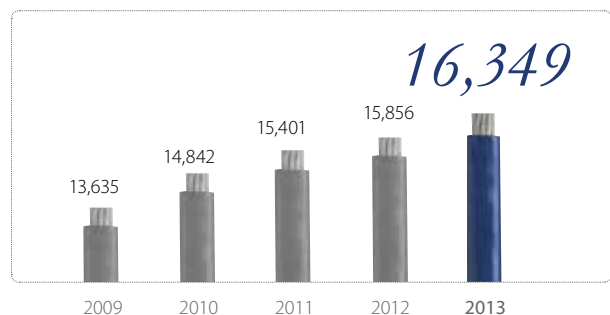
Global Economic Growth Rate ³⁾

(unit : %)



Cable Demand ⁴⁾

(unit : 1,000 ton)



1) LME(London Metal Exchange) Average

2) TT/M(Telegraphic Transfer Middle)

3) IMF

4) CRU 2014

Vision & Strategy

There is an old Korean saying, “It takes more than pearls to make a necklace.” In this context, energy and information themselves cannot fulfill their roles in our society unless cables deliver them to the right place where they are needed. Our mission is to deliver energy and information in a more efficient, stable, and eco-friendly manner through the best cable & system solution. We aim at becoming your best partner that provides the most optimized cable solution based on our belief in technology, responsibility for the society and future generation, and cooperation beyond our role to manufacture and supply cable products.

Vision

- **Your No.1 Creative Partner** | There are many kinds of and standards for cables according to the products, regions, and environments that they are applied to. Thus, cable manufacturers should clearly understand what their customers need and provide products and solutions tailored to each customer and project. Moreover, cables have significant impacts on the society since they are used for the social infrastructure. In this regard, the business needs to be based on the cooperation with stakeholders such as local communities, governments, public agencies, and partners. Considering all of these characteristics of cable products, our vision is to build a strong partnership with current and future stakeholders by providing them with the best value through creative methods that no other can imitate.

YOUR

For internal and external stakeholders in the present and the future

NO.1

Provide “Unique and Best” products, services, and values

CREATIVE

By creative and innovative ways for providing best solutions

PARTNER

To build a sustainable partnership towards shared goals

Corporate Value

- **Core Value** | The values that all our members should pursue to accomplish the company’s mission and vision include compliance with principles and basics, curiosity and flexibility, reasonable challenge, constant innovation, and fair compensation. These values have driven our growth over the last 50 years and played a pivotal role to unite employees in the rapidly changing business environment.

Compliance with Principles and Basics

The process of pursuing successful results should be right and ethical.

Curiosity and Flexibility

We dream of a better future and embrace various perspectives and thoughts.

Reasonable Challenge

We constantly take up challenges to make our dreams come true and overcome failure.

Constant Innovation

We pursue improvement and innovation to respect new ideas and create value

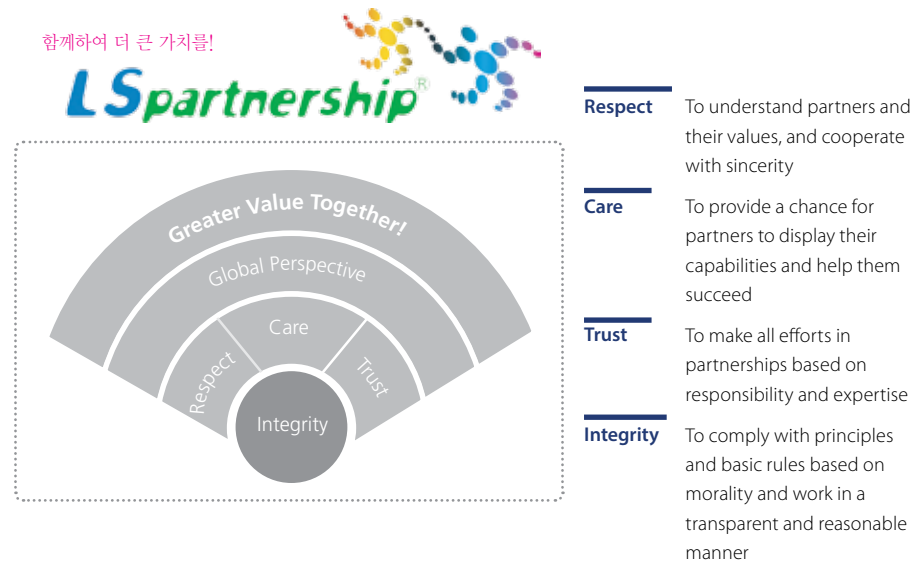
Fair Compensation

We provide employees with equal opportunities and rewards for their performance.



Corporate Philosophy

LS Partnership for Greater Value ¹ In the business ecosystem where openness and cooperation are emphasized, we practice our corporate philosophy of 'LS Partnership*' to achieve mutual growth with stakeholders. 'LS Partnership' entails internally achieving great performance through mutual respect, care, and trust by talented employees that are armed with a sense of ownership, while externally cooperating with open-mindedness and growing together with stakeholders.



Management Policy for 2014

To strengthen Basic Capacity ¹ The economy has been suffering from low growth and the cable market is also witnessing ever-increasing uncertainty. Under these circumstances, we will focus on strengthening our basic capacity to overcome the current difficulties and achieve steady growth. There is a saying that we have to start from the bottom to get to the top, and from the closest to reach the farthest. In this context, our fundamental values will serve as a solid foundation to deal with any changes and difficulties in the future.

Profit-Oriented Management We will make our best effort to create profits so that we can distribute values to stakeholders and maintain the virtuous cycle of profit creation and investment. We will enhance the performance of existing businesses to increase profitability while focusing on the performance enhancement of future-oriented nurturing businesses and improving operation efficiency through constant cost innovation. Moreover, our regular risk management system will be strengthened based on contingency plans.

Quality Management We will solidify our customer relationship by realizing customer value through complete quality management. To that end, with the goal of 'customer trust and satisfaction through products and services that meet customer expectations' in mind, we will renew our quality mindset and strengthen the quality management and verification system from the stage of development to shipment, while securing the optimized quality management system with the characteristics of business and products in mind.

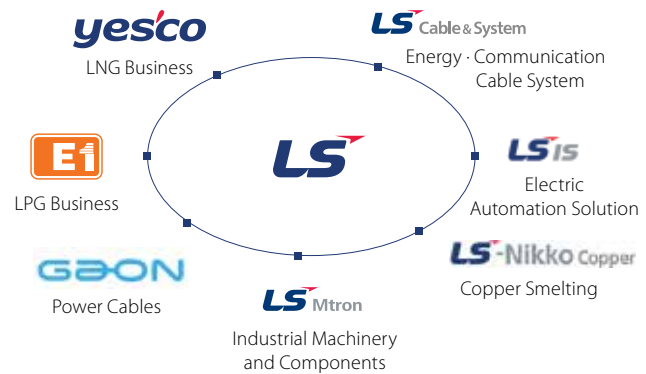
Responsible Management We will spread the corporate culture of accountability that encourages employees to take full responsibility for their own jobs. Business performance will be set as the most important evaluation indicator and connected to the reward system, while the transparency of the organization will be more enhanced. Meanwhile, compliance with principles will be considered as the most important value, while collusion, corruption, and unfair business practices will be strictly prohibited since they can put the entire company at risk.

Governance & Management

Based on BOD's independence and management transparency, accountable and reasonable corporate governance will be established to raise corporate value and protect the rights of shareholders. We comply with Korea's commercial law on corporate governance, respect OECD's basic principles, and conduct our business management according to a reliable procedure led by BOD, the top decision-making body, and the executives' meetings, the top steering committee. Moreover, through decision-making based on the 'check and balance' principle, we strive to make a reasonable adjustment of interests.

Management Efficiency through the Holding Company | In 2008, the former LS Cable Co., Ltd. split into LS Cable & System for the cable business and LS Mtron for the machinery and electronic business. As a result, LS Cable & System became an affiliate of the LS Group that has LS as a holding company. A holding company system helps us focus on our own business by separating investment and business, while increasing management efficiency by establishing strategies and culture tailored for each business's characteristics. In addition, the system allows us to clearly understand the performance of the entire group, which leads to better management transparency. As of April 2014, LS holds 86.95% of the shares of LS Cable & System as the major shareholder.

LS Group



Management by Board of Directors

Authority of BOD Our BOD^{Board of Directors} has comprehensive authority regarding management and reviews and decides important business issues, including corporate strategic directions and investments, apart from those clarified in the commercial law or articles of association. Board members are appointed at the general shareholders' meeting. They are not allowed to engage or invest in the operation of outside or partner companies in order to avoid conflicts of interest between them and the company, and have limited voting rights in the resolution on agenda of special interests.

Composition and Operation of BOD As of April 2014, the BOD consists of three internal directors, and the CEO serves as the chairman of the board since the cable industry requires extensive investments and rapid response to various risk factors that prevail at our overseas business sites. The Board Meetings are held according to the pre-established annual plan on a regular basis, and special meetings can be convened for immediate decision-making. In 2013, 29 board meetings were held in total, in which 52 agenda were passed, including new investments, compliance program, and evaluation results of the internal accounting management system, etc.

Qualification of Board Member First, the director should be honest and ethical and have a sound sense of vocation. Second, the director should think of the future of the company and society with a long-term view, with sound judgment and driving force for performance. Third, the director should have experience and expertise in the cable business.

Evaluation and Compensation Remuneration to directors is provided based on their work performance within the capped amounts approved by the general meeting of shareholders. The evaluation is made in accordance with performance indicators linked to business goals and evaluation directions, which include financial performance, such as operating profit, and also non-financial performance, such as quality, environmental safety, risk management, and corporate culture improvement. Half-yearly and yearly reviews are conducted on performance indicators, and bonuses are commensurate with evaluation results.

BOD Member					As of April 2014
Position	Name	Gender	Date of Appointment	Responsibility	Transaction with Company
President	Ja-Eun Koo	M	2012.3.16	CEO	None
Internal Director	Cha-Yub Koo	M	2012.3.16	Chairman	None
	Roe-Hyun Myung	M	2008.11.10	Director of Corporate Management Group	None

Organizational Structure | We transformed our organizational structure into the functional structure in February 2013 as part of the effort to increase resource and operational efficiency through organizational innovation. A functional organization consists of departments that perform similar and relevant businesses, through which we can enhance expertise by concentrating our capability on our functional tasks and increase operation efficiency by uniting the functions that used to be operated by each business division. It also enables us to promptly respond to customers, as well as to develop and manufacture products in accordance with rapidly changing customer needs and technology trends. We strive to achieve our strategic goals through organizational restructuring and make the best of such change through cooperation and synergy among various functions.

Responsible Management |



“ Yeon-Soo Kim, Executive Vice President of Production Group

We will earn customer trust by securing the quality of prototypes and products and improving quality mindset, and will also realize greater values by conducting on-site innovation.



“ Jae-In Yoon, Executive Vice President of Sales & Marketing Group

We believe that customers will take our side if we treat them wholeheartedly. We will achieve customer satisfaction by preparing even the small details and understanding their needs.

Roe-Hyun Myung, Executive Vice President of Corporate Management Group



We will strengthen our role as coordinator to help each functional organization to be organically connected and create synergy, and also conduct advanced prevention activities through complete regular risk management.



Seon-Kook Kim, Executive Vice President of Technology Development Group



We will concentrate all our capabilities on improving performance and securing technologies so that we can manufacture products in a timely manner, enhance technology platforms, and realize advanced quality management.



“ Kyung-Il Park, Senior Vice President of Corporate Support Group

We will support business success based on our sense of balance and execution power. In particular, we will focus on promoting the corporate culture of ethics and righteousness.



“ Tae-Hoon Kim, Vice President of Construction Group

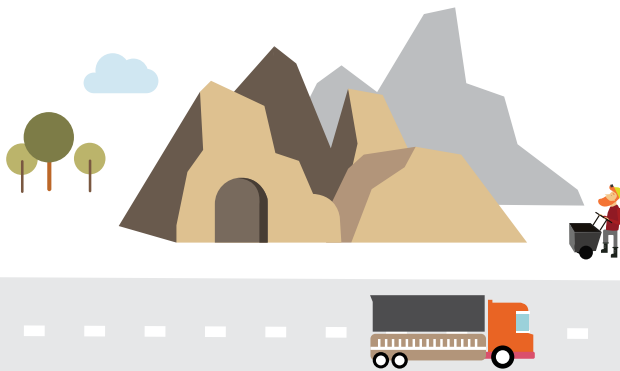
We will pursue harmony of quality, environmental safety, and consideration of local communities through close management of sites by unit.

Management Transparency | We provide shareholders with a report on management performance and business status at annual general shareholders' meetings, and regularly disclose the information that may have significant impact on stakeholders, such as business performance, investments, and sustainability management performance, on our website and the electronic disclosure system of the Financial Supervisory Service. For transparency and fairness, we carry out external audits and internal diagnosis. In compliance with Korea's commercial law and internal rules, external audits are conducted by the auditor appointed through a general meeting of shareholders to verify transparency and fairness of internal management and accounting. In addition, internal management diagnosis is executed regularly or when needed, to check whether all business activities are implemented in a rational manner and employees perform their work in an ethical and effective way.

Business Activities to Enhance Stakeholder Value

Our Activities and Responsibilities | In the entire life cycle, ranging from securing raw materials, manufacturing, utilizing, disposing, to recycling products, we thoroughly analyze the impacts that our business activities and products have on the society and stakeholders so that we can maximize the positive effects and minimize the negative effects to enhance stakeholder value. We strive to listen to the voices of various stakeholders through each communication channel and reflect the collected opinions to our business activities. Moreover, we pursue mutual growth by equally distributing the value we created to our stakeholders.

01 Purchase of Raw Materials

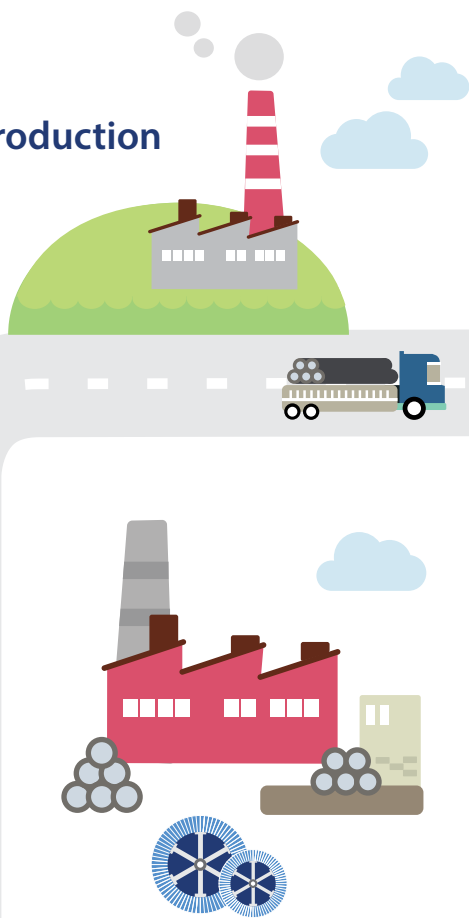


Purchase of Raw Materials

Activity We purchase raw materials for cable manufacturing (such as electrolytic copper, aluminum, and compound) and energy sources for production. Copper, the key raw material, is purchased from copper refineries with the consideration of international raw material prices.

Responsibility The products and services provided by our partners are one of the important factors that determine production efficiency and quality. We have a responsibility to support our partners to grow and build global technology competitiveness through transparent and fair trade. Furthermore, we are committed to preserving the natural environment by procuring eco-friendly products through low carbon transportation.

02 Production



Production

Our two R&D centers in Gunpo and Gumi are engaged in product development and design, while four domestic worksites and seven overseas worksites are involved with production. Moreover, we are participating in the construction and the installment of the products.

We have a responsibility to give the next generation Earth that is in good and clean condition. In this regard, we make our utmost effort to use less resources and energy, minimize the emissions of environmental pollutants, and establish a more efficient production process. At the same time, we shall guarantee equal opportunities and worksite safety, and also provide fair evaluation and compensation to our employees for their well-being and happiness.

03 Uses



Uses

Our products are used at any place where energy and information such as power, transmission and distribution, telecommunications, equipment operation, and transportation are required. By providing customized products based on excellent technology and quality, we are enhancing the stability and convenience of our products.

Cables are used for energy and telecommunications infrastructure to allow the industrial development and utilization of various facilities and equipment in local communities. With a responsibility for infrastructure establishment in each local community, we will develop high-quality products suitable for each user environment and secure product reliability and stability so as to achieve customer satisfaction and contribute to social development. Moreover, we are actively engaged in reduction of the energy use by providing high-efficiency eco-friendly products.

Stakeholder Engagement

Sales

USD **3,350,391** thousand

Customers

Those who use our products and services, mostly power generation companies, electrical grid operators, telecommunication companies and manufacturers, etc.

Communication channel

CRM system/ Management information disclosure system/ Customer seminar

Shareholders & Investors

As shareholders and investors who believe in the value and the potential of LS Cable & System, LS Co. Ltd., the holding company as well as individual and institutional investors who own corporate stocks and bonds are applied to this category.

Communication channel

Management information disclosure system / IR activities / Business report / BOD / General shareholders' meeting

Suppliers

Domestic and foreign companies that supply raw materials and other materials. There are approximately 200 key suppliers in terms of purchase amount and strategic importance (as of 2013).

Communication channel

Integrated purchase system / Shared Growth Council / Opinion survey / Open discussion meeting/Training for suppliers

Local communities

4 domestic sites in Anyang, Gumi, Indong, Donghae and 7 overseas sites where manufacturing facilities are located and areas where large-scale projects are implemented

Communication channel

Social contribution activities / Business-academic cooperation /Open discussion

Government

Governments and public institutions around the world that provide legal standards and systems for business policies and activities. We have a responsibility to comply with the standards as a corporate citizen

Communication channel

Open discussion / Participation in national projects / Cooperative programs / Association-academic society activities

Employees

2,205 employees conduct business activities at LS Cable & System as of April 2014. (4,800 employees in total including domestic and overseas subsidiaries)

Communication channel

Hotline / Monthly meeting / Intranet / Diagnosis of organizational capability and culture / Participation & Cooperation Promotion Council / On-site survey

Others

* Data referred herein covers LS Cable & System's performance, not covering its subsidiaries



Distributed Values

2013 Performance in Figures

USD 72,941 thousand
Realize investment returns of shareholders and investors through dividends and interests

Operating Profit
USD 123,448 thousand

R&D Investments
USD 27,347 thousand

USD 2,959,403 thousand
Contribute to the growth of suppliers through fair trade and support

Donation from Salary Rounded Down
USD 37,904 thousand

Cash Equivalent Payments
100%

USD 95 thousand
Participate in sharing activities such as donations and educational supports in local communities

Donation from Salary Rounded Down
USD 35,061

Employee Volunteer Groups Support
USD 193,892

USD 27,320 thousand
As a corporate citizen, pay taxes to central and local governments where worksites are located

Energy Use
Reduced by **7.2%**
2012 3,162TJ / 2013 2,933TJ

Greenhouse Gas Emissions
Reduced by **5.6%**
2012 162,000ton CO₂eq / 2013 153,000ton CO₂eq

USD 170,886 thousand
Support self-realization and stabilization of households of employees through wages, retirement pension, welfare, and training

No. of Employees
2,205 persons

Female in Workforce
9.0%

No. of non-compliance of Human Right Protections
0 case

USD 119,746 thousand
Internal reserves for investment in future.

Ethics Article Posting
46 times

Projects for Evaluation Technology
83 projects

Our Products

Energy Cable

Used to transmit power with stability and efficiency



01 Extra-high voltage cable that efficiently transmits massive quantities of electrical power with the voltage of over 154kV



02 Power Distribution Cable that supplies power of 0.6/1Kv to 22.9Kv to residential and commercial buildings and industrial distribution circuits



03 Overhead Transmission Line

OPGW Optical Fiber Overhead Ground Wire, Overhead Transmission Line that is normally installed in steel towers and used for long-distance power transmission and Overhead Ground Wire that protects the overhead power cable from lightning. OPGW that adds a telecommunication function to the overhead ground wire.



Telecommunication Cable

Used to build information communication networks



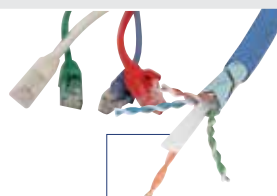
01 Optical Fiber/Optical Cable that are able to deliver massive quantities of data in a fast and accurate manner by sending the communication signal with the use of light



02

LAN Local Area Network Cable System

allowing a high-speed telecommunication network in limited geographic areas



03 Coaxial Cable

that stably transmits high frequency signal to antennas from telecommunications base stations through broadband



Industrial Cable

Used to supply power, operate, communicate, control, and protect devices



01 Automotive Cable, Connector & Harness used to provide power to all devices required to drive vehicles



03 Military Cable

used to send signals and power to armored vehicles such as tanks, aircrafts, and naval vessels



02 Industrial Cable & Module

used to supply signals and power to electric/electronic devices and industrial robots



Materials

Basic materials for industrial use such as conductor and compound



01 High purity Copper Rods using only copper cathodes to minimize power loss



02 Aluminum

High-strength aluminum that is light and has high heat and electrical conduction quality. A high-strength XTAL eXtra Thermal Aluminum Alloy conductor for overhead transmission lines



04 Busduct System

having advantage of efficiently distributing power in confined spaces such as factories and apartments with high electricity demands

**05 Submarine Cable System**

that is installed on the ocean floor and allows electric power transmission and telecommunication between islands and between mainland and islands

06 Superconducting Cable System

that can transmit and distribute large quantities of energy with minimal loss without electrical resistance

**04 FTTA Fiber To the Antenna**

that is installed within wireless base stations and helps send efficiently electric power and optical signals to the antenna

**06 Integrated Wiring System**

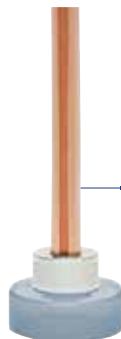
that allows planned installation and operation of cables that are used for telecommunication equipment and personal computers in buildings

**05 FTTH Fiber To The Home**

for providing high-speed internet service to homes through optical fiber cable

04 Marine and Offshore Cables

used for power supply, control, and communication system for shipboard (oil tanker, containership, etc.) and oil-drilling facilities

**05 Rolling Stock Cables**

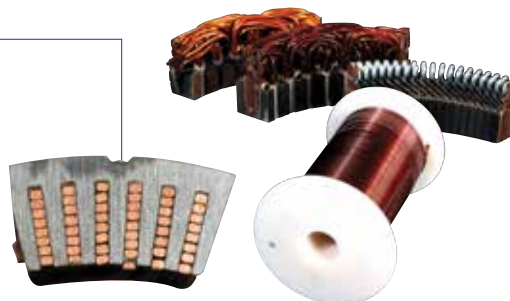
used for power, control, instrumentation and communication systems onboard various rail vehicles such as trams, subway cars and high-speed electric trains

06 Wind Power Cable

used to transmit electricity generated from onshore/offshore wind power generators to transformers

**03 Magnet Wire**

used to convert electric energy to electromagnetic or mechanical energy, and to convert mechanical energy to electric energy, inside electrical or electronic devices



Sustainability

Cables are essential industrial materials used for social infrastructure with significant impact on society and future generation. We strive to achieve economic profitability with consideration of the importance and the impact of the products as a cable manufacturer and preserve environmental value with responsibility for the society so that we can realize the value of stakeholders. To that end, we established mid-to-long term strategies and implementation roadmap for sustainability management based on 7 key topics of customer satisfaction, shared growth, social contribution, employee happiness, green management, risk management, and ethics.

Mid- to Long-Term Strategies | We have established a three-phase roadmap with the goal of ‘framework build-up,’ ‘internalization & promotion,’ and ‘integration & differentiation,’ and for the moment, we successfully completed the first phase and are carrying out the second phase. However, the new business environment has caused some strategic tasks to lack relevance and validity and thus, we plan to revise the mid- to long-term strategies in 2014 with the consideration of a new business environment and management strategies.

Organization | The Sustainability Management Coordination Secretariat is responsible for corporate sustainability management and 7 working committees (Green Management, Customers, Social Contribution, Ethics Management, Risk Management, Employees, and Suppliers) are carrying out specific tasks by phase outlined in the roadmap. The significant issues and performance related to our sustainability management are reported to the highest steering committee, ‘the executives’ meetings’ to discuss future action plans.

Performance Management System | For effective implementation of sustainability management, we have established a ‘Plan-Do-See’ system and developed a performance indicator. We also plan to strengthen our execution power by enhancing the performance management system.

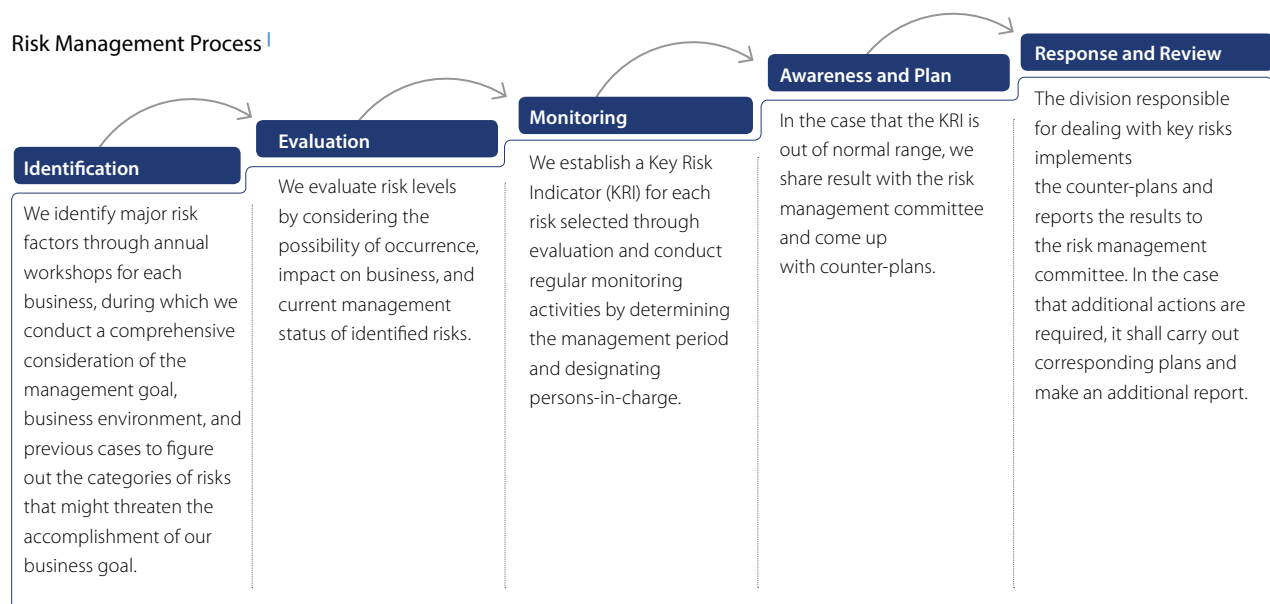


Risk Management

Businesses are faced with a variety of risk factors related to rapidly changing external environment, uncertainty caused by innovation such as new business expansion and so on. The capability of managing these factors is an important element that influences corporate success. In 2013, we enhanced business competence through detailed management as our management principle, and promoted integrated risk management, including proactive prevention of, control of, and advanced response to risks. Moreover, we are expanding the scope of management to include finance, stakeholder needs, compliance, supply management, and environment management.

Risk Management Organization | Under the chairmanship of the CEO and with the responsibility of CRO ^{Chief Risk Officer}, we hold quarterly meetings of the enterprise-wide risk management to identify potential risks and make decisions on how to deal with risks that are recognized or have already occurred. Executives in charge of each risk have a responsibility to report the status of risks and action plans to the committee.

Risk Management Process



Risk Management Activities

Financial Risk

We strive to reduce the risks caused by foreign exchange fluctuation in terms of raw material imports/exports, and foreign exchange transactions by diversifying the types of foreign currencies, matching the inflow and outflow of foreign currency by type and maturity, and leading and lagging the receipts and payment timing. We also hedge against relevant risks through derivative financial instruments such as future or forward contracts of key raw materials such as copper, aluminum, and lead to minimize the impact of raw material price changes. We strictly ban the transaction of exchange and raw material derivatives with a speculative purpose except for risk management.

Operation Risk

We protect industrial confidentiality and personal information through security management system (document security, storage device authentication), and prevent intrusion and hacking (encryption system and firewall installation). We also conduct a series of prevention activities to stably maintain the IT system and automatically save key data on a daily basis. To identify risks of illegal acts and corruption, we conduct regular and irregular on-site inspections. Also, we are analyzing and monitoring non-compliance in transactions through the ERP system. In addition, we strive to enhance compliance and ethical awareness through employee education.

Business Risk

We check whether our strategies are in accordance with the rapidly changing business environment, and manage the risks arising from strategy execution. Moreover, to prevent the risks from new business implementation, we conduct a comprehensive evaluation of the factors that might affect new businesses such as human resources, quality management, and environment evaluation along with economic value evaluation. As for overseas businesses, we also carry out a regular inspection on the current state of the business. Besides, we analyze the market trends such as economic environment and change in customer needs and share the results with the entire company.

Disaster Risk

To minimize damage from unexpected disasters or accidents and rapidly resume core business, we have established a series of contingency plans.

- **Environmental Safety Management:** We conduct a quarterly on-site inspection to prevent accidents at workplaces and construction sites, and also identify potential risks through a monthly self-diagnosis on safety.
- **Contingency Planning:** We provide a regular training program in preparation for emergency situations, and distribute action guidelines and enterprise-wide management rules.



2013 **10** Issues

Value Creation with Stakeholders


As an energy and information provider, we connect our customers, local communities, suppliers, and employees through a network, and distribute the co-created value to promote the development of our society. The '2013 10 ISSUES' contains our efforts for responsible changes, and furthermore describes our determination to create bigger value based on our codes of conduct: ethics and compliance management.



Issue **01**



Issue **02**



Issue **03**



Issue **04**



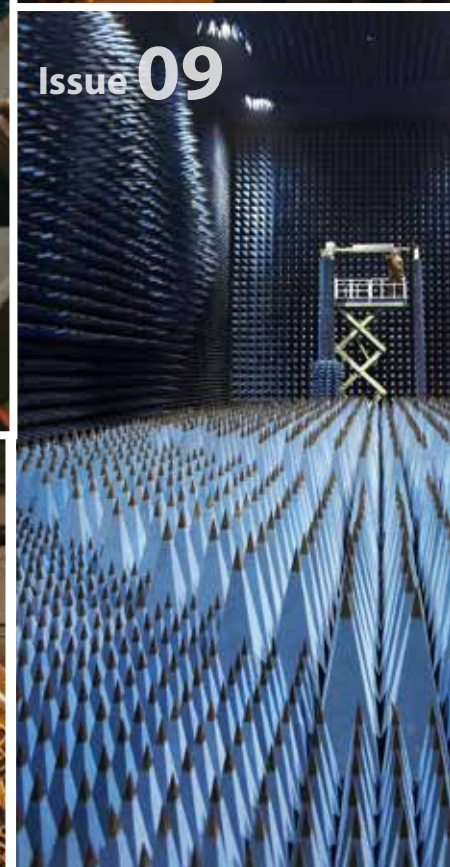
Issue **05**



Issue 06



Issue 08



Issue 09



Issue 07



Issue 10

Issue 01

Economic Value Creation

The year 2013 was a challenging one to most business entities: the global economy continued to suffer from low growth, and the overall industry witnessed sluggish sales. We were not an exception, experiencing low growth and fiercer competition. However, by the accelerated growth of our new businesses externally and the concentration on management efficiency enhancement internally, we achieved significant improvement in profitability despite the sales decrease.



OUR COMMITMENTS

To improve profitability by promoting key businesses and enhancing the performance of new businesses



MILESTONES

2013

- Sales (thousand, USD): 3,350,391 (Consolidated 4,354,977)
- Operating profit (thousand, USD): 123,449 (Consolidated 118,399)
- Financial stability improvement: debt decrease by 26%

2014

- Operating profit ratio: over 5%
- Gain and expand profits from new business
- Develop a localized product portfolio
- Promote cross-selling through a global network



GOAL & STRATEGIE

We will ensure internal stability based on core competency to achieve long-term growth regardless of changes in the business environment. For this ends, we will strengthen business competence by increasing profitability of our major business and achieving performances in new business while improving business stability through risk prevention and prompt response.



MANAGEMENT ORGANIZATION

All organization groups, including sales, production, construction, and technology development, execute detailed tasks of the corporate strategies. We establish core tasks for each group/division in order to achieve management goals and strategies, and each organization and teams set and execute goals to perform core tasks. In addition, a consultation meeting is held on a regular basis for communication among organizations and adjustments.



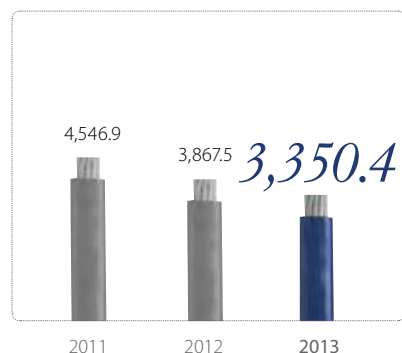
Created Value

In 2013, sales reached USD 3,350 million, which reduced by USD 517 million from the previous year. The major causes include a drop in product price due to the decreased copper price, decrease in domestic sales due to poor business conditions of related industries such as construction, shipbuilding and telecommunications, and relocation of production facilities overseas. The price of LME copper, which takes up more than 70% of the production cost, fell by approximately 8% from USD 7,950 per ton in 2012 to USD 7,326 per ton in 2013, which decreased nominal sales by USD 161 million. Despite decrease in sales volume, the operating income

increased by USD 55million from the previous year to USD 123 million. Such performance attributes to extra high voltage project and activities for improving management efficiency. Extra high voltage products have been recognized for their technology and quality, attracting project orders from European and Middle East markets. We improved profitability internally through cost structure innovation and business restructure of low value businesses. In addition, we have had achievements in activities to improve business values such as reorganization and accelerated execution.

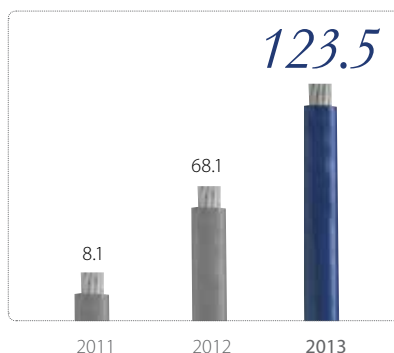
Sales

(In million USD)



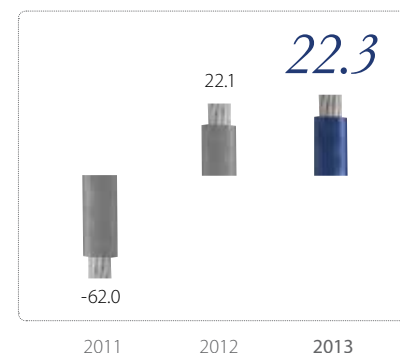
Operating Incomes

(In million USD)



Profit for the Year

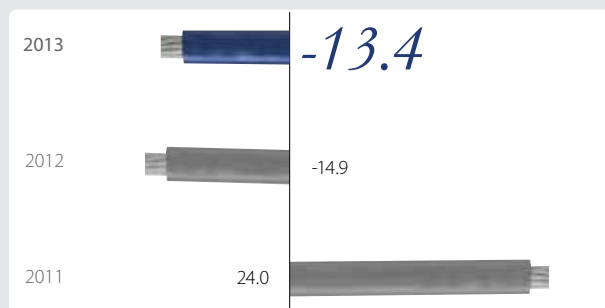
(In million USD)



Growth

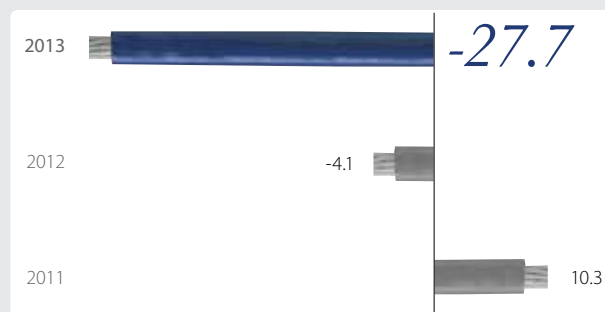
Sales Growth Ratio

(unit: %)



Total Assets Growth Ratio

(unit: %)

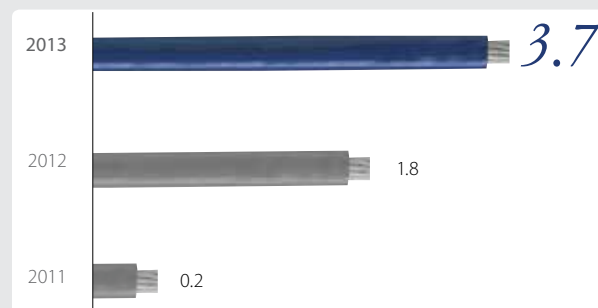


As copper price has been on a steady downward trend since the latter half of 2011, growth in volume such as sales slowed throughout the entire cable industry. We aim to maintain growth of nominal sales with high value-added products, market diversification and an increase in overseas sales. As of the end of 2013, total assets were reduced to USD 2,431 million, by 932 million from the previous year. The main reason was the transfer to LS I&D of the assets, including assets estimated for sale (real estate) of USD 444 million, and Cyprus investment securities of USD 382 million due to the company division, which is USD 901 million in total.

Profitability

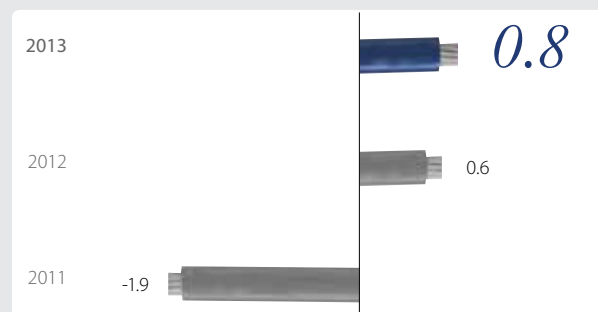
Operating Income Ratio

(unit: %)



Net Income to Total Assets Ratio

(unit: %)



Since the global financial crisis in 2009, the contracted real economy slowed cable demands and decreased the profitability of the overall industry. However, we have witnessed a 1.9%p increase in operating income rate through internal innovation activities such as improved business profit and cost reduction. In terms of business performance, we made progress in profits by expanding meaningful contracts in our core business and new business and by reducing costs due to a steady drop in electric copper price. In addition, we improved profitability through internal expense saving activities.

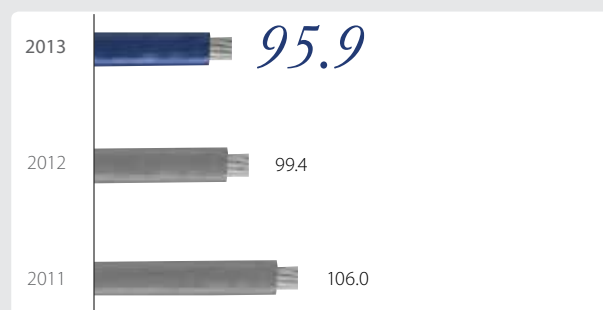
Create Synergy Effect with Overseas Subsidiaries | In cooperation with overseas production subsidiaries in India, Vietnam, and China, we respond to customer needs to rapidly establish a stable energy and communication infrastructure. First, we will provide an increased-capacity cable (HCC) to India in cooperation with the Indian subsidiary (LSCI). The HCC is a state-of-the-art high energy-efficient product capable of doubling the amount of power transmission while keeping the existing transmission towers unchanged, thus avoiding costs incurred due to the construction of

new towers and the conflicts and inconvenience of local residents that such construction often causes. In addition, it is expected to provide the technology, price competitiveness, and timely delivery required by the customers in the metro construction project in Chile in cooperation with the Vietnamese subsidiary (LS-VINA). Based on the competitive edge combined with the technology and the overseas subsidiaries' high understanding about the local situation and price competitiveness, we will support more convenient energy and communication services for more people.

Stability

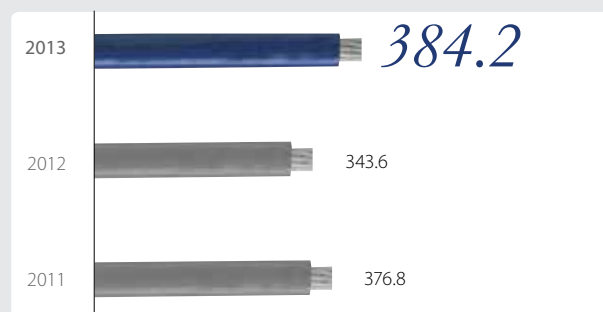
Current Ratio

(unit: %)



Debt to Equity Ratio

(unit: %)

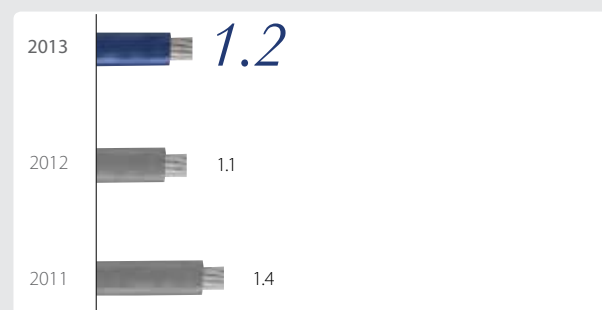


The current ratio dropped due to a decrease in assets. As of the end of 2013, the total current assets are USD 1,419 million, decreased by USD 66 million from the previous year. The liabilities of USD 626 million and the assets of USD 275 million were transferred to LS I&D due to company division, recording total liabilities of USD 1,929 million and total assets of USD 502 million. As of the end of 2013, the debt to equity ratio is 384%, an increase from the previous year as the asset division ratio was higher than the liabilities division ratio when being transferred to LS I&D, even though debt decreased by 26% on a year on year basis.

Activeness

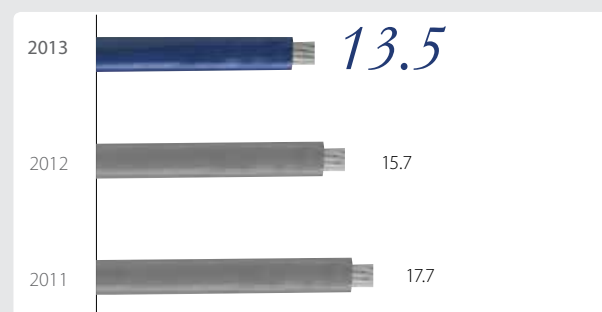
Asset Turnover Ratio

(unit: time)



Inventory Turnover Ratio

(unit: time)



Despite the decrease in sales, the asset turnover ratio slightly increased from the year 2012 thanks to actively engaging in internal efficiency activities, including reduction of low efficient resources and recovery of overdue debts. Inventory assets sharply decreased, but the pre-production of the large-scale marine projects in Qatar and Venezuela is applied to the inventory turnover ratio, which therefore saw a slight decrease.

Future Plan

There will not be such a wide range of improvement from the previous year in the business environment in 2014. The recovery of the global economy is still slow, and fierce competitions are expected in major markets. While improving competitiveness in our major business fields, including extra high voltage cable and optical communications in order to achieve the business goals, we will maintain profitability through internal/external risk management. In the energy business, we will maintain and strengthen the competitiveness of overseas extra high voltage and submarine cable

business, which have relatively favorable market conditions. In addition, we will reorganize the product portfolio of a low value-added business for performance improvement. With the forecast that the communication business environment continues not to be favorable in 2014, as the investment in the establishment of a communications backbone network such as LTE is completed, we plan to expand connectivity business in optical communications and boost sales of new products through cable-based network design capabilities in the wireless network field.

Issue 02

New Technology & Product Development

If a company is as a tree, R&D is the root for LS Cable & System.

In the ever-changing natural environment, R&D, the root of the company deep in the ground, generates nutrition and helps the stem, the production group to provide it to the entire tree. Through this process, our sales group blossoms flowers and bears fruits, making customers happy.



OUR COMMITMENTS

To strengthen activities to more actively develop new technology/new products



MILESTONES

2013

- R&D Investment (thousand, USD): 27,347
- Acquired 250kV High Voltage Direct Current Cable (HVDC XLPE Cable) Product Certification
- Developed high-performance fire resistant cables to withstand temperatures of up to 1,000 °C

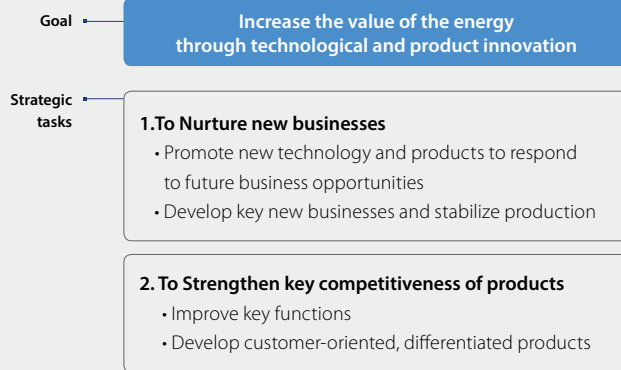
2014

- R&D Investment(thousand, USD): 29,376
- Increase sales of new products: by more than 25%
- Develop a portfolio of customized key products for each global site



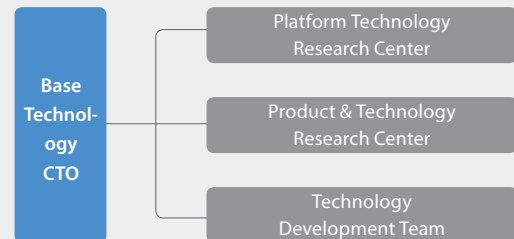
GOAL & STRATEGY

We will strengthen competitiveness through technology and product innovation and develop the products with differentiated values in order to increase customer value. We also aim to strengthen the core competence of the cable through a platform technology which fundamentally improve the quality and reliability of cables. In addition, we will continue to make efforts to secure core/base technology required for the purpose.



MANAGEMENT ORGANIZATION

We have established an R&D organization reflecting R&D strategy, characteristics of products, and the goal of improving the product quality and reliability. The Platform Technology Research Center takes full charge of the development of key technology and new technology of the cable system. The Product & Technology Research Center, Technology Development Team and Production Engineering Center are organized under the Production Group in order to closely support the customized high quality product development.



New Business to Prepare for the Future

Umbilical Cable | We successfully developed for the first time in Korea an umbilical cable for deep sea resources exploration and development. This cable is essential for supplying both power and communication signals to ROVs^{Remotely Operated Vehicles} to operate robot arms, sensors, cameras, and drive and steering systems. As a composite cable that is composed of 4.5kV/ 3.3kV power cables and two optical fiber cables, it is designed to endure extreme conditions under the sea such as the high water pressure in deep seas, vacillating tidal currents, etc., and therefore is capable of operations even at 6,000m under the sea. In order to be prepared for growth of the marine resource development market and changes in marine operation environment, we make the utmost efforts to develop a wide range of products, including umbilical cable for oil drilling in deep seas.

What is Umbilical?

Meaning umbilical cord, the umbilical cable includes all the cables used for marine engineering. It connects ships and deep sea equipment to supply power, control equipment, and transmit signals. With low accessibility and many conditions such as water temperature, water level, current, wave height, and load to be considered, precise prior review, design, and assessment capability are required.



250KV HVDC Cable ¹ We have become the first in Korea to meet the International Council on Large Electric Systems ^{CIGRE} (Conseil international des grands réseaux électriques in French) international technical standard for 250kV HVDC XLPE cable products. The extra high-voltage cable used for high-voltage direct circuit (HVDC) must be durable enough to withstand the high voltage load produced during DC transmission. In the long-term reliability test, 463kV is applied at the maximum allowable temperature of 90°C after which the cable is heated and cooled repeatedly for an entire month while electric current flows continually (the max. temp. of the new conductor is 90°C whereas the max. temp. of existing conductors is 55°C). Our HVDC cable is already used to lay a marine cable between Jindo and Jeju, and will replace the old marine cable between Aalborg and Laesoe, northeastern Denmark.

What is High Voltage Direct Circuit (HVDC)?

It is a system of supplying electricity by converting the AC power produced by a power plant into DC power using an electronic power converter, transmitting it over a long distance then converting it back to AC again at the receiving end. It has an advantage of transmitting large quantities of electric power with minimal loss over long distances between islands or nations, while using the existing transmission tower facilities.

- 1) **Conseil International des Grands Reseaux Electriques (CIGRE)** CIGRE is a non-governmental, non-profit international organization founded in 1921 to lead the development of the power transmission/transformation industry and technical standards with France's EDF playing a central role. It aims to contribute to the provision of reliable electrical energy while promoting member countries to make exchanges regarding the operation, development, and research of power systems and distribution systems for power generation, transmission, and transformation of high-power high-voltage systems.



Product Competitiveness

1000°C Fire Resistant Cable ¹ We succeed in developing a high performance fire resistant cable that can withstand heat up to 1000°C. The new products supply power and signals for more than three hours to fire fighting and prevention facilities, such as emergency power system, fire alarm, sprinkler and poisonous gas ventilator, in order to allow for people to evacuate from buildings and facilities in the event of fire. It is expected to decrease damage to humans and properties as it is designed to stand even extreme conditions such as physical shock caused by building collapse at a high temperature of 1000°C and water spray to fight fire. In addition, it fulfills all the following standards of International Engineering Consortium (IEC), British Standard (BS) and Europe's Norm (EN), maintaining the stable operation of fire-fighting and fire prevention facilities in case of fire.

What is High Performance Fire Resistant Cable?

High performance fire resistant cable performs its original function of transmitting electric power and signals even at a high temperature in case of fire. Other general cables cannot transmit electric power as its insulator is damaged in high temperature, but a fire resistant cable has a fire-proof layer under the insulator to perform its original role for a certain period of time even when the insulator is damaged at high temperature.

Advantages of This Product

The existing fire resistant cables could withstand temperature up to 750°C, but its function of fire resistance is limited as the temperature reaches up to 1,080°C, copper's melting point. Our new product is able to maintain its original function of insulator at the high temperature of 1,000°C, by improving the nature of mica used for fire-proofing tapes and adding fiber glass.



10Gbps LAN Cable With 7.0mm Diameter | We successfully developed the world's thinnest 10Gbps LAN cable. Measuring 7.0mm in outer diameter, the thinnest in the world compared to 7.2 – 8mm of other products, this product is easier and more convenient to install, and saves much construction cost as it drastically reduces the space required for laying. In particular, it is a Category 6A high performance product that can transmit data of up to 10Gbps. For its fast and stable transmission of large capacity data, it is mainly used by the organizations that have to treat large capacity data such as data center, research institute, airport, and medical facilities.

What is LAN Cable?

It is an in-house wiring telecommunications cable for internet communication. Data is transmitted to each telecommunications unit inside a building through optical cable and then distributed to each floor inside the building through LAN^{Local Area Network} cables. In general, LAN cables are divided according to Category (CAT), which classifies transmission performance according to international standards and bigger number indicates better performance.

Advantages of This Product

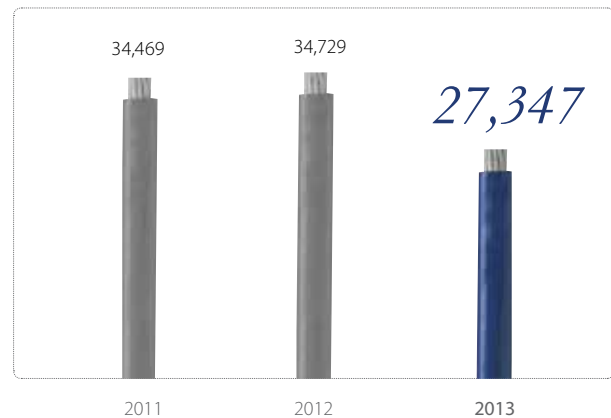
The first generation of CAT6A product has 10 times increased transmission performance compared with the older CAT6 products, however, the outer diameter increased from 6mm to 9mm, which limits the number of cables that can be installable in the same space. We developed the world's thinnest CAT6A product in outer diameter, so to reduce installation space by up to 40% and make it easier to install. In addition, it is applied by the masking tape with a special structure not to have alien crosstalk, a requirement applied to the products of CAT6A and above. The measurement process of alien crosstalk itself takes a huge amount of time and cost, therefore it is convenient for customers as they do not need to do a separate measurement or property inspection at the laying site.

Integrated Intelligence Wiring System 'SimpleWin' | We developed a next-generation intelligence integrated wiring system 'SimpleWin.' SimpleWin provides integrated management of voice traffic, data transfer, security network equipment, and wiring, which used to be installed and operated separately in intelligent buildings. The existing system used individually installed wires to transmit voice, data, and audio information. Therefore, the number of lines inefficiently increased for installing new wires, and it was hard to swiftly recover from a system failure as there was no management function established. The 'SimpleWin', integrated intelligence wiring system manages wires through an in-built intelligence software that detects where a problem occurs in real time. In addition, operators can effectively manage the system with the smart phone application equipped with a network management function.



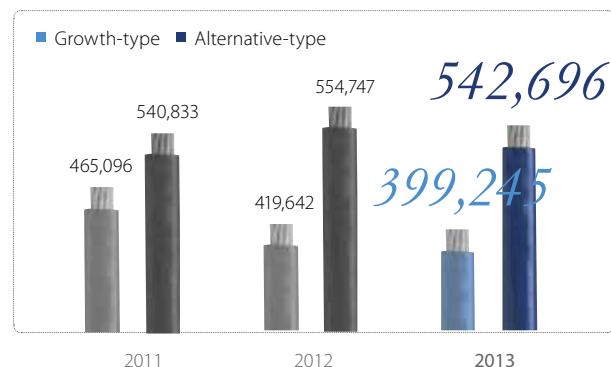
R&D Cost

(In thousand USD)



New Product Sales

(In thousand USD)



Issue 03

Quality & Product Liability

Customer satisfaction is our top priority in our quality management. We established the ISO 9001 and ISO 22301-based quality management system throughout the entire process from resource acquisition, product development, purchase, production, logistics, and construction according to the international standards, laws and regulations, and customer demand. Moreover, we have optimized the quality management system to satisfy customer requirements in each business or products, such as energy transmission (KEPIC), automobile (ISO/TS 16949), communications (TL 9000), and railroad car (IRIS) in order to ensure product quality and reliability.



OUR COMMITMENTS

To provide high quality products and services that satisfy customer needs and requirements



MILESTONES

2013

- Acquired quality certificates for three major products
- Executed quality audit on turnkey projects: Europe, Middle East, Africa, and Korea
- Conducted the projects for acquiring product assessment technology
- Conducted on-site quality control projects
- Hold Quality Meeting (12 times a year) and Quality Review Meeting (once a year)

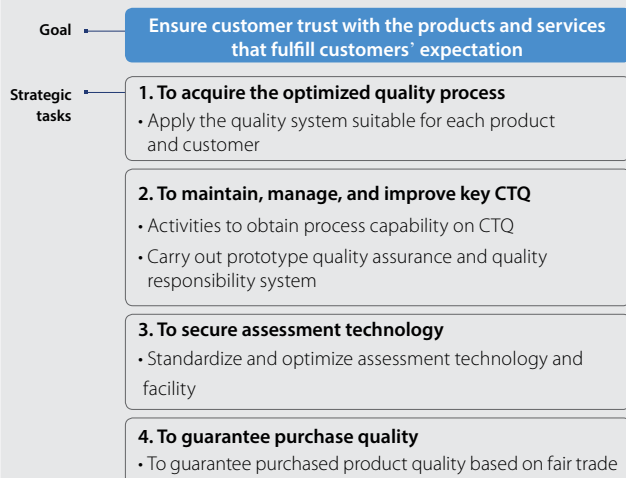
2014

- Renew and maintain key quality certificates
- Prepare a quality control system for new products
- Conduct quality audit on global sites
- Expand projects for acquiring product assessment technology
- Expand research on the long-term reliability assessment
- Keep the Quality Meeting & Quality Review Meeting in place



GOAL & STRATEGY

We will achieve our corporate mission of supplying the best cable system solution by internalizing our quality management policy from the customers' perspective. Every employee in the entire organization always asks, 'would this satisfy a customer?' and tries his/her best to give a 'yes' to the question. To this ends, we developed the following 4 strategic tasks in 2013.



MANAGEMENT ORGANIZATION

The Quality & Environment Management Department is organized to take full charge of the quality management system. All divisions participated in the execution throughout the entire supply chain from purchase, design, production, inspection, to customer response for quality management. The Support Group provides support for the operation of the quality process through trainings legal review, facility maintenance and management, and communication with customers.



Optimized Quality Process

Quality Management System for Each Business ¹ We consider product features and application environments so as to apply the quality management system suitable for each product. The followings are the International Quality Standards that we are certified to.

Energy Transmission	Construction	Automotive Cable	Communication
- ISO9001, - KEPIC	- ISO9001	- ISO/TS 16949	- TL9000

Additionally, we have established the quality management system at the level required by customers. Our automotive cable is certified by the Internati Automobile Task Force. For electric vehicles, we are actively engaged in product safety activities, which comply with the Product Liability Act and End-Of-Life Vehicle Directive that the ISO / TS16949 and VDA, German Automotive Industry Association required, so as to obtained the 1st Tier qualification from our clients BDNT and RSM and the 2nd Tier qualification from VOLVO and Hyundai Motors. In addition, energy storage device and the wireless antenna for 4G LTE have been recognized for their quality by customers and are in active use. We will height-

en the level of quality management through continuous status checks and improvement campaigns.

Internal Quality Audit & Improvement ¹ We carry out a quality audit every year to verify validity of the quality management system to make improvements. The audit also aims to prevent the quality failure of the products with huge potential quality risks. The audit follows the yearly plan and reviews the followings.

- Suitability of quality process based on law, customer, and internal efficiency
- Process compliance and execution efficiency
- Effectiveness of quality activities

Each department in charge carries out an improvement activity when the audit result requires improvement. Further, the TFT is organized to achieve more fundamental improvement. The corporate quality committee approves the audit result and activity performance after the review process.

CTQ Improvement

Activities to Obtain Process Capability on CTQ ¹ We identify the CCR^{Critical Customer Requirements} from the customers' opinions by breaking down and integrating the collected opinions. For CTQ^{Critical To Quality} that should be addressed with top priority to maximize customer values, we are promoting activities for managing and improving process capability. The CTQ stands for Critical to Quality and is characteristic for having the greatest quality importance to customers. We select the CTQs in the area of major products and processes and manage them within established range of the goal to meet customer requirements. In 2013, we promoted quality control activities with above Cpk*1.33 by analyzing our process capability and carried out improvement projects using the 6-sigma tool. Also, we have made a list of the CTQs, revised them to live up to changing customer needs and regulations and determining the resources input by checking the effects continuously through a series of quality meetings.

* Cpk: Process Capacity, an index to show the level of quality variation of products/services produced under the managed processes

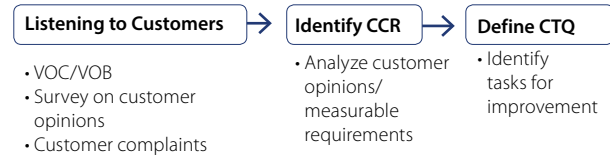
The Real-Name Quality Management ¹ To strengthen quality management responsibility, we take a complementary measure in regard to the real-name quality system. We clarified quality responsibility by quality index and processes and provided management solutions specified by stage in order to respond promptly and to identify a team or a person in charge when a quality issue occurs. Then, the results were posted on the on-site bulletin boards so that the management would be visualized.

On-site Quality Innovation Activities Focusing on Customers

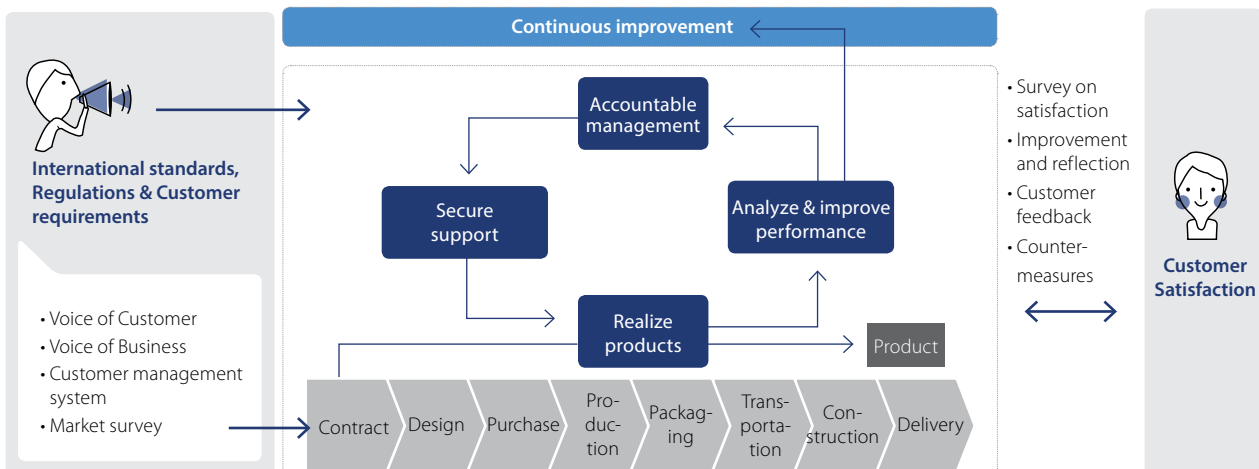
To improve and maintain CTQs by using the six sigma methodology, we promoted on-site quality activities. In 2013, we carried out 144 quality innovation projects and helped quality problems to be solved in a technical and systematic manner. Additionally, quality related customer complaints are reviewed in the corporate quality meeting. At the meeting, we share important quality failure cases to find the key causes and ways to prevent similar problems from occurring again.

Prototype Quality Assurance Activities ¹ We promoted prototype quality assurance activities for submarine cable, 500kV extra high voltage cable, the products whose production base was relocated (UTP, etc.), turn-key products, products for new markets and new customers, and products that changed structure. Prototype quality assurance refers to an activity in which quality is assured from the very beginning stages of development and design and realize the optimal process quality before production. Accordingly, while ensuring a product design quality through a review of the design by sales, design and manufacturing groups in advance, we try to realize optimal manufacturing quality through a verification of production conditions. Also, a team in charge attends a quality assurance presentation to check the level of the quality.

CTQ Management Activities



Process for Creating Customer Value



Assessment Technology

Assessment Technology Securement ¹ In order to provide products reflecting the customers' points of view and product usage environment, we focus on acquiring reliability assessment technology and assessment technology for type tests. Assessment technology refers to technology with which we evaluate how long a product can maintain its performance for a valid period. For this, we reflect a necessary assessment technology development plan to a technology development roadmap based on a Product Roadmap to gain such technology in a timely manner.

Standardized Inspection & Testing Method ¹ By standardizing the assessment technology from customers' perspective and analyzing the measuring system of major products and materials, we institutionalized evaluation methods for customers, Quality assurance department, and our suppliers, and integrated redundant inspections. We optimized systems, assessment facilities, and human resources at the same time. Through this, it is expected to reduce quality failure and shorten business processes.

Optimized Assessment Facilities & Synergy Creation ¹ We developed an integrated management system to maintain measurement, monitoring and inspection facilities of production lines. As a result, we are able to identify the necessary facilities immediately, and expand their applications. Regarding assessment facilities, we carry out inspections and improvement activities in accordance with ISO 17025 on a yearly basis.

2013 Projects for Assessment Technology

(unit: project)

category	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter	total
Platform	1	33	13	10	57
Standardization	-	18	7	1	26

Major Projects

- Energy — 500kV test, Reliability in extremely low temperatures, etc.
- Communications — Optical fiber, DAS
- Industrial cable — Far-end-crosstalk of rolling stock cable, Dielectric permittivity of tube
- Materials — Disconnection of micro coaxial cable, aluminum corrosion resistance
- Components — Yield strength of Cu tape, CMP blooming

Quality of Purchasing Items

We upgraded the process to ensure quality of purchased products for electric vehicles, energy storage system, the business of which are in growth. We also established an Outsourcing Team to supply purchasing items in a stable manner and assure quality in partnership with the Purchasing Department. Also, it strengthens mutual quality responsibility based on fair trade principles. In 2013, we reinforced a quality in criteria for selecting suppliers and extended a Mutual Agreement on Quality Inspection. Going forward, we will provide technical support for quality improvement to competent suppliers.

Quality Control Improvement Activities in 2013

Maintenance & Improvement of QA Process for Turn-key Projects

In case of turn-key projects that take full responsibility for design, purchase, production, and construction processes, they require a large scope of tasks and high level of technologies. It means a stricter quality management. To assure the quality of the turn-key project of extra high voltage system, we developed a quality planning sheet by studying relevant laws, customer requirements, the issues occurred during the previous constructions, and opinions from the field, and makes strenuous efforts to improve quality based on the 4M (man, materials, machine, and method). Especially in 2013, we reviewed the effectiveness of the quality management system by carrying out quality audits in the turn-key project sites not only in Korea, but countries in Europe, the Middle East, and Africa. Through the audits, we were able to strengthen the quality assurance activities by helping project managers and site managers make a self-audit.

Customized GIS Termination Design in Compliance with Non-IEC Standards

Regarding the customer request, "Please install terminals applicable for GLS installed in 1980," many cable-makers rejected, saying that it is out of standardized designs. We were also concerned at first about trying new designs that are different from the standards. However, we accepted the customer request, believing that meeting customer needs is another important standard if quality is assured. However, it was more difficult than expected because they were installed 25 years ago, and it did not have blueprints or reference materials necessary for the design. A series of efforts continued, and an engineer in charge visited a site in the Middle East, and analyzed and worked on the old product. Finally, the engineer successfully installed 27 sets of terminals onto the GIS that were Non-IEC. The GIS refers to a gas insulated switchgear using SF₆.

Issue 04

Shared Growths with Partners

Cables are the blood vessels of the industry and tend to have a big impact on the society and last long, thereby needing to be assembled with the best components and services. Also, the role of each person would lead to a chemical combination that determines the reliability of the product. From this perspective, the capacity of partners and mutual cooperation are the starting points of our competitiveness. In order to provide better products and grow together in partnership with the best partners, we will guarantee a fair and transparent trade base, and further support a stable management.



OUR COMMITMENTS

To build up a mutually reliable and cooperative network with partners based on fair trade



MILESTONES

2013

- Complied with four guidelines on fair trade (contracting, internal deliberation committee, partner selection, issuing/keeping sub-contract in paper)
- Increased raw materials price(thousand, USD): 7,770
- Disclosed changes in raw materials price: 4 times (quarterly)
- Cash payment rate: 100%
- No-interest, no collateral loan to support partners (thousand, USD): 1,516

2014

- Monitor fair trade principle compliance
- Improve consultative meetings with partners (6 groups)
- Continue price sliding system
- Keep cash equivalent payment rate: 100%
- Support sales of partners (linking joint ventures)
- Extend finance, technology, education, and management support to second tier partners





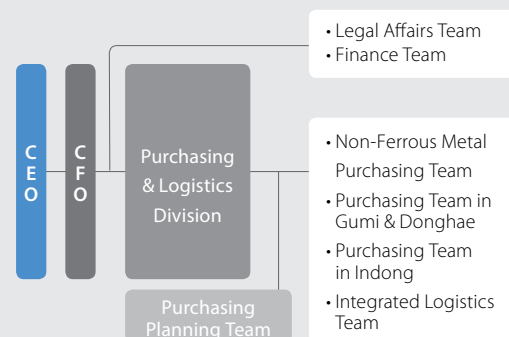
GOAL & STRATEGY

Building a competitive and cooperative network based on mutual trust, we intend to grow together with our partners. Shared growth comes from 'real' fair trade activities so we try to ensure entire transaction activities starting from selection of partner, contracting, payment, to OEM to be substantial. Through practical support, we are committed to helping our partners grow further. Also, with reliable communication, we intend to build a partnership of sharing goals and values.



MANAGEMENT ORGANIZATION

The Purchasing Planning Team takes a leading role to improve fair trade and provide supporting activities for partners by planning and reviewing strategies and annual plans on shared growth. The non-ferrous Metal Purchasing team and Purchasing Teams in each work-site are responsible for transactions regarding products and service procurement. The Integrated Logistics Team is in charge of transportation contracts. In addition, the Legal Affairs Team checks compliance issues on contracts and transaction while the Finance Team covers payment and financial support to partners.



Fair Trade

Transparency in Partner Selection and Contracting¹ In order for supplier selection and contracting to be fair and transparent, we manage all transaction processes based on E-Procurement(<http://epro.lscable.com>), and disclose criteria and procedures. In case of contracting, we use a standard contract form containing payment, payment method and adjustment conditions on price in relation to changes of raw material price. It is a principle that a contract with the signatures of the trading parties must be prepared and transaction must be verified as a document.

More Payment in Cash¹ In order for our suppliers to run their capital in a stable manner, we standardized payment conditions and increased payment in cash. Currently, transactions of less than USD 284 thousand per month are settled in cash and even in case of payments worth more are paid in cash or cash equivalents such as loans on receivable collateral. The cash payment rate¹⁾ is 47% while the cash equivalent payment rate²⁾ maintains 100%.

Price Adjustment System¹ In cable business, Non-ferrous metals such as copper take up more than 70% of materials costs. By ap-

plying the change in raw material price and exchange rate immediately to payment, we try to minimize the burden on suppliers. In case of copper, we make a purchase of it at the actual international prices, and for petrochemical products, we make a price adjustment in consideration of the changes of price and exchange rates. In 2013, we provided an increased purchase price by a total of USD 7.8 million.

Opportunities for SMEs¹ Regarding production and sales of HIV³⁾, we joined the win-win system where SMEs produce components for large companies and label them with KEWIC, a joint label of Korea Electric Wire Industrial Cooperative, which guarantees a product's quality. This system is an innovative model where large companies and SMEs can grow together with Korea Electric Wire Industrial Cooperative at the center. With this model, we ordered USD 4.8 million (499 tons) in 2013.

1) (Total cash payment/Total amount of payments) x 100%

2) (Total cash equivalent payment/Total amount of payments) x 100%

3) High heat resistant PVC insulated wire for electric wiring

Supporting Activities

Financial Support | We offer zero-interest, no-collateral direct loans to support the suppliers who need investments into new technology, facilities expansion, and plant relocation. We also create a mutual cooperation fund so that suppliers can have access to loans at low interest rates. In 2013, we created a mutual cooperation fund of USD 38 million and supported USD 1.5 million through zero-interest loans.

Technical Support | To help suppliers develop their technology competitiveness, we support their technology development projects. We have currently participated in a new product development project with purchase on condition: SMEs carry out tasks to develop new technologies suitable for the Korean industry proposed by large corporations and subsequently, large corporations guarantee the purchase for a certain period of time.

Training Support | To enhance suppliers' competitiveness, we have provided specialized training programs on patents, product quality and innovation. In 2013, we held 10 training sessions for 263 employees.

Support for 2nd Tier Suppliers | We expand our supports to 2nd tier suppliers with the combination of direct and indirect support through 1st tier suppliers. For indirect support, we disclose the price adjustment information for the 2nd tier suppliers to get benefits from the price sliding system. Also, we provide incentives so that the 1st suppliers actively participate in paying in cash and increasing price for the 2nd tier suppliers.

Communications

Shared Growth Council | As a platform to grow together with our suppliers in the long term, we operate the Shared Growth Council. The Council consists of the top suppliers and is held twice a year with an aim to share visions and strategic directions, discuss how to create synergy in business, explore ways of shared growth, and improve difficulties and issues.

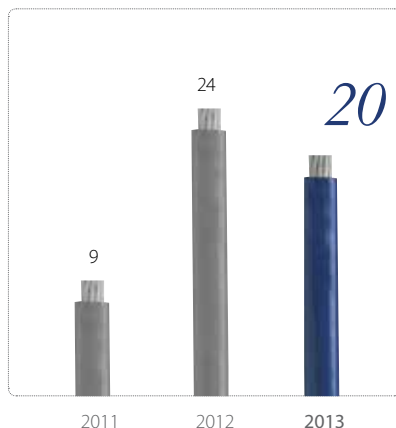
Listening to Partners | We have carried out a satisfaction survey to review and improve directions on shared growth since 2011 while listening to suppliers' opinions. Our survey of 2013 was conducted targeting 150 suppliers and marked a response rate of 41%. The survey result showed that satisfaction level increased slightly to 86.4 in 2013 from 84.8 in 2012. We will continue to make efforts to apply the suggestions for improvements collected from the survey to our policy directions.

Grievance Mechanism | We established the 'Unfair Practice Reporting Center', a grievance mechanism where suppliers can report and register unfair practices such as oral order, delayed payment, and no issuance of contract. Meanwhile, any employees of suppliers can present their difficulties and suggestions through the Cyber Reporting Channel on Ethical Management website. They can register their opinions on condition of anonymity, and the content will be kept confidential.

Unfair Practice Reporting Center winwin@lscns.com
Cyber Reporting Channel https://ethics.lscns.co.kr

Environmental Management Supports

(unit: case)



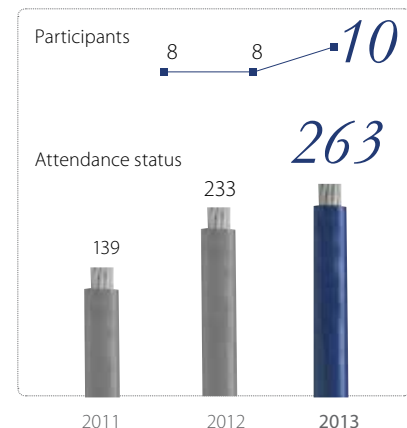
Satisfaction Survey Result

(unit: %)



Training supports

(unit: person)



Issue 05

Social Contribution

An increasing number of people are suffering from economic recession and income imbalance. If our neighbors can have hope and build a healthy community, that itself would be a value of the company, which is a member of the community. For social contribution, we are committed to returning greater values to the community, a base for the company, by giving more opportunities. To do so, we sponsor the socially weak and the future generation with the two pillars of education and sharing activities.



OUR COMMITMENTS

To improve social contribution activities by establishing a strategic social contribution system consistent with business and policy direction.



MILESTONES

2013

- Held LS Dream Science Class: Twice
- Supported overseas volunteering activities of university students: Twice
- Signed MOU with local universities on Job Schooling
- Conducted volunteer group activities of employees

2014

- Expand LS Dream Science Class
- Keep supporting volunteering activities of university students
- Promote volunteer group activities of employees
- Expand social contribution activities of LS Group



GOAL & STRATEGY

We want to make a social contribution system to grow together: we intend to not only provide simple support, but improve economic and social conditions of the community while we strengthen our competitiveness through this improvement. To this end, we provide educational support with our business areas and expertise considered, dedicate to nurturing energy experts. At the same, we contribute to creating a society that supports the dreams of the socially weak that need attention and care.

Goal

Become a reliable partner of the community

Strategic tasks

1. To support education

- Provide education in connection to business expertise
- Develop education contents in line with the level of trainees

2. To help neighbors in need

- Regularize volunteer work of employees
- Communicate with the community on a regular basis
- Operate salary donation fund

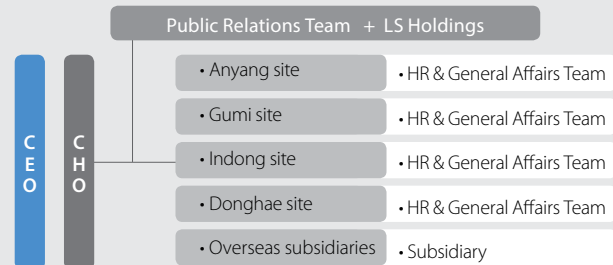
3. To promote global contribution activities

- Support LS Group volunteer activities of university students
- Promote social contribution activities of overseas sites



MANAGEMENT ORGANIZATION

The HR & General Affairs Team at each local worksite is responsible for communicating with communities and executing social contribution activities closely related to the community. The Public Relations Team is in charge of social contribution at the company level based on communications with the HR & General Affairs Teams and public institutions such as City Hall in the community. Specifically, in order for our social contribution to be more effective and organized, we have established a strategic social contribution system with LS holding company and LS affiliates.



Educational Support

LS Dream Science Class | The LS Dream Science Class aims at teaching elementary school students the importance of energy and electricity principles. In 2013, we invited 20 elementary school students located in Gumi and Donghae sites during summer and winter vacations. In particular, researchers with master and doctorate degrees, team managers, and undergraduates from science and engineering majors joined the class as teachers. With their help, students had a meaningful time to understand science principles such as superconductivity and magnetic levitation by conducting experiments on a magnetic levitation train applying superconducting technology and a model boats floating on water powered by solar energy. The class was considered to provide a chance to help students gain an interest in science. We have a plan to develop various and interesting science programs continuously to transform the Dream Science Class into a real dream class where children learn and enjoy science.

On-site Training for Students, Industry-Academy Cooperation

By building cooperation with high schools and universities in local sites where our worksites are located, we intend to secure tal-

ented workforces and contribute to the local economic development. For high schools, we provided training on state-of-the-art technologies of the electrical and chemical industries to students in technical and specialized high schools, and offered them with on-site training opportunities. We will also offer a chance of employment for good performing students. Having signed an MOU on Job Schooling with Kangwon National University and Ulsan National Institute of Science and Technology (UNIST) since 2012, we have involved in joint R&D projects targeting students majoring in electricity, electronics, and information & communications (IC) engineering. Our researchers with Ph.D. or MS degrees and senior level managers who have a rich manufacturing experience shared knowledge of the cable, manufacturing technology with students. From 2013 in particular, we reinforced programs that can help students getting a job and gained popularity among students. Our new program provides students with a job consulting, including mock job interviews, proof-reading of their cover letters, and opportunities to actually see manufacturing processes in Donghae sites. In order to develop our program to a stepping-stone of cable industry development, we continue to improve it with sincerity.

How To Share With Communities

Special Page

1. Kimchi Making Activities

Nov. 14, 2013 at Senior Community Center in Songjeongdong, Donghae

“After the Kimchi-making, we invited the seniors to dinner. I felt very proud of myself when I saw them happy. It was more special because the Women’s Association in Songjeongdong joined the event, so we could make better Kimchi!”

By Park, Won-Gyu, Donghae General Affairs Team



2. Briquettes Delivery

Nov. 16, 2013 in Gumi

“We had new members this year.

I am very glad to hear that they said they would continue the volunteering job.

I hope that more people can join us.”

By Choi, Yoon-Seop,
Production Group Planning Team



3.

Volunteer Activities in Vietnam

Aug. 13-24, 2013

in Ban Mieu Elementary School of PhuTho

“As part of the hygiene class, I played Bacteria Man. During the whole time there, many children ran after me to fight back, dancing the toothbrush dance. Seeing their bright faces actually made me happier. I will always cherish this experience for the rest of my life.”

By Jang, Hwan-Seong, Telecommunication & Industrial Cable Sales & Marketing Team



4. Dream Science Class

Jul.26~Aug.8,2013 in Gumi

Social Welfare Center

“As I am very interested in science, my parents recommended me this class. I especially remember the magnetic levitation train class. The technology was amazing. It floated in the air and zoom! It looked like it was running faster than KTX. If I have another chance, I will definitely come back and have fun with my friends.”

By Park, Min-Sung from Yaeun Elementary School

Support for the Underprivileged

Donation of Monthly Salary | Upon the voluntary consent of employees, we collect change of less than USD 1 from their monthly salary and bonus as a social contribution fund. We are currently donating a matching sum equivalent amount donated by employees to the fund. In 2013, we granted about USD 35,000 to those in need of help, including senior citizens living alone, persons with disabilities, and children living with their grandparents.

Volunteer Group Activities | Our volunteer groups of employees at each worksite carry out social contribution activities on a regular basis. A volunteer group called 'Chamsarang Society' of Gumi/Indong site has 600 members as of the end of 2013, since its foundation in 1999 and 'Jeongnangum Society' of the Donghae site has 200 members since it was organized in 2009. Each volunteer group looks out for the needs of the people in the community and makes an effort to help them at the level of both the volunteer group and the company. In 2013, our volunteer group conducted a variety of contribution activities such as kimchi-making, briquette delivery to the underprivileged, and supports for community welfare centers and nursing homes to help the single elderly and kids who must support their family members.

Global Volunteer Activities

Volunteer Activities of University Students | To improve overseas education environment and encourage university students to have global citizenship, we give the students the chance to participate in projects for improving education facilities overseas. In 2013, the volunteers participated in facility improvement activities such as renovation and maintenance works of the school buildings and provided a class for science experiment and arts in Hai Duong and Phu Tho located near Hanoi in Vietnam. Through these activities, children exposed to poor education conditions can have dreams for the future while the university students are able to learn how to care for others and grow with the next generation of the world.

Social Contribution Activities in Vietnam | LS-VINA, our Vietnamese subsidiary, has been donating school items for studying such as PCs to the schools located in rural area of Hai Phong on a yearly basis, with the funds which the company and employees have raised together. Also, they have visited to orphanages and schools for the blind so to encourage children there to hold onto their dreams and continue to study. In addition to these regular activities, they supported the area hit by a typhoon in 2013.

2013 Major Social Contribution Activities

Category	Activities	Beneficiary	Date	Participants	Donation (In USD)
Jeongnangum Society (Donghae Operation)	Parties for the Elderly in Songjeongdong	Songjeongdong Senior Citizens' Association	Once/year	2	758
	Supports for single seniors and children who support family (USD 100 per month for each of 8 households)	Donghae city	Once/year	5	9,097
	Donghae Mooreung Festival support	Donghae city	Once/year	-	3,032
	Kimchi-making event (600 cabbages, meal service)	Donghae city	Once/year	25	5,155
	Donation for the underprivileged	Donghae city	Once/year	-	94,760
Chamsarang Society (Gumi/Andong Operation)	Birthday parties, Field days	Kimcheon Welfare Home	15 times/year	120	10,088
	Free meals, Delivery of lunch boxes to the elderly, Kimchi-making event, House renovation	Gumi social welfare center	15 times/year	270	11,059
	Financial supports for 11 persons, briquettes delivery, house visits	Gumi public health center	13 times/year	80	9,514
	Fuel support, Baths service	Ansa community in Uiseong	15 times/year	150	1,702
	Free haircuts, birthday parties, event	Seongsim elderly home	15 times/year	80	2,649
LS-VINA	Donation for underprivileged families and housing construction, etc.	Underprivileged families/ Hai Phong Labor Union	Once/year	5	4,009
	Supports for orphanages/schools for the blind	Students/ Hai Phong Labor Union	1-2 times/year	5	3,604
	Supports for the central area hit by a typhoon	Central area hit by typhoon		-	6,757
	Provided PCs to agricultural schools	Students/ Hai Phong Labor Union	Once/year	3	3,327
	Supports for community events in Hai Phong	Hai Phong City	Once/year	-	10,361
	Supports for the national Baduk contents	Participants/ Vietnam Baduk Association	Once/year	3	18,019

Issue 06

Human Rights & Diversity

How can all our employees with different cultures, thoughts, and values, reach the goal of the company together? We have found the answer: our employees fulfill their own works to share and achieve a corporate vision with responsibility and happiness at the same time. In order to make a responsible organization through happy employees, we guarantee employees' diversity, equal opportunity, and fair compensation, through which the employees take full responsibility for what they do and are rewarded for what they did.



OUR COMMITMENTS

To establish a global corporate culture where human rights and diversity are respected



MILESTONES

2013

- No. of human rights violations: zero
- Increased female talent recruitment: 9.0% of total office position employees
- Conducted training on ethics, human rights, and sexual harassment prevention
- Provided training on culture, ethics, and human rights to expatriate who work at overseas subsidiaries

2014

- No. of child labor, enforced labor, labor disputes: zero
- Keep providing ethics, human rights, and sexual harassment prevention trainings
- Expand culture and ethics training to all subsidiaries
- Promote "Refresh & Leave" system to help employees keep work and life balance



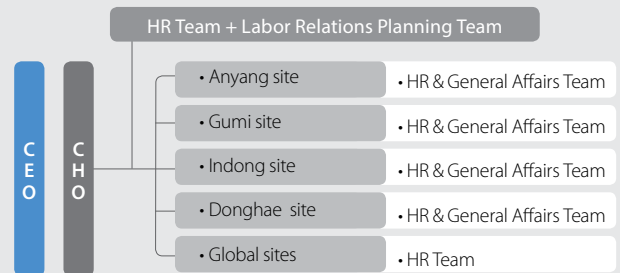
GOAL & STRATEGY

We strongly believe that happy employees can achieve the goal of the organization and that happiness begins by respecting the fundamental human rights such as the right to live a life and the right to be respected. In order to be able to realize our beliefs, we intend to create a global organizational culture where employees' rights and diversity are respected and all our members can communicate openly.



MANAGEMENT ORGANIZATION

In order to guarantee the fundamental rights and respect the diversity of employees, the HR Team and the Labor Relations Planning Team take the responsibility of HR activities; The Labor Relations Planning Team is in charge of establishing labor relation strategies at the corporate level, negotiating wages with the labor union and managing personnel expenses. The HR Team operates and trains human resources at home and abroad, manages performances, and is responsible for the wages and benefits of employees. In addition, the HR & General Affairs Team at each worksite helps better communications with the labor union and more effective HR services.



Guarantee of Fundamental Rights

Corporate Principles for Respecting Employee Rights | We fully support the UN Declaration of Human Rights and the international treaties for protecting employee's rights. We also guarantee autonomy and equality of employees and create safe working environments to help employees maintain their dignity in worksites. These corporate principles are stipulated in our Code of Conduct.

Right to Equal Treatment | In compliance with Chapter 5 of Code of Conduct, we prohibit unfair discrimination for reasons of gender, academic background, age, nationality, religion and birthplace in regard to recruiting, promotion, compensation, and education opportunity.

Right to free Association Activities | We guarantee three basic rights of labor; the right to organize, the right to collective bargaining, and the right to collective action, which are stated in Article 33 of the Korea Constitution. Accordingly, we guarantee establishing an employee representative group and freedom of labor union activities, and do not discriminate any employees for participating in the labor union.

Right to Safety and Education of Children | The Labor Standard Act of Korea bans the hiring of children under 15 years old and teenagers under 18 years old who are in middle school. Complying with the Act and the labor principles of UN Global Compact, we prohibit labor by children under 15 years old and teenagers who are currently attending school. We also pay attention to prevent a child from being recruited even unintentionally by reviewing documents that may verify the identities of employees during the recruiting process.

Right to Work with Own Will | In regard to forced labor, our employees work by their free will; forced labor against employee's will is not allowed. The working hours are 8 hours a day and 40 hours a week, without forcing night duty and holiday work. Case of night or holiday works upon prior consent, our employees are compensated for extra hours worked.

The Code of Conduct stated the employees' fundamental rights
: <http://ethics.lscns.co.kr>

Respect for Global Diversity

Glocalization ¹ We respect the diverse cultures around the globe and thereby pursue Glocalization (Globalization + Localization), which creates harmony between the global management capacity of headquarters and understandings and expertise on local area. To strengthen business capacity at the local level, we give priority in hiring local human resources at overseas workplaces. At worksites in Korea, with the goal of increasing the ratio of the global member by up to 10% of the total employees in office position, we try to attract global talents. Currently, the number of global members who are not Korean takes up 72% of the global network and reaches 99% when only taking overseas worksites into consideration.

Regard for Employees with Physical Disabilities ¹ Since machinery and equipment may require employees to be more careful about safety and health, it is true that employees with physical disabilities are not given many opportunities. However, thanks to the efforts to provide more chances to them, taking into consideration the working environments and their expectations, their participation has increased by 13% in 2013 compared to the previous year. Moreover, we are not allowed to ask and write down on applicants' physical conditions in document screening process and help employees with physical disabilities to adjust to their jobs through preparatory training.

Respect for Female Workers ¹ Although female workers are still a minority given the nature of the manufacturing industry, which uses big-size machines and equipment, we try to create a woman-friendly workplace where women are able to show their ability and are evaluated based on their performance. Also, for those who manage both work and childcare, we plan to establish childcare facilities at worksites. As of 2013, female managers account for 2.4% of the total managerial positions. We have a plan to nurture female leaders through a specialized leadership training program.

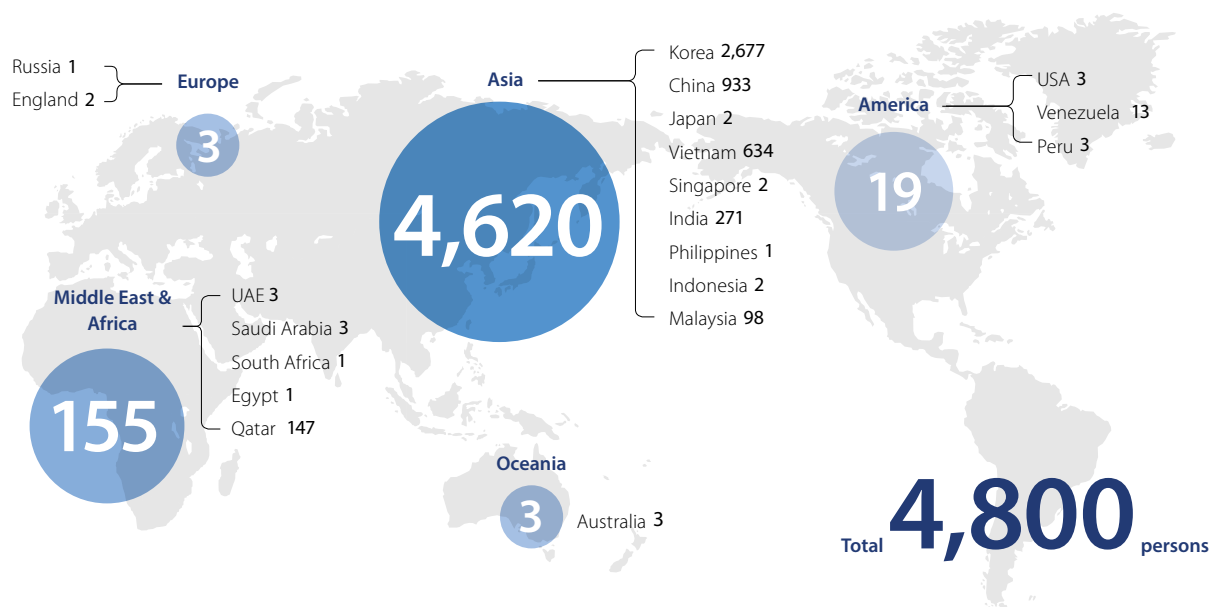
✓ **Maternity leave** Those who have a child younger than six years of age can take up to one year of maternity leave and are guaranteed the return to work. In 2013, three employees took the leave, and two of them came back to their jobs.

✓ **Place for female workers** We operate a nursing room for breastfeeding and female employee lounge

Status of Female Employees

Category	2011	2012	2013
Female Employee (ratio)	110(8.2%)	104(8.3%)	102(9.0%)
Female Managers or Higher Position(ratio)	16(2.3%)	17(2.4%)	21(1.9%)

Workforce Profile in our Global Network



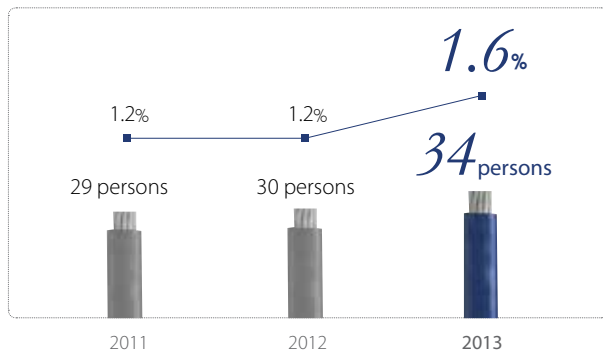
Human Rights Protection

Any employee who believes his/her rights have been violated can seek help from the Help Center, the labor union, grievance channel, cyber reporting channel (call Sinmungo in Korean), or center for sexual harassment prevention. A grievance mechanism is in place in each worksite, where employees are able to receive counseling and file a report freely and anonymously. There was no report or violation case filed in 2013. In addition, to help raise employees' awareness of human rights, we provide training on sexual harassment prevention and human rights on a yearly basis. In 2013, a total of 2,156 including 1,240 in office position and 952 in technical position participate in the training. The Serve One, as a security-providing supplier, conducts monthly human rights and ethics training to its employees, which includes 68 in charge of security at LS Cable & System.

Labor-Management Relations

Freedom of Labor Union Activities | The management group and the labor union promise to respect and cooperate with each other to improve working conditions. Our labor union was founded as the Anyang branch of GoldStar in the national metal industry labor unions in 1976, and has now become the 18th union with 937 members. 'Those who work in technical positions at LS Cable & System's work sites are eligible for the union members and have a right to freely join and discontinue membership at any time. On a quarterly basis, the management and the union hold the Participation and Cooperation Promotion Council, Labor-Management Council to discuss the working environment and conditions. Specifically, any change in labor conditions requires the agreement between management and labor to prevent the working conditions from being worsened and to maintain employment stability. Through these efforts, we have maintained cooperative relations without labor disputes for the last 25 years since 1989.

Employees with Disabilities



Labor & Management Joint Activities | The labor and management operate a joint donation fund and volunteer works in the communities. They also make efforts to fulfill corporate social responsibility by carrying out a variety of activities to protect local environment such as 'Cleaning One Stream per One Company'. In regard to workplace safety, they take safety measures to identify and eliminate risk factors in workplaces and thereby ensure that employees work in a safe and pleasant environment.

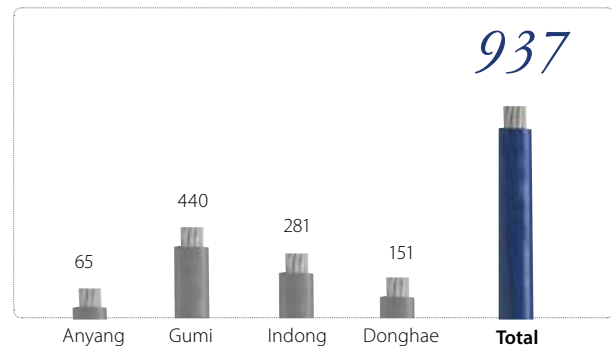
Communication with Employees for Mutual Trust | By building a variety of communication channels, we provide corporate management information to employees. Through a monthly meeting, we share management status and business performance. We also share information and make a joint effort to improve working condition and the welfare benefits of employees through quarterly Cooperation Promotion Council and monthly Labor-Management Council.

Activities to Improve Job Satisfaction | The labor and management carry out a joint onsite job satisfaction survey every year. The survey consists of 8 categories: 1) managers 2) supervisors 3) communication 4) corporate culture 5) labor-management relationship 6) labor union 7) working environment 8) job management and 9) welfare & benefits. Based on the survey results, we try to improve employees' satisfaction level by carrying out countermeasures. Moreover, we run a grievance mechanism, through which employees can get counseling service about their jobs and working conditions as well as personal difficulties.

Collective Employment Agreement Article 20 The company shall try as much as possible to ensure job security of the members and discuss matters that have 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.

Members of Labor Union

(unit: person)



Issue 07

Healthy and Safe Workplace

The 'workplace' lays the foundation for sustaining a stable life and serves as a base for self-realization. In order for this workplace to become meaningful and happy, we have to ensure employees work in a safe and healthy manner and return to a happy home. In this context, we exert the utmost effort to make a safe workplace with top priority on safety in cooperation between labor and management.



OUR COMMITMENTS

To achieve zero accidents in all workplaces around the globe by enhancing the safety management system



MILESTONES

2013

- Carried out a safety inspection: improved 2,614 risk factors identified
- Provided training for improving safety awareness: 219 participants
- Carried out In-house PSM audit: improved 168 risk factors
- Operated partnership program for safety level improvement: improved 547 risk factors of 56 suppliers
- Operated prevention program for muscular skeletal disease: improved 35 work processes in 19 unit processes
- Occupational accident rate: 0.25%

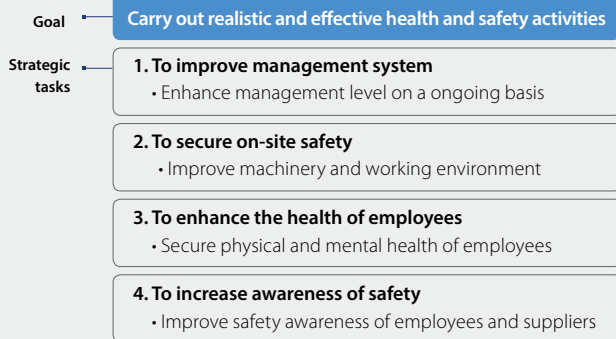
2014

- Provide customized safety education
- Revise risk evaluation system by unit process
- Secure safety of hazardous machinery & equipment: set up PSM implementation system
- Improve management level of environment, safety and health in supplier worksites.
- Expand special medical tests/activities for improving working conditions/health promotion programs
- Attain a goal of zero occupational accidents



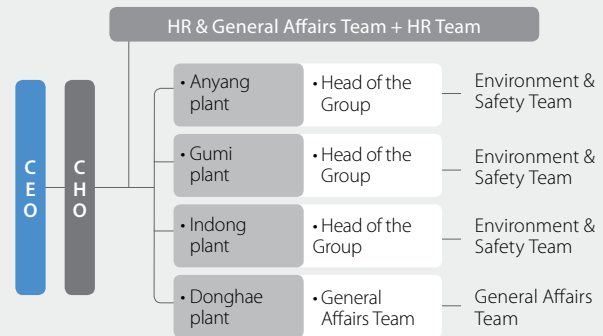
GOAL & STRATEGY

By carrying out safety management activities focusing on the field, we intend to achieve zero occupational accidents in all workplaces through cooperation of labor and management. To increase the safety level in all worksites, we practice safety management strategies for improving management system, securing on-site safety by improving machinery and working environment, enhancing the health of employees to stabilize their physical and mental health and safety, and increasing awareness of safety.



MANAGEMENT ORGANIZATION

The heads of each worksite have the practical responsibilities for safety and health policy in their respective workplaces. The experts of safety and health in each worksite regularly check the management level, identify risk factors, and take corrective measures for identified risks. Also, the Occupational Health and Safety Committee, in which an equal number of labor and management (7 representatives, respectively) participate, provides opinions, establishes plans, and makes decisions for improving the workplace safety level.



Management System Improvement

Management System ¹ For organized and effective management of the risk factors that may threaten the safety and health of employees, we established a management system based on OH-SAS18001, an international standard for health and safety management. A management policy and manuals are provided to all employees as a guideline for safety and health activities. We also organized a dedicated team having the responsibility to promote and check whether the system is carried out well. In addition, we set up goals and detailed tasks for each worksite and monitor them through a computerized system.

■ OHSAS18001 Certification

Domestic plants — Anyang, Gumi, Indong, Donghae
Subsidiaries — Alutek, LSHQ

■ Code of Conduct

Chapter 5. Responsibilities for Employees

4. Responsibilities for Health and Safety

- You shall take measures required for the health and safety of employees.
- You shall take safety measures required in places of work where there are hazardous or harmful objects.

Employee Health Improvement

Less Impact on Musculoskeletal Disorders ¹ To improve the burden of work that may cause musculoskeletal disorders (MSDs), we examined each process with checklists. As a result, 35 unit processes were found to have an average of 6.57 points (minimum 2, maximum 12) in degree of harm, which is a mid-low risk level of musculoskeletal disorders indicating weak hand and arm or shoulder pain lasting less than one week. Accordingly, we take countermeasures by inspecting the symptoms of the workers concerned and analyzing the causes.

Health Promotion Program ¹ We provide free and comprehensive medical tests to employees over 35 years of age and their spouses on a yearly basis. If they receive extra medical treatment as a result of the test, we support the medical expenses and individual medical records are maintained and monitored by in-house doctors. Also, to prevent influenza, we give a vaccination to employees and their family members by application. To make a smoke-free worksite, we run a quit-smoking program where applicants will get 100-day counseling service, check-ups, and supplements that help them to stop smoking. Consequently, six of the applicants successfully stopped smoking.

On-Site Safety

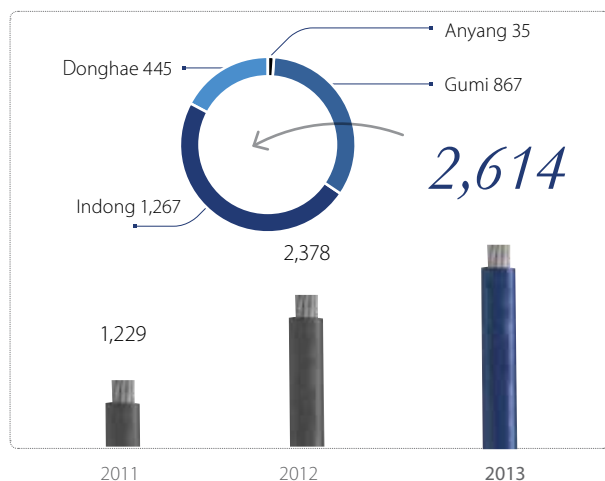
Self-control Safety Management Activity ¹ To enhance the safety management capability in the product lines of each workplace in an autonomous manner, we provide health & safety training to safety supervisors. On a monthly basis, we check the safety level to discover and eliminate the risk factors inside workplaces through a voluntary safety check. Also, to increase the awareness of safety that may be lost with time, additional activities are done in a seasonal manner. In 2013, we discovered and improved 2,614 risk factors.

Safety of Hazardous Machinery & Equipment ¹ We established a plan to prevent accidents from high-risk equipment defined in the Korea Occupational Safety and Health Act. Such equipment include four dust collectors in the Energy Cable & System Accessory Production Team; one dust collector in the SCR process; and an aluminum flux mixing process and dust collector. The plan has received approval from the Korea Occupational Safety and Health Agency (KOSHA). Not only this, we conducted internal audits to establish a Product Safety Management (PSM) system and improved 168 risk factors, including a 20-ton boiler and aluminum explosion proof annealing furnace newly added to PSM facilities.

Improvement of Working Environment ¹ We carry out safety inspection on high-risk machinery such as pressure vessel, cutter machine, and crane, and also high-pressure gas facilities such as LNG, hydrogen, nitrogen, oxygen, and acetylene, on a regular basis. Also, we apply the same inspection to the fire suppression system for cases of emergency. In order to safeguard the health of field workers, we measure working conditions such as noise and dust in both the first and the second half of the year and improve them.

Risk Identification & Improvement

(unit: case)



Increase of Awareness Level

Activities for Raising Safety Awareness ¹ In order to raise employees' awareness of safety, we conduct safety and health training on a regular basis. Employees with less than two years of work experience will receive additional education on risk management. In particular, if assigned to jobs dealing with the forklift, heavy equipment, and chemical facilities, employees need to fill out a job planning sheet to identify the risk factors in advance and be more careful.

Improvement of Partners' Awareness of Safety ¹ To improve the level of safety management of suppliers, we run a partnership program with suppliers. With this program, we help suppliers establish a safety management plan and organized a Safety and Health Consultancy Group, and carry out a joint inspection. In 2013, we discovered 334 risk factors that require improvements in the area of safety and health management, and took countermeasures on the entire identified risks.

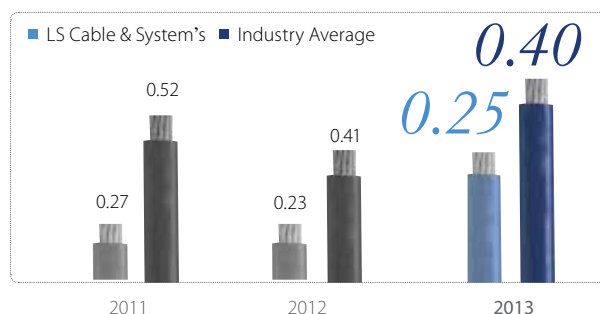
No. of Occupational Accidents

(unit: case)

Category		2011	2012	2013
No. of accidents	Gumi	1	2	2
	Indong	3	1	1
	Anyang	0	0	0
	Donghae	0	0	1
	Total	4	3	3

Occupational Accident Rate¹⁾

(unit: %)



Frequency Rate of Injury²⁾



1) (Number of injuries / Total number of employees) x 100%

2) (Number of occupational accidents / Total yearly working hours) x 200,000

Issue 08

Climate Change Response

Climate change is now not a possible risk but a threat to the lives of humans as it causes unusual weather conditions such as heat waves or floods, and changes the ecosystems around the world. With due responsibility for climate change, we have established the GHG & Energy Target Management System with a goal to reduce GHG emissions by complying with the Green Growth Framework Act of Korea and the Emission Trading System based on the Kyoto Protocol of the United Nations Framework Convention on Climate Change (UNFCCC).



OUR COMMITMENTS

To build a green society by reducing GHG emissions in the entire product life cycle.



MILESTONES

2013

- Operated carbon partnership program:
Built GHG inventory with 20 partners
- Reduced GHG emissions(1,000tonCO₂eq)
– 162 in 2012 → 153 in 2013
- Improved a basic unit of energy use in product production: 4.78GJ/ton of product in 2012
→ 4.25GJ/ton product of product in 2013

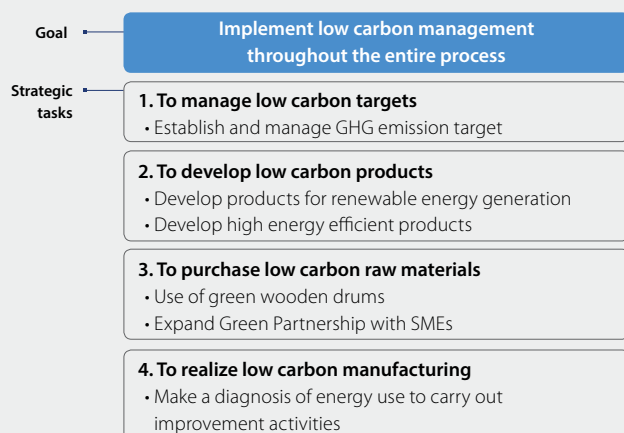
2014

- Keep reducing GHG emissions: by 5%
- Continue to improve the basic unit of energy use in product production: by 5%
- Establish a response system for the Emission Trading
- Establish a GHG management system of suppliers



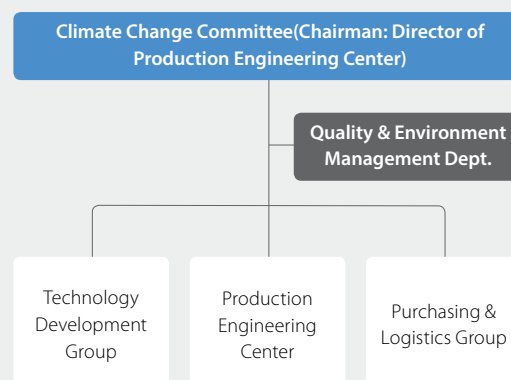
GOAL & STRATEGY

We have a plan to reduce GHG emissions by taking energy efficiency into consideration throughout the entire process from product development, purchase of raw materials, and production to transportation. Specifically, by actively developing products for highly efficient energy transmission and for renewable energy businesses, we intend to eventually contribute to the reduction of carbon emission of customer and society.



MANAGEMENT ORGANIZATION

We operate the Climate Change Committee and the Quality & Environment Management Department that directs the strategies and relevant activities on climate change. In particular, we are running a management organization participated by departments of technology development, production, production engineering center, facility maintenance, and logistics so that we can take responsibility for climate change and thereby reduce GHG emissions throughout the entire process.



GHG Emission Reduction System

We analyze the risks and opportunities caused by climate change and apply the analysis results to our strategy on GHG emissions.

Risk & Opportunities

	Risk	Opportunities	Activities
Regulatory	<ul style="list-style-type: none"> Stricter energy and carbon-related regulations and customer demands 	<ul style="list-style-type: none"> Expansion of the smart grid, superconducting cables to minimize power loss 	<ul style="list-style-type: none"> Develop low carbon & high-efficiency products <ul style="list-style-type: none"> Superconducting cable, Electric vehicle (EV), Energy storage system (ESS) Renewable energy business including Railroad, Green building and Wind power Improve energy-consuming facility Manage GHG emissions in the supply chain
Physical	<ul style="list-style-type: none"> Decrease in construction-ready days due to a rise in rainy days from typhoons and floods Rise in costs for fiber optic cable clean room maintenance due to yellow dust from desertification 	<ul style="list-style-type: none"> Increase in demand for reliable and durable cables resistant to sudden weather changes such as typhoons Increase in demand for construction technology corresponding to climate changes Increased demand for submarine and specialty cables due to increasing renewable energy infrastructure including wind power and solar power 	<ul style="list-style-type: none"> Crisis response system by operation Operated Clean Room due to increasing yellow dust Due to typhoon and rise in sea level, developed undersea cable and wind power cable and made them available in the market Disaster-proof (wind, desert, and snow), low wind pressure & high intensity products, and heat-resisting cables developed and available in the market
Others	<ul style="list-style-type: none"> Rise in costs due to increase in global raw material price 	<ul style="list-style-type: none"> Stable procurement of raw materials through vertical integration 	<ul style="list-style-type: none"> Stable supply line secured by subsidiaries through M&A with copper mines in Chile Extended certification of EL products and green management Increased eco-friendly supply chain by strengthening 'Green Partnership'

Goal Management

We built up GHG inventory in all domestic sites to control energy consumption and GHG emissions. In order to reduce the emissions, we established plans on high-efficient and low carbon product development and set up goals for each team and product line to reduce GHG emissions during the entire production process. Adding to the management through the existing inventory, we are running the Energy & Carbon Data System (ECDS) to meet the GHG reduction goals. ECDS is a system designed to collect and monitor data on energy consumption and GHG emissions. By registering internal goals and energy reduction tasks in the system, we can constantly monitor energy consumption and GHG emissions against the goals.

Goal Setting

- To establish a plan on low carbon product development
- To manage energy consumption
- To manage GHG emission
- To build a GHG inventory
- To support reduction of GHG emission

Management

- To invest in R&D
- To improve high GHG emissions facility
- To develop reduction technology
- To provide diagnosis & consulting

Product Development

We have developed renewable energy products such as wind power cable and solar cable and highly efficient products such as high voltage direct current with low energy loss in transmission. In addition, we continue to develop energy storage system for the smart grid, electric vehicle solution and superconducting cable with minimal energy loss without electrical resistance. For the existing products, we make an effort to make them lighter and smaller by applying compression and convergence technology. Through our low carbon products, we expect to reduce CO₂ emissions and increase energy efficiency, thereby want to contribute to decreasing total GHG emissions in society as a whole.

Superconducting cable

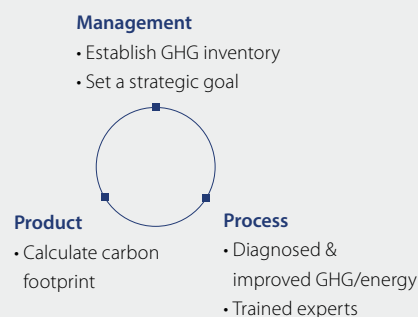
- 22.9kV 50MVA superconducting cable
- Replaced five distribution lines with one line
- Reduced power loss by over 20%



Raw Materials

We are promoting the purchase of green products by establishing a green purchasing guideline. In case of drum used for storage and transportation, we use eco-friendly lumbars certified by the FSC (International Forest Stewardship Council). Also, to reduce CO₂ emissions in cooperation with our suppliers, we have participated in a national task on carbon partnership program supported by the government for two years from 2012 to 2013. Through this program, we helped 20 suppliers to build up a GHG inventory system and reduce emission based on data collected by the inventory. Accordingly, we draw a conclusion that our suppliers were able to reduce emission per ton of product by 5.82% and laid the foundation for a carbon footprint, which allowing us manage GHG emissions in supply chain.

Carbon management system of supply chain



Low Carbon Production Performance

(In thousand USD)

Category	GHG(tCO ₂ eq)	Energy(TJ)	Costs Saved	Investment
Gumi	1,688	33	375	174
Indong	1,512	30	376	267
Donghae	4,210	87	964	70
Total	7,411	150	1,715	512

Production Activities

In manufacturing process, we use LNG, electricity, and steam as major energy sources and LPG partially. To reduce energy consumption, our Facility Management Team is leading activities that are aimed at reducing energy use in all work sites. In particular, it is striving to decrease GHG emissions generated during the production process by improving massive energy consuming equipment and shortening facility waiting time. In 2013, we successfully reduced energy of 150 TJ through facility improvement and operation efficiency. To translate this amount of energy reduced into GHG emissions, it is equivalent to a reduction of 7,411 tonCO₂eq.

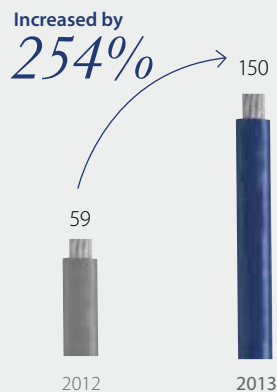
Transportation

We have increased loading rate per round trip and thereby decreased the number of transports, minimized the number of air transportations that emit a large amount of GHG, and increased the weight of maritime transport in an attempt to reduce GHG emissions from product shipment. In addition, we operate commuter buses and encourage employees to make conference calls or web conferences to reduce the carbon footprint. In particular, we signed a contract with KORAIL that enables our staff members to take trains at discounted prices for their business trips.

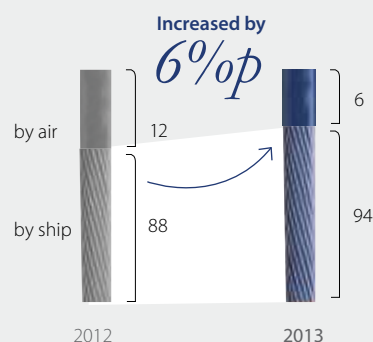
Emission Status

In 2013, the total GHG emissions amounted to 152,968 tons, down more than 5% from 2012 and reached 73% of 209,719 tons, an allowable limit set by the government. The energy consumption (calorie) was 2,933TJ, down about 7% from 2012, reaching 75% of the allowed limit of 3,905TJ. This is the result of our efforts to reduce GHG emissions and energy use per ton of product through production efficiency, which was increased by old equipment replacement, streamlined processes, and reduced waiting times.

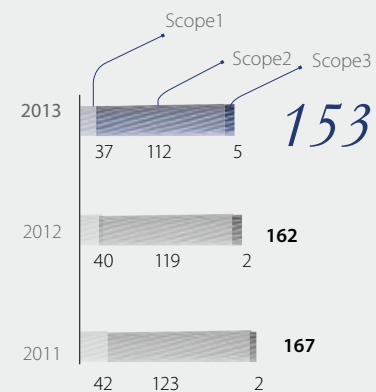
Energy Reduction in Production (unit: TJ)



Transportation for export (unit: %)

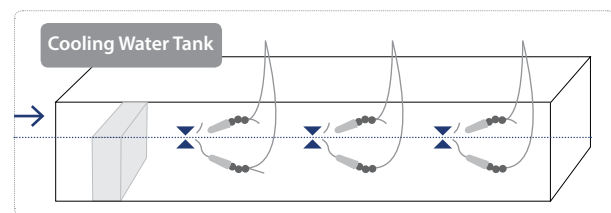
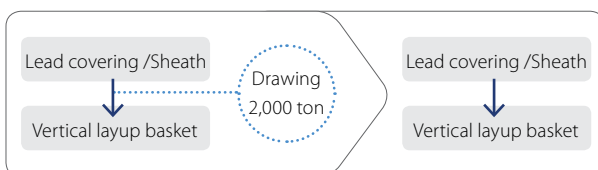


GHG emissions (unit : 1,000tCO₂eq)



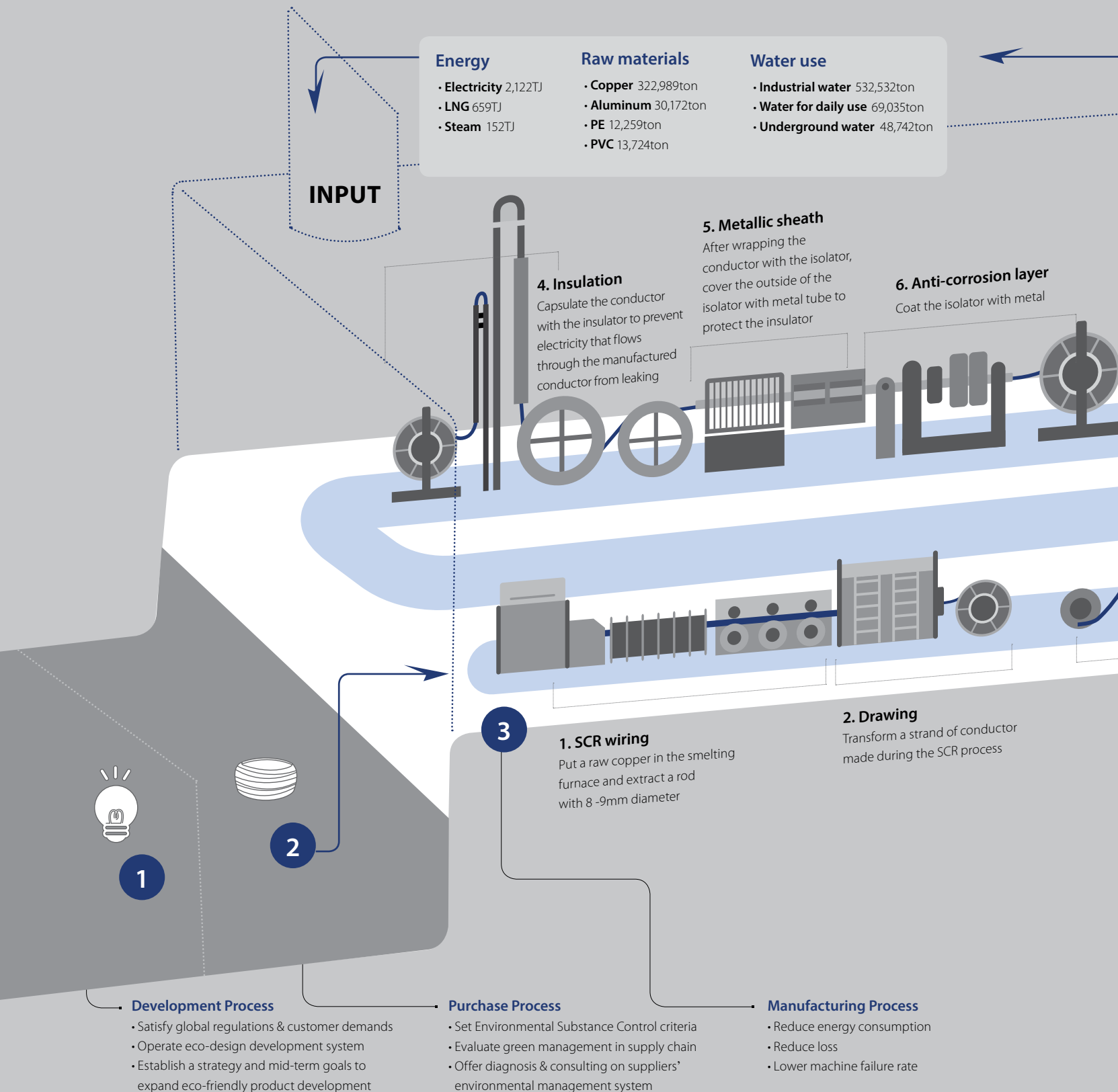
2013 Key Energy Reduction Activities

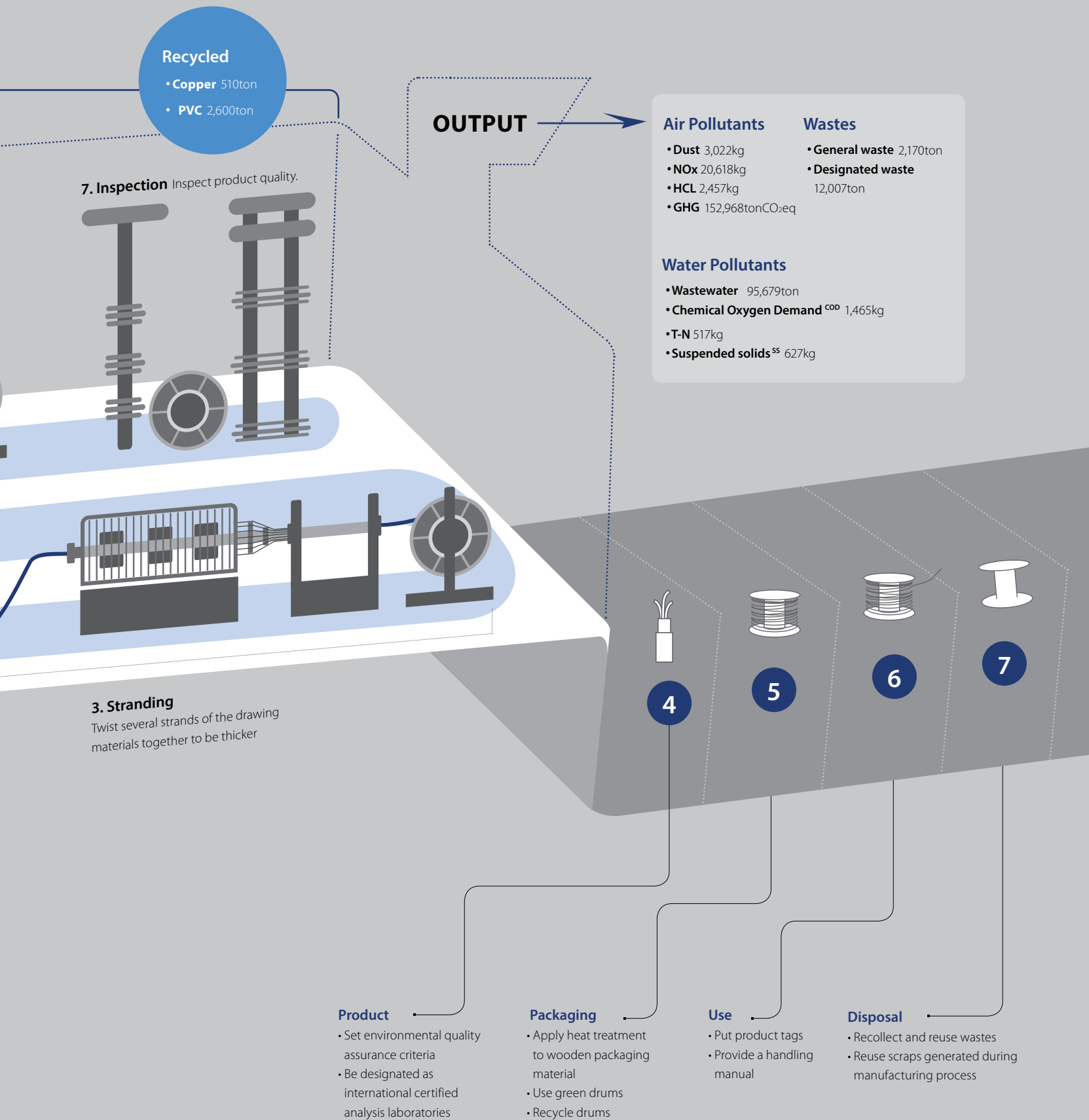
Reduction of Electricity Use in Rewinding Process by drawing directly lead covering /sheath basket | we streamlined process by supplying UPS power to vertical layup machine



Reduction of Steam Use by replacing air wiping | We changed the wiping method from the compressed air approach to the ring blower approach to remove moisture after cooling in extrusion process.

Our Environment Management in Entire Process





Issue 09

Fair Competition

At a kick-off meeting in January 2014, we declared compliance management with the belief that unfair behavior and illegal acts would not only put individuals and the company in danger but also bring our credibility down and thereby lead us to be rejected by customers and also stakeholders. We intend to carry out compliance management to be reborn as a transparent and trustworthy company. Moreover, we will fulfill our obligations to comply with the market order through fair competition, and perform fair trade as our competitiveness.



OUR COMMITMENTS

To strengthen the Compliance Program (CP) to maintain a fair trade culture



MILESTONES

2013

- Declared compliance management
- All employees made a compliance pledge
- Provided a training on fair trade for newly hired employees
- Provided legal advice on fair trade

2014

- Operate compliance program bulletin board
- Provide new/experienced employees with training on fair trade
- Conduct internal diagnosis on fair trade
- Analyze compliance regulations in other countries and provide advice to overseas subsidiaries



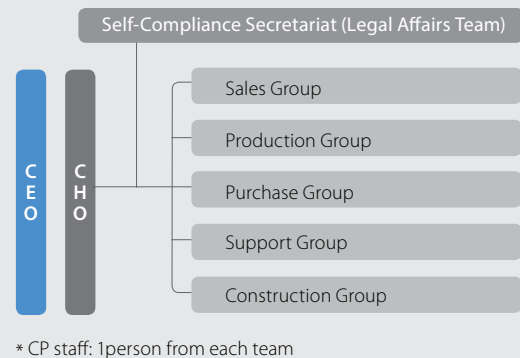
GOAL & STRATEGY

In order to establish a fair and transparent trade order, we introduced Compliance Program(CP) in 2010 and have since then carried out relevant activities. By strengthening the activities to forestall unfair competition while increasing the awareness of fair trade, we will make fair trade one of our valuable assets and competitive edges.



MANAGEMENT ORGANIZATION

The CHO, the head of the corporate support group, has been appointed as the Self-Compliance Manager, and our management organization consists of the Self Compliance Secretariat as well as Self-Compliance Staffs from the departments of sales, production, purchase, and support. They engage in a wide variety of activities to promote fair trade, such as monitoring and diagnosing the current level of fair trade compliance, and consulting on business activities related to fair trade.



Self-Compliance Organization

Clear Work Responsibility | To strengthen the preventive measures and comprehensive management of fair trade, we have organized a dedicated team in charge under the Legal Affairs Department. By describing the roles and responsibility of each member of the Self-Compliance Organization more clearly, the person in charge is able to understand and deal with the related tasks more effectively.

■ The Role of Self-Compliance Organization

Self-compliance Secretariat

- Implements and reports the results of the CP
- Provides supporting activities including legal advice related to the Self-Compliance activities
- Collects and distributes fair trade-related information

Self Compliance Staffs

- Carry out check-up activities in accordance with the checklist of the CP
- Educate and consult employees who are responsible for the Self-Compliance program

Self-Compliance Manager

- Establishes and implement Self-Compliance programs
- Reviews and takes disciplinary actions against non-compliance with fair trade
- Comes up with preventive measures

Raise Awareness

Declaration of Compliance Management | Due to one domestic subsidiary's unethical behavior last year, we caused concerns and inconveniences to the public and the government. Regard to this, we have taken time for self-reflection. In 2014, all subsidiaries of LS Group declared compliance management and adopted a statement for implementation. This statement is a commitment that we would operate every business activities within a legal framework and take a legal sanctions.

Statement of Compliance & Fair Trade Education | In order for all our members to recognize the importance of fair trade and to be committed to practice, we require all newly hired employees to sign and submit a statement on fair trade promising that they will comply with compliance. We also provide fair trade education as a compulsory course. Also, we conducted an additional training for the department deemed to be exposed to combatively high risks such as purchase or sales in regard to fair trade.

Fair Trade Training

(unit: person)

Head office	Anyang	R&D Center	Gumi	Indong	Donghae
12	3	8	16	5	6

Prevention of Unfair Trade Practice

Standard Contract Form ¹ To block an unfair contract with stakeholders in the first place, we use a standard contract form that reflects the fair trade principles.

Legal Support ¹ We review contracts in advance and give legal advice, thereby checking if we strictly abide by the Fair Trade Act and there is any non compliance with internal fair trade principles in transactions.

Action Guidelines for Complying by Fair Trade

1. Meetings with competitors

- As employees of LS Cable & System you should propose, accept, or participate in any official or unofficial meeting with those of competitors. If participation is unavoidable, you should report the application for participation in an industry group meeting to the Self-Compliance Secretariat and follow a set of principles and processes. Secretariat and follow a set of principles and processes.
- If trade terms such as price are discussed in the meeting with competitors
 - (1) You should raise an objection
 - (2) If the discussion still continues in spite of objection, you should leave the place immediately and report to the Self-Compliance Staffs in your team

2. Information sharing with competitors

- As employees of LS Cable & System you should not ask, provide, or share with competitors any trade conditions such as price or related materials and product development plans
- If asked for information from competitors, you should make it clear that it is impossible to provide such information, and report to the Self-Compliance Secretariat
- When you acquire information legally through a publicly disclosed material or a partner, you should keep a record on how you had access to such information and information sources.
- Even when you find out information about competitors legally, you should not believe it blindly but make an informed decision based on fair trade principles, taking a lot of other competition elements into account

Future Plans

By strengthening and internalizing the CP program further, we intend to raise the awareness of fair trade and compliance so to establish a fair and transparent management as part of our corporate culture. We have a plan to set up a compliance program bulletin board in our in-house website where all members share relevant regulation revisions and case studies while reflecting the regulations and related cases on our fair trade training courses. In addition, we will promote our legal risk monitoring to check the risks of non-compliance due to misunderstandings and extend it to not only sales, but also production, planning, and quality control departments. In regard to subsidiaries, we will lay a firm foundation on fair trade in all workplaces through supporting activities including legal advice to subsidiaries at home and abroad, aiming at helping them to avoid any legal risks. Finally, we plan to develop compliance management indicators and reflect them into our organizational assessment and personnel evaluation and to strengthen the CP program by providing compliance education on a regular basis.

Statement on Compliance Management

LS Cable & System is committed to implementing compliance management on the basis of LS partnership, our corporate philosophy, and hereby declare that:

First. we comply with domestic and international regulations and in-house rules when doing business.

Second. we hold those who violate rules accountable and take disciplinary measures.

Third. we dedicate to promoting the interests of stakeholders such as customers, stockholders, and community through compliance management, and fulfill our obligations to society and the country.

Employees of LS Cable & System,
Jan. 2, 2014

Issue 10

Compliance & Ethics Management

We strongly believe that ethics management is a fundamental value that all our members must share, and that if any performance did not come from ethics management, it is not achievement but poison. With this belief in mind, we declared compliance management at the kick-off meeting in January 2014. Based on our corporate philosophy, LS partnership, we will make the utmost efforts to be a trustworthy company by implementing compliance management.



OUR COMMITMENTS

To prepare an ethics management system linked to corporate visions and values



MILESTONES

2013

- Posted ethics article: 46 times
- Provided ethics trainings: 4 times
- Sent an official letter for cooperation on ethics management to suppliers
- Evaluated level of ethical management

2014

- Keep posting ethics article
- Keep providing ethics trainings in regular basis
- Carry out ethical level assessment Sent an official letter for cooperation on ethics management to suppliers
- Establish LS Group integrated code of ethics



GOAL & STRATEGY

Based on our CEO's strong commitment to ethical management, we have carried out the detailed ethical management strategies. Starting ethics management in corporate level in 2004, we laid the foundation for implementation by revising our code of ethics and organizing the Ethics Secretariat until 2006. Since then, we have promoted awareness raising and education opportunities so that employees are encouraged to voluntarily practice ethics management

Goal

Establish a global level of ethics management culture

Strategic tasks

1. To promote ethics management

- Make a pledge to implement ethics management
- Provide education on & promote ethics
- Apply ethics management to subsidiaries

2. To evaluate corporate ethics level

- Conduct ethics level assessment

3. To monitor and respond to ethical risks

- Operate reporting channel
- Operate clean company system
- Conduct diagnosis of non-compliance



MANAGEMENT ORGANIZATION

We have a Secretariat of Ethical Management within the Internal Audit & Consulting Team directly governed by the CEO and carried out ethical management such as establishment and implementation of ethical management strategies and their implementation. While preventing non-ethical acts in advance by raising awareness and monitoring implementation level, the Ethics Secretariat prevents recurrences by solving any ethics-related problems and analyzing the causes.



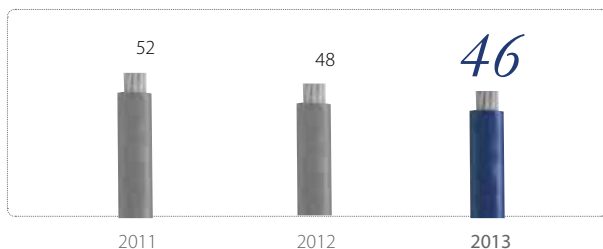
Ethical Management Promotion

Ethics Articles | Since 2006, we have posted articles on ethics management including our code of conducts, practical guidelines, and case studies on a bulletin board shared by all employees. In 2013, a total of 46 articles were posted.

Training | Our newly-hired employees are mandated to take an ethics courses as a compulsory course. Expatriates assigned to overseas workplaces are also required to receive ethics training before leaving. In 2013, actual cases of violation against the Code of Conduct were reflected into the training contents to raise the awareness of ethics. A total of 54 employees took the course of four sessions.

Ethics Articles

(unit: case)

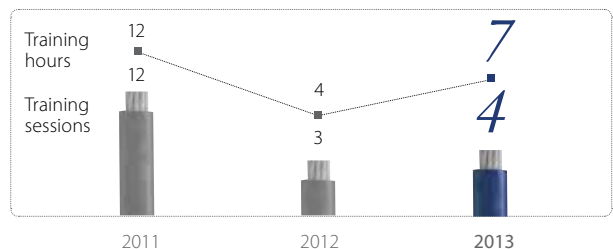


Statement on Ethical Practice | All employees must sign the statement of ethical practice, promising that they will comply with corporate ethics rules. New suppliers are also asked to sign the statement on ethics at their registration.

Letter to Suppliers for Cooperation | We send a letter of cooperation that asks suppliers to cooperate with our code of ethics on holidays such as the Lunar Calendar New Year's Day and Thanksgiving Day. In 2013, we sent the letter to our suppliers and posted it on the website. With regard to two cases reported, we donated the items received to the welfare facility in accordance with the Clean Company System.

Ethics training

(unit: hour, time)



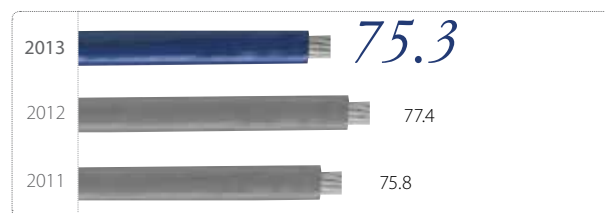
Evaluation of Ethics Level

Since 2010, we have conducted an ethics level evaluation in the second half of the year. The evaluation aims at analyzing the ethics level of employees and setting up directions for improvement, consisting of 3 categories; ethical management framework, corporate ethics implementation, and work-related ethics implementation. In 2013, the total score was 75.3 3 points on average, down from 77.4 points in 2012. In particular, the ethical management index was relatively low, with a decline by 4.0 points from the previous year. Consequently, we plan to come up with countermeasures by raising the awareness of ethical management to close the gap between organization and employees.

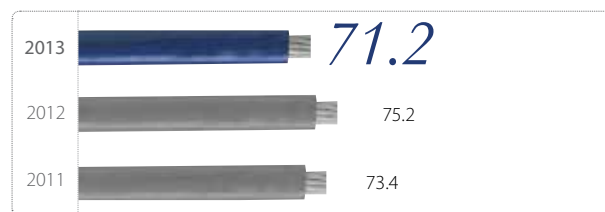
2013 Evaluation Results

(unit: point)

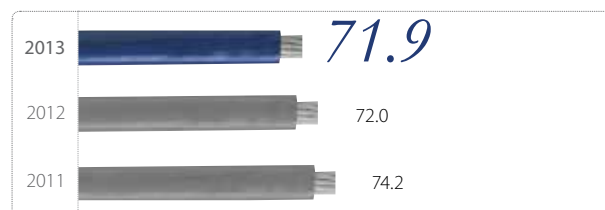
Total Score



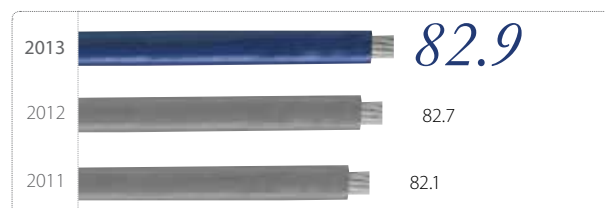
Ethical Management Framework



Corporate Ethical Implementation



Work-related Ethics Implementation



Ethical Risk Monitoring

Cyber Reporting Channel | Anyone can report non-compliance to the Cyber Reporting Channel of the ethical management website on condition of anonymity. The Ethics Secretariat makes an investigation into facts and takes countermeasures regarding reported matters. The results are informed to the reporters. In 2013, a total of 22 reports were made, all of which were addressed in compliance with the relevant regulations. (Reporting Process Rate: 100%).

Confidentiality | We ensure confidentiality of personal information of the reporters as well as the reported information. We also protect reporters from getting any disadvantages by reporting.

Actions on Non-ethical Behaviors | While trying to pay full attention to preventing non-ethical behavior, we take strict disciplinary actions on non-compliance. Not only employees involved in corruption, but also suppliers who give money and valuables are subject to such measures including contract suspension according to the regulations.

Clean Company | We established the Anti-Bribery Mechanism to help employees voluntarily inform the company of unavoidable bribery activities. Once they fill out and submit a bribery report form, we return the gifts or items with the explanation of our ethical management goals. If it is impossible to return them, employees are able to provide the bribery items to the Internal Audit & Consulting Team so that the Team can donate them to social welfare facilities or religious groups under the name of the company where the provider belongs.

Responsible Involvement in Politics | We offer our expertise to the government and other organizations related to our company on industrial policy establishment, and are practicing responsible political participation through rational discussions. For the last three years, we have neither made any attempt to lobby politicians nor made any donations to politicians.

Future Plans | In 2014, we will focus on the following implementation activities of, revising code of conduct and guidelines, we will focus on re-defining the Code of Conduct and relevant guidelines, promoting ethical management system, and monitoring ethics-related risks.

Performance Indicators



- Membership in Industry & Business Associations
- ISO 26000 Self Diagnosis Results
- Statement of Financial Position
- Income Statement
- Cash Flows
- Customer Value
- Employees' Values
- Environmental Value
- Independent Assurance Statement
- GRI Guideline
- UN Global Compact Performance

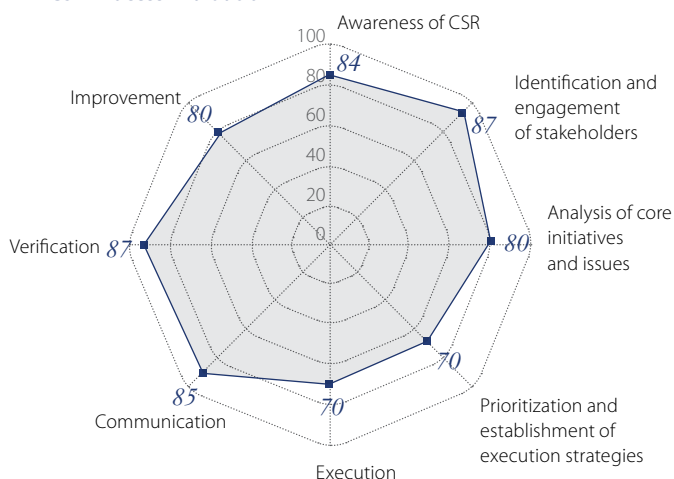
Membership in Industry & Business Associations

1 Anyang Chamber of Commerce	17 Korea Employers Federation
2 Anyang Green Technology Council	18 Korea Engineering & Consulting Association (KENCA)
3 Anyang Reserve Forces Officers Council	19 Korea Fire Safety Association
4 CIGRE (Conseil International des Grands Reseaux Electriques) Korea	20 Korea HRD Center
5 FTTH AP Council	21 Korea Industrial Safety Association
6 Gyeonggi Province Conference of Environmental Engineers	22 Korea Information & Communication Contractors Association
7 ICF	23 Korea Institute of Electrical Engineers (KIEE)
8 International Cablemakers Federation (ICF)	24 Korea International Trade Association
9 International Conference on Electricity Distribution (CIRED) Korea	25 Korea IT Leaders Forum
10 International Council on Large Electric Systems (CIGRE)	26 Korea Software Industry Association
11 Korea Association for ICT Promotion (KAIT)	27 Korea Wind Energy Association
12 Korea Automobile Industry (KAMA)	28 Korean Electric Association
13 Korea Backup Power Association	29 Korean Personnel Improvement Association (KPI monthly meeting)
14 Korea Electric Wire Industry Cooperative	30 SERI CEO
15 Korea Electrical Manufacturers Association	31 Telecommunications Technology Association (TTA)
16 Korea Emergency Planning Council	32 UN Global Compact

ISO 26000 Self Diagnosis Results

We diagnose ISO 26000, the international standard on social responsibility, and use it as the material for checking and improving the present status of the company. By using a CSR Implementation Evaluation Checklist developed by the Korea Standards Association (KSA) based on ISO 26000, we checked the present status of management and execution of seven core subjects. The result is as shown below. As an evaluation result, first with regard to the CSR process, we recognized the importance of stakeholder participations based on the understanding of social responsibility. Also, we have verified that a regular performance review has been carried out. In terms of setting top priority on practicable challenges, we were evaluated to need relatively active improvements through systematic execution. In the case of core subjects, the implementation level was analyzed to be good. To take one step further in the social responsibility activities, we will make more efforts to improve environment performance.

CSR Process Evaluation



Core Subject Evaluation



Statement of Financial Position

In thousand USD

	LS Cable & System Ltd.			LS Cable & System Ltd. & Subsidiaries		
	2011	2012	2013	2011	2012	2013
Current assets	1,617,073	1,485,085	1,418,942	3,068,733	2,784,396	1,940,016
Cash and cash equivalents	26,997	166,773	189,868	112,375	271,438	260,770
Financial deposits	315,822	52,660	18,320	322,574	64,270	22,220
Trade receivables	762,484	735,405	665,316	1,400,897	1,286,714	917,233
Other receivables	30,109	31,865	25,861	48,333	40,746	36,260
Available-for-sale financial assets				1,046	1,136	
Derivative Financial instruments	17,253	18,554	12,683	18,275	20,416	13,372
Firm commitment assets	33,450	5,071	13,751	33,450	5,071	13,751
Inventories	243,577	250,607	246,910	893,306	806,312	400,133
Other current assets	187,381	224,150	246,234	238,476	288,294	276,278
Non-current assets held for sale	9,240	517,066		11,776	519,422	
Non-current assets	1,878,363	1,360,398	1,011,922	2,496,346	1,933,902	984,846
Property, plant and equipment	743,709	510,283	540,620	1,395,685	1,204,030	792,336
Intangible assets	36,653	39,275	37,530	604,388	557,274	47,156
Investment property	331,049	20,755	8,553	333,450	22,946	10,682
Financial deposits	20	20	20	67	474	500
Trade receivables	29,204	44,690	70,629	29,204	44,936	70,781
Other receivables	24,397	24,430	24,693	31,836	31,814	27,580
Available-for-sale financial assets	16,209	4,826	4,814	17,146	7,039	5,805
Derivative financial instruments	30,553	16,815	132	31,488	16,947	146
Firm commitment assets	3,570	759	653	3,570	759	653
Investments in subsidiaries	660,899	696,953	323,144	1,986	1,829	
Deferred tax assets				9,801	12,411	5,886
Other non-current assets	2,101	1,592	1,134	37,725	33,445	23,320
Total assets	3,504,676	3,362,549	2,430,864	5,576,855	5,237,720	2,924,862
Current liabilities	1,526,140	1,494,042	1,479,998	2,569,051	2,572,155	1,990,184
Trade payables	615,604	582,693	501,662	1,066,518	950,292	603,299
Borrowings	636,369	602,644	563,277	1,068,491	1,170,039	902,071
Derivative financial instruments	40,293	11,541	14,812	44,762	12,863	18,782
Firm commitment liabilities	10,089	12,783	8,377	10,089	12,783	8,377
Other payables	149,855	128,592	118,516	243,976	221,736	147,076
Current income tax liabilities	-	4,238	18,250	927	7,216	19,962
Provisions				12,599	9,147	19,654
Other current liabilities	73,931	151,552	255,104	121,690	188,079	270,964
Non-current liabilities	1,243,458	1,110,483	448,842	2,405,006	2,135,233	508,672
Borrowings	1,199,386	1,050,029	413,355	2,088,984	1,801,719	469,881
Derivative financial instruments	4,007	1,499	1,059	4,438	2,201	2,002
Firm commitment liabilities	585	2,962	58	585	2,962	58
Other payables	5,795	2,956	5,230	482	545	3,789
Post-employment benefits	9,180	9,145	10,935	89,439	102,527	13,301
Deferred income tax liabilities	24,505	27,687	1,087	216,091	202,059	2,519
Provisions		16,204	17,118	1,618	18,528	17,122
Other non-current liabilities				3,369	4,691	-
Total liabilities	2,769,598	2,604,525	1,928,840	4,974,058	4,707,387	2,498,856
Equity attributable to owners of the parent				558,303	482,934	393,333
Capital stock	108,974	108,974	67,769	108,974	108,974	67,769
Share premium	705,840	621,545	387,872	705,840	621,545	387,872
Accumulated other comprehensive income	4,560	437	670	9,845	(15,576)	(6,193)
Other equity components	-	-	(104)	(298)	(4,917)	222,802
Retained earnings(Accumulated deficit)	(84,295)	27,069	45,816	(266,057)	(227,092)	(278,918)
Non-controlling interest				44,494	47,399	32,673
Total equity	735,078	758,024	502,023	602,797	530,333	426,006
Total liabilities and equity	3,504,676	3,362,549	2,430,863	5,576,855	5,237,720	2,924,862

Income Statement

In thousand USD

		LS Cable & System Ltd.			LS Cable & System Ltd. & Subsidiaries		
		2011	2012	2013	2011	2012	2013
Continuing operations	Sales	4,546,856	3,867,485	3,350,391	5,594,468	4,801,301	4,354,977
	Cost of sales	4,306,646	3,568,051	3,035,584	5,292,831	4,416,264	3,949,389
	Gross profit	240,209	299,434	314,807	301,637	385,037	405,588
	Selling and administrative expenses	232,189	231,348	191,359	298,755	299,342	287,189
	Operating profit	8,020	68,086	123,449	2,882	85,695	118,399
	Other income	276,429	184,344	170,075	316,742	191,861	174,909
	Other expenses	299,051	149,714	152,841	352,032	159,892	192,304
	Financial income	16,575	16,356	15,904	8,970	15,229	11,707
	Financial expenses	87,833	88,426	73,333	112,021	117,102	100,262
	Other non-operating income, net	10,908	1,209	(50,962)	(1,477)	2,240	(5,178)
	Profit(loss) before income tax	(74,950)	31,855	32,292	(136,936)	18,031	7,271
	Income tax expense(benefit)	(12,963)	9,771	9,977	(12,051)	16,555	11,383
	Net profit (loss)	(61,987)	22,085	22,315	(124,886)	1,475	(4,112)
Discontinuing operations	Loss from discontinued operations				(38,067)	(36,510)	(78,557)
	Loss for the year				(162,953)	(35,035)	(82,668)

Cash Flows

In thousand USD

		LS Cable & System Ltd.			LS Cable & System Ltd. & Subsidiaries		
		2011	2012	2013	2011	2012	2013
Cash flows from operating activities		(171,565)	87,546	198,956	(306,592)	166,156	217,174
Cash generated from operations		(84,349)	165,344	273,322	(143,234)	315,766	369,767
Interest received		5,255	5,828	6,142	8,168	10,304	11,504
Dividends received		7,829	5,381	6,952	353	166	66
Interest paid		(80,899)	(86,381)	(81,432)	(147,278)	(152,392)	(146,570)
Income tax paid		(19,402)	(2,627)	(6,029)	(24,601)	(7,689)	(17,593)
Cash flows from investing activities		(225,473)	226,677	(41,953)	(336,709)	135,596	(16,556)
Decrease (increase) in financial deposits		(169,023)	263,163	34,340	(153,145)	259,399	41,784
Decrease (increase) in other receivables		(1,465)	(1,078)	2,668	(1,111)	(1,053)	2,525
Proceeds from disposal of assets held for sale		-	10,399	70,098	-	10,942	70,098
Proceeds from disposal of property, plant and equipment		21,918	32,541	15,490	26,831	34,658	17,492
Proceeds from disposal of intangible assets		261	503	1,492	261	556	2,260
Proceeds from disposal of other non-current assets		85	-	17	945	212	405
Decrease (increase) in derivatives		8,734	(4,875)	(6,826)	2,960	(7,196)	6,955
Acquisition of available-for-sale financial assets		(99)	-	-	(158)	(4)	(114)
Acquisition of property, plant and equipment		(72,495)	(49,280)	(105,948)	(192,107)	(166,032)	(154,976)
Acquisition of intangible assets		(476)	(321)	(486)	(5,317)	(4,589)	(1,104)
Acquisition of other non-current assets					(1,224)	(1)	-
Acquisition of investments in subsidiaries		(24,190)	(34,860)	(60,335)	(16,241)	(1,782)	-
Proceeds from disposal of investments in subsidiaries		9,680	-	7,537	0	-	(1,944)
Cash flows from financing activities		397,237	(174,181)	(134,025)	660,189	(136,261)	(210,565)
Proceeds from borrowings		49,990	142,535	370,673	341,803	171,470	656,280
Repayments of borrowings		(66,349)	(183,408)	(473,946)	(378,145)	(170,011)	(423,047)
Proceeds from issuance of debentures		615,939	189,520	-	924,268	189,520	-
Repayments of borrowings		(200,312)	(322,183)	0	(205,050)	(322,183)	(372,556)
Dividends paid to non-controlling interests					(1,763)	(136)	(1,106)
Decrease in equity due to spin-off		-	-	(30,752)	0	0	(69,714)
Others, net		(2,031)	(645)	-	(3,213)	(644)	(225)
Net increase in cash and cash equivalents		198	140,042	25,589	16,887	165,490	(9,947)
Cash and cash equivalents at beginning of year		26,902	26,997	166,773	99,927	112,375	271,438
Exchange gains (losses) on cash and cash equivalents		(103)	(265)	118	(4,439)	(6,428)	721
Cash and cash equivalents at end of year		26,997	166,773	189,868	112,375	271,438	260,770

Customer Value

Communication with Customers ¹ We arrange a place for introducing products and exchanging opinions with customers by inviting customers. Through customer seminars, we help customers to get information on products and discuss cooperation plans by sharing product specifications and applied technologies.

Customer Information Protection ¹ To protect customer information in collecting, using, and managing process, not only preventing leakage of information, we operate an annual response program. In 2012, we made a diagnosis of the information management status and the level of protection. Since 2013, we carried out implementation activities, based on diagnosis results. Also, each team manager takes a leading role of management and appoints staff members who actually deal with them as persons in charge. We also provide training to all the members in charge and signed a statement on information protection.. There were no concerns raised or complaints filed in 2013.

Accurate Information ¹ At the request of a customer, we provide information on functions, specifications, structures, electric and technical characteristics, cable laying, and conditions for use. In addition, we review product catalogues, brochures, and marketing materials such as press releases, advertisements, and promotions to prevent unclear or misleading information from being used. We comply with the regulations on marketing, communication, and product provision, and there was no case of violation in 2013.

Product Liability ¹ When quality and safety defects are found after sales, we publicly operate the recall system for exchanging, refunding, and repairing defected products and minimize customer damage caused by product defects through Product Liability Insurance.

Improvements to Meet Customer Needs ¹ We address customers opinions collected through VOB and VOC, which have great influence over businesses and require improvements in quality, delivery, and product performance, through 6-Sigma projects.

6-Sigma Projects for Customer Needs

Category	2011	2012	2013
Product improvement	31	19	25
Product reliability	21	15	15
Product development	22	12	10

Employees' Values

Number of Employees ¹⁾ (As of March 2014)

Category		2011	2012	2013
LS Cable & System	Head Office	554	574	462
	Anyang	189	181	190
	Gumi · Indong	1,212	1,215	1,107
	Donhae	225	245	225
	R&D Center	202	199	162
	Overseas	57	60	59
	Office position	1,287	1,232	1,054
	Expatriate	57	60	59
	Technical position	916	938	934
	Contract-based employees	179	244	158
Total		2,439	2,474	2,205
Subsidiaries	Domestic	686	672	531
	Overseas	5,239	5,814	2,123
Total		5,925	6,805	2,654
Retirement rate (%)		6.4	7.9	9.8

Welfare Fund Disbursement

Category		2011	2012	2013
In-house Welfare Fund	Beneficiaries (person)	259	330	301
	Amount (USD)	353,833	543,637	457,500
Scholarship	Beneficiaries (person)	310	550	510
	Amount (USD)	3,158,101	2,997,803	2,941,110

Retirement Pension System ¹ Since 2011, we have enforced the retirement pension system covering all employees. Employees are able to choose one of Defined Benefit (DB), which guarantees a specified benefit on retirement based on the service period, and Defined Contribution (DC), which gives contributions and investment returns generated by personally operating pension funds accumulated in a financial institution.

* 1) The number of employees of 2012 is different from those of the 2012 Sustainability Report, due to the spin off of domestic and overseas subsidiaries. Also, the data reported here is different from those of the business report, because it contains executives, dispatched workers, expatriates whose wages are provided from the subsidiaries they belong to and employees who are laid off whose wages are temporarily suspended.

2) Ratio of female managers = Female managers out of all managers

Employees | As of March 2014, we have 2,261 employees. By region, we have 461 at head office; 222 in Anyang plant; 1,136 in Gumi/Indong plant ; 222 in Donghae plant ; 162 in R&D center; and 58 in overseas operations. In the case of subsidiaries, total employees are 2,654, with 531 in domestic subsidiaries and 2,123 in overseas subsidiaries. The number of employees in our overseas subsidiaries dropped significantly because 820 members of SPSX were excluded from the statistics due to the split of LS I&D at the end of 2013. All our employees around the globe go together toward the common goal. Specifically, we reviewed the HR infrastructure, and have supported the system that is consistent with us.

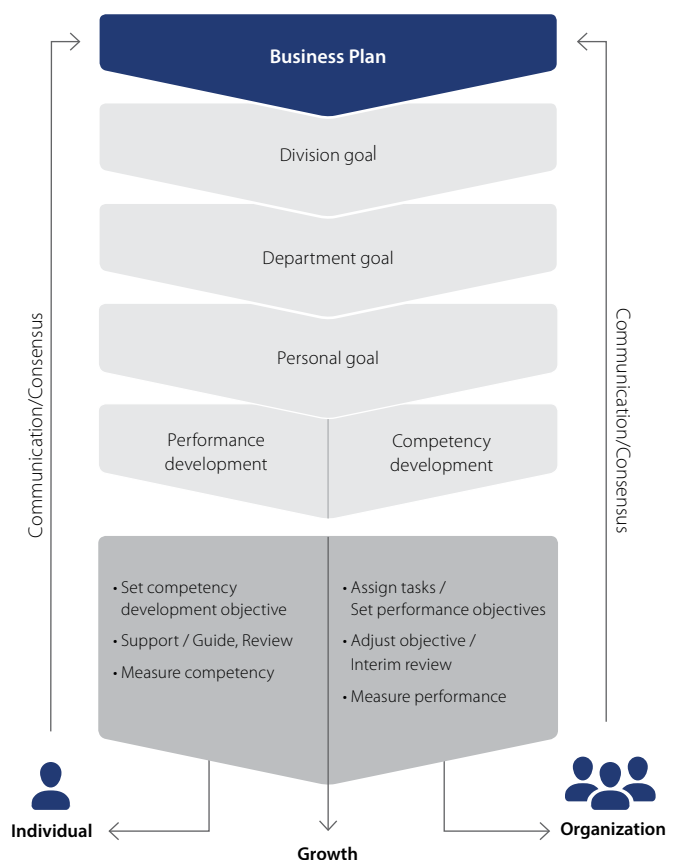
Welfare System | Giving comprehensive consideration to physical, mental, and economic health of employees, we operate our welfare system in 6 areas. In addition, we try to create a smart and pleasant working environment through an organizational improvement program and family-oriented management.

Welfare System

Healthy Life	<ul style="list-style-type: none"> • Medical expenses reimbursement • Medical clinic for employees' family members by the in-house welfare fund • Medical checkup for employees/spouses • Internal sports facilities • Healthcare room or clinic • Counseling program
Hopeful Life	<ul style="list-style-type: none"> • Encourage and finance internal club activities • Celebrate personal anniversaries (birthday, wedding anniversary) <ul style="list-style-type: none"> - Grant gift cards • Hold cultural events - Support employees watching sports games
Cultural Life	<ul style="list-style-type: none"> • Club activities promotion and financial support • Anniversary celebration (birthdays, weddings): Gift cards offered • Culture events: Tickets to sports events
Energetic Life	<ul style="list-style-type: none"> • Celebration for long-term employed persons: Refresh leaves and gifts for employees with service period of 5, 10, 20, 25, 30, and 35 years • Recreational facilities: condominiums, free lodging at the Baekam training center • Company outings: Twice a year (Spring & Autumn)
Stable life	<ul style="list-style-type: none"> • Allowances and leaves for congratulations & condolences of employees and their family members • Dormitory and/or employee apartment at local worksites • Group insurance: Insurance in preparation for death and diseases of employees • Commuting vehicles : Commuting buses and shuttles
Prosperous Life	<ul style="list-style-type: none"> • Scholarships: Full scholarship for children in middle/high school, university • Housing loan • Discount for affiliates' products: All products of LS networks • Gifts for retired employees

Evaluation & Compensation | We have established a Strategic Performance & Competence Management (SPCM) to review and improve performance. At the beginning of the year, all employees are required to define tasks and self-development goals at the division, team, and personal levels. In the middle of the year, they review their tasks and goals and get support to meet the goals, if necessary. We set up a Key Performance Index (KPI) and competency metrics to achieve the goal and ensure effective performance through a regular review and feedback. Noticeably, we provide a clear guideline on performance evaluation criteria and ask the compliance with the established evaluation processes. In the meantime, feedback is provided and employees have a right to discuss about their assessment results as a method to prevent distortion of the evaluation and to ensure transparency. For compensation, performance of individuals and organization will both be considered and paid in the form of basic wage, performance allowance, and personal incentive.

Strategic Performance/Capacity Management (SPCM) system



Human Resources Development ¹ Based on our belief that sustainable performance is achieved through people, we provide a variety of training programs taking the strategy and capacity of individual employees into account, to cultivate employees' capability and increase organizational competency. Our direction to develop human resources lies in developing global specialists who promote self-initiated competency development and have the ability to actively respond to changing environment, so that both company and employees grow together.

Educational Activities in 2013

SPC Education In order to stabilize the quality of processes, we provided the Statistical Process Control (SPC) training sessions to 136 persons from production and technology development groups, aiming for their understanding of the basic methods of statistical data processing and upgrading quality through application. By taking advantage of theory-based cyber courses and internal instructors who acquired MBB, we carried out preparatory and follow-up edu-

Employee Training

Category	2013
Average Training Time per Capita (hour)	33.9
Education cost (USD)	2,506,679

cation, focusing on the responsibility for quality and practical management, not to mention

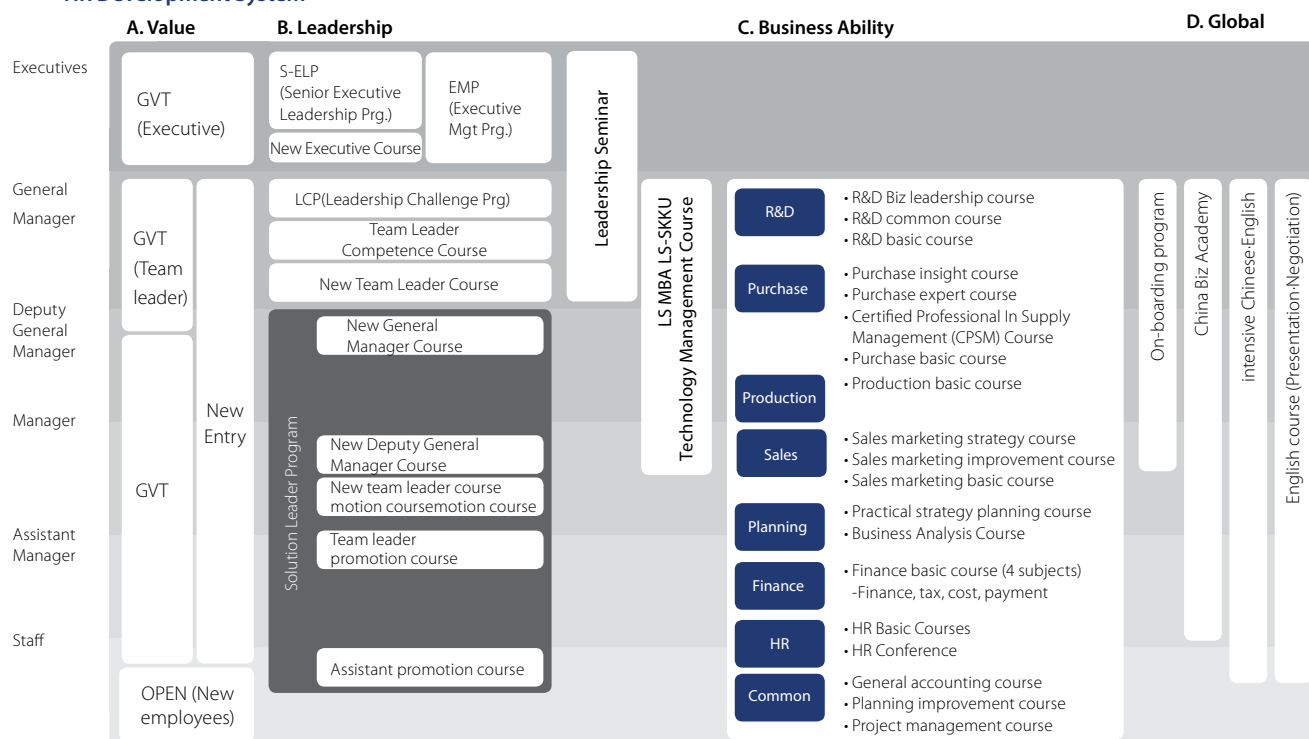
general quality principles. To help employees translate what they learned into practice, the sessions assign core quality tasks to each trainee to continue to improve quality. In the evaluation, trainees received 93.8 points on average, indicating a high level of understanding and satisfaction.

2013 Sales Practice Education With a goal to reduce unit cost and upgrade risk management by acquiring practical knowledge on cost analysis, export & import, bond management, and copper and currency futures, we provided sales practice education. Trainees who applied for the program are expected to get practical knowledge from case studies led by one outside instructor and six internal instructors. As a result, the overall satisfactory level marked 4.5 points

Plans for 2014

2014 Greater Value Together (GVT) Course To strengthen the corporate culture that sticks to the basics, we have a plan to carry out a GVT course for the entire employees in office position. The course covers the need for compliance management, understanding of the Code of Conduct of LS partnership, and voluntary implementation, thereby helping compliance management and ethical management to take root as the organizational culture.

HR Development System



Environment Value ¹⁾

INPUT		2011	2012	2013
Investment (In thousand USD)	Eco-friendly R&D expenses ²⁾	19,592	23,092	14,972
	Investment expenses on energy reduction ³⁾	949	95	512
Resources (ton)	Cu	211,677	175,291	322,989
	Al	26,088	21,939	30,172
	PE	23,615	26,893	12,259
	PVC	6,516	5,074	13,724
Water (ton)	Water for daily use	647,992	564,146	532,532
	Water for industrial use	95,952	60,294	69,035
	Underground water	52,074	50,842	48,742
	Total	743,944	675,282	650,309
	Basic Unit [water consumption (ton) / ton of product]	1.03	1.02	1.29
Energy ⁴⁾ (TJ)	Fuel ⁵⁾	756	729	659
	Electricity	2,207	2,277	2,122
	Steam	150	156	152
	Total	3,113	3,162	2,933
	Basic Unit (GJ/ton of product)	4.33	4.78	4.25

- 1) Environmental data other than energy use and GHG covers the four domestic workplaces (Gumi, Anyang, Indong, Donghae)
- 2) Eco-friendly R&D expenses: R&D cost for developing eco-friendly product
- 3) Investment in energy saving: Facility investment costs for saving energy
- 4) **Scope** : Head office, domestic workplace, R&D center, Sales office, and Training center
- 5) **Fuels** : LNG, LPG, diesel, kerosene, gasoline
- 6) **Scope** : EHead office, domestic workplace, R&D center, Sales office and Training center. Emissions Calculation Methodology complies with Guidelines on Operation of GHG/Energy Target Management of No. 2012-211 of Ministry of Environment.
- 7) **Scope 1** : Fixed (combustion in boilers, etc.), mobile (operational vehicles), and process emissions (production processes). SF6 is excluded from scope 1 data.
- 8) **Scope 2** : Emission by electricity and steam
- 9) **Scope 3** : Emission from leased buildings, third party contract fleets (commuter vehicles, transport fleets), business trips, etc.
- 10) **Designated wastes** : Waste oils, organic solvents, paints, acids, etc.
- 11) **General wastes** : Cable scraps, used synthetic resins, synthetic rubber waste, domestic waste, etc.

OUTPUT		2011	2012	2013
Air Pollutants (kg)	Dust	2,143	3,091	3,194
	NOx	24,252	22,501	21,296
	HCL	1,550	2,499	2,457
	HF	119	156	194
	Basic Unit [kg/ ton of product(1,000 tons)]	39.9	42.6	54.5
GHG Emission ⁶⁾ (1,000 tons CO2eq)	Direct emissions(Scope 1) ⁷⁾	42	40	37
	Indirect emissions(Scope 2) ⁸⁾	123	119	112
	Other indirect emissions (Scope 3) ⁹⁾	2	2	2
	Total	167	162	153
	Basic Unit [tonCO2eq/ ton of product]	0.23	0.24	0.22
Water Pollutants (kg)	BOD	47	0	0
	COD	959	1,802	1,465
	SS	332	439	627
	T-N	305	488	517
	Total	1,643	2,729	2,609
	Basic Unit [Discharge(kg)/ ton of product(1,000 tons)]	2.3	4.1	5.2
Wastes (ton)	Designated waste ¹⁰⁾	2,344	2,196	2,170
	General waste ¹¹⁾	14,036	14,702	12,007
	Total	16,380	16,898	14,177
	Intensity [Generated volume (ton)/production volume (1,000 tons)]	22.8	25.5	28.2
	Incineration facility	3,580	3,205	1,432
Waste Disposal (ton)	Landfill	1,033	628	1,825
	Recycling	11,247	12,971	10,878
	Recycling ratio (%)	71	77	77

Environment Management System Certification

Category	ISO14001	Green company
Domestic workplaces	Gumi, Indong, Anyang, Donghae	Gumi, Indong, Donghae
Domestic subsidiaries	JS Cable, GCI, Pountek	
Overseas subsidiaries	LSCW, LSCI, LS-VINA, LSHQ, LSCM	

Use of Major Resources ¹ We use copper, aluminum, PE, and PVC as our major resources and continuously develop technologies to reuse raw materials and products more effectively. Also, we assign a staff member in charge of scrap management at each site to promote recycling by managing used resources and come up with continuous recycling ideas and recruit recycling partners. As for products disposed after use, we sign an agreement with the Ministry of Environment to recover and recycle waste wires.

Water Use & Management ¹ We receive water resources from the rivers and dams: Gumi/Indong plants from Nakdong River; Anyang plant from Paldang dam; and Donghae plant from Dalbang dam. The water collected from resources was supplied by the water supply offices in each area, after being filtered by K-Water, which is Korea's governmental agency for comprehensive water resource development and provision. In 2013, the total water consumption of all sites amounted to about 650,000 tons, or 1,781 tons 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 (1) industrial water, which is used as indirect coolant during the pressing and cooling processes and the casting process after copper melting in cable manufacturing processes, and (2) water for daily use, which is used for toilets, sinks, and cafeterias. As a result of the efforts to reduce water use in 2013, we consumed 20,000 tons less against the previous year, but the decreased production resulted in increased water use intensity compared to 2012. The reduction came from the process where the coolant was captured separately, filtered, and reused.

Air Pollutants Management ¹ The major air pollutants emitted from our operation include NOx and dust. Specifically, NOx is produced in the manufacturing process of magnet wires in the Gumi plant, SCR* (Southwire Continuous Rod System) process and the aluminum smelting furnace. The amount of NOx emitted each year is approximately 20 tons, accounting for 78% of the total air pollutants, while dust emission amounts to 3 tons and HCl 2.4 tons annually, accounting for 11% and 9%, respectively. To reduce NOx emissions, which is a major air pollutant, we continue to improve the Regenerative Thermal Oxidizer (RTO) and the Selective Catalytic Reductor (SCR). In 2013, we made efforts to reduce total emissions by 1.5 tons by upgrading the ammonia pipes and enhancing the auto-measurement of nitrogen oxide, and introduced the hydrogen chloride (HCl) scrubber dust collector to the optical fiber cable sheath process. Furthermore, we keep moni-

toring air pollutants and maintaining its emission level at under 30% of the legal limit. Air pollutant emissions reduced in 2013 compared to 2012, but the density increased to 28% due to decreasing production. We will make a new investment in RTO auto-measurement to reduce the emission of nitrogen oxide in 2014.

Water Pollutant Management ¹ Our plants are not in or near any special water protection zones, special control zones, or protected areas for biodiversity. In compliance with the regulations on the discharge of water, we have treated at a wastewater treatment facility before being discharged into the local sewage treatment plants in Gumi and Indong plants, and sent wastewater directly into the sewage treatment plants in Anyang and Donghae plants. Since most of the wastewater is produced in the process of pressing and cooling wires, we make the concentration of air pollutants to be relatively low compared to other industries. Major pollutants include COD, suspended solids (SS), and total nitrogen (T-N). Hazardous substances are generated but their density is "0" after treatment, not emitting toxic substances into the ecosystem. As wastewater is treated to 30% of pollutant density of the legal requirements or below, it can be assumed that the wastewater discharges from our worksites have little impact on public waters and the ecosystem. In 2013, SS increased at Donghae plant due to an increase in production but the emission density at the company level increased as the amount of production decreased.

Waste Management ¹ Key wastes generated in our operation can be categorized into 3 types. 1) Designated waste such as used oil and organic solvents from production processes, 2) general wastes such as waste synthetic resins (XLPE, PE, PVC), synthetic rubber waste, and wood waste (pallet and bobbin) and 3) other wastes generated by employees in their daily lives. According to the treatment method, wastes are separated for incineration, landfills and recycling, and each waste is managed by specialized third party waste disposal contractors certified by the government. In order to ensure appropriate waste management, we visit the contractors regularly or at any time to monitor and evaluate. We manage the entire process of waste treatment by using the government's online system (Allbaro System: www.allbaro.or.kr), thus enabling real-time monitoring of whether waste disposal is conducted in an appropriate manner. In 2013, we reduced the waste discharge by 16% by assigning employees in charge and promoting recycling. The landfill volumes increased somewhat because the new facilities are only allowed to landfill their wastes. The recycling rate is

77%, the same as last year, and the waste volume decreased but its density increased due to production decline.

Chemical Substance Management ¹ In order to prevent accidents related to chemical substances and enable their safe handling and management, we have established a set of standards to control chemical substances for each manufacturing process, taking into account the properties and harmful effects they potentially pose. In addition, emergency response manuals have been developed for each type of chemical substance and accident and relevant education and mock emergency exercises are implemented on a regular basis. Also, only employees who took related education are allowed to use chemical substances in the designated facilities with locks installed. We are also able to check even small changes by inspecting the facilities daily and keeping a log on the chemical substances, and have prepared individual protection/fireproof gears available to immediately respond to emergency cases. Hazardous chemicals used in our operation include cresol, xylene, ammonia, and NaOH. In particular, Cresol and xylene used in magnetic wire manufacturing account for the largest proportion, taking up 90% of all hazardous chemical substances. In 2013, to improve the ammonia tank used for the RTO wiring process and to prevent possible leaks in the case of injections, we improved the relevant facilities more effectively: by installing bumps for a fuel inlet vehicle, putting a lock system to the inlet of pipes to replenish the ammonia, installing an off-limits fence around the ammonia storage tanks, and setting a CCTV.

Environmental Management System (EMS) Certification ¹ Since the declaration on Environment, Health, and Safety (EHS) in 1997, we have applied EMS at workplaces both home and abroad in accordance with ISO14001, an international environmental management standard. At the same time, we identify the environmental risks related to our business each year, take corrective actions for improvements, and verify our compliance level through a third party's review. As of the end of 2013, all our domestic plants, 3 domestic subsidiaries, and 5 overseas subsidiaries are certified with ISO14001 certification. In addition, Gumi, Indong, and Donghae plants have been designated as Green Companies by the Ministry of Environment. A green company is recognized by the Environment Minister as a workplace that largely contributes to environmental improvement through eco-friendly activities, including the implementation of a green management system, reducing pollutants, and energy saving.

Green Supply Chain Management ¹ We have certified the suppliers who deliver green raw materials as 'Green Company (GC)', through the Green Company Certification Program, since 2011. As a green supply chain management system, the 'Green Company' program completely prevents hazardous substances from making their way into our product value chain, making sure that we provide customers with products that contain no harmful materials. In 2013, we built a Hazardous Material Information System where we share information on changing regulations such as REACH and RoHS and customer requirements of green products with suppliers, so that we can respond to hazardous substances.

Green Purchasing ¹ In compliance with the Green Product Purchase Promotion Act and the Green Growth Framework Act, we have established green purchase standards and guidelines to promote the production and consumption of eco-friendly products more actively. We break down a green commodity into 2 categories of Green Purchase and Green Procurement, according to type and intended use. Green purchase means that when the price gap of an eco-friendly product and a general product is within 10%, we are required to buy the green product. Green procurement refers to buying products whose raw and subsidiary materials are toxic-free and generate less waste. In 2013, we were recognized as an outstanding company by the Ministry of Environment for our green purchasing policy.

Green Purchasing in 2013

Category	Product	Amount (In USD)
Green Purchase	General items & office supplies	• Products with Eco-Label certification (green mark)
		34,114
		• Products with GR mark (recycling mark)
		379
Green Procurement	Raw materials	• Energy-saving products (energy mark)
		6,633
		• Products with other (domestic and foreign) environment marks
		141,192
		• Products with less hazardous substances
		131,663,034
		• Products with less waste
		43,418,933

Environmental Information Disclosure ¹ We strive to disclose our environmental information to customers and stakeholders in a transparent manner. We currently disclose information on the environmental management activities of all domestic plants (Gumi, Indong, Anyang, and Donghae) through a green company information disclosure system. Also, by joining the Carbon Disclosure Project (CDP), we provide our key customers and the government with GHG data, which are assured by a third party each year.

Independent Assurance Statement

To the Stakeholders of LS Cable & System ¹

LS Cable & System commissioned Korea Productivity Center (the Assurer) to provide an independent assurance of its '2013 Sustainability Report (the Report)'.

Responsibility and Integrity ¹

LS Cable & System is responsible for the reliability and accuracy of all information and opinions presented in this "Report". The Assurer holds the responsibility solely in the contents of its third party verification on this Report. As an independent assurance agency, the Assurer was involved neither in the process of completing this Report with LS Cable & System, nor in any conflict of interest that may undermine its independency.

Assurance Standards ¹

The independent verification process was planned and performed in accordance with Type 1, Moderate level of assurance based on AA1000AS (2008) Assurance Standard. We verified the firm's adherence to the Inclusivity, Materiality, and Responsiveness of AA1000APS (2008) Assurance Policy and we also verified the Report contents' abidance to GRI G3.1 Guideline.

Assurance Standards ¹

Based on the assurance standards above, the Assurer performed a verification of the organization's sustainability performance during 2013; however it did not include the reliability of data regarding financial performance, public domains and information linked with the website. In addition, as the Assurer limited its site inspection only to the Head Office, it clearly states that results of any additional verification conducted in the future may vary.

Assurance Methodology ¹

The assurance was undertaken through the methodology specified below:

1. Verified if the Report meets the GRI G3.1's requirements for Application level A+ by reviewing the coverage rate and presentation method for economic, environmental and social indicators specified in the GRI G3.1 Guidelines
2. Verified if the Report's contents and quality comply with the principles based on the GRI G3.1 Guidelines
3. Verified the appropriateness of identifying key issues and the presented contents in the Report through media research and analysis on benchmarking.
4. Verified the appropriateness of the contents and errors of expression in the Report through a comparative analysis with other sources.
5. Verified the basis of key data and information through on-site inspection, along with internal process and system.

Findings and Conclusions ¹

The Assurer verified that the Report accurately and fairly reflects practices and performance of LS Cable & System's sustainability management. Also, we confirmed that LS Cable & System meets the requirement of GRI Application level A+ as it declared. The results of the verification based on Inclusivity, Materiality, and Responsiveness principles of AA1000 (2008) are as follows:

1. Principle of Inclusivity : Stakeholder's Engagement

The principle of inclusivity articulates that an organization should involve stakeholders in developing and achieving a responsible and strategic response method. The result of the assurance indicates that LS Cable & System performed continuous and various efforts and development complying with the principle of inclusivity. LS Cable & System reports various channels of stakeholders that influence LS Cable & System by dividing them into 7 categories of customers, shareholders and investors, partners, local community, government, employees, and others. In addition, LS Cable & System reports shared value and CSR performance indicator of each category of stakeholders in the same page, thereby clearly demonstrating CSR performance related to stakeholders. Therefore, we believe that LS Cable & System will show its effort on sustainability management with sincere communication and en-

agement if it reports a specific case of communication, communication rate and period, in addition to reporting through channels in ‘Communication with Stakeholders’ section.

2. Principle of Materiality : Securing Consistency of Reporting Issues

The principle of materiality articulates that an organization should decide on an issue that is significant and related to the organization itself and its stakeholders. The Assurer verified that LS Cable & System, since 2010, reflects a major issue selected through a process of self-developed materiality test in its sustainability management report. This Report confirms that LS Cable & System performed a materiality test by creating an issue pull from ‘The Seven Topics’ related to its stakeholders, and evenly reflected 10 of selected major issues in the Report. Therefore, we recommend that LS Cable & System reports analysis process, evaluation factor, etc. more specifically so that the readers of its materiality test process understand easily

3. Principle of Responsiveness: Organizational Response to Issues

The principle of responsiveness articulates that an organization should respond to issues that are influential to its stakeholders’ performance. The Assurer verified that LS Cable & System specifically reported its response to each of 10 issues (selected from the materiality test). LS Cable & System also sincerely indicates that it plans to establish a new strategy for its sustainability management as its existing strategy does not fit to new managerial environment. Therefore, we recommend that LS Cable & System establishes departmental strategy and implement tasks in accordance with its target direction of sustainability management, and further reports its performance indicator and target clearly.

Recommendations

The Assurer commends LS Cable & System’s various efforts and performance for sustainability improvement, and suggests the following to develop future publication of reports and to enhance its sustainability management.

1. The materiality test is a regular process to select major issues composing sustainability management report. Therefore, we suggest LS Cable & System to provide more specific explanation of methodology and evaluation process for the readers’ easier understanding.
2. The Assurer recommends LS Cable & System to share strategy and related issues to related departments (7 Divisions), and to hold internal and external seminars and discussions in order to enhance comprehension to performance indicator and long-term targets, followed by establishment of a new long-term strategy.
3. In order to clearly set a data collection standard in accordance with GRI G4’s new reporting process of disclosures on management approach and boundary identification of each aspect, the operating departments need to enhance the understanding of qualitative or quantitative indicator; and we also suggest that sustainability management department of LS Cable & System to intensify the management and control system of its data collection to increase credibility of sustainability management information.



AA1000
Licensed Assurance Provider
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June 2014

Hong Jin, Chairman
Korea Productivity Center

D. S. Kim

Dong Soo Kim,
Director Korea
Productivity Center

Yang Ho Lee

Yang Ho Lee,
Team Leader Sustainability
Management Center

Ju Mi Park

Ju Mi Park,
Researcher Sustainability
Management Center

진홍

The Sustainability Management Center of the Korea Productivity Center is an assurance agency officially certified by AccountAbility, a global organization published AA1000 which is the international standards for stakeholder participation and verification, and has a qualification to perform independent assurance engagements. Our Assurance Committee involves experienced and highly educated experts in sustainability management consulting and assurance.

GRI Guideline

	Indicator	Report level	Report page
I. Vision & Strategy	1.1 Statement from the most senior decision-maker of the organization	●	8-9
	1.2 Description of key impacts, risks, and opportunities	●	14-15
II. Organization profile	2.1 Name of organization	●	10
	2.2 Primary brands and products	●	24-25
	2.3 Operational structure	●	18-19
	2.4 Location of organization's headquarters	●	10
	2.5 Country where major operations are located	●	10-11
	2.6 Nature of ownership and legal form	●	18
	2.7 Markets served	●	10-11
	2.8 Scale of organization	●	10
	2.9 Significant changes during the reporting period regarding size, structure, and ownership	●	4
	2.10 Rewards	●	83
III. Report profile	3.1 Report period	●	4
	3.2 Date of most recent previous report	●	4
	3.3 Report cycle	●	4
	3.4 Contact point for questions regarding the report or its contents	●	Back Cover
	3.5 Process for defining report content	●	5
	3.6 Report boundary	●	4
	3.7 Limitation of report scope & boundary	●	4
	3.8 Report boundary that may affect possibilities of data comparison	●	4
	3.9 Data measurement technology and calculation base	●	4
	3.10 Adjustment to data provided in previous reports	●	4
	3.11 Significant changes in report scope, boundary, or measurement method	●	4
	3.12 GRI Content Index	●	80-83
	3.13 Policy of third party and recent practices	●	78-79
IV. Governance, Commitments, and Engagement	4.1 Organizational governance	●	18
	4.2 Whether the chair of the board of directors (BOD) is also an executive officer	●	18
	4.3 Composition of the highest governance body	●	18
	4.4 Mechanism where stockholders and employees can provide opinions to the BOD	●	22
	4.5 Remuneration policies linking directors and management to the organization's performance	●	18
	4.6 Processes for the BOD to ensure conflicts of interest are avoided and managed	●	18
	4.7 Decision-making processes for directors on economic, environmental, and social strategies	●	18
	4.8 Management principles	●	16-17
	4.9 BOD's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental, and social performance	●	18, 26
	4.10 Processes for evaluation of the BOD's performance with respect to governance of economic, environmental, and social performance	●	18, 26
	4.11 Approaches for prevention or methods to achieve principles	●	27
	4.12 Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	●	50, 84
	4.13 List of membership in associations (such as industry associations), national/international advocacy organizations	●	69
	4.14 List of stakeholder groups engaged in the organization	●	22
	4.15 Basis for identification and selection of stakeholders with whom to engage	●	22
	4.16 Organization's approaches to stakeholder engagement	●	22
	4.17 Key topics and concerns raised through stakeholder engagement and organization's response to those key topics and concerns	●	23

● Fully Reported ● Partly Reported ○ Not Reported NA N/A Not Applicable

Indicator			Report level	Report page
1. Economic performance				
	Disclosure on Management Approach		●	30
Economic performance	EC1	Direct economic value generated and distributed	●	22-23
	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	●	57-58
	EC3	Coverage of the organization's defined benefit plan obligations	●	72
	EC4	Financial assistance from government	●	83
Market reputation	EC5	Ratio of standard entry-level wage by gender compared to local minimum wage of major operations	●	83
	EC6	Proportion of spending on local suppliers of major operations	○	
	EC7	Recruiting procedure of locals and proportion of senior management hired from the local community of major operations	●	51
Significant indirect economic impact	EC8	Activities and impact of infrastructure investments and service support for public interest	●	46
	EC9	Understanding and explanation on indirect economic impact (including extent of the impact)	●	20-21
2. Environmental performance				
	Disclosure on Management Approach		●	57
Raw materials	EN1	Materials used by weight or volume	●	60
	EN2	Percentage of materials used that are recycled input materials	●	61
Energy	EN3	Direct consumption by primary energy resource	●	60
	EN4	Indirect energy consumption by primary energy resource	●	60
	EN5	Energy volume due to saving or efficiency	●	58
	EN6	Efforts to provide energy-efficient or renewable energy-based products	●	58
	EN7	Projects and performance on reduction of direct energy consumption	●	59
Water	EN8	Total water withdrawal by source	●	76
	EN9	Water sources significantly affected by withdrawal of water	●	76
	EN10	Percentage and total volume of recycled and reused water	○	
Biodiversity	EN11	Operational sites in or adjacent to protected areas and areas of high biodiversity value outside protected areas	NA	
	EN12	Total of direct and indirect GHG emissions	NA	
	EN13	Other direct GHG	NA	
	EN14	Management strategy, current measures, and future plans for biodiversity	●	83
	EN15	Total number of IUCN red list species and national conservation list species with habitats in areas affected by operations, by level of risk of extinction	NA	
Air emissions, wastewater, wastes	EN16	Direct and indirect GHG emissions	●	60-61
	EN17	Other direct GHG	●	60-61
	EN18	Projects and performance on reduction of GHG emissions	●	59
	EN19	Emission of ozone-depleting substances (ODS)	●	83
	EN20	NOX, SOX, and other significant air emissions	●	61
	EN21	Total water discharge by quality and destination	●	76
	EN22	Total weight of waste by type and disposal method	●	75
	EN23	Total number and volume of significant spills	●	83
	EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention 2 Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	NA	
	EN25	Biodiversity value and water bodies significantly affected by the organization's discharge of water	●	76
Products and Services	EN26	Activities and performance of mitigation of environmental impacts of products and services	●	12-13
	EN27	Percentage of products sold and their packaging materials that are reclaimed by category	●	76
Compliance	EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	●	83
Transport	EN29	Significant environmental impacts of transporting products and raw materials and transporting members of the workforce	●	59
Overall	EN30	Total environmental protection expenditures and investments	●	75

Indicator			Report level	Report page
3. Social performance				
Labor	Disclosure on Management Approach		●	50, 54
Employment	LA1	Employees status by employment type, employment contract, and region	●	72
	LA2	Number of employees and turnover rate by age, gender, and region	●	72
	LA3	Benefits provided to full-time employees	●	73
Labor-management relations	LA4	Percentage of employees under collective bargaining result	●	52
	LA5	Minimum notice periods regarding major operational changes	●	83
Occupational Health and Safety	LA6	Percentage of total workforce represented in the formal joint labor-management health and safety committee	●	54
	LA7	Total number of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities	●	55
	LA8	Programs to support employees and community members in regard to diseases	●	54
	LA9	Health and safety factors covered in formal agreements with trade unions	●	54-55
Training and Education	LA10	Average hours of training per year by employee type	●	74
	LA11	Programs for lifelong learning to support the continued employability of employees	○	
	LA12	Percentage of employees receiving regular performance and career development reviews	●	73
Diversity and Equal Opportunity	LA13	Composition of governance bodies and breakdown of employees	●	18
	LA14	Ratio of average basic salary and remuneration of women to men by employee category	●	83
	LA15	Ratio of employees who took maternity leave and returned to work and their retention rate	●	51
Human rights	Disclosure on Management Approach		●	50
Investment & Procurement	HR1	Percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	●	83
	HR2	Ratio of partners that evaluate human rights	●	83
	HR3	Percentage of employees who received education on human rights policies	●	52
Prohibition of discrimination	HR4	Total number of discrimination and relevant actions taken	●	52
	HR5	Freedom of Association and Collective Bargaining	●	50, 52
Child labor	HR6	Operations and suppliers identified as having significant risk of incidents of child labor, and measures taken to contribute to the effective abolition of child labor	●	50
Forced labor	HR7	Operations and suppliers identified as having significant risk of incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	●	50
Security practices	HR8	Percentage of security personnel trained in the organization's human rights policies or procedures	●	52
Indigenous rights	HR9	Total number of incidents of violations involving the rights of indigenous peoples and actions taken	●	83
Assessment	HR10	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	●	52
Remedy	HR11	Total number of human rights-related complaints through official grievance mechanism	●	52
Society	Disclosure on Management Approach		●	46, 63, 65
Local community	SO1	Programs and cases to evaluate and manage impacts on local communities	●	46
Corruption	SO2	Total number and percentage of operations assessed for risks related to corruption	●	83
	SO3	Percentage of employees that received education on anti-corruption policies and its procedures	●	66
	SO4	Confirmed incidents of corruption and actions taken	●	67
Public policy	SO5	Position on public policies, participation in establishment of public policies and lobbying (political donation banned)	●	67
	SO6	Donation to political parties and politicians	●	67
Anti-competitive behavior	SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices	●	83
Compliance	SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	●	83
Local community	SO9	Whether operations have significant actual or potential negative impacts on local communities	●	83
	SO10	Operations' mechanism to mitigate or protect negative impacts from local communities	●	83

● Fully Reported ● Partly Reported ○ Not Reported NA N/A Not Applicable

Indicator			Report level	Report page
Product responsibility	Disclosure on Management Approach		●	39
Customer health and safety	PR1	Policies to maintain customer S&H	●	72
	PR2	Total number of violations against S&H regulations on products and services	●	72
Products and service labelling	PR3	Types of product and service information required by the organization's procedures for product and service information and labeling	●	72
	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	●	72
	PR5	Customer satisfaction-related policies and procedures	●	72
Marketing communication	PR6	Policies and programs on communication such as advertising and sponsorship	●	72
	PR7	Total number of incidents of non-compliance with regulation marketing communication, including advertising and sponsorship	●	72
Customer privacy	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	●	72
Compliance	PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	●	82

Additional Information

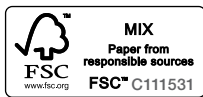
2. 10	Engineer of the Month: Chief Researcher PARK, Do-Hyeon				
EC4	Financial assistance received from government		2011	2012	2013
	tangible assets	Land	13,404	13,404	13,404
		Machines & Equipment	403	371	339
	intangible assets	R&D	1,415	1,215	934
EC5	Ratio of legal entry level wage compared to local minimum wage is 290%.				
EN14	We strive to minimize the negative impact that our business activities and products have on biodiversity. To that end, we analyze all factors in the manufacturing process that might impact the ecosystem and biodiversity. When a possible negative impact is detected, we cooperate with public institutions and local communities to establish corresponding countermeasures.				
EN19	We manage and make a phased replacement of R-11 (CFC11), R-22 (HCFC22) and R-123 (HCFC123), as optional gases, which are included in the 6 GHGs specified in the Kyoto Protocol, yet these substances have a significant impact on climate change and damage the ozone layer. They are mostly used as refrigerants in air conditioners and chillers.				
EN28	LS Cable & System did not violate any environment-related laws and regulations in 2013.				
LA5	We disclose material information and changes related to employee welfare and benefits on our website in real time.				
LA14	Employees with the same position and same job are paid equally and do not suffer from wage discrimination because of gender.				
HR1/HR2	When deciding new investment including new business setting-up, acquisition, and joint venture, etc., we carry out QA procedure including labor practice and human right. If a newly invested business site do meet I international human right principles, we will improving it as a top priority matter.				
HR9	No violation involving rights of indigenous people during the reporting period.				
SO2	No operation site with corruption risks				
SO7/SO8	We make strenuous efforts to compete in a fair and transparent manner. However, some fair trade violation cases that occurred before we introduced the Fair Trade Compliance and Compliance Program (CP) are still under investigation and subject to lawsuits as of 2014. We will make the utmost effort to encourage our employees to comply with laws and not to do anything wrong to violate fair trade norms.				
SO9/SO10	We analyze and identify environmental impacts during the entire production process and carry out environmental management activities to minimize such impacts.				

UN Global Compact Performance

Principles	Description
Strategy, Governance and Engagement Principle 1- Whether CEO-level discussions were held on the execution strategy of the UNGC Principle 2- Decision-making process on sustainability and governance system Principle 3- Involvement of major stakeholders	<ul style="list-style-type: none"> • Proposing management policies for social responsibilities • Establishing a company-wide sustainability strategy and form an organization for its implementation • Analyzing the opportunities and risks related to sustainability management, as well as the social and environmental impact of LS Cable & System's corporate activities • Discussing and deciding on key issues related to sustainability management through the executive's meetings, the decision-making body • Defining key stakeholders and devising channels for engagement
UN Goals and Issues Principle 4- Actions to support UN goals and issues	<ul style="list-style-type: none"> • Supporting 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
Human Rights Implementation Principle 5- Promises, strategies, and policies on human rights Principle 6- Efforts to integrate human rights principles into the management system Principle 7- Mechanism to monitor and evaluate the integration of human rights principles Principle 8- Application of standardized performance indicators of human rights	<ul style="list-style-type: none"> • Declaring LS Cable & System's principles of respecting human rights through the company's code of ethics and employment regulations • Raising awareness by conducting human rights training, posting PR materials, etc. • Evaluating the company's level of human rights protection through regular evaluations • Operating counseling centers, grievance procedure system, whistleblower system • Conducting regular reviews on performance through ISO26000 and GRI 3.1 and establish future plans
Labour Principles Implementation Principle 9- Promises, strategies, and policies on labor Principle 10- Efforts to integrate labor principles into the management system Principle 11- Mechanism to monitor and evaluate the integration of labor principles Principle 12- Application of standardized performance indicators of labor	<ul style="list-style-type: none"> • Complying with ILO conventions, the National Labor Relations Act, and the Social Security Act • Specifying mutual rights and duties through collective agreements • Discussing and deciding on key labor-related agendas through the Involvement & Cooperation Expansion Committee • Conducting the Labor-Management Committee's yearly on-site satisfaction survey • Operating report channels for reporting unfair labor practices • Specifying the prohibition on child labor and forced labor in employment regulations and collective agreements
Environmental Stewardship Implementation Principle 13- Promises, strategies, and policies on environment Principle 14- Efforts to integrate environmental principles into the management system Principle 15- Mechanism to monitor and evaluate the integration of environmental leadership into the management Principle 16- Application of standardized performance indicators of environmental issues	<ul style="list-style-type: none"> • Establishing the Green Management Mid-term Roadmap and building an environmental management system based on ISO14001 • Managing 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 • Disclosing the company's environmental performance through its sustainability management report, website, and COP
Anti-Corruption Implementation Principle 17- Promises, strategies, and policies on anti-corruption Principle 18- Efforts to integrate anti-corruption principles into the management system Principle 19- Mechanism to monitor and evaluate the integration of anti-corruption outcomes Principle 20- Application of standardized performance indicators of anti-corruption	<ul style="list-style-type: none"> • Declaring the company's code of ethics, and forming the Ethics Secretariat to handle all work processes related to ethics and anti-corruption • Establishing the Ethical Management Implementation Roadmap • Operating reporting channels and ethics counseling centers • Conducting an evaluation of the level of ethics on all employees every year and devising improvement measures • Reviewing compliance with the law and the code of ethics through management evaluation • Conducting regular reviews on performance through ISO26000 and GRI 3.1 and establishing future plans
Value Chain Implementation Principle 21- Execution of UNGC principles in the value chain	<ul style="list-style-type: none"> • Expanding the ethical management systems into the domestic subsidiaries • Sending suppliers Letters of Cooperation on ethical management and requesting their pledges on implementation • Establishing global purchasing guidelines that incorporates the UNGC principles as well as other elements of sustainability management • Providing sustainability training to suppliers and conducting evaluation
Transparency and Verification Principle 22- Provision of information on the organization's profile and operational background Principle 23- Application of external criteria for transparency and disclosure Principle 24- Assurance by a trustworthy third party	<ul style="list-style-type: none"> • Reporting on the company's impact and activities in relation to governance, business performance, impacts and activities • Reporting on performance based on ISO 26000 and GRI 3.1 • Receiving verification from the Korea Product Center (KPC), a third-party verification authority, on the company's system and performance

Criteria for the GRI Application Level

Report Application Level		C	C+	B	B+	A	A+
Standard Disclosures	G3 Profile Disclosures	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	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
	G3 Management Approach Disclosures	N / A		Management Approach Disclosures for each Indicator Category		Management Approach Disclosures for each Indicator Category	
	G3 Performance Indicators & Sector Supplement Performance Indicators	Report on a minimum of 10 Performance Indicators, including at least one from each of : Economic, Social and Environmental.		Report on a minimum of 10 Performance Indicators, including at least one from each of : Economic, Social and Environmental.		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.	



Link the World
Think the Future



If you need any additional information or
have any questions about this report, please contact us.

LS Cable & System
Sustainability
Coordination Group

E-mail csr@lscns.com

Tel 02 -2189 -9416

Fax 02 -2189 -9129

Homepage <http://www.lscns.co.kr>

For more information on the current status of the businesses, refer to our business report.