

# 2014

Annual Report +  
Sustainability Report

Enable the Cabled World

# Contents



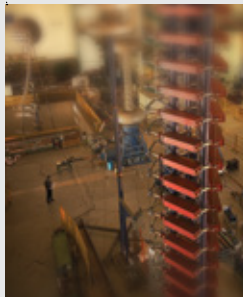
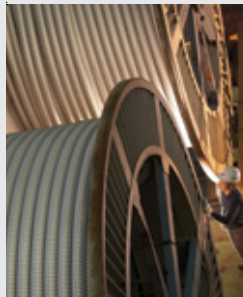
## SUSTAINABILITY MANAGEMENT

This describes the methodology to systematically and effectively manage our sustainability, including the direction and values that we pursue, the goal to realize the values, the specific tasks to achieve the goal, and the organizations in charge to perform the tasks.

<b>04</b> <sup>PAGE</sup>	<b>06</b> <sup>PAGE</sup>	<b>08</b> <sup>PAGE</sup>	<b>10</b> <sup>PAGE</sup>
<b>Chairman Messages</b>	<b>President Messages</b>	<b>Company Profile</b>	<b>Vision &amp; Strategy</b>
Realizing the Vision 'Enable the Cabled World' by Acting on Four Core Values	Securing the Foundation for Sustainable Growth by Promoting Global Businesses and Expanding into New Businesses	Our Businesses and Operations Status	'LS C&S Way' for a new vision, LS Partnership as Corporate Philosophy, and 2015 Management Policy

## 10 Issues in 7 Topics

This illustrates our efforts and activities for sustainability management in 2014. We make a report on the key 10 issues and activities of 7 sustainability management topics, namely, finance & creative innovation, customers, suppliers, local communities, employees, green management, and risk management.

<b>Topic 01</b> Finance & Creative Innovation	<b>Topic 02</b> Customers	<b>Topic 03</b> Suppliers	<b>Topic 04</b> Communities
			
<b>32</b> <sup>PAGE</sup>	<b>36</b> <sup>PAGE</sup>	<b>40</b> <sup>PAGE</sup>	<b>46</b> <sup>PAGE</sup>
<b>Issue 1</b> Economic Value Creation	<b>Issue 2</b> New Technology & Product Development	<b>Issue 3</b> Quality & Product Liability	<b>Issue 4</b> Shared Growth with Suppliers
			<b>50</b> <sup>PAGE</sup>
			<b>Issue 5</b> Social Contribution

PAGE  
**12**

## Governance & Management

Organizational Structure to Implement Strategies and Goals : Enhancing Efficiency, Responsibility, and Stakeholder Value

PAGE  
**14**

## Challenges & Opportunities

New Opportunities and Challenges Surrounding the Cable Industry, and Our Response

PAGE  
**18**

## Risk Management

How to Prevent and Manage Various Risks?

PAGE  
**20**

## Sustainable Management to Enhance Stakeholder Value

Our Strategies and Achievements to Provide Stakeholders with More Values

PAGE  
**22**

## Material Issues

Top 10 Issues with the Highest Level of Stakeholder Interest and Business Impact

PAGE  
**24**

## Green Products

Products Manufactured and Used from the Environmentally-Friendly Perspectives

PAGE  
**26**

## Our Activities and Responsibilities

Impacts and Responsibilities that Business Activities and Products of LS C&S Have on Stakeholders

PAGE  
**28**

## Our Products

Products we provide. Their Functions and Convenience from such Functions

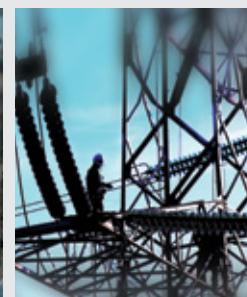
Topic 05  
Employees



Topic 06  
Green Management



Topic 07  
Risk Management



PAGE  
**54**

## Issue 6

Global Talent Development

PAGE  
**60**

## Issue 7

Healthy & Safe Workplace

PAGE  
**64**

## Issue 8

Climate Change Response

PAGE  
**68**

## Issue 9

Fair Competition

PAGE  
**71**

## Issue 10

Ethical Management

# Chairman Messages

**First of all, I would like to express my deepest gratitude to all stakeholders for your continued interest in and support for LS Cable & System.**

I am very pleased to have this fifth edition of the Sustainability Report published as a communication channel with you.

The purpose of this report is to share with you what we achieved last year and what we have been striving to achieve sustainable growth in this constantly changing global market environment.

It is true that we are now facing many difficulties in the uncertainties of the global economy. LS Cable & System, however, will continue to improve its competitiveness by strengthening basic competencies and to renew its commitment to challenge and innovation so that LS Cable & System will sustainably grow as the company contributing to the society based on its contribution to the industrial development in Korea.

As the first step for such efforts, LS C&S executives and employees have worked together and declared '**LS C&S Way**' this year, which envisages the company's new vision and core values.

It will serve as a compass which guides executives and employees on the right path when they make decisions or work.

Through LS C&S Way, the vision the company aims to achieve is '**Enable the Cabled World**'. It means the company grows as a 'total cable solutions provider' based on its expertise in the cable industry so as to provide energy and information anywhere in the world, thereby making the world brighter and richer.

There are four core values to achieve this vision :





“LS Cable & System will achieve the vision ‘Enable the Cabled World’ by pursuing four core values : Customer First; One LS C&S; Rule & Responsibility and; Expertise.”

#### **Customer First**

We put our customers on our top priority and provide them with best values.  
The promise made to the customers should be met without fail.  
Thoroughness and perfection on our products and services should be pursued.

#### **One LS C&S**

We are united as one to work together for the sake of all.  
We listen to our stakeholders.  
We make decisions and act with the community spirit for the sake of all,  
and for the benefit of the society.

#### **Rule & Responsibility**

We work in accordance with rules and responsibility.  
With a sense of ownership, we proactively perform our tasks and are held responsible for the results.  
All business activities are conducted in consistent with rules and procedures.

#### **Expertise**

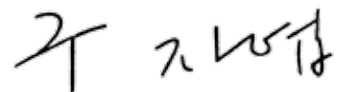
We will make performance with strong commitment to work and with expertise.  
We will continue not only to work on current business but also to carry out innovation activities with new knowledge and insight in order to bring new and positive changes.

Distinguished stakeholders,  
LS Cable & System will continue to be your trustworthy partner in the next half century by abiding by basics and principles that are the foundation of the company, and by achieving its new vision.

Once again, I would like to extend my appreciation to you who support LS C&S.

Chairman

**Cha-Yub Koo**



# President Messages



President

**Jae-In Yoon**

## **Distinguished stakeholders,**

**We would like to express my sincere gratitude for the support and encouragement you provided to LS C&S last year.**

Despite many difficulties in the business environment in 2014, LS C&S practiced the philosophy of fair and transparent management in accordance with basics and principles, laid the foundation for sustainable growth by promoting global business and expanding to new business areas, and strengthened fundamental competitiveness.

## **Complying with Basics and Principles**

LS C&S has strived to secure the asset of trust by practicing the philosophy of fair and transparent management. To this end, compliance management was announced in 2014. A dedicated team who are fully in charge was formed to establish the compliance management system. After the system was built, training sessions were provided to all executives and employees so that they understand and follow the system.

As we are fully aware that communication and collaboration are top priorities to gain trust, we have actively communicated with our customers and suppliers and reflect their feedbacks in our business. At the same time, we have reported our major business activities to internal and external stakeholders.

## **Producing Results in New Businesses and Global Market**

In spite of the sluggish demand in cables, LS C&S was able to yield results in businesses as it has continuously and closely paid attention to the market and customers. As a result of proactive R&D activities and cooperation for developing products to meet customers' needs, we won a contract to supply new products such as high voltage direct circuit (HVDC) system last year, which was a meaningful result to the company. New supply contracts were also signed in Europe including Italy and Norway and in Africa to diversify the market.

LS C&S will continue to devote all energy to develop high-quality new products to meet customers' expectations. At the same time, localization strategies best suited for each local market will be made and implemented to provide customer services in an accurate and speedy way. LS C&S will serve as a total solutions provider by specializing in the construction business so as to enhance the convenience for customers.

### Securing Fundamental Business Competitiveness

In order to secure fundamental competitiveness for sustainable growth, LS C&S has strengthened basic competencies including respect for human beings, cooperation, and quality management, which serve as a corporate foundation. As a result, we have significantly reduced the industrial accident rate by enhancing workplace safety management. Existing quality related teams have been integrated into one organization which is under the direct supervision of president. Quality management has been strengthened and product-specific quality management systems have been established by the organization. Cooperative system has also been built among business divisions to resolve key management challenges, thereby creating enterprise-wide synergies.

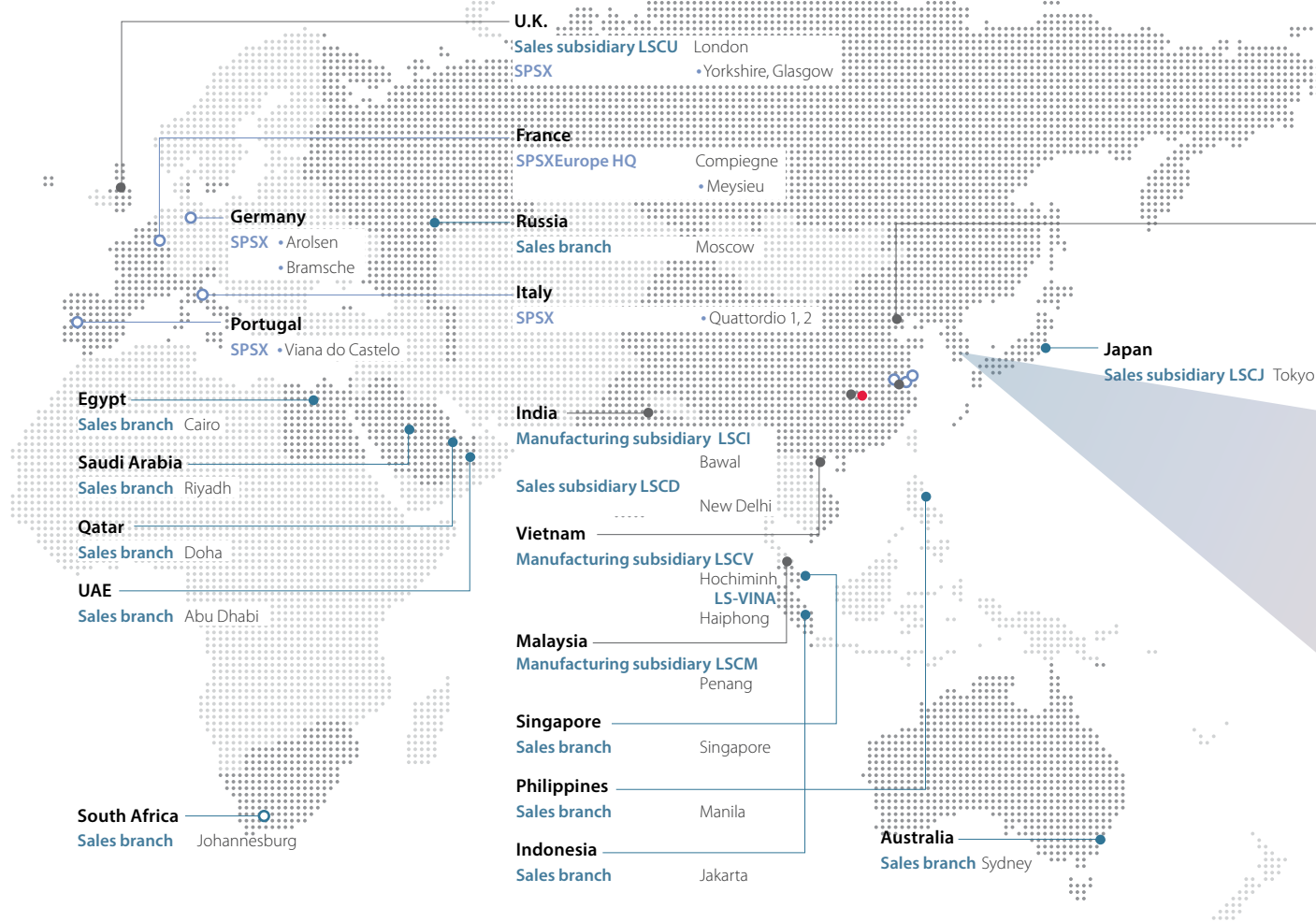
Distinguished stakeholders, LS C&S has proclaimed a new vision 'Enable a Cabled World' and pledged to make a new leap forward on 2nd January, 2015. In order for our vision to create tangible results and achieve sustainable growth, instead of ending with empty promises, strong commitment to achieve the goal will be required. The company will strive to serve as a 'total cable solutions provider' based on its expertise in the cable industry, and will dedicate itself to providing energy and information anywhere in the world thereby making the world brighter and richer. We look forward to your constant support and interest.



President

**Roe-Hyun Myung**

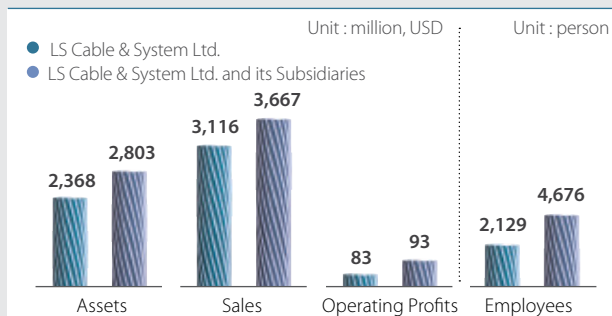
# Company Profile



## Our Business Operations

We develop, manufacture and provide various kinds of cable systems and related solutions in order to deliver energy and information for industrial and everyday purposes. Our product portfolio includes: **energy cables** to supply electric power to homes and industries; **telecommunication cables** to contribute to build wired or wireless telecommunication networks; **industrial cables** to supply power, operate and control electric or electronic devices, generators and transportation vehicles; **materials** for industrial use such as copper and aluminum conductor; and **construction projects** to install cable or cable protection systems. LS Group, the parent company of LS C&S is operating 37 factories and 59 sales and marketing branches/offices in 26 countries worldwide. Among them, we are running 9 factories in Korea and 7 abroad and quickly responds to the needs of global customers by sharing resources and expanding mutual support among affiliates and subsidiaries.

<b>Company Name</b>	LS Cable & System
<b>Headquarter</b>	Anyang
<b>President</b>	Roe-Hyun Myung, Jae-In Yoon
<b>Subsidiaries*</b>	5 domestic subsidiaries, 13 overseas subsidiaries



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

We operate **37** plants, **59** sales and marketing branch/offices, and **5** R&D centers in **26** countries.

● LS Cable & System ● R&D Center ● Domestic Subsidiary  
○ LS Group Affiliates : Superior Essex<sup>SPSX</sup>, Gaon Cable

#### China

**Manufacturing subsidiary LSCW**  
LSCT  
LSHQ

Wuxi,  
Tianjin  
Yichang

**Sales subsidiary LSIC**  
SPSX Asia HQ

Shanghai  
Shanghai  
• Suzhou  
• Changzhou

#### Canada

SPSX

Simcoe

#### USA

**Sales subsidiary LSCA** New Jersey  
**Sales branch**  
SPSX HQ  
Atlanta  
Atlanta, Georgia  
• Brownwood (TX)  
• Hoisington (KS)  
• Fort Wayne (IN)  
• Johnson County (IN)  
• Columbia City (IN)  
• Kendallville (IN)  
• Franklin (TN)  
• Tarboro (NC)  
• Georgia R&D Center  
• Indiana R&D Center

#### Mexico

SPSX Torreon

#### Peru

**Sales branch** Lima



## 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

#### Expansion

- 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 LG Group

### 2004~2014

#### Qualitative Growth

- 2004 Set up ERP System
- 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 Icheon
- 2012 Established energy cable plants in the U.S. & India
- 2013 Spun off LS I&D
- 2014 Declared compliance management
- 2015 Declared a new vision, 'LS Cable & System Way'



# Vision & Strategy

On 2<sup>nd</sup> January, 2015, we declared 'LS Cable & System Way' (abbreviated to 'LS C&S Way'), which envisages the company's new vision and core values. The 'LS Cable & System Way, which is a goal for the future that we plan to go toward and would play a pivotal role in bringing all employees together, shows a strong commitment to the company's role : Expanding its role further to make a more convenient and prosperous world with a respect to stakeholders, with social responsibility, with cooperation respecting and considering others, and with a faith in technology.



## LS Cable & System Way

**Vision** Enable the Cabled World

Cables are lines connected to provide information and energy. As they deliver information and energy to the entire society and for our lives, they are often called 'social blood vessels and nerves'. Healthy blood circulation in the body is guaranteed only when blood vessels are healthy. Likewise, the new vision 'Enable the Cabled World' has started from the idea that cables we provide, as healthy blood vessels in the society, should contribute to enhancing the quality of life and to making a brighter future. We strive to go further to make customer-oriented products based on state of the art technology and service. By doing so, everyone will be able to have an efficient and convenient access to energy and information without constraints of time and space.

**Core Value** Values in our people's mind,  
Like core Conductor of a wire, LS C&S at the core of the world

A vision is just a dream if there is no action. It becomes an achievable goal only if ideas and actions go together. The 'C.O.R.E.' is the 4 principles for our all employees to act on. Just like a cable has its core at its center, which is the core conductor, our employees should keep C.O.R.E. values in their minds. In C.O.R.E., C stands for 'Customer First', O for 'One LS C&S', R for 'Rule and Responsibility', and E for 'Expertise'.

C

### Customer First

Act from the perspective of customers.

- Understanding the changes in customer's needs
- Providing best values
- Implementing differentiation strategies in competition

O

### One LS C&S

Put the benefit of all as top priority

- Respecting diversity and listening to others
- Cooperating among divisions
- Emphasizing the benefit of all

R

### Rule & Responsibility

Work in accordance in truthful manner

- Having a sense of ownership
- Sticking to the basics at work
- Sharing failures and working on improvements

E

### Expertise

We are professionals.

- Concentrating on work and results
- Acquiring technologies and in-depth knowledge
- Pursuing continuous innovation

## Corporate Philosophy

### LS Partnership for Greater Value

As the business landscape has changed from the competition among individual companies to among groups of companies in the value chain, cooperation and communication have become increasingly important factors. As uncertainties are growing and competition is getting more intense, all affiliates under LS Group share and practice the corporate philosophy 'LS partnership®' in order to grow more competitive company. '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. LS Group, the parent company of LS C&S, is pursuing 'True Partnership', under which we grow along with employees and with global partners including customers, suppliers, shareholders and investors and local communities.



## Management Policy in 2015

### Strengthening Basic Competencies

As the global economic growth has been slowed, investments in electric power and telecommunication network infrastructure have been delayed. As a result, the cable market, which is heavily affected by the energy and telecommunication network industries, faces many difficulties. We, however, believe the foundation for sustainable growth to overcome such difficulties lies in basic competencies. Therefore, we decide to maintain the last year's management policy, 'Strengthening Basic Competencies'.

Our basic competencies are: realizing stakeholder's value by continuously creating outcomes; winning the trust of customers with quality products and service; being held responsible for work. They will serve as the foundation deeply rooted in our organization helping us overcome the difficulties and responding to changes.

#### Profit-Oriented Management

We will make our best efforts to create profits so as to distribute values to stakeholders and maintain the virtuous cycle of profit creation, investment, and growth. To this end, we will focus on qualitative growth in 2015 by increasing profits in existing businesses, by producing results in new businesses and by creating synergies with subsidiaries. In addition, operational efficiency will be promoted by effectively managing resources.

#### Quality Management

We will strive to secure competitiveness in the global market by building the trust of customers through complete quality management. It will strengthen quality assurance system from the stage of raw material procurement to construction, installation and use, and will establish the optimized quality management system considering the characteristics of each product and different environments that it is applied to.

#### Fair and Transparent Management

Fair and transparent management is more comprehensive than 'Responsible Management' and it includes the meaning of pro-activity. Based on this transparent, fair, and ethical management philosophy, we will fairly and squarely compete to produce meaningful results so to be respected by customers, suppliers, competitors, stockholders and the society. Basic, principle and process compliance will be strengthened to enhance competitiveness through fair and transparent management. Transparent reporting system will also be established.

# Governance & Management

## Management Efficiency and Transparency

**Holding Company Structure** In 2008, the former LS Cable Co., Ltd. split into LS C&S for the cable business and LS Mtron for the machinery and electronic business. As a result, Cable & System became an affiliate of the LS corp., 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, synergies are expected to be created among affiliates under the coordination of the LS corp. and the system allows us to clearly understand the performance of the entire group, which leads to better management transparency. As of March 2015, the LS corp. holds 89.19% of the shares of LS C&S as the largest shareholder.

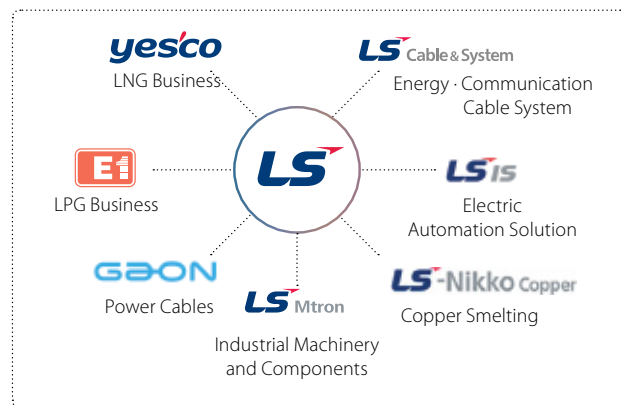
**Auditor** In compliance with the related regulations and the articles of the association, we have one auditor in order to secure management transparency and legality. Appointed through a general meeting of shareholders, the auditor inspects and verifies financial statements, audit processes of the accounting firm, important corporate issues and an internal accounting management system.

## Shareholder Value

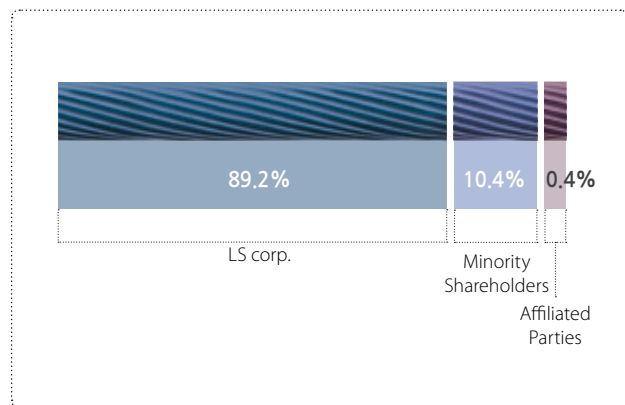
**Shareholder Composition and General Meeting of Stockholders** As of the end of March in 2015, our shareholders consist of the LS corp., a holding company, minority shareholders and affiliate persons. The general meeting of shareholders, the highest decision making body, is held by the resolution of the board of directors. Decisions are made in the meeting on the key issues of the company such as the appointment of a director, approval of financial statements, and dividends distribution, which are stipulated in the commercial laws. In the 7th General Meeting of shareholders in March 20th, 2015, we approved financial statements of and for the years ended December 31, 2014 and 2013 and the wage limit of directors and of an auditor. Also, president, Jae-In Yoon was appointed as a new board director, at the meeting. In accordance with its articles of association, we exclude cumulative voting and do not adopt voting in writing or electronic voting.

**Dividends** A dividends payment is made by board and by the general meeting of shareholders. In 2014, a dividend of USD 1.65 million was issued as cash payment and cash payout ratio based on consolidated financial statements stood at 18.6%.

### LS Group



### Ownership structure by shareholders



## Our Management Group



President  
Roe-Hyun Myung



President  
Jae-In Yoon



Chief of Production Group 1,  
Executive Vice President  
Seon-Kook Kim

**BOD** Board of Directors

**Authority** Our BOD 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 laws or articles of association. Unless approved by the BOD, board members are not allowed to engage or invest in the operation of related other companies including suppliers, in order to avoid conflicts of interests between them and the company, and have limited voting rights in the board's resolution on agenda of special interests.

**Composition** Those who with expertise and experience in management, finance, law, and the cable industry are appointed as a board directors. The directors are appointed at the general meeting of stakeholders. As of March 2015, the BOD consists of three internal directors, and the president serves as the chairman of the board since the cable industry requires extensive investments and rapid response to various risk factors at our overseas business sites.

**Operation** The Board Meetings are held according to the pre-established annual plan on a regular basis, and special meetings can be convened for prompt decision-making. In 2014, 19 board meetings were held in total, in which 35 agenda were passed, including new investments, voluntary compliance program on fair trade, and evaluation results of the internal accounting management system.

**Evaluation and Compensation** The Evaluation is made in accordance with performance indicators linked to the company's 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 incentives are commensurate with evaluation results. In 2014, the general meeting of shareholders approved the remuneration limit for directors at USD 3.2 million.

**Organization System with Two Presidents** Starting from 2015, we divide our organization into business group and management group and make newly appointed 2 presidents take full responsibility of managing each group. For achieving corporate goals, each president would strengthen responsible management by having 2 groups fulfill their roles.

**Management Committee** Management Committee is the highest decision-making body to vote on matters delegated by BOD. The committee is held every month to decide corporate strategic issues such as mid- and long-term business operations, new projects, business plans, investment review and to share and discuss non-recurring issues and risks.

**BOD Member**

As of March 2015

Name	Gender	Position	Transaction with the Company
Cha-Yub Koo	Male	Chairman	None
Roe-Hyun Myung	Male	President	None
Jae-In Yoon	Male	President	None

**Qualification of Board Member**

**First**, directors should be honest, ethical and have a sound sense of vocation.  
**Second**, directors should be the persons with a sound judgment and a drive to produce results and should consider the future of the company and of the society from long-term perspectives.  
**Third**, directors should have rich experience and the expertise in the cable business.



Chief of Production Group 2,  
Senior Vice President  
Young-Il Kwon



CTO  
Senior Vice President  
Dong-Wok Kim



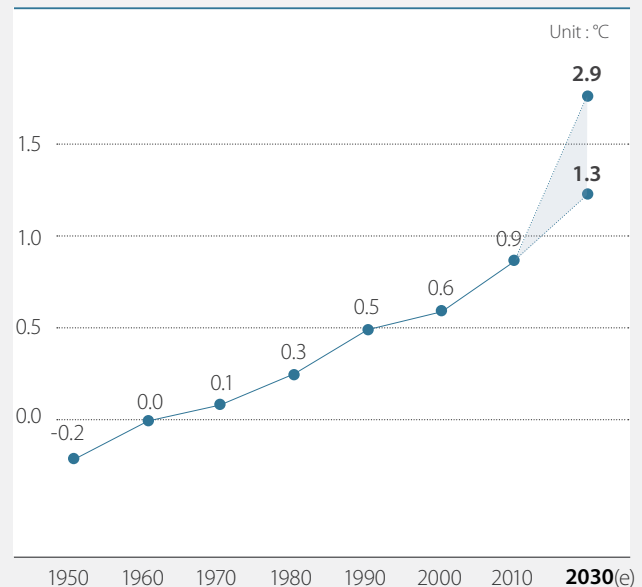
CHO  
Senior Vice President  
Gyung-Il Park

# Challenges & Opportunities

Some people view that the cable business is a mature industry with limited growth potentials. However, the industry is starting to see new opportunities for growth due to urbanization, demographic changes, and global electric power shortage. At the same time, risk factors such as climate change and commodity price fluctuations still exist. We are preparing for a new growth by strengthening basic competencies, maximizing business opportunities through partnership, and by proactively responding to risk factors.

## Climate Change

Changes in Global Average Temperature\*



The World Meteorological Organization (WMO) has found that the year 2014 has been the hottest year since meteorological observations started. The average temperature of the year was 0.57°C higher than the average temperature of 14°C from 1961 to 1990. In addition, 14 out of the 15 hottest years are in the 21st century. The 2014 report of Intergovernmental Panel on Climate Change (IPCC) shows that the global average temperature has been increased by 0.89°C in the last 100 years. In particular, the report predicts that if the current level of greenhouse gas emissions continues, the global average temperature is expected to increase by 2.6 ~ 4.8°C and the sea level to rise 45 ~ 82cm compared to the figures during the year from 1986 to 2005.

## Our Response

Activities are being conducted to reduce energy use and greenhouse gas emissions in the whole process from product design to development, production, and shipping. We try to reduce energy consumptions and CO2 emissions by developing products for new renewable energy and extra-high voltage cables with higher energy efficiency and by raising the efficiency in production facilities and processes.

▶ Page 64~67

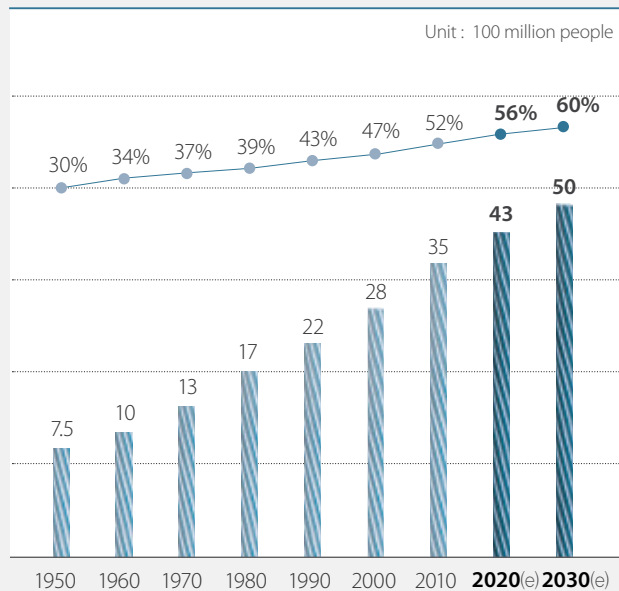
\* National Aeronautics and Space Administration





## Urbanization

### Urban Resident Population\*



In 1950, 30% of the world population lived in cities. Since then, the number has steadily increased to reach 54% in 2014 and is expected to be 60% by 2030. This '60 %' can be translated into 5 billion people, which is 6.8 times of the population in 1950. In particular, during the period from 1950 to 2014, mega cities with a population of more than 10 million has greatly increased from 2 to 29 in number and from 24 million to 470 million in population. Many of them are the cities in Asia.

In order to take advantage of the benefits from urbanization, infrastructure such as electric power, telecommunication, and transportation should be built. And environmental aspects should be considered from the phase of building infrastructure not to degrade the quality of life due to the destruction of the environment.

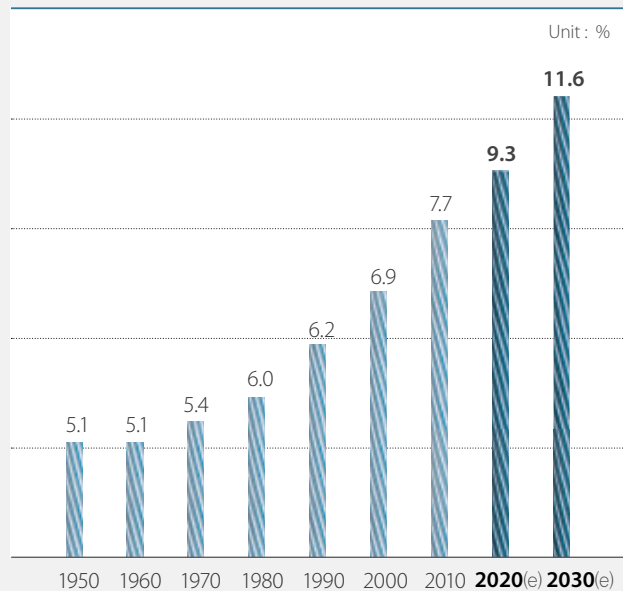
We provide extra-high voltage cables and smart grid systems so that large cities use energy efficiently. In addition, the next generation of telecommunication cable system including FTTH solutions and intelligent infrastructure management system enable broadband communications and wired or wireless communications in large-scale buildings

► Page 28~29

\* World Urbanization Prospects: The 2014 Revision

## Demographic Change

### Global population aged 65 and over\*



The world is rapidly aging due to reduced birth rate and increased average life expectancy. The total fertility rate, which represents the number of children that a woman gives birth to during her fertile years (15 to 49 years old), is drastically decreased to 2.5 in 2014 from 5 in 1950. It is expected to further decline to 2.4 in 2030. On the other hand, the average life expectancy is increased to 70.0 years from 46.9 over the period from 1950 to 2014. Therefore, the population growth rate of those who aged 65 and over is 12.6%, which is much higher than the total population growth rate of 8.5%. According to the UN, the population aged 65 and over is expected to account for 11.6% of the total population in 2030 from 8.2% in 2015. And its growth rate is expected to be 17.2%, which is 3.6 times of that of the total population.

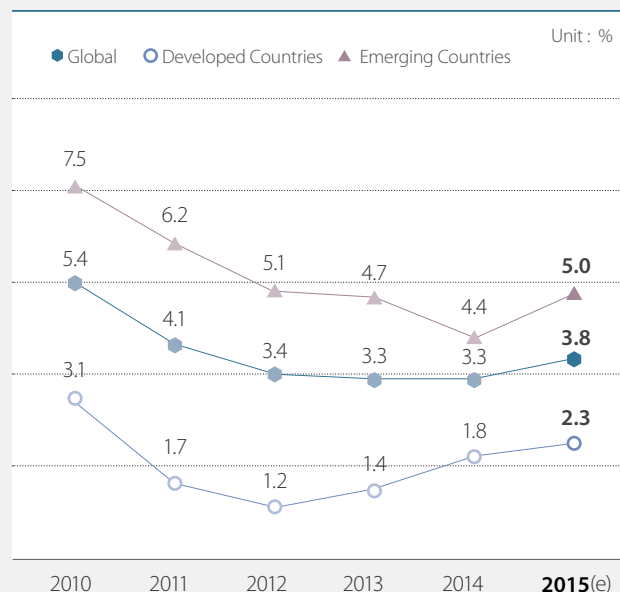
It is expected to see the growth in the healthcare industry, factory automation, and robots for the elderly population and for industrial purposes. To meet such potential demands, we are continuously developing a range of cables for medical appliances, robots, and factory automation systems.

► Page 28~29

\* UN Department of Economic and Social Affairs Population Division

## Global Recession

### Economic Growth\*



### Cable Business Environment

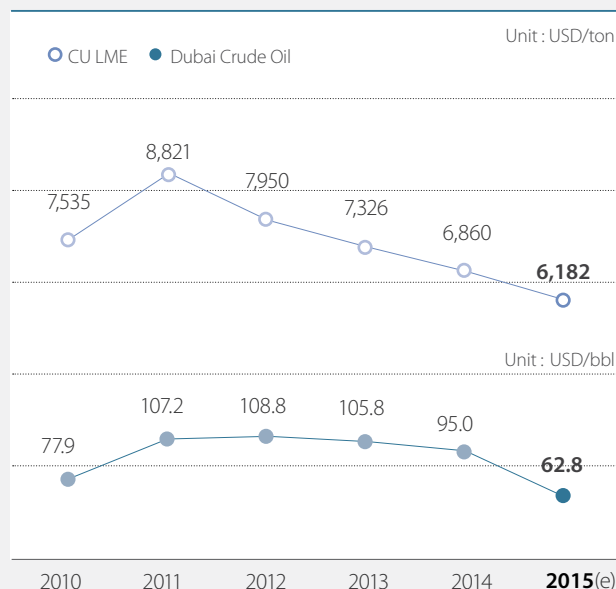
The world economy is expected to grow slowly driven by the US. However, low growth trends have continued as economic recovery in Europe and Japan has been delayed and growth in some emerging countries slowed down due to high volatility of the global financial markets caused by the US monetary policy changes. The cable industry is heavily affected by investment policies to establish transmission and telecommunication infrastructure as for the domestic market. In regards to overseas business, it is impacted by global economic growth, in particular, by infrastructure investment in emerging countries.

The domestic cable industry has entered the mature stage from power and telecommunication network building in the 1980s to maintenance and replacement of existing infrastructure. Global cable industry is expected to have a new opportunity for growth in developing countries.

The cable industries are facing many difficulties including reduced demand and lower profitability due to global recession. However, we are getting better financial results by focusing on overall management efficiency. Also, we strive to overcome difficulties by strengthening our basic competencies in terms of execution, quality improvement, and responsibility to stakeholders.

## Decline in Raw Material Prices

### Raw Material Prices

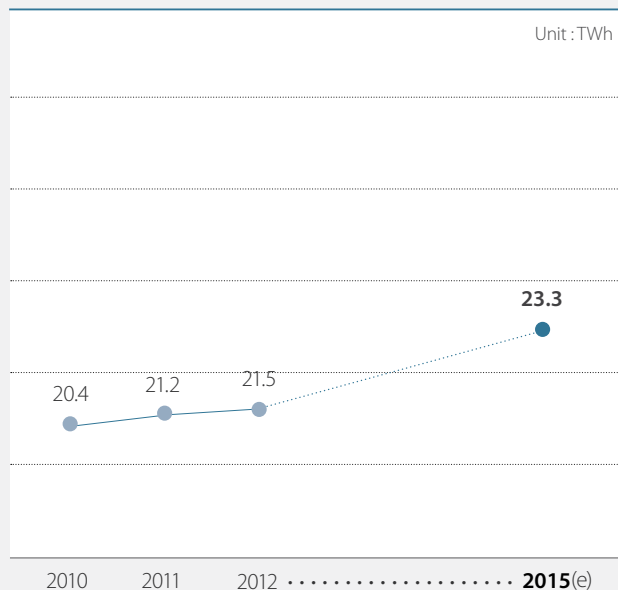


International oil prices, which had remained at \$100 per barrel for more than three years since 2011, has plunged to around \$50 per barrel as of late 2014 due to sluggish demand caused by global economic downturn and to increased supply by oil-producing countries. The price of copper that is used as a cable conductor has also been decreased since 2011. In January 2015, the price was US\$ 5,548 per ton, its lowest level since 2009, 45% down from US\$ 10,124, the highest level in 2011. Copper prices are expected to remain at the current level for the time being due to the increase in supply and to the sluggish demand. As copper accounts for approximately 65% of raw materials cost, raw material prices are key variables impacting business activities. If its prices are volatile, it may lead to the differences in price when the order is received, when raw materials are purchased and when products are supplied, resulting in the negative impact on the cash flow and profitability of the company.

We have managed risks through derivative financial instruments such as future or forward contracts of key raw materials, in order to minimize the impact by the volatility in global copper prices. Copper Futures Committee is held on a monthly basis to share and review the information on futures position and its operation results.

## Increasing Demand for Electricity

### Global Electric Power Production



Power consumption has steadily increased due to population growth, urbanization, and more use of the higher voltage of electrical appliances. According to the World Energy Outlook published by IEA\*, if the current energy policies are maintained, global energy demand will grow 35% to 17.2 billion toe over the period from 2010 to 2035. Consequently, power production is also expected to increase. U.S. Energy Information Administration has projected the global electricity production will grow an annual average of 2.5% from 2007 to 2030, and reach 37 TWh in 2035. Therefore it is expected to see more power plants and further investment in electricity transmission networks. Particularly, as the existing power cables are being replaced by extra-high voltage cables for large-capacity transmission in order to meet the demand for stable power supply and to minimize transmission losses. In this regard, extra-high voltage cables are expected to drive the growth in the cable market.

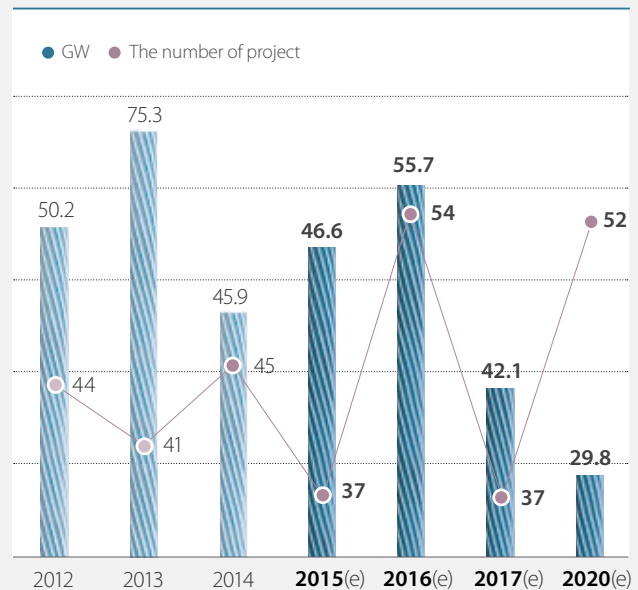
We have the capacity to respond to cable-related projects worldwide from development to design, production and construction with three R&D centers and 16 production facilities at home and abroad. In particular, we have joined global high-voltage power grid projects with our world-class extra-high voltage cables.

▶ Page 26, 28~29

\* International Energy Agency

## Increasing HVDC High Voltage Direct Circuit

### HVDC Projects



These days, efforts have been actively made to facilitate the supply and demand of electricity and to overcome the gaps between the highs and lows of electricity demands by connecting power grid networks among nations and regions. There are two ways to connect power grid networks: using a conventional alternating current (AC) system or; converting power to direct current (DC). Recently, a lot of attention has been paid on DC transmission because it enables the efficient transfer of a large amount of power over long distances and the connection of systems with different frequencies. HVDC technology has already been applied to the submarine cables connecting Jeju with Haenam, and Jeju with Jindo. This technology has been attracting investments globally. The global HVDC market is estimated to be USD 27 billion in 2013, the HVDC transmission market, in particular, is expected to grow an average of 17% annually over the period from 2014 to 2020.

As the market for HVDC system is rapidly growing, we are developing key technologies and conducting research activities for commercialization. We have already successfully applied our HVDC technology to the submarine cables connecting Jeju with Jindo. We have also become the first company in Korea that has acquired the certification of Korea Electrotechnology Research Institute for 500kV HVDC MI cables.

▶ Page 37

\* <http://www.kapes.co.kr>

# Risk Management

As the management environment rapidly changes and various business activities are conducted at a global level, a range of risks that affect business performance are emerging and evolving fast. With recognition that risk management is an activity to increase corporate value and our stakeholder value as well, we promote integrated risk management by proactively identifying and responding to risks in advanced manner and expand the scope of management from finance to business operation, compliance and supply chain management.

## Risk Management System

Risks mean the uncertainties of an event that may affect a company in achieving its business goals. We have implemented a risk management system for effective risk prevention, response and control, thereby reducing the negative impact of risks and increasing stability and soundness of management

**Organizations in charge** Risk management activities are conducted by on-site operating departments in charge, by a company- wide management department, and by a corporate risk management committee. The on-site departments in charge identify and monitor risks factors in regular basis. If they detect any abnormal signs, they are required to report to the company- wide management department and take actions to respond to them. The company - wide management department is responsible for planning and coordinating risk management activities. They also operate the risk management system and check the management status of each department. The corporate risk management committee is the company's highest decision-making body consisting of a president as chairman and CRO <sup>Chief Risk Officer</sup> and executives. The committee checks the risk status and makes a decision on response measures.

## Risk Management Activities

**Financial Risks** In order to minimize the uncertainties due to foreign exchange rate changes, foreign currency inflows and outflows are matched by time and by maturity and operational technique such as leading and lagging of payment and receipt is implemented depending on the fluctuation in exchange rate. Futures trading for raw materials is used to hedge against the risks of raw material price fluctuation considering its price changes heavily affect our profit structure. We strictly prohibit FX trading and derivatives trading for speculative purposes other than for risk management. In addition, financial ratios including net debt ratio are reviewed on a monthly basis for financial structure stability and if necessary, improvement measures are taken. In 2014, we have set management goals for each risk factor and conducted a diagnosis on a regular basis to check the results.

**Operational Risks** For the stable operation of IT system, which is one of key infrastructures to handle business process, full data is automatically backed up on a daily basis. In addition, backup systems are stored and data is vaulted in a separate place. Servers and systems are checked every month and every two months respectively. In-house security management system on documents, USB authorization, PC use outside the company, and hacking prevention system on encryption and firewalls are being implemented to prevent leaking of personal information and industrial secret. With regard to manufacturing activities, facilities are regularly inspected and the response manual is provided in preparation for any interruption of facility operations.

**Disaster Risks** In order to prevent disasters and accidents and to minimize damages if they occur, following activities are being conducted: establishing response measures; conducting an inspection and diagnosis; providing training and education and; implementing improvement measures. A quarterly on-site safety inspection is being carried out to prevent accidents at workplace and construction sites. Employees take a voluntary self-diagnosis on safety to identify potential risks and work on improvements. At the same time, regular safety drills help employees to act on the safety guidelines in case of emergency. In addition, to prevent natural disasters and unexpected accidents from negatively impacting employee and customer values, a system for preventing and responding to emergencies has been established and a dedicated organization is being operated.

**Compliance Risks** We are identifying compliance risks by analyzing laws and regulations on business operations and are conducting regular and irregular on-site inspections to eradicate illegal and corruption activities. We also regularly inspect the ERP system to check whether unusual transactions and payments have been made. With the belief that all employees should be armed with the mindset of compliance in order to prevent the risks, we provide compliance and ethics training sessions to them. At the same time, non-compliance cases are posted in the company's online bulletin board so that employees use them as a reference. For more details, please refer to pages 68 to 70 in this report.

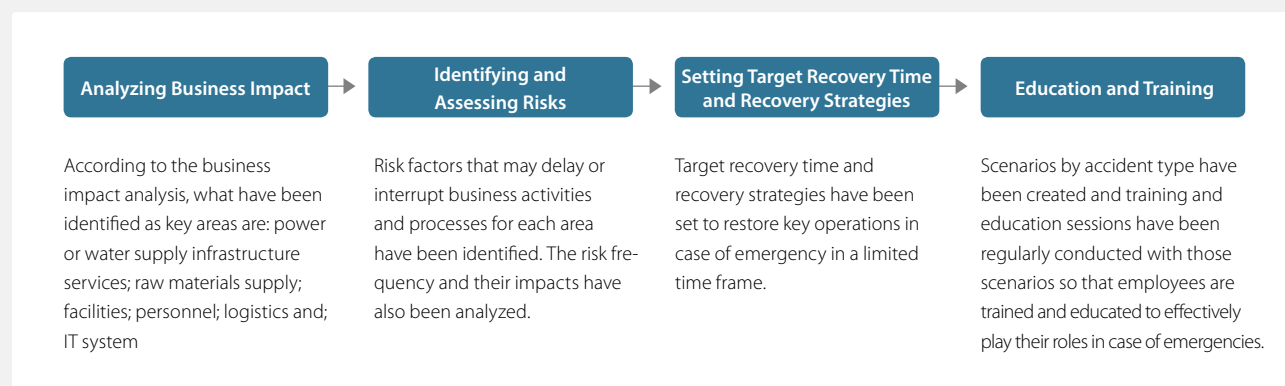
## BCM Business Continuity Management System

Cables are key products in operating production facilities and in running the systems. Supplying products with the agreed level of quality at agreed time is the key to operating our businesses and to building customer trust. Accordingly, we strive to achieve our mission 'We make the transfer of energy and information possible in anywhere our customers want in the most efficient way' by proactively controlling risks and responding to them, and recovering rapidly from any discontinuity of core business operations caused by risk occurrence.








### Goal

The goal of BCM is to maintain or quickly restore key operations when unexpected risks such as disasters or accidents occur, thereby minimizing the negative impacts including the failure to keep the promise with customers or the damages on the employees and facilities.

### Process



### Our BCM Strategies

	Key Function	Impact due to Interruption	Alternative Resources
 <b>Infrastructure</b>	Maintaining SOC such as electric power and water	Production facility, IT and telecommunication systems stopped	Self-generators and water tanks
 <b>Man</b>	Maintaining manpower input	Customer response, production, and shipment suspended or delayed	Sub-person in charge
 <b>Machine</b>	Operating production facility	Production suspended or delayed	Alternative production facilities including facilities of domestic and overseas subsidiaries
	Operating test equipment	Quality inspection and assurance delayed resulting in shipping delay	Alternative test equipment including equipment of domestic and overseas subsidiaries
 <b>Material</b>	Securing key raw materials	Production, and shipment suspended or delayed	Alternative suppliers
 <b>Methods</b>	Managing inventory	Delivery delayed due to inventory shortage	Products and inventory in domestic and overseas subsidiaries
 <b>Operation</b>	IT systems	Business operations suspended or delayed due to the loss of data in process	Backup data and handwritten documents
	Financing	Payment and manpower allocation delayed	Alternative financial institutions
 <b>Logistics</b>	Securing logistics companies	Shipping delayed	Alternative logistics company
	Maintaining logistics infrastructure	Raw materials and product delivery suspended or delayed	Air transportation



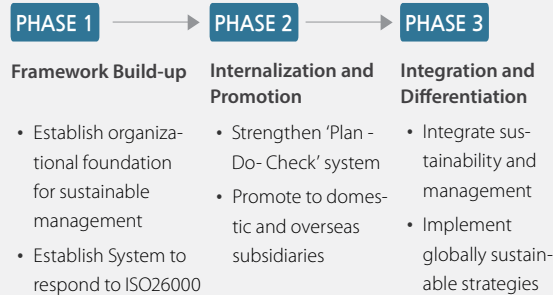
# Sustainable Management to Enhance Stakeholder Value

## Sustainable Management Strategy

We aim to raise stakeholder value, not just to provide energy and information through cables. To that end, we have established mid-to-long term strategies and implementation roadmap for sustainable management focusing on 7 key topics including customer satisfaction, green management, social contribution, employee happiness, shared growth, compliance and fair competition, and ethical management.

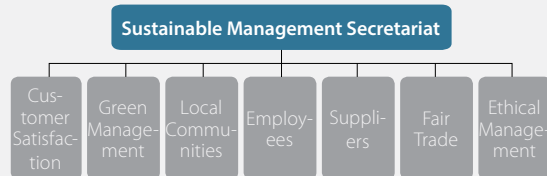
### WHAT

#### Implementation Roadmap



### WHO

The sustainable management secretariat is in overall charge and there are 7 working committees to implement strategies and carry out tasks in order to respond to the needs of stakeholders and to manage related risks. Key issues and achievements are reported to the executive meeting for the resolution on implementation measures.



### HOW

#### Planning Activities → Sharing and Checking the Plan

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>Annually setting the direction and activities of sustainable management for 7 working committees in accordance with the implementation roadmap.</li> </ul> | <ul style="list-style-type: none"> <li>Monitoring the results of the activities in the sustainable management meeting chaired by the CSO</li> </ul> |
|---|---|

## Distribution of Value



LS Cable & System

We must prepare for the future through R&D and capital investment. Also, financial flows should be facilitated through corporate bond and foreign exchange management. In 2014, the expenditure for R&D, investment, depreciation and financial transactions reached at USD 53.9 million.

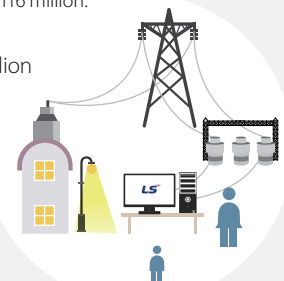
USD **54** million



Customers

We strive to provide customized products with high technology and quality to meet customer's needs. Through these efforts, we will be able to give customers more values thereby raising our own value. In 2014, revenues generated by customers amounted to USD 3,116 million.

USD **3,116** million





#### Government

The role of government is making legal standards and systems to ensure the stable management activities. We have a responsibility to comply with the standards and have been doing our duty of tax payment faithfully as a corporate citizen. In 2014, we paid USD 26 million in tax and utility bills.

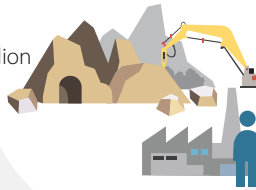
**USD 26** million



#### Suppliers

Cooperation with suppliers is a starting point for competitiveness and to build a healthy society. In 2014, we make a purchase of raw materials, energy, water and other services such as repairing from our suppliers to the value of USD 2,829 million.

**USD 2,829** million



#### Local Communities

As local communities are supporting bases for companies, we should live in harmony with local communities and help the communities to be prosperous. In this regard, we have provided them with educational support and joined sharing activities. In 2014, we donated USD 1 million to local communities.

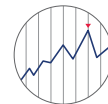
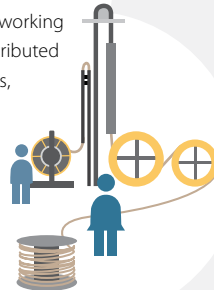
**USD 1** million



#### Employees

Our products are the results of the commitment and dedication of 2,199 employees. We respect their rights and strives to make a company where they want to work for and where they can work in the great working environment. In 2014, USD 164 million was distributed to employees for wages, welfare benefits, and education allowances.

**USD 164** million



#### Shareholders and Investors

We strive to enhance competitiveness through technological development and innovation. At the same time we provide clear and transparent information so as to meet the trust of shareholders and investors who have made an investment with a belief in our value and potentials. In 2014, USD 38 million was distributed to shareholders and investors in the form of interest payment.

**USD 38** million

# Material Issues

The materiality, level of importance of an issue shows how much interest stakeholders have for the issue and how much businesses are impacted by the issue. We identify significant business issues and areas of interest by internal and external stakeholders through a materiality assessment. We prioritize issues and respond to issues with higher importance by priority.



## Materiality Assessment Process

### Step 01 Identify Key Issues

### Step 02 Prioritize Key Issues

#### Policy and Strategy Analysis



#### Employee Surveys / Interviews with 7 Working Committees

Unit : %



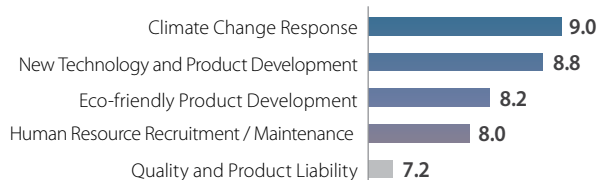
#### Press Release

Unit : %



#### Market Intelligence / Peer Benchmark

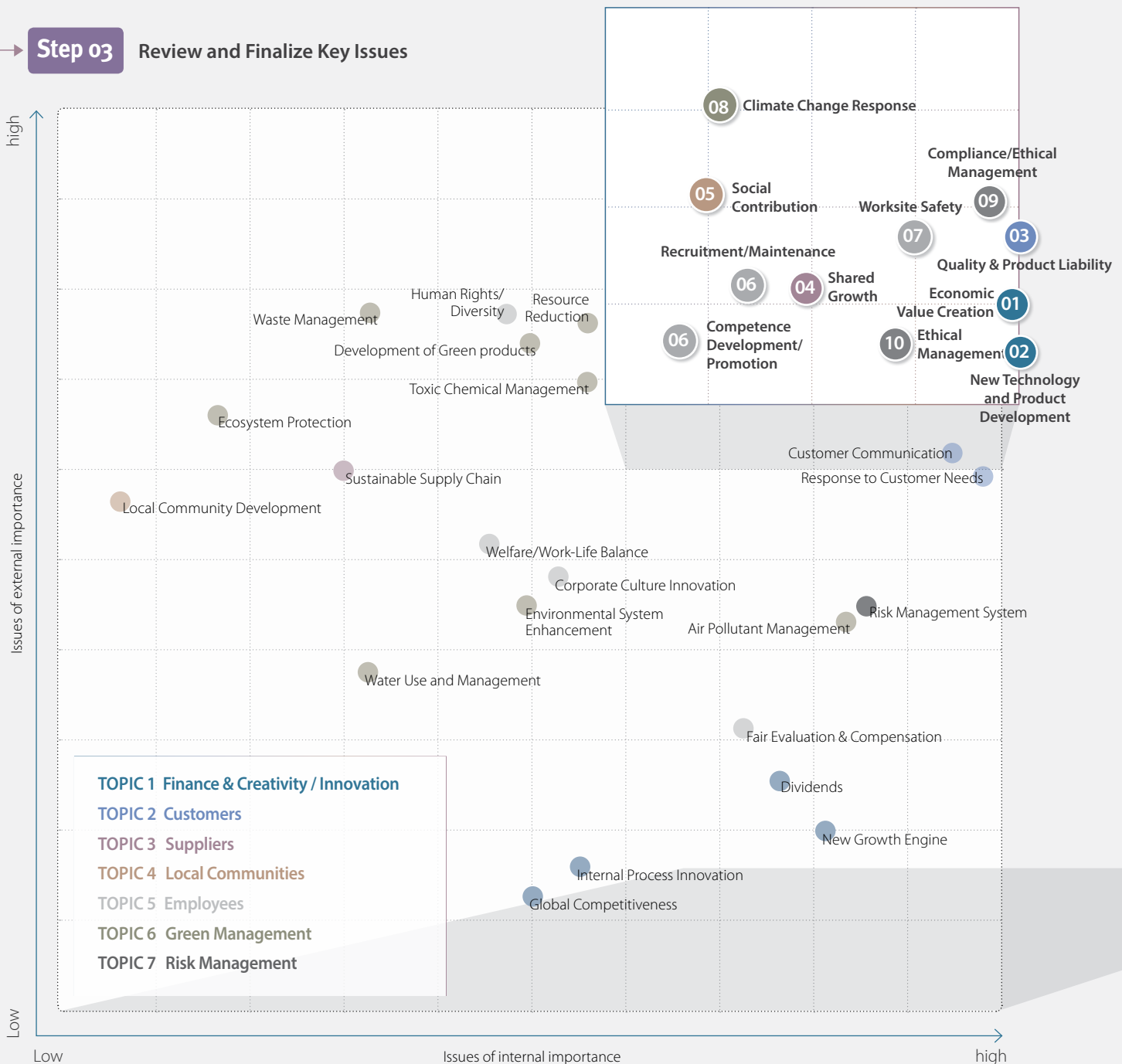
Unit : Point/ 10 Points



## Key 10 Issues in 2014

For the year 2014, 32 key issues have been identified and top 10 issues have been selected considering the level of importance. Newly-added issue for 2014 is 'securing and maintaining talented human resources'. It's because we have actively started recruitment activities and employees' competence development as the importance of competent human resources development has been emerged to implement corporate strategies and accelerate performance creation. In addition, management direction such as putting an emphasis on basics and principles, and increasing trust capital as well as financial capital has been maintained following the last year. As a result, 'compliance and fair competition', 'workplace safety' and 'quality and product liability' are confirmed as the most important issues.

### Step 03 Review and Finalize Key Issues



# Green Products

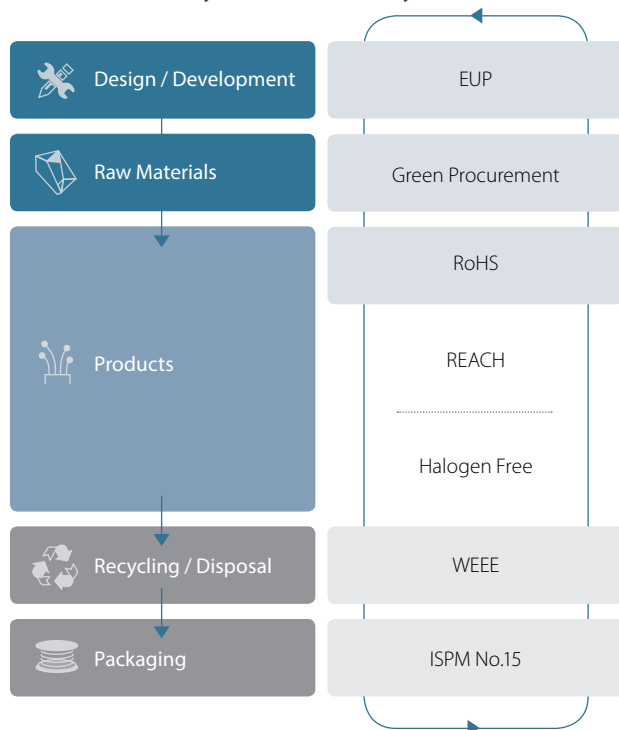
## Goal of Green Product Development

We aim to increase the environmental value of our customers and of the society, not just manufacturing eco-friendly products. By doing so, we will be able to meet customer needs and environmental regulations in other countries. Furthermore, the energy efficiency of products will be enhanced and new renewable energy will be further promoted, thereby contributing to building green energy infrastructure.

## Direction for Green Product Development

We are committed to developing products based on the existing quality system considering the environmental impacts in the product life cycle from design to development, production, use, and disposal. The environmental safety of products is analyzed by using a Product Liability Environment Assessment Table (PLEAT) at the stage of planning, and then products are designed and developed considering their recyclability and human health safety at the stage of developing. Decrease in the weight and volume of products, and the use of natural materials will reduce the use of resources. The use of products with high efficiency will contribute to reducing energy loss and greenhouse gas emissions. Wastes are recycled or disposed in accordance with disposal processes defined by product type.

### Environmental Analysis in Product Life Cycle



## Our Green Products

**Eco Basic Product** Eco Basic Products meet global environmental regulations and customer needs including the regulation on registration, evaluation, authorization, and restriction of chemicals (REACH), the restriction on the use of certain hazardous substances (RoHS), end-of-life vehicles (ELV), and Waste Electrical and Electronic Equipment (WEEE).



### • Low Weight & Compact Marine Cable

The cable is XLPE insulation products for power supply that is used for ships and offshore drilling equipment. The product is lighter and smaller as the conductor is compressed and its outer diameter is reduced about 10%. It is easy to install, manage and repair.

Low Weight & Compact Marine Cable

### • 2.5SQ AL Signal Cable

This signal cable is used to operate and control automotive parts. As there is an increasing demand for lighter vehicles in the market, the cable's conductor has been changed from copper to aluminum. In addition, compressed stranding has been applied and its outer diameter has been reduced. Its tensile strength and elongation meet customer requirements by optimizing the aluminum alloy composition and the heat treatment process. The product is applied to automobiles and is now being tested.



2.5SQ AL Signal Cable



**Eco Value Added Product** Eco Value Added Products are manufactured according to the eco-design process, in which environmental factors are considered throughout the lifecycle of product so as to reduce environmental impacts, the use of resources and toxic materials and to improve energy efficiency, recyclability, degradability, and disposability.

• **Fire Resistant and High Performance Cable for Fire Safety Systems (F-FR-830, NFR-830)**

This product is used to supply power and signals to firefighting equipment in houses, apartments, buildings and factories. The level of fire resistance for this product meets IEC's test standards on complex fire environment and flame temperature (830°C).

Fire Resistant and High Performance Cable for Fire Safety Systems (F-FR-830, NFR-830)



• **Fire Safety Cable for Offshore Plant**

This cable for power supply and control has fire resistant and flame retardant features. This product is developed for offshore plants. It can withstand the heat as high as 1,000°C as for fire resistance, and it has acquired Cat. A grade for flame retardance. It is the product to enable power supply and signal to firefighting and disaster prevention equipment such as emergency power, fire alarms, sprinklers, and toxic gas ventilator for more than three hours. Our fire safety cable for offshore plant that can withstand heat up to 1000°C has obtained a quality certification from overseas.



Fire Safety Cable for Offshore Plant

**Eco New Product** Eco New Products are the driving force for the future growth to build an eco-friendly infrastructure such as new renewable energy and the green industry. They can be developed through the innovation of existing products or creation of new markets, and then are expected to generate revenues.

• **Overhead Conductor Rail (Rigid Bar : R-BAR) System for Conventional Rails**

A lot of electric trains that collect their current from overhead line use a device such as a pantograph. It presses against the underside of the lowest contact wire. R-BAR system is holding the contact wire and offering significantly lower installation heights thereby reducing the cost of civil engineering works. It was first introduced and imported to domestic market in

the early 1990s. However, after we firstly

developed this system in Korea, our product has been used including Songdo~Incheon, and Seongnam~Yeoju line.



Overhead Conductor Rail (Rigid Bar : R-BAR) System for Conventional Rails

• **Submarine Cable Fault Location Technology**

As submarine cables play an important role in power transmission from offshore wind farms to the mainland or from the mainland to insular areas, fault location technology is expected to be critical in operating, managing and repairing cables. In order to identify approximate fault location, two technologies are mainly applied: Murray Loop and; Time Domain Reflectometry or TDR, which measures the distance to fault location by using the time that a signal travels back to the original point. At the 'pinpointing' stage, once approximate fault location is identified, a search coil or acoustic sensor is used to pinpoint accurate location. We constantly make efforts to secure technology to locate and restore the cable failure in a speedy and accurate manner.

# Our Activities and Responsibilities

We strive to promote stakeholder values by closely analyzing the impact of corporate activities and products on the society and stakeholders throughout the entire lifecycle, and by maximizing positive impact and minimizing negative impact.

## 01 Raw Material Procurement

**Activity** We make a purchase of raw materials for cable manufacturing such as electrolytic copper, aluminum, and compound.

**Responsibility** Shared growth with suppliers through supports and cooperation

**200** partners



**Suppliers** Domestic and overseas companies supplying raw materials and other materials, energy and water used for production, and other services

## 02 Productions

**Activity** We design, develop, manufacture and supply cable system solutions in 9 domestic factories and 7 overseas factories.

**Responsibility** Competency development, wellbeing and safety of employees

**2,129** employees

**160,268** tCO<sub>2</sub>e of greenhouse gas emissions



**Employees** Workforce conducting the business activities of LS C&S



## 03 Uses

### Activity

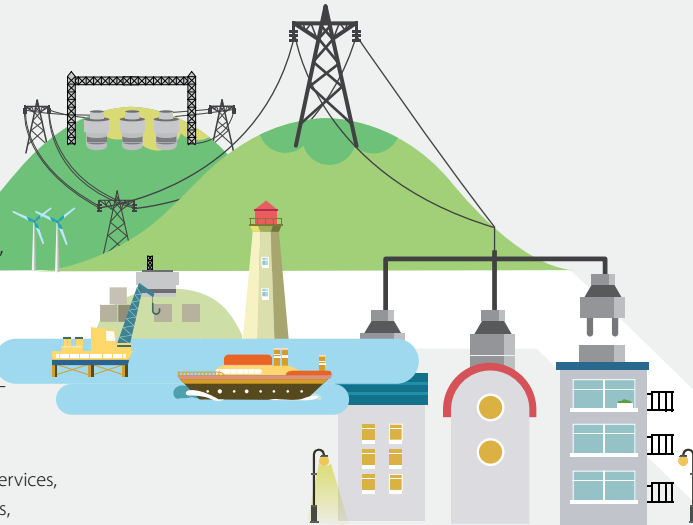
We provide our cable products and solution in places where there is a need for energy and information such as power generation, transmission and distribution, telecommunication, equipment operation, and transportation.

### Responsibility

Contribution to establish power & communication Infrastructure, Customer satisfaction, Local community development



**Customers** Those who use our products and services, including electric power authorities, telecommunications service providers, network operators, construction companies, ship builders, and equipment manufacturers.



## 04 Reinvestment

### Activity

We make a continuous R&D and capital investment for sustainable innovation and growth.

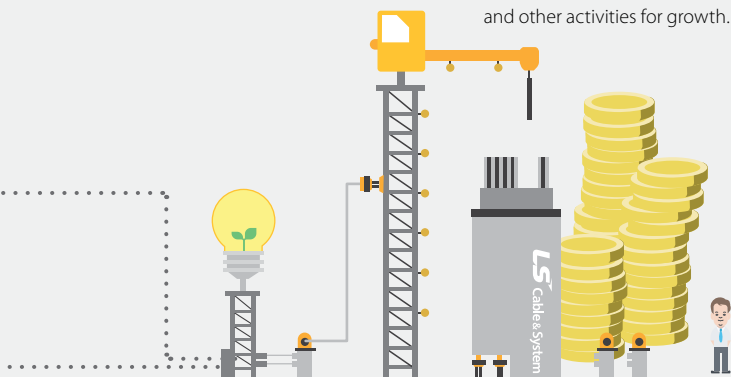
### Responsibility

Shareholder value enhancement

**22** million worth of R&D investment



**Shareholders and Investors** LS Corp., a holding company, and individuals and institutional investors who have the company stocks or bonds. They have invested capital that the company needs for capital investment, R&D, business operations and other activities for growth.



## 05 Activities of Corporate Citizen

### Activity

We comply with laws and contribute to the society.

### Responsibility

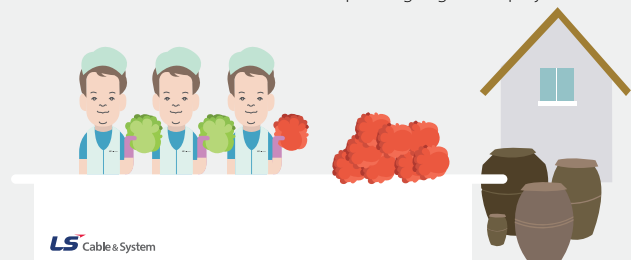
Contribution to the industry development by building energy infrastructure and making social contributions



**Government** Governments and public institutions providing legal standards and systems to ensure that we are operating our businesses in a stable way.



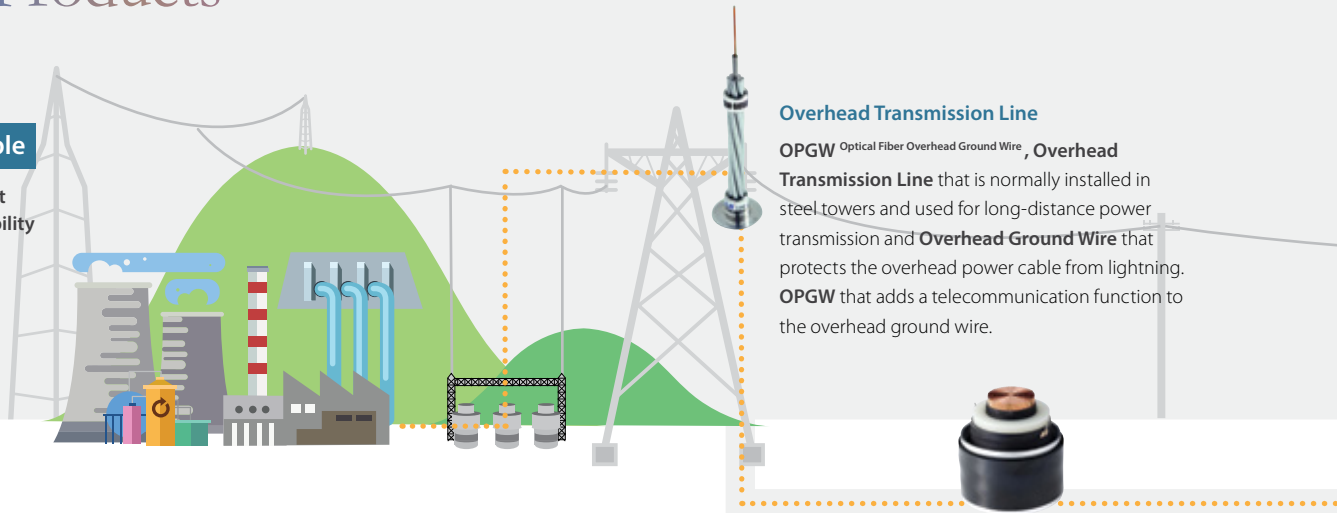
**Local Communities** 4 domestic production sites in Anyang, Gumi, Indong, and Donghae, 7 overseas production sites, and other worksites operating large-scale projects



# Our Products

## Energy Cable

Used to transmit power with stability and efficiency



## 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.

## Extra-high voltage cable

that efficiently transmits massive quantities of electrical power with the voltage of over 154kV

## Telecommunication Cable

Used to build info-communication networks



## FTTA Fiber To the Antenna

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

## FTTH Fiber To The Home

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



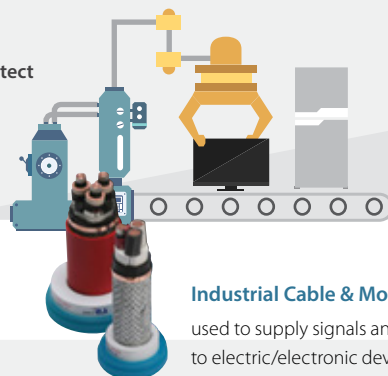
## Optical Fiber/Optical Cable

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



## Industrial Cable

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

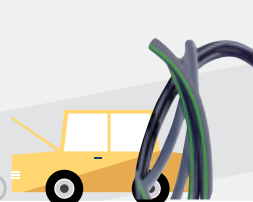


## Industrial Cable & Module

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

## Automotive Cable, Connector & Harness

used to provide power to all devices required to drive vehicles



## Military Cable

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

### Busduct System

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

### Superconducting Cable System

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

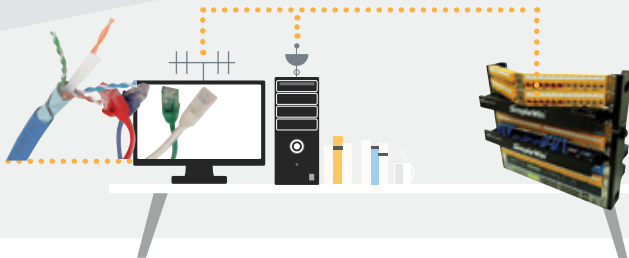


### Power Distribution Cable

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

### Submarine Cable System

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



### LAN Local Area Network Cable System

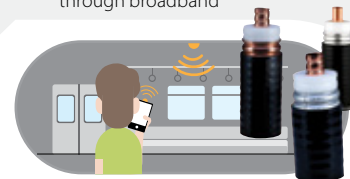
allowing a high-speed telecommunication network in limited geographic areas

### Integrated Wiring System

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

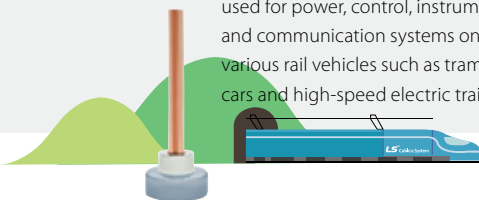
### Coaxial Cable

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



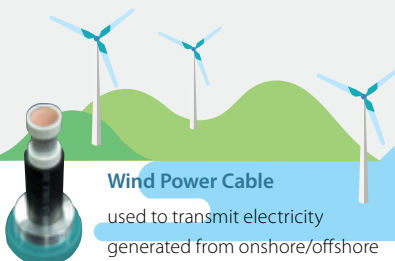
### Rolling Stock Cables

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



### Wind Power Cable

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



### Marine and Offshore Cables

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







ISSUE 01



ISSUE 03

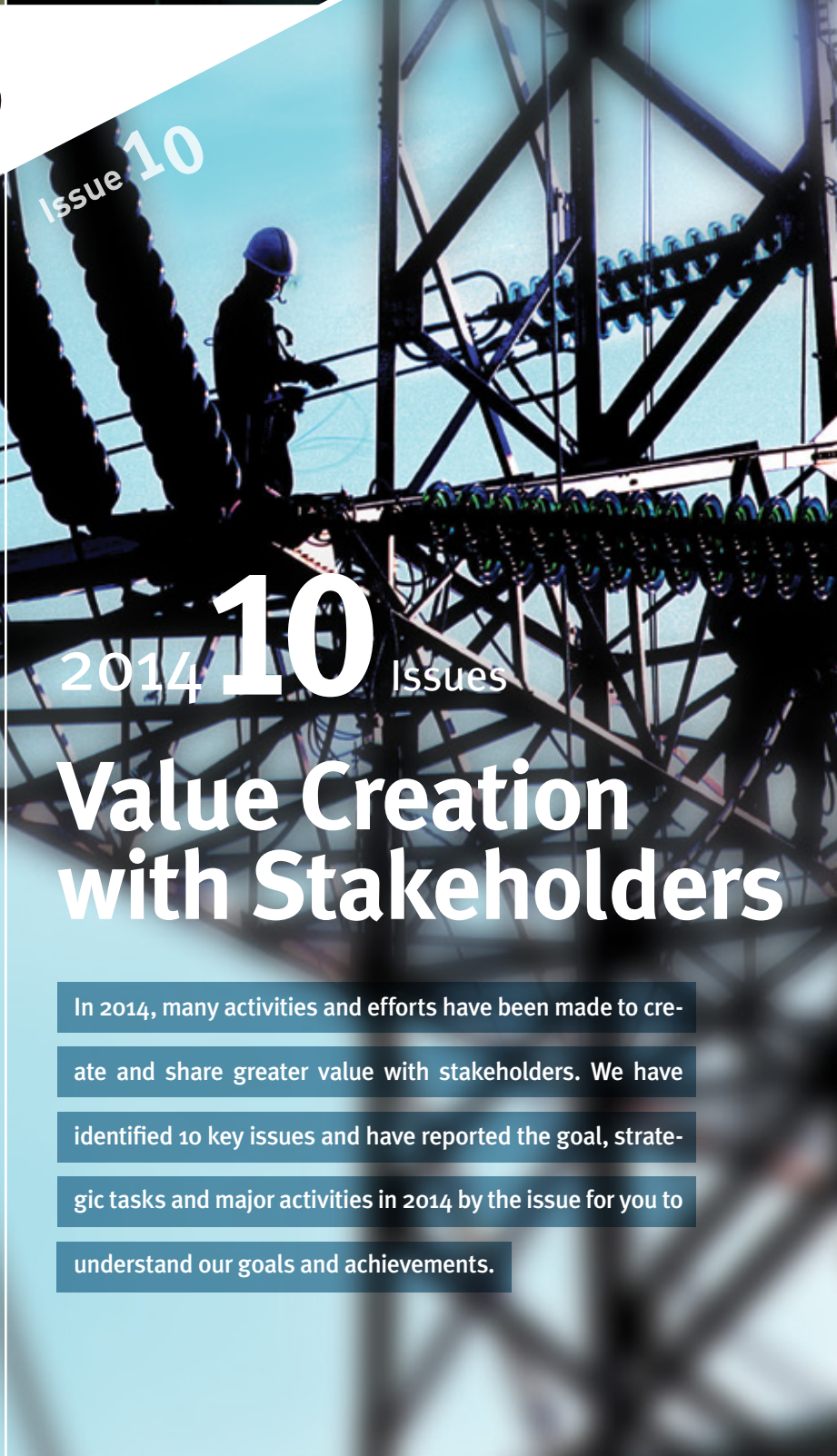


ISSUE 05



ISSUE 04





2014 **10** Issues

# Value Creation with Stakeholders

In 2014, many activities and efforts have been made to create and share greater value with stakeholders. We have identified 10 key issues and have reported the goal, strategic tasks and major activities in 2014 by the issue for you to understand our goals and achievements.



# Issue 01

## Economic Value Creation

As the global economy and the domestic demand continued to slow down, companies suffered from a downturn in their businesses in 2014. Under such difficulties, we focused on strengthening our competencies rather on external growth by improving management efficiency, nurturing future growth businesses, and innovating our business portfolio with an emphasis on customer values. As a result, we saw an improvement in our financial structure and profitability. We will continue to enhance the profit structure and manage risks to create more values, thereby contributing to stakeholder values.

### OUR COMMITMENTS

We focus on strengthening business capabilities and improving management efficiency to create and distribute more values and ultimately contribute to the social development

### GOAL & STRATEGIES

In order to distribute values to stakeholders and to continue the virtuous cycle of value creation and investment, we will strengthen our business capabilities by expanding the profitability of major businesses and by producing results in new businesses. In addition, efforts will also be made to enhance the financial structure and manage risks, thereby making the company healthier.

#### Goal

To improve the soundness of management structure

#### Strategic Tasks

##### 1. Enhancing Business Structure

- To produce results in new businesses
- To increase the profitability of major businesses
- To create a synergy with overseas subsidiaries

##### 2. Improving Financial Structure

- To strengthen financial soundness
- To enhance asset efficiency

##### 3. Managing Risks

- To conduct phased risk prevention activities
- To respond to risks in a speedy manner

## Major Activities in 2014

- Revenue (in million USD) : 3,116 (Consolidated : 3,667)
- Operating Income (in million USD) : 83 (Consolidated : 93)
- Debt Ratio : 279%
- Credit Rating (for Corporate Bond) : A+ (conducted by Korea Ratings and by Korea Investors Service)

## Plans in 2015

- To achieve more than 5% of operating profit ratio
- To gain and expand profits in new business
- To make the portfolio of flagship products by sales branch or subsidiary
- To strengthen cooperation with overseas subsidiaries

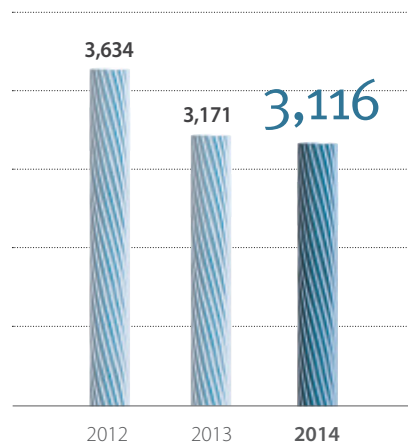
## Values Created

In 2014, sales reached USD 3,116 million which was reduced by USD 55million from the previous year. The main reason was a drop in product prices due to the decreased copper price and exchange rate. As product prices are linked to copper prices to certain degree, the declining copper prices since 2011 have led to the downward trend of sales. Moreover, as the overseas sales has accounted for about 50% of our business, sales has been reduced due to the stronger won. Copper prices have greatly impacted the cable manufacturing company's sales and its profitability, accounting for more than 70% of cable production cost. The average price of copper LME in 2014 was \$6,860 per ton, a 6.4% drop from \$ 7,326 in 2013. And the exchange rate of Korean won against US dollar decreased KRW 42 from KRW 1,195 in 2013 to KRW 1,153 in 2014. Operating income in 2014 decreased by USD 45 million to USD

83million over the previous year mainly because risks have increased by USD 21 million year on year and because domestic sales in construction and in telecommunication businesses has dropped due to the sluggish market in these areas. Pre-tax profit was reduced by USD 2 million to USD 38 million for the same time period due to decreased operating income and increased risks, in spite of reducing interest cost through an effort to enhance the financial structure. As of late 2014, the total amount of assets was USD 2,368 million, which increased by USD 35 million from the previous year. The main reason was an increase of account receivables due to a rise in overseas sales. During the same period, total debt decreased by USD 109 million to USD 1,743 million and the total amount of equity rose USD 143 million to USD 625 million. As such, the financial structure of the company has greatly enhanced.

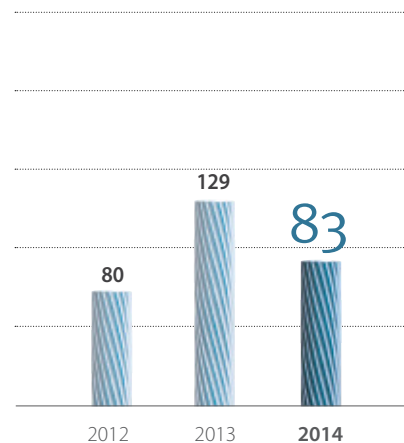
### Sales

Unit : In million USD



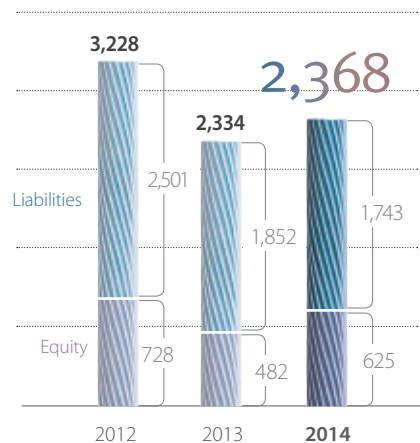
### Operating Income

Unit : In million USD

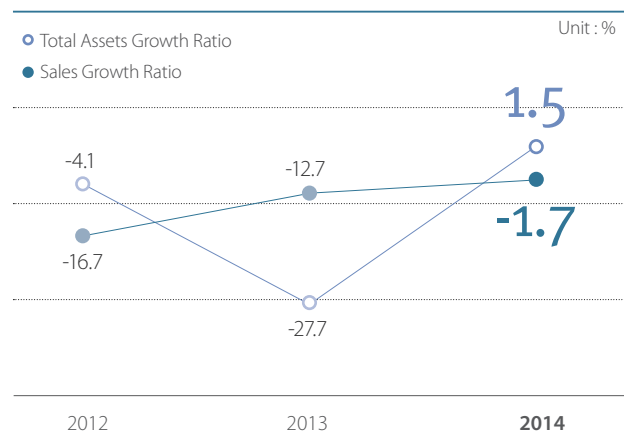


### Assets

Unit : In million USD

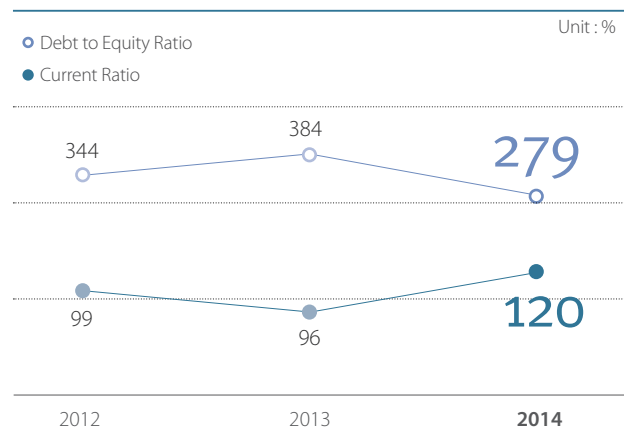


## Growth



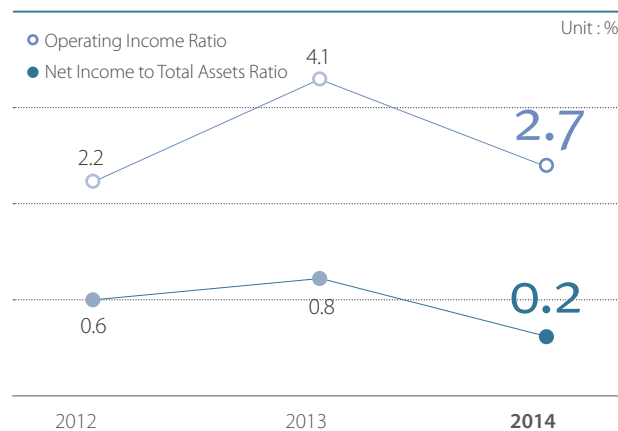
As copper price has been on a steady downward trend since 2011, the growth in sales volume has slowed down across the cable industry. We aim to maintain the growth of nominal sales with high value-added products based on technology leadership, market diversification and an increase in overseas sales. As of the end of 2014, total assets increased by 1.5% year on year. In particular, current assets significantly rose by 6%. The main reason was a significant rise in construction-related bonds due to increased overseas orders.

## Stability



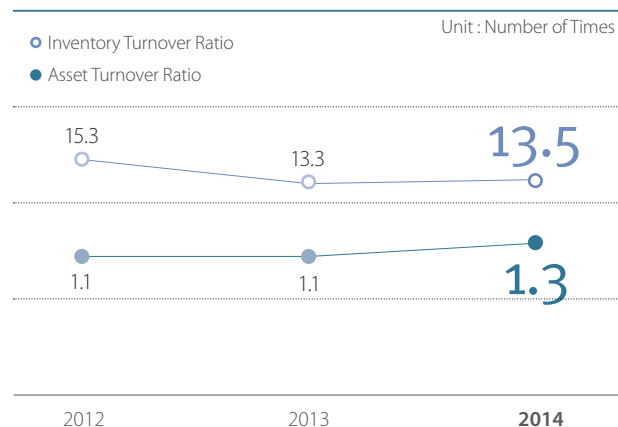
As of the end of 2014, current liabilities were USD 1,202 million which decreased USD 218 million over the previous year. The current assets achieved a year-on-year increase of USD 82 million to reach at USD 1,444 million, which led to a rise in current ratio. During the same period, total liabilities were USD 1,743 million, USD 625 million for total equity, and 279% for debt-to-equity ratio, which showed a significant improvement in financial structure over the previous year. Such results were mainly attributable to the pre-tax profit of USD 38 million and to the paid-in capital increase with consideration by USD 141 million in 2014. We will continue our best efforts to expand profitability and improve financial structure.

## Profitability



As the real economy shrank due to the global economic crisis, operating income ratio fell by 1.4%p. In addition, as increased risk caused by large-scale projects at home and abroad raised provisions, pre-tax profit was also reduced. We will strive to improve profits by producing results in new and existing major businesses. At the same time, we will conduct activities for internal innovation such as cost saving efforts and for proactive risk management so as to increase profitability.

## Activeness



As we actively conducted activities for internal efficiency such as reducing resources with low efficiency and recovering overdue debts despite the decrease in sales, the asset turnover ratio was increased. Non-current turnover ratio rose from 2.8 times to 3.3 times, in particular. As for inventory asset, it was reduced 5% year on year as the early production volume for large-scale overseas projects was recognized as sales and some of the old inventory was disposed of. Accordingly, inventory turnover rate was slightly raised from 13.3 times in 2013 to 13.5 in 2014.

## Future Plans

As for the year 2015, it is not expected to see a significant improvement in business environment compared to the previous year because a slowdown in global economic recovery delays the investment in infrastructure, which has a great impact on the demand in cables. Such circumstances may further intensify the competition and worsen the profitability. Internal and external risks also exist. Although the business prospect is not bright, we will enhance the competitiveness of our major businesses including extra-high voltage and submarine cables to improve business and financial structures. We will also manage internal and external risks exhaustively to maintain profitability. In order to produce results in new businesses and develop a new market, R&D and quality management activities will be strengthened and sales strategies based on customer values will be further promoted. In regards to low-value added businesses, their product portfolio will be re-shaped for better performance. Cooperation with overseas subsidiaries will be strengthened to optimally operate them as base for overseas businesses and to quickly respond to customers.

### Global Business Environment Outlook in 2015

#### Sluggish Global Demand for Cables

The demand for cables had steadily declined from 2011 to 2013. In 2015, however, it is expected to see a slight increase to have a 3.8% of growth.

#### Limited Rise in Copper Price

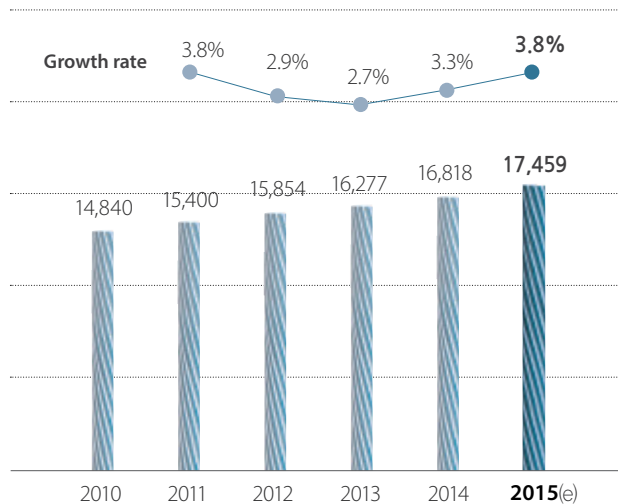
Copper price has continued to decrease due to the forecast of over-supply and to the delay in the economic recovery of China and Europe. Major global institutions expect the price to average \$ 6,500 per ton in 2015, which would be a slight increase compared to 2014.

#### Limited Rise in Won-Dollar Exchange Rate

Eased monetary policy seems to continue due to the sluggish economic recovery and deflation concerns in emerging countries and in the eurozone countries. However, US economic recovery, which is faster than others, is expected to make the dollar stronger.

### Global Cable Demand \*

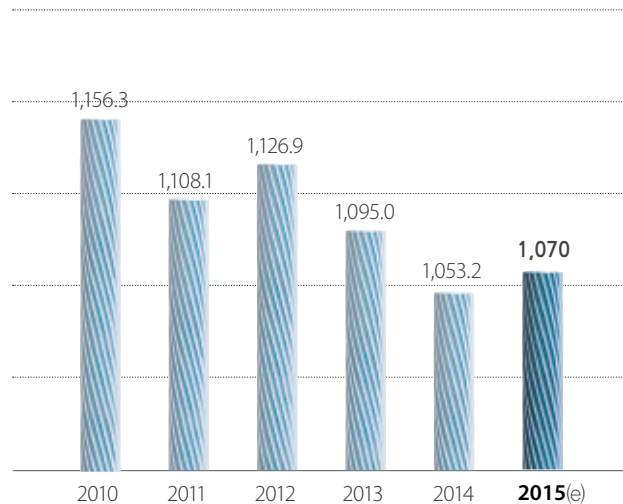
Unit : 1,000 tons



\* CRU

### Exchange Rate of Korean Won against the US Dollar \*\*

Unit : KRW/USD



\*\* Bank of Korea, Bloomberg



# Issue 02

## New Technology & Product Development

Research and Development is a source or a driving force not only for the growth of a company but also for the development of the society. Cables, in particular, are the blood vessels and nerves for the society. Therefore, to keep the society healthy, cable technology should be secured in order to convey energy and information in a stable and efficient manner wherever necessary. We are concentrating our energy on technology development to develop not only high-quality products but also differentiated products that meet the social changes such as an increased energy demand and business area expansion to deep sea.

### OUR COMMITMENTS

We pursue customer-oriented research and development by connecting everywhere to sea, land and air with cables based on power transmission and telecommunication technology, thereby making people's life more convenient and prosperous.

### GOAL & STRATEGIES

We have developed core products and technologies by business and leading products with market feasibility, and secured development quality. Based on these efforts, and performance, we will strengthen our business competitiveness and customer values.

#### Goal

To focus on the development of core technology and products and to promote R&D results.

#### Strategic Tasks

##### 1. Nurturing New Businesses

- To develop new technology and products in order to respond to future business opportunities
- To develop key new businesses and stabilize production

##### 2. Enhancing Customer Value by Strengthening Core Competitiveness of Products

- To improve core features of products
- To develop differentiated products that meet customer requirements



## Major Activities in 2014

- R&D investment : USD 22 million
- Obtained the certification for 500kV HVDC MI Cable by the KERI
- Successfully developed the test product of steel tube control umbilical cable

## Plans in 2015

- To make R&D investment: USD 25 million
- To obtain certifications for HVDC and super extra high voltage cables
- To develop a portfolio of key products for each global site

## New Business for the Future

### DC 500kV MI Cable

We have developed a 500kV HVDC MI cable and became the first in Korea by obtaining the certification of Korea Electrotechnology Research Institute (KERI). DC power transmission has advantages in the interconnection of electricity grid in countries and in the distribution of large-capacity power over long distances such as new renewable energy as it has less power loss than AC power transmission. Accordingly, there is a need for the development of large-capacity and long-distance HVDC cables for HVDC power transmission. We have conducted R&D to develop and commercialize core technologies for HVDC cables. As a result, our HVDC MI Kraft cables were applied to lay submarine cables between Jindo and Jeju in Korea, and to replace old cables in Denmark. Also, our DC 500kV MI PPL cable has high dielectric strength and low permittivity, it is suitable for high capacity power transmission.

#### What is MI Mass Impregnated Cable?

It is a paper insulation cable whose insulation layer is composed of insulation paper (Kraft or PPL) and high viscosity impregnation compound. As there are no oil supply facilities for this product unlike for an OF cable, there is no need for repair and maintenance. In addition, the number of connecting parts in cables can be minimized depending on impregnation facility capacity. Therefore it is more stable than a XLPE cable in long-distance cable system.

#### Product Advantages

The maximum temperature allowed for cables has increased to 80°C due to PPL paper application as insulating material. Higher maximum temperature for conductors enables large capacity power transmission with smaller conductor, thereby making transmission line design and cable manufacturing more economical.

### Steel Tube Control Umbilical Cable

We have succeeded in developing the first prototype of steel tube control umbilical cables in Korea, and are now preparing for its performance test. This cable used in offshore plants is the product developed by the support of the Korean government and by the private investment as part of the national project. It has been designed and manufactured accordingly for the sea environment. It is composed of two LV signal cables, six hydraulic control lines and four chemical injection lines. Cradle and shaped fillers have been applied to make its exterior and components compact and symmetrical so that they effectively bear the mechanical load at sea.

#### What is Umbilical?

Submarine oil field is developed using 'subsea structure', in oil reservoir. 'Umbilical' is a general term for cables used in marine engineering. It connects subsea structure and marine plants such as FPSO Floating production Storage & Offloading (FPSO), for power supply, hydraulic control, chemical injection and signal sending. Components are bundled in the form of cable. An unborn baby receives oxygen and food through the umbilical cord. As such, this 'umbilical' cable plays a critical role in operating subsea structure as the umbilical cord does to the baby. This product is an essential for deep sea resource exploration and development project. However, precise preliminary review and a high level of design and assessment competencies are required to develop this product as there many things to be considered such as temperature, water depth, tide, wave height and weights.



### Superconducting Cable

Since we started to develop a superconducting cable of AC22.9kV 50 MVA and 120 MVA through a national R&D project in 2001, we have developed AC 154kV 600MVA, AC 154kV 1GVA, and DC80KV 500MW superconducting cable. In particular, our success in developing DC 80kV superconducting cable in 2014 has made us the first company to have both AC and DC superconducting systems in the world, which has proved our technical prowess to the world. The superconducting cable system is a new power transmission product and developed successfully by five countries only: US, France, Denmark Japan, and Korea. As the international test standards for the system have not been established yet, we have developed the system in accordance with the test standards of CIGRE. In particular, after we conducted a type test, a special long term reliability test has been taken to predict and guarantee the long life of the system. After the system development was completed, the demonstration has been carried out in actual power grid to prove its reliability and stability during its life period. In order for this system to have 'ZERO' electric resistance, a cooling system is a must. The cooling system helps to keep the inside temperature of a system below - 200°C to maintain superconducting states. We are the only supplier enabling to provide superconducting cable system and optimal cooling system together.

#### Product Advantages

The superconducting cable system is the next electric power transmission product. As it enables the large-capacity energy transmission with low voltage and with high efficiency, it is suitable to replace transmission lines in big cities which have difficulties in extending them, and to replace overloaded lines. Moreover, there is no power loss during transmission due to its characteristics of superconductivity. If the same transmission voltage with existing cables is used, its transmission volume will be 5 to 10 times higher than that of existing cables as for AC, and more than 10 times for DC. For these technical advantages, it can provide a powerful solution to extend power transmission capacity in urban area where there is no more available space to install more cables without any civil works. And also, if there needs to construct new tunnel to new cables, superconducting cable can be reduced tunnel size below 40% than existing copper one due to its bulk transmission capacity. This product is 100% recyclable and environment-friendly which does not propagate electromagnetic fields to the outside of cables.



## Product Core Competitiveness Improvement

### Flexible PVC FA Cable with Low Airborne Particle Emission

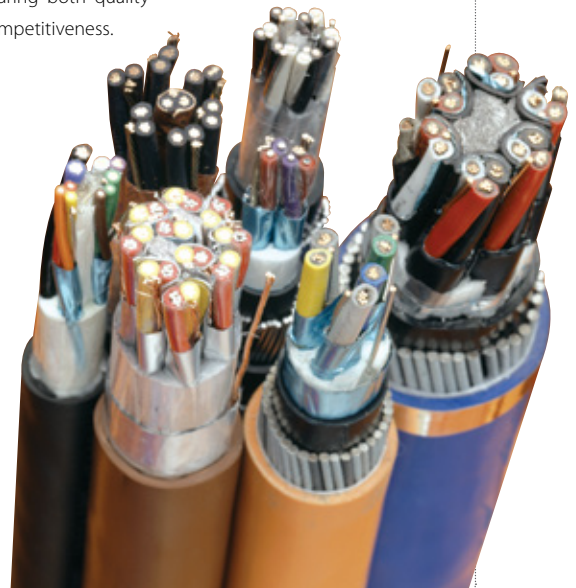
We have developed a PVC FA cable with high reliability. It does not emit airborne particles even with a constant friction when the cable is used for a long time period. The cable is designed to be used in the clean room which requires the highest level of cleanliness like in the LCD production line. It has acquired a Class 1 certification from IPA as a result of the test based on ISO 14644. Along with mechanical properties at high level of performance, as it has an excellent flexibility which makes cable pulling easier, it is expected to be applied to a range of factory automation areas.

#### What Is FA Cable?

'FA' stands for factory automation and it is a general term referring to the system that enables to operate unmanned factories and automate production management by using automation systems or industrial robots. FA cables deliver signals among equipments related to factory automation. They also are applied to the moving part of the equipment and make repetitive movements. In this regard, they are often called as robot cables. For the FA cables applied to the moving part of the equipment, in particular, durability is critical because they are constantly exposed to various stressors such as repetitive bending and twisting movements, and frictions.

#### Product Advantages

This newly developed cable has realized the features of abrasion resistance and flexibility, overcoming the limitations of existing PVC FA cables. In addition, this PVC-based product has satisfied the level of mechanical features and flexibility of TPU, thereby securing both quality and price competitiveness.



## All Dry ADSS Fiber-Optic Cable

As we have developed All Dry structured ADSS All Dielectric Self Supporting cable, which enables long-distance cable pulling, for the first time in the world, we have obtained the certification on the IEEE 1222 standard. ADSS cables, which are installed overhead between electric poles and transmission towers for telecommunication and power lines, should be lightweight and highly durable in order to endure the vibration and wobbling by winds. Water swellable yarn is applied to our products instead of jelly materials. Its loose tube is composed of polypropylene (PP), which makes the product 15% lighter than existing products, thereby making cable pulling easier. Its maximum pulling distance between transmission towers is 500 meters. This product also has passed the long-term reliability test by an authorized institution outside the company. Our Dry PP Loose Tube ADSS is being used in Mexico and Argentina, steadily expanding the global market share.

### What Is All Dry Structure?

In this structure, water swellable yarn or tape is applied instead of jelly materials for waterproofing cables. It is an environmentally friendly product with jelly material removed which makes pulling time reduced and prevents the contamination of cables.

### What Is ADSS Cable?

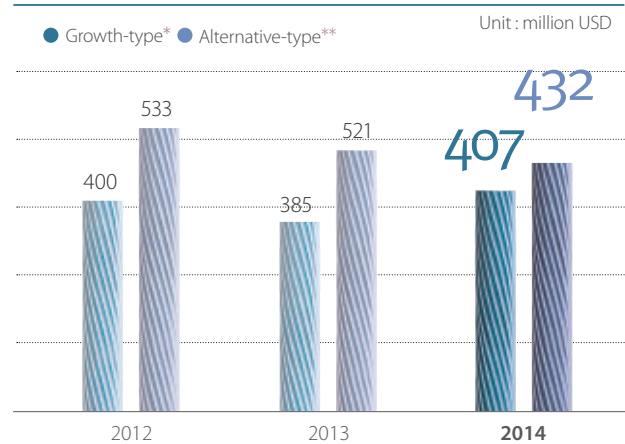
This fiber-optic cable which does not contain any metal substances at all is installed between electric poles and transmission towers for telecommunication and power lines. It is able to maintain its role with a safety feature against electric induction and lightning.

### Product Advantages

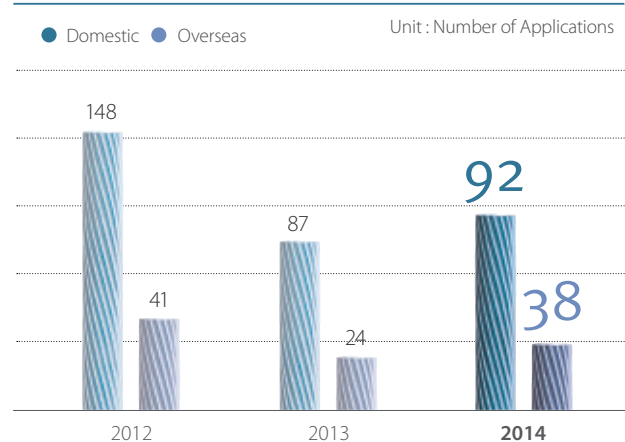
As for existing cables, jelly material is used inside the loose tube for waterproof purpose. As a result, jelly has to be removed first to install cables and connect optical fibers. Water swellable yarn is applied instead of jelly materials to All Dry products. Therefore, by using All Dry products, jelly does not need to be removed and there are no concerns over contamination by jelly anymore. At the same time, it has the same level of waterproof feature with existing ones. In addition, bending characteristics has been improved by using PP Polypropylene in loose tube, which makes the product lighter than existing products, thereby making cable installing and transportation easier. Our All Dry PP Loose Tube ADSS products, to which such feature is applied, make a long-span pulling up to 500 meters possible.



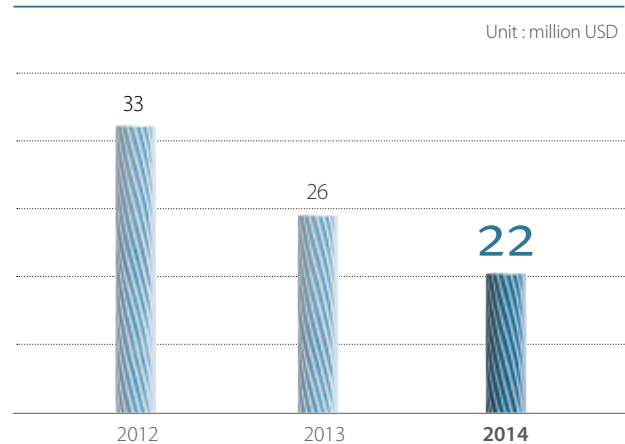
## New Product Sales



## Patent Application



## R&D Investments



\* Growth-type New Products : New businesses, new products, or products developed for new purposes which are different from those of existing products

\*\* Alternative-type New Products : Products which modify the design, improve features or expand specification of existing products



# Issue 03

## Quality and Product Liability

In order to use power and telecommunication for everyday life and for industrial infrastructure in a more convenient and efficient way, the quality of cables should be secured to ensure the stable transmission of energy and information. We are clearly aware of the importance of cables at the present and in the future. We will continue to conduct enterprise-wide quality management activities in order to meet the higher level of technology, credibility, convenience, and eco-friendliness, thereby strengthening the trust of stakeholders.

### OUR COMMITMENTS

We provide products and services that meet customer expectations and needs anytime, anywhere and under any circumstances.

### GOAL & STRATEGIES

'Customer First' is one of our core values under the new vision. Complying with this principle, we will always act from the perspectives of customers and should provide the best products and services to meet their needs.

#### Goal

To grow as a global leading company  
by acting from the perspectives of customers  
and by providing the best quality products

#### Strategic Tasks

##### 1. Optimizing and Complying with Quality Process by Product Group

- To establish a quality process optimized for each business by analyzing related laws, and customer requirement on usability

##### 2. Improving, Managing and Maintaining CTQ

- To maintain the level of Cpk to 1.33 or higher for CTQ through a technology development and cooperation between related divisions

##### 3. Preventing Defects by Securing Assessment Technology

- To ensure long-term reliability in association with the technology roadmap
- To secure credibility of new evaluation equipment

##### 4. Assuring Outsourcing Quality

- To manage the distribution of quality due to diversified supply sources
- To promote the compound quality management activities

##### 5. Ensuring Construction Quality Process

- To internalize the capability of project quality management

## Major Activities in 2014

- Acquired the quality certification for the four main business areas
- Conducted a total of 66 Six Sigma activities to improve CTQ
- Assessed quality risks and conducted improvement activities for 24 major projects
- Carried out a total of 22 activities to secure assessment technology
- Stabilized the quality of compound
- Established the quality assurance system in construction business

## Plans in 2015

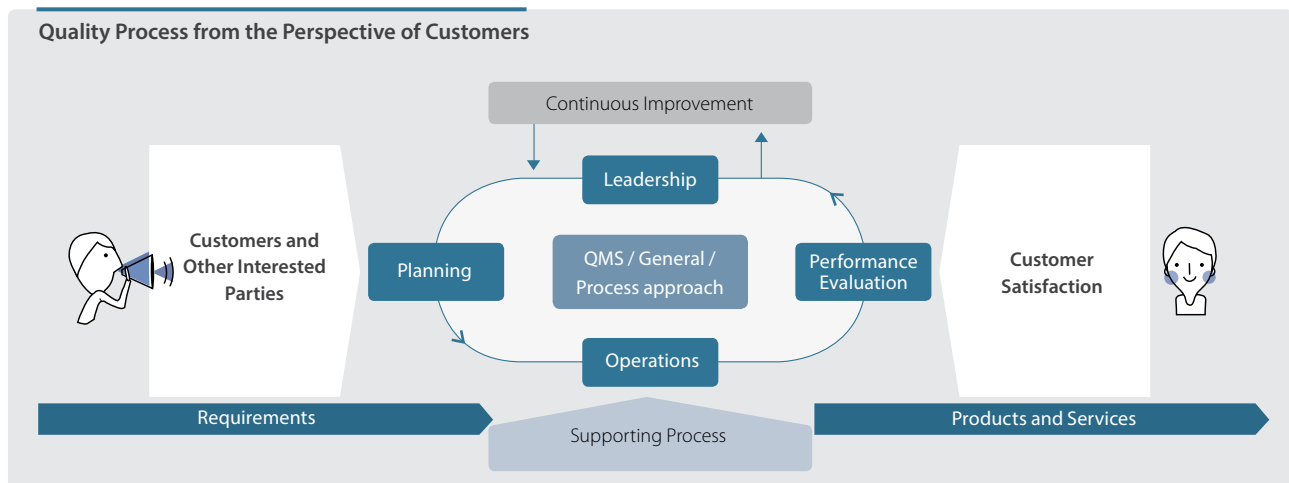
- To maintain major quality certifications
- To establish a enterprise-wide quality risk management system
- To continue Six Sigma activities
- To share failure cases in quality management: issuance of lessons learned cards
- To carry out tasks to secure assessment technology
- To revise the quality evaluation criteria for suppliers
- To conduct quality audit of construction sites

## Optimized Quality Process by Product Group

In order to operate the optimized quality management system considering the characteristics of each product group, we have identified and reflected application environments, VOC, legal and regulatory requirements and global standards. The followings are the international quality standards that we are certified to:

<b>Energy Transmission</b> ISO 9001, KEPIC	<p>The quality system has been checked through an internal inspection in accordance with the quality management policies of our customers at home and abroad. In 2015, we plan to apply risk management to all requirements and conduct activities to improve the quality assurance system so that quality is managed in line with the company's goals and circumstances.</p>
<b>Construction</b> ISO 9001	<p>In order to establish the quality assurance system for construction business, including the manual for the construction site manager, subcontractor management, and joining equipment management, related standards have been revised. In 2014, we were re-qualified for the ISO 9001 certification.</p>
<b>Automotive Cable</b> ISO/TS 16949, ISO 9001	<p>The ISO / TS16949 certification, an international automotive quality management system, has been acquired for automotive cables. We have been actively engaged in product safety activities to comply with the product liability act and end-of-life vehicle directives required by the German Automotive Industry Association, or VDA. As a result, we have obtained the 1st Tier qualifications from our clients BDNT and RSM, and 2nd Tier qualifications from VOLVO and Hyundai Motor Company.</p>
<b>Telecommunication</b> TL9000, ISO 9001	<p>With regard to products for telecommunication, we have renewed the certification in line with the revised TL 9000 R5.5. Updated areas for the certification renewal include strengthening the risk assessment and changing management systems and securing the traceability of test and inspection records.</p>

### Quality Process from the Perspective of Customers



## CTQ Management and Improvements

CTQ, which stands for 'Critical to Quality', is the most important factor in the characteristics of a product or service in order to satisfy customer requirements. To improve CTQ, we have identified critical customer requirements, or CCR, by listening to customer feedbacks. We have also identified CTQ by product and by process and have been conducting improvement activities. As for the selected CTQ, collaboration is made with Technology Development division and related divisions in order to achieve 1.33 or higher of Cpk\*. A task-

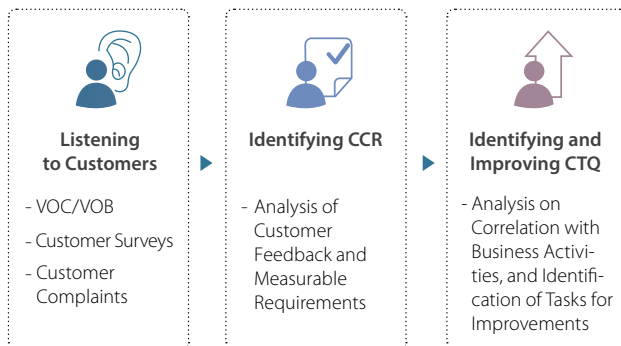
### Six Sigma Projects

66 projects

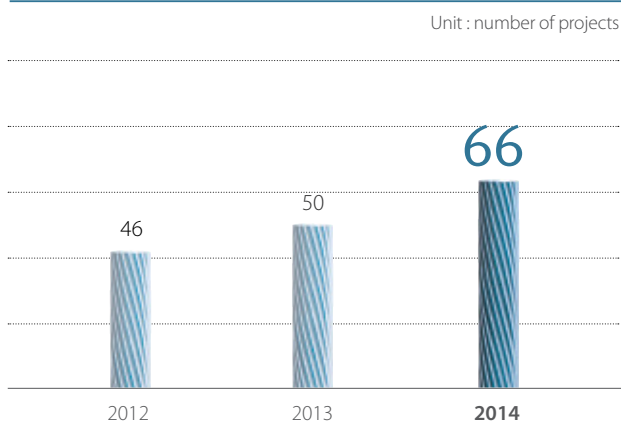
force team is set up, if necessary. In addition, task activities applying the Six Sigma methodology are being made to improve and maintain CTQ. Six Sigma activities are conducted in all CTQ-related organizations such as R&D, production, and sales, helping them to resolve issues in a systematic and fundamental way. In 2014, we carried out a total of 66 Six Sigma activities, which helped us to see an improvement in product development and quality. Already-completed tasks are still being managed to maintain their CTQ.

\* Cpk : It is an index indicating the level of quality changes for a product or service that is made under the managed process.

### CTQ Improvement and Management Activities



### 2014 Six Sigma Projects



## Securing Assessment Technology

We have assessment technology required for a long term reliability test and electrical and material tests to provide products suitable from the customer perspectives and for the application environments, thereby winning the trust of customers. In addition, efforts have been made to develop alternative characteristics, which is a method to use alternatives in inspecting quality to prevent defects in processes. Assessment technology refers to a technology evaluating whether the performance of a product is maintained when it is used as intended for a valid period. We have identified assessment technology we need considering our product roadmap, reflected the technology in the technical roadmap, and secured the technology in accordance with the company's mid- and long-term plan. Moreover, we have standardized evaluation methods and optimized evaluation equipment so as to enhance the reliability and credibility of assessment technology.

22 projects  
for Assessment  
Technology

- **Standardization of Evaluation Methods** : We have standardized the evaluation methods and criteria for both the quality assurance team and suppliers. Redundant inspections have also been integrated.
- **Optimization Evaluation Equipment** : We have strengthened the feasibility test on new equipment and have secured Gage R&R by analyzing measurement systems. Since the measuring device management system (MDMS) was built, we have checked and enhanced the devices on a regular basis to ensure their availability.

### 2014 Activities for Assessment Technology

Energy Cable	<ul style="list-style-type: none"> <li>• As concurrent test ability has strengthened in qualification tests, testing capabilities for long-term reliability have been secured. (5 ▶ 6 Loop)</li> <li>• X-ray detection power has improved in the non-destructive inspection for epoxy insulator.</li> <li>• FJ &amp; OFJ assessment technology at 132kV has been secured</li> <li>• Capability to verify gas-tight to meet IEC standards and customer requirements has been secured.</li> <li>• The accuracy has been enhanced for the assessment on the telecommunication performance of naval shipboard cables.</li> </ul>
Industrial Cable	<ul style="list-style-type: none"> <li>• Sheath strip force in talc-applied cables has been standardized.</li> <li>• Technology to evaluate extreme fire resistance (1000°C) and shock or water spray fire resistance (BS EN 50200) has been secured.</li> </ul>



## Outsourcing Quality

There has been an increase in outsourcing in order for companies to diversify their businesses and to respond to customer requirements in a timely manner. Accordingly, quality assurance activities on outsourced products have become increasingly important. In 2014, our research centre took the initiative and conducted task force activities to improve the quality of outsourced compound in order to stabilize the distribution of its quality because the compound is one of key raw materials for products. As a result, its quality has been enhanced and such efforts have led to process improvement.

In 2015, we will completely re-examine the evaluation criteria for suppliers and the supplier registration procedures so as to eliminate potential quality risks.

## Construction Project Quality Process

Quality improvement activities from the perspective of '4M' have been conducted in order to ensure construction project quality. '4M' means man, material, machine and method of operation. In 2014, in particular, as for construction on land, the standards on the manual for the construction site manager, on subcontractor management and on joining equipment management have been revised in order to establish the quality assurance system. By doing so, the ISO 9001 certification has been renewed.

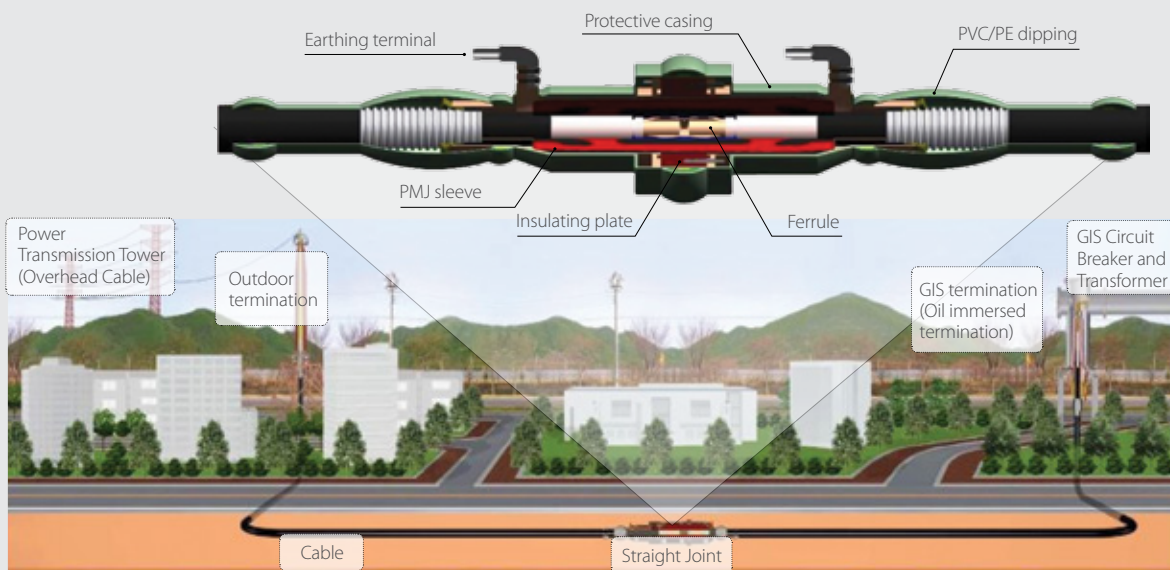
As for undersea construction, we have established and have been operating the quality process. We plan to internalize the quality management system and detailed guidelines for future projects at an early stage. At the same time, quality experts in the construction sites will be nurtured for quality maintenance.

### 2014 Quality Control Improvement Activities in 2014 : Activities to verify joint box /accessory quality of extra-high voltage cable

In an effort to prevent business risks by identifying potential risks and verifying the quality creditability in regards to five extra-high voltage cable accessory including PMJ, EBA, EBG, EBO and a link box, a taskforce consisting of technical experts in technology development / production / quality division was set up. The taskforce conducted activities to verify the suitability of extra-high voltage cable Accessories / materials / parts and it confirmed the stability of transmission lines to which our materials and parts were applied.

As for the cases since 2007 such as design and 4M changes, accident history, and feedbacks from construction sites, the root-cause investigation history and inspection status were reviewed. And then the level of risk by case was assessed through the discussion of in-house experts in the areas of quality, design, manufacturing and technology development. As a result, they selected a total of 29 cases as verification targets, including 13 cases for PMJ, 7 for EBA, 7 for EBG/O, 1 for link box, and 1 for quality system. When they were verified, 8 cases were categorized as quick-win item and 21 as detailed verification item.

In regards to the results of verification activities, actions have been taken to maintain and manage the results by reflecting them in the company standards and by signing an inspection agreement with material and part suppliers. A thorough analysis on accidents and 4M changes and a meticulous verification of the impact between materials and parts will be conducted so as to secure the reliability of transmission lines.

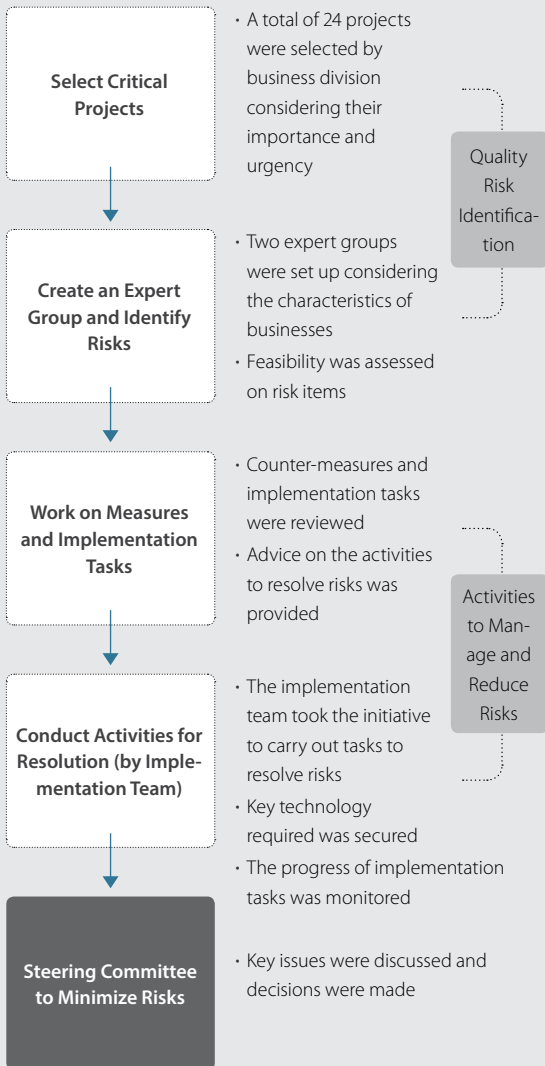


## Major Achievements in 2014

### Management of Potential Quality Risks

We identified potential quality risk factors in each stage starting from design and development. In order to proactively respond to potential risks, a task force team was created to minimize the risks of new projects or products. The team reviewed the progress of important projects. As a result, we achieved the 'zero' rate of quality failure for those projects. The study on the failure cases found that one of the main reasons for failure was a lack of activities to identify risks and take improvement measures before prototype production. To resolve this, we actively provided support including an expert group support for the feasibility assessment of risk items and for the activities to resolve issues.

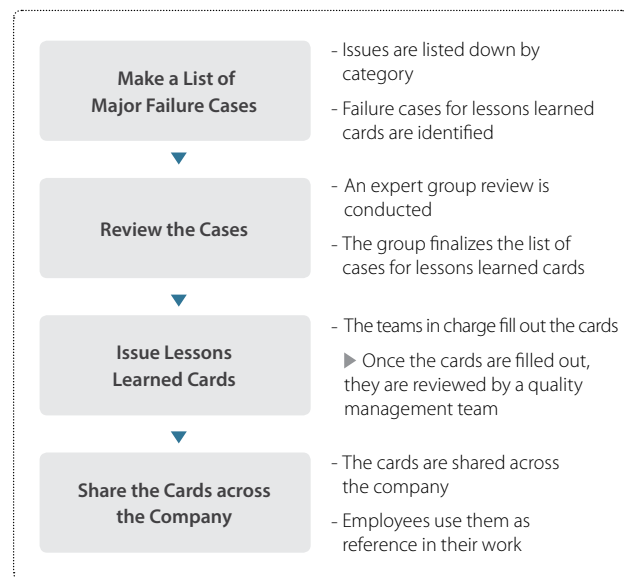
#### Risk Management Activities



## Plans in 2015

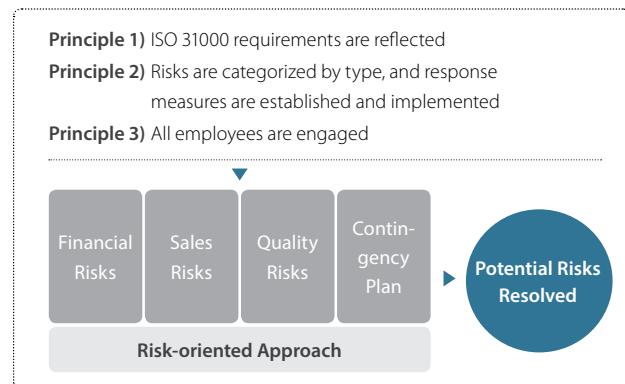
### Issuance of Lessons Learned Cards

We plan to issue a 'Quality Lessons Learned Card' to learn a lesson from our failure cases and prevent similar quality issues from re-occurring. Analysis results and lessons learned from the case are recorded on the cards. The cards will be distributed to worksites in the areas of sales, design, production and quality management so that employees share the information and use it as a reference in their work. In particular, the shared lessons and the checklist should be reflected in the design review process in which the feasibility of product development, design, and production plan is reviewed.



### Establish Enterprise-wide Risk Management System

A company-wide risk management system will be established so that employees are aware of the importance of risk management, consider risks in their work and all business activities, and proactively respond to potential risks.



Interviews

## 'Enhancing Competitiveness in Quality', the First Step to Realize Customer Values

### Quality teams' plans to provide customers with differentiated values

**Doo-Han Lee**  
Tem Leader

In the production process, the same quality problems occurred at different times in different worksites. If the measures to prevent the same issues from re-occurring had been shared at an enterprise level, we would not have seen such loss. Moreover, we would not have disappointed our customers. This year, an enterprise-wide quality management system has been established to prevent the recurrence of the same issues. As we learn a lesson from failure, the system enables us to share the quality issues at different worksites and how they were resolved across the company. If this system takes a firm root in the company, this quality management know-how will become another asset of the company.

**Han-Su Jo**  
Tem Leader

As our company considers quality as the most critical value, it is committed to never compromising on quality. In the past, we took out products to deliver them to customers if they meet internal standards and customer requirements. Starting from this year, however, we have set more stringent standards internally. If products do not meet them, those products are not allowed to be taken out. Such efforts show our strong commitment to higher quality.

**Doo-Sung Shin**  
Tem Leader

We have produced product after closely checking whether they meet customer requirements and whether there are any issues violating the company's management regulations. However, we are now applying higher standards not allowing any exception, which clearly shows our strong commitment to quality.

**Chung-Mean Kim**  
Tem Leader

We should put our importance not only on technical quality required by customers but also on 'emotional' quality for our end-users. 'Emotional' quality includes the quality in exterior, colors, and textures of products. We are working hard not to miss small details in order to meet our customer's needs.

Quality management &  
Environment planning Team Leader  
**Doo-Han Lee**

Telecommunication &  
Industrial Cable Quality  
Assurance Team Leader  
**Chung-Mean Kim**

Quality Audit Team Leader  
**Doo-Sung Shin**

Energy Cable & System  
Quality Assurance  
Team Leader  
**Han-Su Jo**



# Issue 04

## Shared Growth with Suppliers

Cooperation strengthens the competitiveness of a company and of its partners. As the enhanced competitiveness also creates a synergy, competencies of our partners and mutual cooperation with them are where our competitiveness starts. In the long term, we will make better products by establishing a partnership with leading suppliers. A fair and transparent procurement process will be made so that we and our suppliers as a partner grow together. At the same time, we will support them for their sustainable development.

### OUR COMMITMENTS

We establish a collaborative network based on mutual trust through fair trade with suppliers.

### GOAL & STRATEGIES

We ensure the base for fair and transparent transaction activities in order to realize a fair trade. A practical support will be provided to contribute the development of our suppliers. To this end, we comply with fair trade guidelines, and strive to eradicate unfair practices in transaction processes. In addition, we reflect the needs and feedbacks of our suppliers to provide support with them.

#### Goal

To establish a culture of share growth

#### Strategic Tasks

##### 1. Providing substantial supports for suppliers

- Financial support
- Technical support
- Educational support
- Support of 2nd tier suppliers

##### 2. Establishing Fair and Transparent Procurement Process

- To comply with four major guidelines on fair trade
- To secure fairness in all procurement processes from supplier selection to price negotiation, contract, payment, and evaluation
- To implement the price - sliding system

##### 3. Enhancing Communication with suppliers

- To disclose the information on price changes in raw materials
- To establish a grievance mechanism including an Unfair Practice Reporting Center



## Major Activities in 2014

- Complied with four guidelines on fair trade
- Conducted internal audit of fair trade practices with suppliers on a quarterly basis
- Provided educational support for suppliers: 308 people from 167 companies
- Increased purchase price: USD 4 million
- Provided no-interest, no collateral loan to suppliers : USD 3 million

## Plans in 2015

- To monitor fair trade guideline compliance
- To continue an internal audit of fair trade with suppliers on a quarterly basis
- To provide educational support for supplier partners : 400 companies
- To continue to implement the price sliding system
- To strengthen the support for 2nd tier suppliers
- To consider sustainable management in evaluating suppliers

## Supporting Activities

### Financial Support

We offer zero-interest, no-collateral direct loans to support our suppliers who need investment into new technology, facility expansion, and plant relocation by creating USD 3 million worth of the fund. In 2014, USD 3 million worth of loan was granted to 16 companies to help their investment and stable operation. In addition, we created a mutual cooperation fund of USD 36 million in partnership with Hana bank in June 2012 so that our suppliers have an access to loans at low interest rates. In 2014, 21 1st suppliers and 24 2nd suppliers have received loan support through the mutual cooperation fund. The loan balance as of the end of 2014 is USD 22 million for 45 companies. We also have created a network loan to reduce the interest rate of the loans for suppliers.

### Technical Support

To help suppliers develop their technology competencies, we support them in terms of research & development and technology protection. In 2014, we conducted two joint development projects. We also completed a total of 8 patent applications with joint technology license with suppliers in order to motivate them to develop and protect technology.

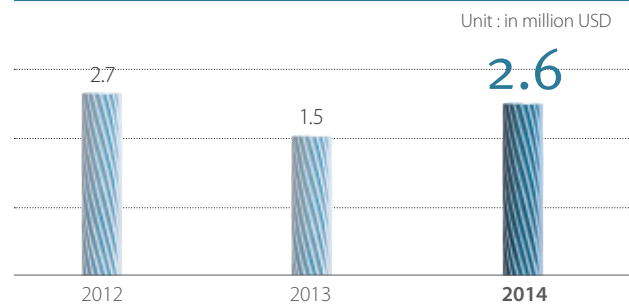
### Educational Support

We are providing a range of programs for our suppliers to meet their educational need. Job competency program has been provided, and educational sessions to comply with the laws on subcontracting and on fair trade have also been held in order to raise an awareness of suppliers on fair trade. In 2014, a total of 308 from 167 companies including 1st tier and 2nd tier suppliers have attended the sessions.

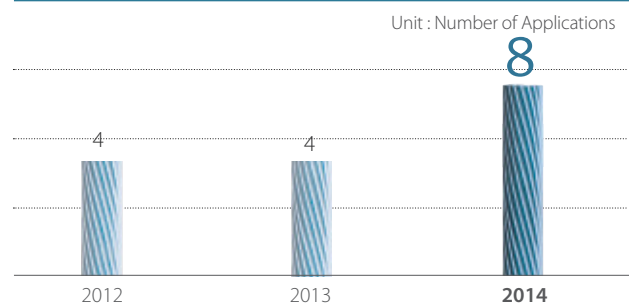
### Support of 2nd Tier Supplier

We disclose purchase price adjustment information at [www.lscable.co.kr/corporate/corporate02.asp](http://www.lscable.co.kr/corporate/corporate02.asp) so that 2nd tier suppliers get benefits from purchase prices adjusted by 1st tier suppliers due to raw material price changes.

### Zero-interest Direct Loans

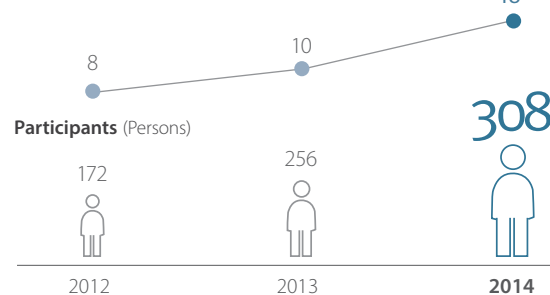


### Joint Patent Application

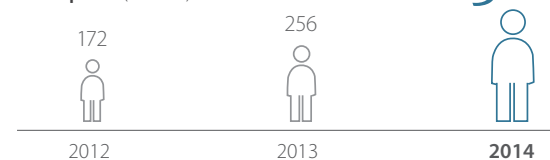


### Educational Support

#### Educational Sessions (Number of Sessions)



#### Participants (Persons)

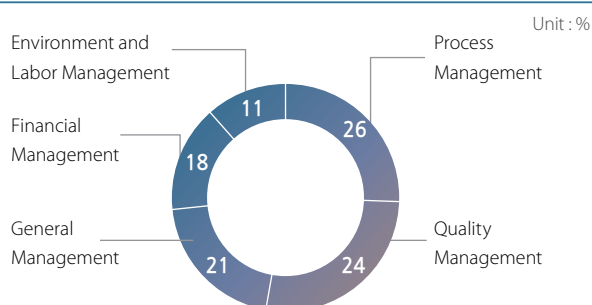


## Fair and Transparent Procurement Process

### Selection of Supplier

In order to make the selection of suppliers and contract process fair and transparent, all processes from bid application to evaluation and to final selection are managed in our E-Procurement system at <http://epro.lscable.com>. If there are changes in the selection criteria, it will be notified 45 days prior to the implementation of changes in accordance with the company rules on supplier selection and management. Once any suppliers who want transactions with us joins the membership of the E-Procurement system and submits an application, we evaluate their competency based on the submitted documents and on-site inspection results not only on its production capability, product quality and price but also on its overall management in terms of workplace safety, eco-friendly management, compliance with laws, talent development, and ethical management. Evaluation results are notified to individual applicants in writing within 15 days from when suppliers are finally selected.

#### Selection Criteria



### Price Negotiation

We negotiate prices with our suppliers to agree on a reasonable price by considering the general market trend and conditions in terms of quality, quantity, specification, delivery, and raw material prices. Otherwise any acceptable reasons, cutting prices without valid reasons is prohibited. In addition, our revised standard subcontracting contract enables our supplier to file for purchase price adjustment at any time. If they have valid reasons for adjustment, the contract price can be adjusted by mutual agreement within 30 days (it can be extended by 30 days) from the date of the application for price adjustment.

### Contract

The contract includes the following transaction details in accordance with the standard contract: payment; payment methods; purchase price adjustment conditions due to raw material price changes; product delivery and; inspection. In principle, the signatures of the contracting parties should be included in the contract. We ensure to keep major transaction details with suppliers in writing.

### Inspection

After delivery and services are completed, a confirmation document is issued and an inspection is performed in accordance with the pre-agreed standards and procedures. We establish the inspection rules and prescribe the inspector's duty and due diligence. Our policy prohibits returning supplied goods without valid reasons.

### Payment

We have standardized the payment terms so that our suppliers operate in a stable way. As for manufactured goods, we make a payment within 45 days after goods are received or an invoice is issued. In addition, as we have expanded the cash payment, payment is made in cash for less than USD 0.3 million worth of transactions. For more than USD 3 million of transactions, payment is made in cash or cash equivalents such as loans on receivable collateral. In 2014, our cash payment rate was 44% and the cash equivalent payment rate was 100%.

Cash Payment Rate

44 %

### Evaluation

To enhance the competitiveness of our suppliers, we evaluate quality, price, delivery, and services on a regular basis. It is composed of three stages; EG\* classification; QCDS evaluation on quality, costs, delivery time and service, the level of cooperation and; reflection of results. As a method to enhance objectivity and fairness of the evaluation, we apply different weights in consideration of the characteristics of business and materials. We also give an additional point for the achievement made as a result of mutual cooperation with 2nd tier supplier so as to promote sustainable management. For the areas that fail to meet our requirements in the evaluation, we provide feedbacks and support including consulting service so that they implement improvement measures.

### Price-sliding System

In order to minimize the burden on supplier due to the fluctuations in international raw material prices and in exchange rates, we are operating a price-sliding system, under which the price changes in raw materials are reflected in the payment for purchase. We are procuring copper, which is heavily used and relatively expensive for manufacturing cable products, based on the actual international prices. For petrochemical materials, price adjustment is being made depending on the changes in the international oil prices and in exchange rates. In 2014, we have increased purchase prices by USD 4 million in total, according to the system and by the request of suppliers.

USD 4 million  
increase of  
Purchase Price



## Communication

### Listening to Supplier's Feedbacks

We are strengthening communication with our suppliers through a variety of communication channels. In 2014, we visited three suppliers, listened to their suggestions and complaints, and discussed improvement points with them.

### Grievance System

We have established the 'Unfair Practice Reporting Center', a grievance mechanism where suppliers report unfair practices such as oral order, delayed payments, no issuance of contracts, or make complaints. They also present their difficulties and suggestions in the Cyber Reporting Channel in our ethical management website. Anonymity is ensured for the comments received and the person in charge at the center closely checks the comments to resolve the issues raised. Personal information of the reporter and report details are kept confidential.

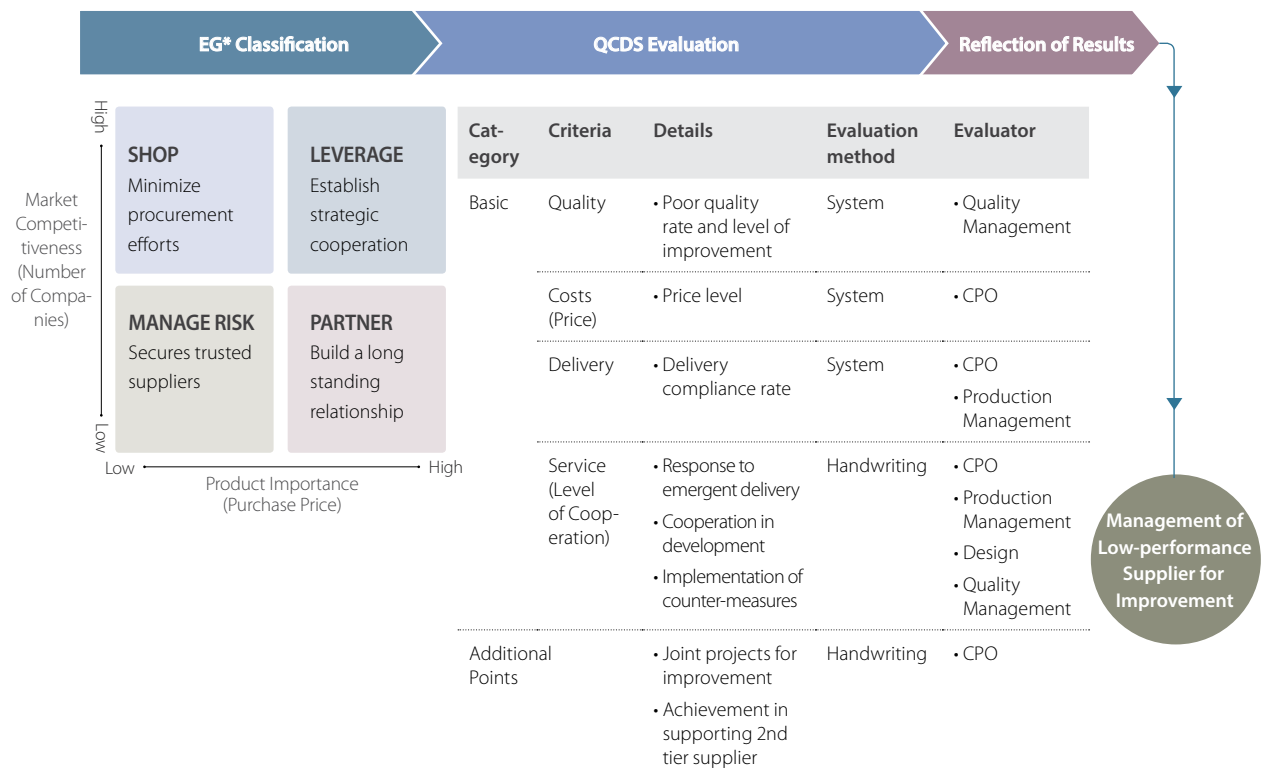
Unfair Practice Reporting Center [winwin@lscns.com](mailto:winwin@lscns.com)  
Cyber Reporting Channel <https://ethics.lscns.co.kr>

## Future Plans

We will monitor the compliance of fair trade guidelines in order to strengthen the fairness in trade processes. At the same time, educational sessions will be held on a regular basis to raise the awareness of our employees. In addition, a range of support programs including financial, technological, and management support will be developed and implemented to help our suppliers to grow more competitive. Our efforts to establish the culture of shared growth will be continued and expanded to 2nd tier supplier partners.

In particular, in 2015 we plan to provide educational sessions tailored to the characteristics of each business type, which will be a practical help to our suppliers. To this end, we are now working on planning company-specific educational sessions. In order to spread the culture of sustainable management to suppliers, we will include environment management, human rights and fair trade in the evaluation areas of supplier, and will put a greater importance on those values. Our co-existence strategies will continue to be strengthened so that the culture of shared growth will take a firm root in our company.

### Evaluation Process



\* EG (Evaluation Group) Classification: Evaluation groups are classified by business type or depending on material characteristics

# Issue 05 Social Contribution

Our new vision, 'Enable the Cabled World' aims to make everyone have an access to energy and information, thereby making the world more prosperous. As part of such efforts, we try to strengthen social contribution to raise the value of local communities, which are the supporting base for corporate activities.

To this end, we are nurturing the talent of our next generation and are engaged in sharing activities with local communities so that the company and the society grow together.

## OUR COMMITMENTS

We improve social contribution activities by establishing a strategic social contribution system so that companies and the society grow together.

## GOAL & STRATEGIES

Our efforts to social contribution are not a one-time event but a long-term commitment to create an environment for local communities to grow, so that the company and the local communities grow together. To this end, we provide educational support to nurture future talents contributing to the development of the energy industry. At the same time, our employees are actively engaged in sharing activities to help the underprivileged in our local communities to overcome difficulties and stand on their feet.

### Goal

To become a partner who grow with future talents and with local communities

### Strategic Tasks

#### 1. Nurturing Future Talents

- To develop educational programs and contents on which our expertise in the industry is reflected
- To Encourage interest in basic science and in the manufacturing industry
- To establish a framework to nurture cable engineering talents in cooperation with the academia

#### 2. Conducting Sharing Activities for Local Communities

- To encourage employees to voluntarily join the sharing activities
- To diversify support by using employee donation fund, raised from monthly salary
- To expand regular exchanges program with local communities

#### 3. Promoting Global Sharing Activities

- To promote LS Undergraduate Students Overseas Volunteers
- To diversify the support for local communities where our overseas worksites locate

## Major Activities in 2014

- Conducted a 'LS Dream Science Class' for children
- Supported LS Undergraduate Students Overseas Volunteers
- Provided a worksite training programs to students in cooperation with academia
- Conducted volunteering activities by employees in worksites.

## Plans in 2015

- To continue the 'LS Dream Science Class'
- To continue support for LS Undergraduate Students Overseas Volunteers
- To conduct national projects in cooperation with universities
- To expand the volunteering activities by employees
- To establish strategies for social contribution activities in line with our group activities

## Nurturing Future Talents

### Business-Academic Cooperation: hands-on training

In order to develop basic science and to nurture talented people in the cable industry, we have established a framework for cooperation with universities and high schools in local society. Our programs enable the students to share information on the power and telecommunication industries and to get on-site trainings. The programs will also lead to employment opportunities, thereby contributing to job creation and ultimately, to the economic development of local communities.

As for the cooperation with high schools, programs for hands-on training are provided to students in technically specialized high schools such as Sudo Electric Technical High School, Geumo Electric Technical High School, Gumi Electric Technical High School, and Gyeongbuk Machinery Technical High School. We also offer a chance of employment for good performing students. In regards to cooperation with universities, we have provided lectures and on-site trainings with Kangwon National University and Yeung Jin College by signing MOUs with them. Since 2012 we have been working with Kangwon National University on 'Job Schooling', an internship program for students majoring in electricity and electronics and in IT engineering by providing lectures on cable system overview, design, manufacturing, and quality management. Through the program, students are also given opportunities to see products and manufacturing processes by themselves in worksites. Our researchers with doctoral and senior level managers who have a rich manufacturing experience have participated as lecturers to provide classes based on theory and practice. Job opportunities are provided to excellent students. Since 2013 after MOU was signed with Yeung Jin College, we have been providing 'a la carte' programs. If the college requests lecturers in the areas such as electrical devices, power systems and electrical installations, we make a curriculum for the college. As a result, educational efficiency has been improved. We will continue our efforts as long-term commitment so that students has a deep understanding of our worksites and are given a job opportunity.

### LS Dream Science Class : electrical science class for children

In 'LS Dream Science Class', which is conducted during the summer and winter vacation periods, college students majoring in science and engineering are giving science classes to the elementary school students as teachers and mentors. Researchers with doctoral and master's degrees and the heads of teams in the company also join as one-day lecturers, making classes more in-depth. This program which includes various scientific experiments and field trips is well received by participants, serving as an opportunity for elementary school students to easily learn science with more fun and as an opportunity for college students to work as mentors for children. The program consists of a variety of scientific experiments in which kids have chances to experience state-of-the-art technology of energy and telecommunication. They are learning scientific principles that are familiar but hard to understand by using the science kit co-developed by the National Academy of Engineering of Korea and our company. In the 2014 science class, in particular, following experiments were conducted: a magnetic levitation train test by using superconductivity technology; a constellation plate making with optical fibers and; electrical experiments with salt water and lemon juice. Those experiments helped students to understand scientific principles on superconductivity, magnetic levitation trains, optical communications. We will continue to provide various scientific experiment programs so that 'LS Dream Science Class' will position itself to become a program with substance for children to enjoy science.

### Organizations Running 'LS Dream Science Class' Program

Region	Organization	Participant
Anyang	Buheoung social welfare center	<ul style="list-style-type: none"> <li>• Three college student mentors</li> <li>• One head teacher</li> <li>• Secretariat : Green Umbrella, a children's foundation</li> </ul>
Gunpo	Maehwa social welfare center	
Gumi	Geumoh social welfare center	
Donghae	Donghae Dream Start	

## Sharing Activities for Local Communities

### Donation from Monthly Salary

Upon the voluntary consent of employees, we are collecting change less than USD 1 from their monthly salary and incentives to raise a fund to make a social contribution. The same amount of money collected from employees is additionally donated to the fund from the company. In 2014, we supported those in need of help, including senior citizens living alone, persons with disabilities, and children living with their grandparents by donating a total of USD 40,000.

### Volunteer Activities in Local Communities

In order to make our sharing activities not as a one-time donation but as opportunities to help local communities stand on their feet, our volunteer groups of employees at each worksite carry out social contribution activities on a regular basis. Their activities are based on the voluntary participation of employees. They are striving to meet the needs of local communities in cooperation with local government, public institutions and welfare centers. A volunteer group called 'Chamsarang Society' of Gumi and Indong worksites has 600 members as of the end of 2014 since its foundation in 1999 and 'Jeongnanum Society' of the Donghae worksite has 200 members since it was organized in 2009. These volunteer groups regularly visit the local welfare centers and do the following activities: house improvement; birthday parties; sports event; free meals; free haircuts; protection of cultural properties; environmental cleanup; fuel and food cost support and; scholarships for child breadwinners. In 2014, the groups delivered home-made kimchi and briquettes to the elderly who live alone.



Supporting Orphanages and Schools (LS-VINA)

## Global Volunteer Activities

### Volunteer Activities of Undergraduate Students

To improve the educational environment overseas and to encourage undergraduate students to have global citizenship, we are running the program for undergraduate students to conduct volunteer activities overseas. This 2-week program is operated during summer and winter vacations. In 2014, a scientific experiment program, which is part of the LS Dream Science Class, has been utilized for children abroad. In Vietnam, efforts have been made to improve school facilities and to operate drawing and science classes for kids, helping them to have a dream for their future in a better environment.

### Social Contribution Activities in Vietnam

LS-VINA, our subsidiary in Vietnam has been supporting for schools located in rural area, for the blind and underprivileged families with donations. PCs and schools supplies are provided to schools in rural area. At the same time, employees of the subsidiary regularly visit underprivileged families, orphanages and the schools for the blind, helping them to have educational opportunities and keep on their dreams. Besides such regular activities, the subsidiary is also supporting local events such as LS-Vietnam national baduk contest, thereby contributing to cultural exchanges with Vietnam.

### Social Contribution Activities in India

Our subsidiary in India, LSCI donated desks to the local elementary school by recycling wood drums. In some elementary schools in India, children are studying lying on their stomach as there are not enough desks for them. LSCI will continue to donate wood drums in order to contribute to improving the educational environment for Indian children.



Donating Desks to Elementary Schools (LSCI)



## 2014 Major Social Contribution Activities

Category	Activities	Beneficiary	Times /Date	Partici- pants	Amount (USD)
Chamsarang Society (Gumi and Indong sites)	Activities to keep the elderly company, Birthday parties, Field days	Aehyang Welfare Home	11/year	90	9,908
	Free meals, Lunch box delivery to the elderly, Kimchi-making events, Residential environment improvement, Briquettes delivery	Gumi social welfare center	13/year	217	16,967
	Sharing activities in New Year's and Chuseok holidays, Family camp	Gumi alcohol center	8/year	37	1,801
	Daily necessities support, House visits, Fuel cost support	Ansa community in Uiseong	12/year	79	1,547
	Free haircuts, Birthday parties, Event support	Seongsim sanatorium, Seongsim nursing home	12/year	93	3,730
Jeongnangum Society (Donghae Operation)	Donation of Fire extinguishers to the vulnerable	Donghae fire station	-	-	1,001
	Donation for the underprivileged	The handicapped & the elderly welfare support centers in Donghae	-	-	80,058
	Support for single seniors and child breadwinners	Bukpyeong-dong community service center in Donghae (USD 100 per month for each of 8 households.)	1/year	5	8,734
	Kimchi-making event	Songjeong-dong community service center and woman's society in Donghae	1/year	20	5,211
	Support of local community events	Mureung festival committee in Donghae	1/year	5	5,186
	Support of the party for the elderly in Songjeongdong	Songjeong-dong senior society in Donghae	1/year	2	728
	Event in celebration of the handicapped	The handicapped association in Donghae	1/year	-	273
	Drawing contest in celebration of the environment	Asia/Pacific environment NGO Korea headquarters	1/year	-	182
	Support to promote soccer in local communities		-	-	637
LS-VINA	Donation for underprivileged family and for house building	Underprivileged family/ Hai Pong federation of labor	1/year	6	7,442
	Support for orphanages and for schools for the blind	Students / Hai Pong federation of Labor	1~2/ year	5	4,710
	Donation of PCs to schools	Students / Hai Pong federation of Labor	1/year	3	4,098
	Support for community events in Hai Pong	Hai Pong city	1/year	-	2,354
	Support for LS-Vietnam national baduk contest	Participants/ Vietnam baduk association	1/year	3	18,840



Kimchi-making event



Residential environment improvement



# Issue 06

## Global Talent Development

Our employees are the driving force behind the growth and development of the company.

Our goal to nurture global talent is for our employees with different backgrounds to be united to achieve the corporate vision. At the same time, achieving the goal of the company should lead to the personal growth and happiness of employees. To this end, we strive to secure and nurture talented human resources and to build a culture of respect and consideration in the organization.

### OUR COMMITMENTS

We secure and nurture global talent who carry out management strategies.

### GOAL & STRATEGIES

To nurture creative and strong talent who are able to realize corporate goals and vision, we strive to secure human resources with potentials who understand our vision, goals and corporate culture, and to nurture them as global talent. To this end, we will make our best efforts to establish an organizational culture in which employees are reasonably rewarded for their performance, a culture in which systematic training is provided to employees based on their goals to develop their capabilities and careers, and a culture in which synergy effect is created through cooperation among employees.

#### Goal

To strengthen competencies by nurturing talent and to establish a new organizational culture

#### Strategic Tasks

##### 1. Securing Talent

- To secure talented human resources for major and new businesses
- To assign employees to jobs considering their capabilities, and maximize performance through job rotation
- Reward employees based on their performance

##### 2. Nurturing Talent

- To establish a training system to strengthen core competencies of the organization
- To develop training programs considering personal aptitudes and competencies

##### 3. Respecting Human Rights and Diversity

- To maintain a balance between work and life
- To establish a partnership between the labor and the management through enhanced communication

##### 4. Build a New Organizational Culture

- To internalize 'LS C&S Way'
- To make programs to invigorate the organization

## Major Activities in 2014

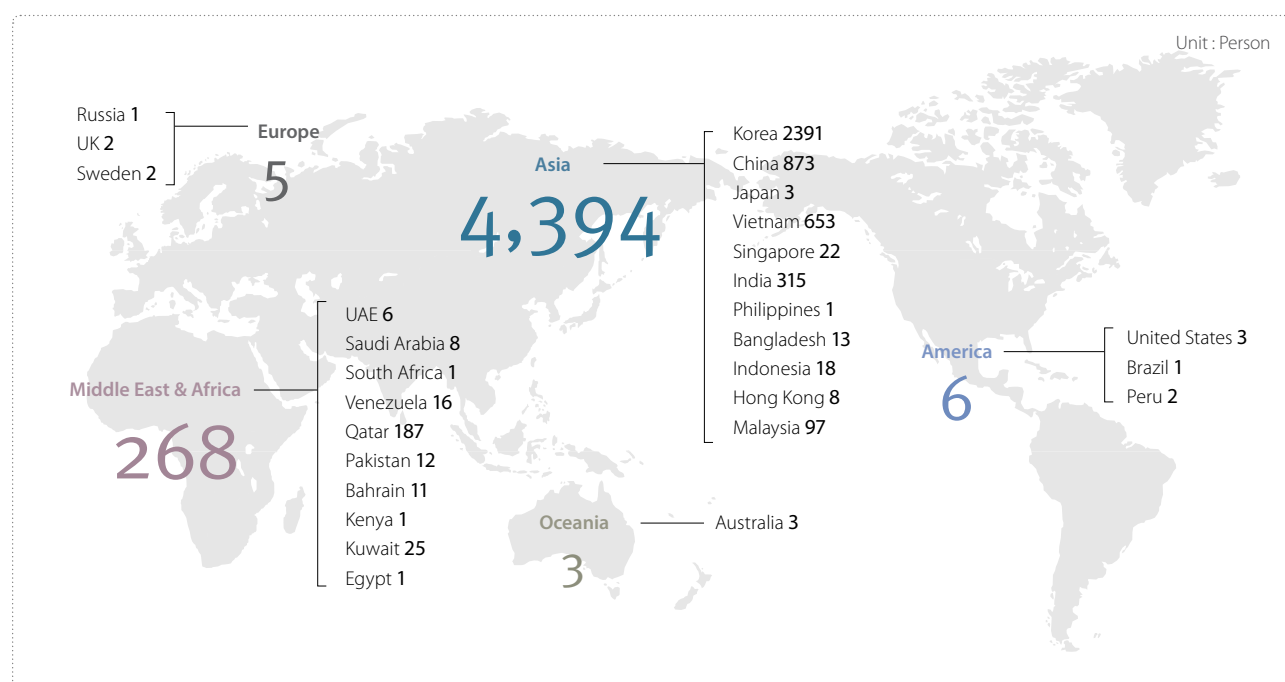
- Enhanced organizational competencies through job rotation
- Published HR guidelines for subsidiaries and expanded supporting activities
- Provided training for overseas subsidiaries
- Conducted LS compliance management training : 'Greater Value Together' and cyber compliance training
- Monitored the status on human rights and diversity respect by worksite, and built a system to prevent the violation of those values
- Built a LS daycare center and expand employee benefits including parental leave.

## Plans in 2015

- To secure talent by job group and to nurture them
- To internalize a new organizational culture and to establish a set of organizational values for employees
- To expand overseas work or training to develop global competencies of employees
- To promote communication between the labor and the management on business goals so as to achieve win-win outcomes
- To conduct activities to internalize 'LS C&S Way'
- To continue LS compliance management training LS : 2015 Greater Value Together for staffs and deputy managers
- To develop a curriculum to foster human resources for engineering marketing

## Our Global Executives and Employees

To secure global diversity and to strengthen local business capabilities, we are pursuing Glocalization (Global + Localization), under which our global capability is in harmony with local expertise. To this end, we give a priority to locals in hiring employees at overseas worksites. We are also recruiting global resources in domestic worksites so as to create a synergy effect between worksites. Foreign employees account for 47% of our company's total employees. As for foreign operations only, they account for as much as 97%. We are providing educational sessions on human rights so that our employees from different cultural and social backgrounds understand each other and respect the value of diversity. In addition, we are also working on the development of our systems by considering the characteristics of each worksite. Our corporate vision and goals are shared across all worksites to help all our employees around the world to be united and go for our common goals. For overseas subsidiaries, educational sessions are conducted for all employees at the worksites.



## Securing Talent

### Recruitment

We recruit talented people who are positive, creative and professional. As our key recruitment criteria are individual's potentials and capabilities, anyone can apply for our company regardless of educational background or gender. Recruitment is made by non-career, by career and by job type under the process of 'a paper screening → a personality and aptitude test → an interview at the working level → an interview by executives'. We want talented people who are passionate about their work and share the company vision. In order to secure talented resources, our executives join information sessions on the company's recruitment every year to share the company vision. Those who are hired as non-career learn about the corporate vision and strategies, core values, and attitudes to work in the cable industry in 'OPEN', an HR training program. We have hired a total of 231 non-career employees from 2012 to 2014, and plan to increase the number for major and new businesses in 2015.

“ You should find the area that you are passionate about and should work for the company in that area, rather than considering an annual salary or the location of a company. Those who want to lay 800,000 volts of extra-high voltage cables, those who want to conduct a research on superconductivity, those who want to develop future communication lines, and those who want to be a great sales person for overseas businesses are the people we LS C&S want to work with. ”

- 2014 Information Session on LS C&S Recruitment -

### Goal-Oriented Performance Management and Reward

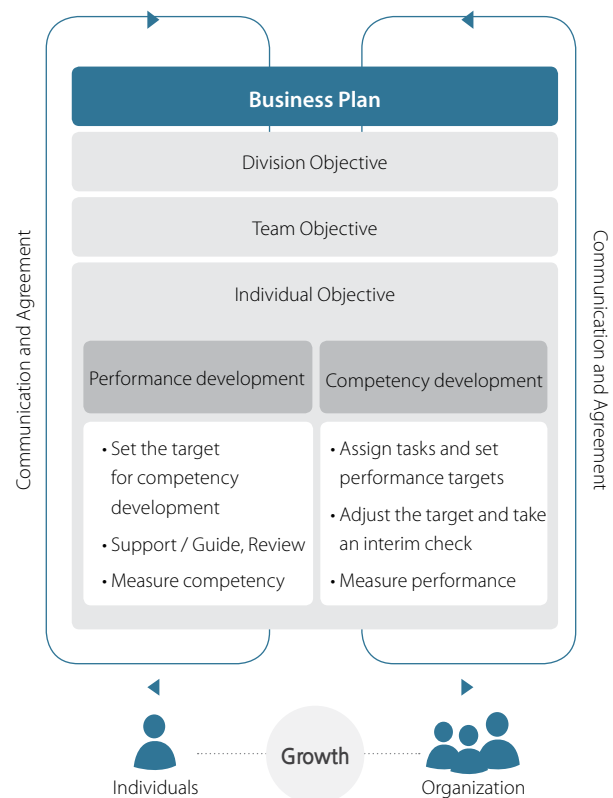
We are operating a strategic performance and competency management system, or SPCM to improve the performance and satisfaction of employees by aligning organizational goals with individual goals. Every year, key tasks are set for each team and division to achieve management goals. Executives and employees set performance targets to conduct the defined key tasks and they establish a competency development plan accordingly. As for the targets, progress is tracked by interviews with supervisors and by an interim check to identify issues in achieving them. In order to evaluate performance in fair and objective manners, evaluation criteria should be disclosed and defined evaluation process should be followed. Evaluation results are notified to individuals, teams or divisions and they can take issue on the results. The characteristics of SPCM are as follows: Organizational goals are aligned with individual performance management; Executives and employees feel more responsible for their work as they join activities to set targets; Executives and employees are more receptive to evaluation results and ; Evaluation is linked to competency development. Reward is made based on evaluation results of both group and individual performance in the form of annual base salary, management incentives and individual incentives.

### Encouragement for Employees with Good Performance

**Overseas Training** In 2014, a total of 74 employees with good performance had the opportunity to attend international fairs and conferences, which gave them a chance to see and learn the latest global trend in the industry and to experience different cultures. We will continue to provide employees with good performance with the opportunity to improve their job competency and satisfaction.

**Reward Based on Performance** For those who have showed a great performance in sales, production, development and support and for those who have conducted activities that have served as an example in creating an organizational culture that the company aims for, we share their achievement at the enterprise level and reward them to celebrate their achievement and motivate others to follow suit. In 2014, each division operated a performance sharing conference and selected 10 people and 6 teams to provide them with awards and overseas training. In 2015, we will give more awards to individuals or teams with good performance. In addition, employees who take the initiative in implementing 'LS C&S Way' will be selected and awarded.

### SPCM System



## Nurturing Talent

### Self-Driven Competency Development

Employees check their competency level and make a self-driven development plan on their own in order to improve competency and develop career. They consult with their team leader to refine their plan and enhance its implementation. Team leaders play a role of mentors by giving coaching and support.

### GVT Greater Value Together

GVT conducted to

**522**  
employees

'2014 Greater Value Together', is an educational session provided for team members to clearly understand 'LSpartnership', the corporate management philosophy and to develop team-specific code of conduct

and activities, so that they act in a more ethical way. It mainly deals with the understanding of LSpartership code of conduct and with the establishing a roadmap for implementation so that team members comply with basics and principles and voluntarily act on them.

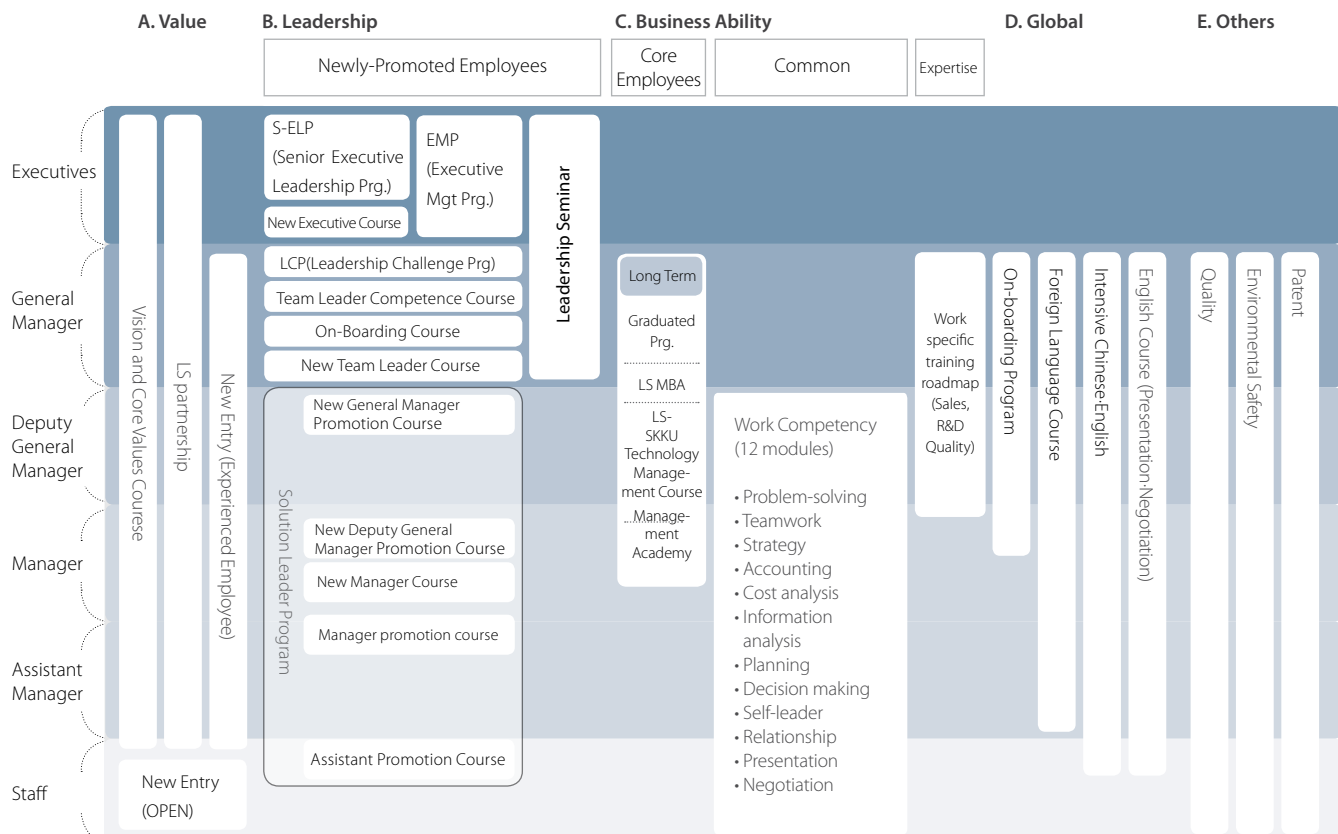
### Cyber Training on LS Compliance Management

As the LS compliance management was newly proclaimed in January 2014, a cyber training to provide guidelines was conducted to help employees to understand compliance management and to implement it in their work. The 6-week training which mainly focused on collusion, subcontracting, anti-corruption, trade secret protection and privacy was conducted to our 1,149 employees and to 151 people from 149 partner suppliers.

### Training on Cable Technology

A training on cable technology aims at strengthening core production technologies. A total of 60 employees from the production and the sales divisions received the training on generic technology and product-specific technology for 8 days. The training was well received by participants as they were able to learn about technologies helpful for their work. In 2015, we plan to expand the curriculum for sales employees.

### Human Resources Development System



## Respecting Human Rights and Diversity

### Corporate Principles for Respecting Employee Rights

#### Human Rights Violation

0

In order to guarantee the basic rights of employees, we respect the Universal Declaration of Human Rights and the International Labor Organization's principles on human rights. The dignity, autonomy and safety of our employees are guaranteed in accordance with our Code of Conduct, Chapter 5. When their basic rights are violated, they can seek help to reporting channels for the recovery for the violation of rights. Any employee who believes his/her rights have been violated can report to the Help Center, the labor union, the grievance channel, and the cyber reporting channel. A grievance mechanism is in place in each worksite, where employees can receive counseling and file a report freely and anonymously.

### No Discrimination

In accordance 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. All employees are given equal opportunities, and reward is made based on performance.

### No Child Labor

In compliance with the Labor Standard Act of Korea 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 verify the identities of employees during the recruiting process.

### No Forced Labor

Our employees work of their free will. We do not force our employees to work at night and in holidays. Working hours are 8 hours a day and 40 hours a week and. If they work at night or in holidays upon prior consent, overtime payment should be made to them. (Employees at manger level are not subject to overtime payment)

#### Code of Conduct, Chapter 5: Company Responsibilities for Employees

##### Treating Employees Based on Abilities and Performance

- We provide employees with equal opportunities for them to improve their competency and we do not differentiate between them depending on academic background, gender, age, or birthplace.
- We establish, disclose and conform to criteria for evaluating the abilities and performance of employees in order to create an environment of fair competition.

### Guarantee of Free Union 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. On a quarterly basis, the management and the union have held the participation and cooperation promotion council to discuss the working environment and conditions. Our labor union was launched in 1976, and has now become the 18th union with 1,012 members. The management and the labor have a mutual respect and cooperate for the development of the company and for the improvement of the working conditions of employees. In particular, any change in labor conditions requires consultation between the management and the labor to prevent the working conditions from being worsened and to maintain employment stability. Based on such labor-management relations, we agreed on the retirement age and introduced wage peak in 2007. In 2014, we have reasonably resolved critical issues related to labor environment, including the agreement to include regular incentives in salary. As a result of such efforts, we have maintained cooperative relations without any labor disputes for the last 26 years since 1989.

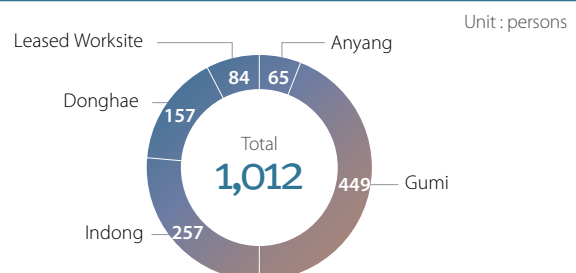
### Regard for Employees with Physical Disabilities

Since machinery and equipment may require employees to be more careful about safety and health, it is true that the ratio of employees with physical disabilities is relatively low. However, as we agree with the purpose of the law on employment promotion and job rehabilitation on the disabled, we are making efforts to provide more jobs for those who with physical disabilities. In the recruitment process, we are not asking applicants to include any information on their physical conditions. After those who with physical disabilities are recruited, we help them to adjust to their jobs through preparatory training.

#### Ratio of Employees with Disabilities

1.4%

### 2014 Labor Union Member Status by Worksite





## Respect for Female Employees

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. As of 2014, female managers account for 2.8% of the total managerial positions. We plan to provide a leadership training program for female managers and provide support such as parental leave and flexible work time in order to nurture competent female managers.

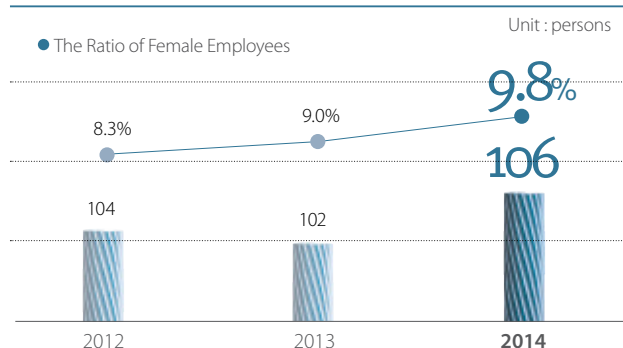
### Efforts to Make a Women-friendly Workplace in 2014

- **LS daycare center in Anyang** : In late 2014, the LS daycare center has been established in the Anyang worksite to help female employees to reduce the burden of childcare and pay attention to their work. Currently, a total of 69 employees are using this daycare center.
- **Parental Leave** : Employees with a child aged six or younger can take parental leave up to one year and they are guaranteed the return to work. In 2014, eight employees took the leave, and two of them were foreign employees and 2 were males, which showed a parental leave benefit was used regardless of gender or nationality.

## Human Rights Protection and Education

In order to raise awareness of employees on human rights, we have conducted educational sessions on sexual harassment prevention education and on human rights. A special lecture on sexual harassment and ethical management is provided to training courses such as the introductory training courses for newly recruited non-career employees and the development course for overseas resident employees. In 2014, we provided training on sexual harassment prevention and human rights for all our employees, and a total of 1,878 of them participated in the training. The Serve One, our security-provider is conducting monthly human rights and ethics training to its employees including 18 in charge of security at LS C&S.

### Female Employees



## 2015 Plan

### 'LS C&S Way' Activities for New Corporate Culture

In order for 'LS C&S Way' to be implemented in the company, we will develop activities in three aspects: leadership and communication; changes in how to work and; encouraging and motivating employees. Firstly, for strengthening communication with leadership, we are preparing a management essay, a message of hope from presidents, and working on a training session and a bulletin board to share LS C&S Way, and core agent (CA) activities. Secondly, for improving how to work, activities to promote job values and cooperation between teams will be conducted. Thirdly, for encouraging and motivating employees, awards will be given to best practices presented in the core value festival, and overseas training programs will be planned for employees with good performance. Lastly, for institutionalization and improvement, HR system and performance KPI will be reflected.

### Securing Key Talent

We are planning irregular recruitment besides regular recruitment in order to secure talented people on time. In 2015, in particular, our recruitment will focus on college graduates majoring in engineering as part of the efforts to enhance our technical competency. We will conduct national policy task or projects in cooperation with universities. In addition, we will give preferential treatment in recruitment to those who have obtained the certification on the education on engineering, which is a government-led certification system.

### 2015 GVT Training for Staffs and Deputy Managers

Greater Value Together or GVT is a program to better implement compliance management and LSpartnership. It will be conducted for staffs, and deputy managers in 2015. The 2015 GVT is a compulsory course, aiming to help them to clearly understand compliance management and LSpartnership, to individually make a commitment to act, and to implement it in the workplace.

### Technical Sales Professional Development in 2015

In order to provide customized information and services to customers, we will strengthen technical sales capacity. To this end, we plan to conduct customized training for trainees with differentiated curriculum and with teaching methods focusing on the understanding of product and process technologies. For newly-recruited non-career employees, collective training sessions will be provided for 5 days to help them understand the basic knowledge on our entire products and process technologies. On the other hand, an advanced course required for technical sales activities will be conducted for existing employees. In addition, study groups will be organized so that sale employees can communicate each other, and share and exchange their know-how and knowledge on the technical sales.

# Issue 07

## Healthy and Safe Workplaces

Workplace is important for a living and for self-realization. To make a company a great place to work, the safety and health of employees should be ensured first. In this context, we are making our best efforts to make a safe and healthy workplace by establishing a safety and health management system based on OHSAS18001. The labor and the management are also working together to prevent accidents and disasters

### OUR COMMITMENTS

We make a safe and healthy workplace.

### GOAL & STRATEGIES

We aim to achieve zero occupational accident in all worksites by implementing safety management on site in cooperation between the labor and the management. To this end, efforts are being made to advance the management system, to strengthen voluntary safety- and health-related activities, and to promote physical and mental health of employees.

#### Goal

To make accident-free worksites through safety management on site

#### Strategic Tasks

##### 1. Advancing Management System

- To establish a management system in accordance with OHSAS 18001
- To build a safe management system for overseas construction sites.

##### 2. Making Healthy Workplace

- To conduct activities to prevent occupational diseases
- To conduct activities to prevent lifestyle diseases

##### 3. Strengthen Voluntary Safety and Health Activities

- To conduct voluntary safety and health activities by team
- To ensure facility safety
- To strengthen safety management by suppliers

## Major Activities in 2014

- Conduct a Zero-accident Declaration event and activities for seasonal safety
- Provided safety training to 169 supervisors, and published ESH newsletters and lesson plans
- Conducted a safety diagnosis on all processes by an external agency : 296 cases were improved
- Expanded the targets for safety inspection (343 cases), and made a pedestrian way inside and outside of factories
- Improved a forklift safety: Installed 21 rear-view cameras and 112 speeding alarms
- Checked PSM grade and its implementation status, and took countermeasures: obtained 'S' grade for Gumi worksite
- Ran programs for coexistence and cooperation for 36 companies : 139 cases were improved

## Plans in 2015

- To conduct a Zero-accident Declaration event, and to continue activities for seasonal safety for summer and winter
- To conduct voluntary safety diagnosis by production lines and to identify accidents due to carelessness and abnormal operations
- To create an online safety education program to raise an awareness of engineers on safety
- To make one-sheet safety manual by operation with high risks
- To expand safety inspection for machinery with high risks: precise diagnosis and non-destructive inspection will be conducted for major structure
- To install a new automatic fire detection equipment
- To designate a person in charge of fire safety management

## Enhanced Management Systems

### OHSAS 18001

To manage risk factors that may threaten the safety and health of employees, we have established a management system based on OHSAS18001, an international standard for health and safety management. Management policy and manuals are provided to all employees as a guideline for safety and health activities. Every year, we analyze our activities of the previous year, adjust objectives, and run programs for improvement. Each team internally reviews the status of implementation, identifies issues and conducts improvement activities on its own. We also have our status on OHSAS18001 certification evaluated by UL, a certification organization every year.

### OHSAS 18001 Certified Sites

Domestic	Gumi, Indong, Donghae, Anyang, Cheonan, Alutek
Foreign	LSHQ, LSCM

### Safety Management in Overseas Construction Sites

As our overseas construction projects are to build infrastructure, safety management is the most important in operating such projects. A work procedure is made considering expert opinions and the characteristics of a project and in accordance with related laws, and then approved. Works are conducted according to the approved procedure, and those who in charge of process, safety, and quality make a daily status report. If there is any work that does not comply with the procedure, or if an issue occurs, all works are suspended until an approval is made to restart the works.

Our overseas worksites are operating training sessions, and conducting inspection activities to achieve the goal of zero-accident.

## Creating Healthy Workplaces

### Improving Tasks Causing Musculoskeletal Disorder

To improve work tasks that may cause musculoskeletal disorders, we have conducted a survey for workers in each process on musculoskeletal disorders. We asked supervisors and managers the type of work task causing a burden on musculoskeletal and its cause. Based the survey result, we are now conducting activities to improve work tasks that cause a burden on musculoskeletal.

### Employee Health Promotion Program

We provide comprehensive medical check-ups for free to employees aged 35 and older and their spouses on a yearly basis. If they need to receive extra medical treatment as a result of the check-up, we support the medical expenses. The check-up results and other medical records are managed by in-house doctors. In addition, we give a vaccination against influenza to employees and their family members before the severe cold season comes.

### Interview at the Qatar Worksite

“ Since the temperature here is over 45°C during the day, we do care about our employee health and safety issues caused by hot weather. Every morning, we check daily work schedule, safety details, and whether employees are in good health. If any of them does not feel well, work is not assigned to the employee. We also provide enough places for them to take a rest. For the communication on the safety, workers on site should speak a basic English. ”

- Patrick Coughla, Project Director -

## Voluntary Safety and Health Activities

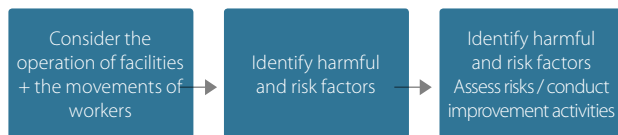
### Activities by Team

To enhance the safety management capability in the product lines of each worksite, we provide health and safety training to supervisors and managers. Voluntary safety check is conducted on a monthly basis to identify risk factors and to work on improvement points. In addition, in order to increase the awareness on safety that may be lost with time, a zero-accident declaration event and seasonal safety and health activities are also conducted. Seasonal safety and health activities are season-specific activities such as preventing accidents due to misjudgment or faulty operation caused by extremely hot weather in summer and preventing fire risks in winter.

In 2014, a zero-accident declaration event was held in which our employees as well as partner suppliers joined. They reported their plans for safety and health activities and committed themselves to actively implementing the activities.

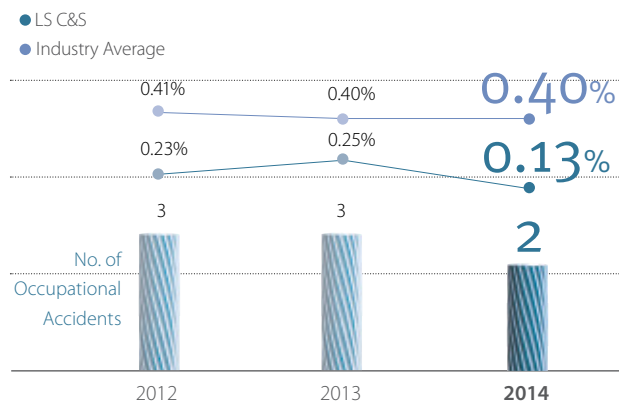
In particular, risk assessment by process was improved in 2014. Processes were refined considering each operation of production facilities and the movements of workers. Harmful and risk factors were newly identified by process. Issues raised in risk assessment were resolved through improvement programs.

### Improved Risk Assessment by Process in 2014



- Reported by expert members and by supervisor on site ▶ Reviewed by an environment safety team ▶ Approve by the head of division

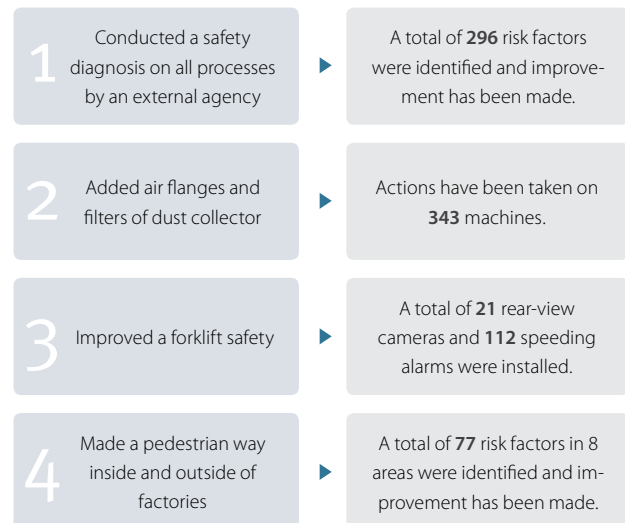
### Industrial Accident Rate



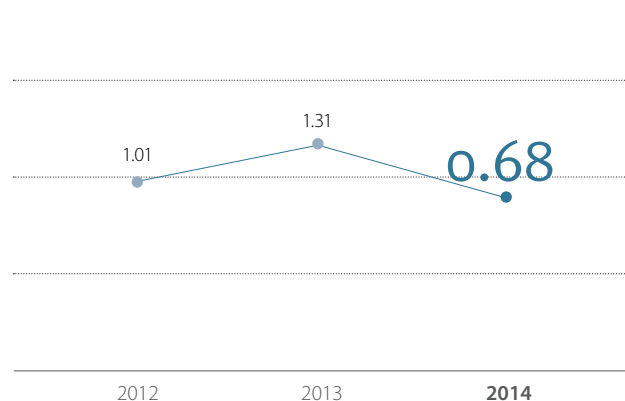
### Ensuring Facility Safety

We have been improving facility associated safety risks by securing the safety of facilities and by improving the level of management. In 2014, we expanded the ratio of the additional points for safety assessment from 10% to 20%, which is a part of compliance assessment. In addition, to promote voluntary safety improvement activities, more efforts have been made including: voluntary safety diagnosis; improvement in the occurrence of near misses and; activities to identify abnormal operations. We expanded the inspection of environmental safety equipment to 343 machines in 2014. Processes in the category of product safety management, or PSM were intensively managed as they have the highest likelihood of serious safety accidents. As a result, we obtained 'S' grade from the Ministry of Employment and Labor of Korea.

### Improvement Activities for Environmental Safety Facilities



### Frequency Rate of Injury\*



\* Frequency Rate of Injury: Number of Industrial Accidents / (Total Yearly Working Hours x 200,000)



## Improved Safety Awareness

### Improved Safety Awareness

In order to raise an awareness of employees on safety, we conduct safety and health training on a regular basis. Additional education sessions on risk management are also provided to new or transferred employees. In particular, for those who work with equipment or machines with higher safety risks, a special safety training sessions are conducted for more than 16 hours a year.

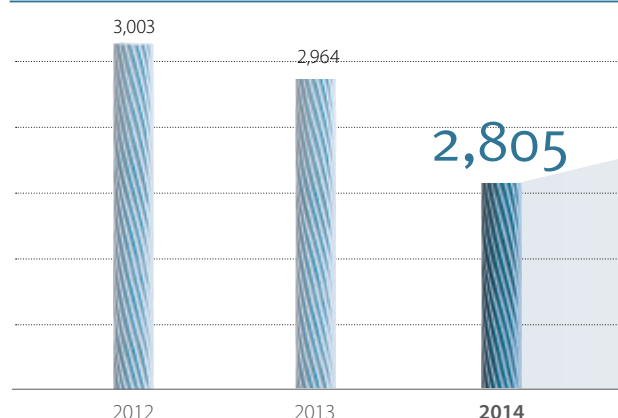
#### Safety Training

Curriculum	Target	Time
Regular training	Employees in production lines	2 hours/ month
	Employees at office	1 hour / month
	Supervisors or Managers	16 hours/ year
Training for new employees	New employees	8 hours
Training for transferred employees	Transferred employees	2 hours
Special safety and health training	Employees who handle equipment with higher safety risks	More than 16 hours

### Supporting Safety Activities of Partners

To improve the level of safety management of our suppliers, we run a partnership program called 'Coexistence and Cooperation Program' with 36 suppliers. This program helps suppliers to establish a safety management plan and to organize a safety and health consultative body. A joint inspection is also conducted on a regular basis. In 2014, in particular, following the guidelines of the Ministry of Employment and Labor, we have established and revised safety management plan for suppliers. After risk assessment was made on their activities, a joint diagnosis was conducted. Based on the result of the diagnosis, improvement measures were taken for 139 cases. In recognition of such activities, we acquired a 'B' grade from the Korea Occupational Safety and Health Agency.

### Risk Identification and Improvement



## Future Plans

In order to increase awareness on safety, we will hold a zero accident declaration event and conduct seasonal safety and health activities. At the same time online training will be provide to engineers. Risk factors will be identified and improved by conducting a voluntary safety diagnosis. To enhance the stability of facilities, in particular, safety inspection for machinery with high risks will be expanded through precise diagnosis and non-destructive inspection for major structure.

### One-sheet Safety Manual by Operation

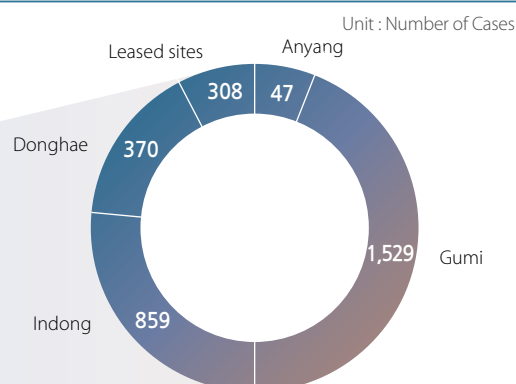
One-sheet safety manual is one-page manual which includes safety and health information required on site. We plan to provide this one-sheet manual so that employees on site will easily understand safety rules, and voluntary safety management will be further promoted. Training will be also provided to supervisors and managers on site to enhance their understanding and competency, thereby ensuring efficient and sustainable safety management.

### Installation of New Automatic Fire Detection Equipment

As the automatic fire detection equipment in the Gumi plant was installed in 1994, we plan to replace it with a new equipment to have more reliable system. The new equipment has a feature of sending messages to the mobile phones of those in charge in case of emergency. A monitoring system will be additionally installed so that those in security office at the main gate and those in the office of environment safety team will be able to monitor the status.

### Appointment of Fire Safety Officer

According to the law on installation, maintenance, and safety management of fire-fighting facilities, our worksites fall in the category of 'the target with its floor area of 15,000m<sup>2</sup>'. Therefore, we will appoint a fire safety officer responsible for the management and maintenance of fire safety facilities and for the safety management of hazardous materials.



# Issue 08

## Climate Change Response

As climate change has become a global issue,  
we take responsibility in responding to this issue.

We will consider this issue in our business  
strategy by reflecting low-carbon emission  
strategy in the whole process of our business.

To this end, we have identified opportunities  
and threats due to climate change, assessed  
greenhouse gas emissions in the value chain from  
development to disposal, and conducted activities  
to reduce the emissions. Efforts have also been  
made to reduce emissions at the stage of product  
use by developing products for new renewable  
energy generation and with high transmission  
efficiency such as superconducting cables.

### OUR COMMITMENTS

We contribute to building a green society by reducing greenhouse gas emissions over the product life cycle.

### GOAL & STRATEGIES

We will reduce greenhouse gas emissions by considering energy efficiency in the whole process from product development, to procurement, production and transportation. In particular, we are developing new products used for renewable energy generation and products with high transmission efficiency so that we help our customers and the society to reduce greenhouse gas emissions by using our products.

#### Goal

To implement low-carbon management  
in the whole process

#### Strategic Tasks

##### 1. Developing Low-carbon Products

- To develop products considering their environmental impact in the product life cycle

##### 2. Operating Low-carbon Worksites

- To manage energy at the worksite through the taskforce on greenhouse gas and energy, and conduct activities to save energy.

##### 3. Managing Scope 3 Greenhouse Gas

- To realize carbon management in the value chain as the scope for greenhouse gas management has been expanded

##### 4. Promoting Green Communication

- To respond to customer and consumer request of information on carbon, and share environmental values with them

## Major Activities in 2014

- Developed low-carbon products : 80kV DC superconducting cable demonstration test
- Conducted task force activities to reduce greenhouse gas and save energy
- Participated in the CDP Carbon Disclosure Project Supply Chain program (Supplier)
- Improved a basic unit of energy use in product production : 4.3 → 4.0TJ / 1,000 ton of product
- Improved a basic unit of greenhouse gas emission in products production : 0.22 → 0.21tCO<sub>2</sub>e / ton of product

## Plans in 2015

- To establish a response system for emissions trading scheme
- To expand the management of Scope 3 emissions
- To conduct task force activities to reduce greenhouse emissions and save energy
- To continue participation in CDP Supply Chain program
- To continue activities to reduce greenhouse emissions and to save energy: a 5% improvement

## Risk and Opportunity from Climate Change

Climate change can be either a risk or an opportunity for business management. In order to turn a climate change risk into an opportunity, and to turn an opportunity to greater opportunity, we respond to this issue with two approaches: mitigation and adaptation.

### Risks & Opportunities

	Risk	Opportunity	Our Activities	Approach
Regulatory	<ul style="list-style-type: none"> <li>• Stricter energy and carbon-related regulations and customer demands</li> </ul>	<ul style="list-style-type: none"> <li>• Increase in demand for smart grid, and superconducting cables to minimize power loss</li> </ul>	<ul style="list-style-type: none"> <li>• Developing low carbon &amp; high-efficiency products               <ul style="list-style-type: none"> <li>- Superconducting cable, electric vehicle (EV), and energy storage system (ESS)</li> <li>- Renewable energy business including railroad, green building and wind power</li> </ul> </li> <li>• Improving energy-consuming facilities</li> <li>• Managing GHG emissions in the supply chain</li> </ul>	Mitigation
Physical	<ul style="list-style-type: none"> <li>• Decrease in construction-ready days due to a rise in rainy days from typhoons and floods</li> <li>• Rise in costs for fiber optic cable clean room maintenance due to yellow dust from desertification</li> </ul>	<ul style="list-style-type: none"> <li>• Increase in demand for reliable and durable cables resistant to sudden weather changes such as typhoons</li> <li>• Increase in demand for construction technology corresponding to climate changes</li> <li>• Increased demand for submarine and specialty cables due to increasing renewable energy infrastructure including wind power and solar power</li> </ul>	<ul style="list-style-type: none"> <li>• Operating Crisis response system by worksite</li> <li>• Operating Clean Room due to increasing yellow dust</li> <li>• Developing and commercializing submarine cables and wind power cable due to typhoon and a rise in sea level</li> <li>• Developing and commercializing disaster-proof (wind, desert, and snow), low wind pressure and high intensity products, and heat-resisting cables</li> </ul>	Adaptation
Others	<ul style="list-style-type: none"> <li>• Fluctuations in raw material price</li> <li>• Changes in consumer behavior</li> </ul>	<ul style="list-style-type: none"> <li>• Stable procurement of raw materials</li> <li>• Promotion of company image as environmentally-friendly company</li> </ul>	<ul style="list-style-type: none"> <li>• Securing stable supply line through subsidiaries</li> <li>• Expanding certification of products and green management</li> <li>• Expanding Scope 3 management</li> <li>• Enhancing communication with customers</li> </ul>	Mitigation / Adaptation

## Carbon Management in Value Chain

### R&D



#### Low-Carbon Product Development

We have been developing smart grid, and products with high energy efficiency to reduce green house gases. In addition, as we have implemented compression technology to make smaller and lightweight products, we have been reducing Scope 3 emissions, which are indirect emissions resulting from resource extraction, processing, and disposal. Product development and investment have also been continued for the development of the new and renewable energy industry such as wind and solar power cables.

- **DC Superconducting Cable Demonstration Test** -- Compared to existing copper cable



Size **20%** ↓ AC Transmission **x5** ↑, DC Transmission **x10** ↑

### Procurement

#### Green Procurement

Since we implemented a green procurement policy in 2011, we have promoted the procurement of environmentally friendly raw materials and products. Our green products have six types: certified products with eco-label; products with GR mark; energy saving products; international eco-label goods; products with reduced hazardous materials and; products with reduced waste. If the price difference between eco-friendly and general products is in a certain range, we purchase green products in order to promote the procurement of eco-friendly products.



### Production

#### Low-carbon Production

We set the goals for energy use and for greenhouse gas emissions by worksite and by team. Our focus to reduce greenhouse gas is on improving energy-consuming facilities and on decreasing standby time of facilities. Employees can make a suggestion or provide an idea to improve energy use on site in 'Implementation Island', an online proposal system. A prize is awarded to the employee who makes a good suggestion or idea.



- **TF Activities to Reduce Greenhouse Gas and to Save Energy**

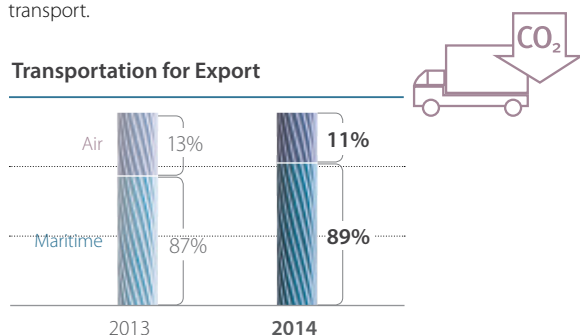
Our production Engineering Center has organized a taskforce consisting of employees from production division, manufacturing facilities management, and quality and environment management teams. In 2014, the taskforce carried out 110 tasks with a goal of reducing USD 2 million of energy cost. As a result, a total of 6,855 tons of greenhouse gas emissions were decreased.

### Logistics

#### Low-carbon Transport

We have increased loading rate per round trip thereby decreasing the number of shipping. Efforts to reduce greenhouse gas from product shipment have also been made by minimizing air transportation that creates a large amount of emissions, and by increasing maritime transport.

#### Transportation for Export



### Communication

#### Green Communication

Since our company was subject to greenhouse gas and energy target management by the government, we have annually reported to the government the verified information on greenhouse emissions from all worksites and have disclosed the status of greenhouse gas emissions in our quarterly report. As we are designated as a company for carbon emission trading from 2015, we will take more responsibility in greenhouse gas reduction.

- **Response to 2014 CDP Supply Chain program on Climate Change**

Since 2010, we have joined CDP\* Supply Chain as a supplier, utilizing the program as chances to identify customer requirement in greenhouse gas reduction and to work on improvement points. According to 2014 evaluation, there has been a dramatic improvement in governance and strategy, emissions management, and verification.

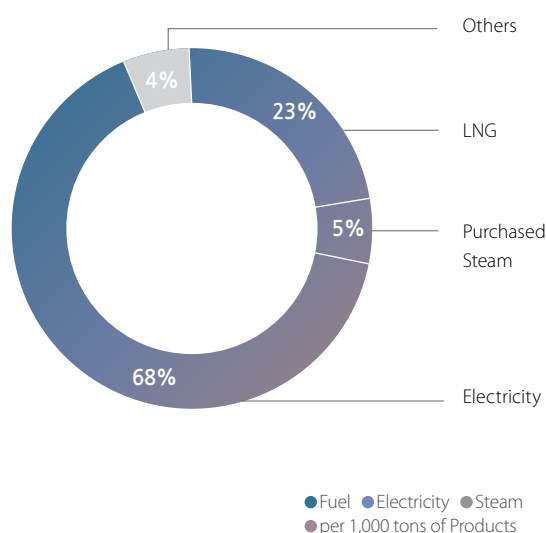
\* CDP is a carbon disclosure project, in which leading companies worldwide disclose their greenhouse gas emissions and carbon management strategies.



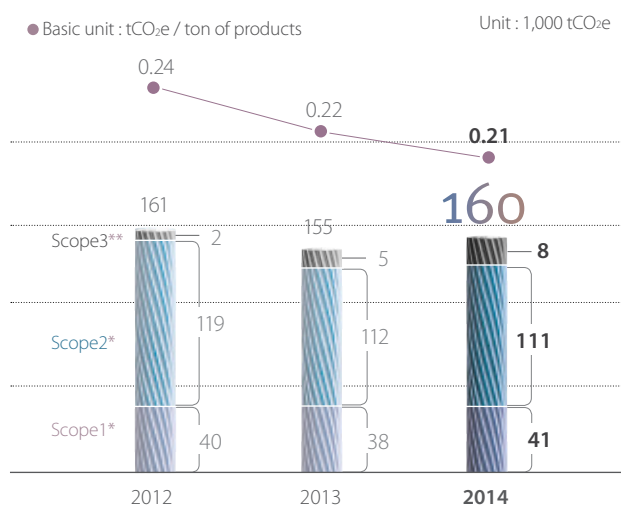
## Greenhouse Gas Emissions

### Scope 1 and 2 Emissions

We report Scope 1 and 2 emissions in accordance to guidelines on the Korea's Greenhouse gas and Energy Target Management System. In 2014, a total green gas emission was 152,143 ton CO<sub>2</sub>e, an increase of 2,280 ton CO<sub>2</sub>e year on year due to newly leased work-sites. However, as for energy consumption per product manufactured, it dropped 6 % from the previous year. In terms of worksite, domestic worksites accounted for 98% of total emissions. In regards to the source of emission, 96% was attributable to LNG, electricity and purchased steam.



### Greenhouse Gas Emissions



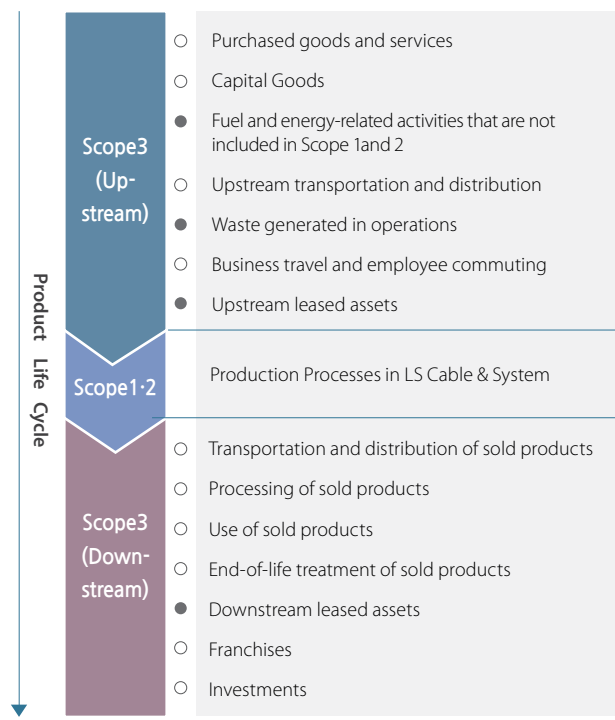
\* Criteria for Scope 1 and 2 : Guidelines on Greenhouse gas and Energy Target Management System by the Ministry of Environment in Korea  
The 3rd party verification agency : Korea Management Association and Registration

\*\* Criteria for Scope 3 : A data measured by us according to the Corporate Value Chain (Scope 3) Accounting and Reporting Standard (WRI/WBCSD); and the guidelines of carbon footprint labeling by the Ministry of Environment

\*\*\* Data in 2013 was modified due to errors

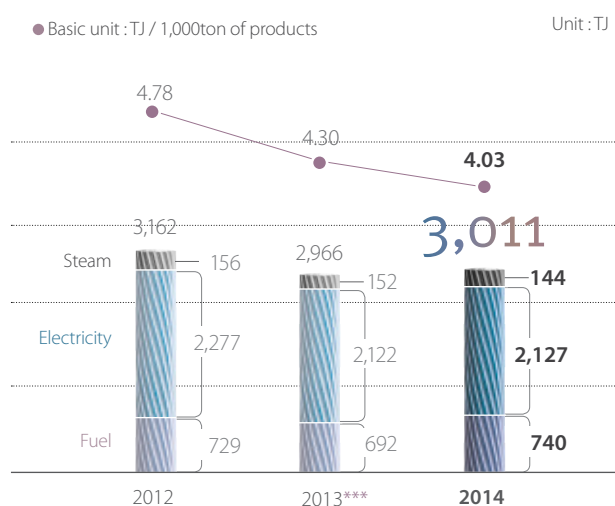
### Scope 3 Emissions

As we have expanded our management target from Scope 1 and 2 emissions, which are mandatory to be reported, to Scope 3, we will manage carbon risks in the whole value chain and will identify more opportunities to reduce emissions.



\* ● is items we measure its emissions as scope 3.

### Energy Consumption



# Issue 09

## Fair Competition

A player who breaks the rule cannot participate in the game any longer. Also, if he acts passively in the game, he will never win the game. As such, a sustainable growth can be achieved only if an active and fair play is ensured in the business management activities. As we are clearly aware that non-compliance behaviors not complying with principles and basics bring big losses to the company as well as individuals, we strive to create a culture where employees voluntarily abide by fair trade. We will continue our efforts for fair trade so that our compliance with laws and regulations will serve as a strength for the company.

### OUR COMMITMENTS

We establish a culture of compliance by enhancing the compliance program on fair trade.

### GOAL & STRATEGIES

Since we introduced CP, a self-compliance program on fair trade in 2010, we have set clear behavioral standards and strived to prevent non-compliance behaviors. We will continue our efforts by providing more training sessions and by conducting monitoring activities in order to establish a culture of fair trade.

#### Goal

To minimize business losses  
by establishing a culture of compliance

#### Strategic Tasks

##### 1. Establishing Foundation

- To realign and strengthen the management organization.
- To improve regulations and systems

##### 2. Promoting Compliance Awareness

- To conduct compliance training
  - Training for all employees
  - Training customized for team work
  - Training provided by external professionals
- To run Compliance Bulletin Board

##### 3. Conducting Internal Inspection and Legal Advice

- To conduct an internal inspection and monitoring
- To seek legal advice on fair trade

## Major Activities in 2014

- Declared compliance management
- Established a compliance management organization
- Revised company regulations on the violation of fair trade
- Provided group training on fair trade for 469 employees whose work is related to fair trade, and online training for 1,197 employees with office works
- Ran a fair trade self-compliance bulletin board
- Conducted an internal inspection on fair trade risks in relation to sales activities

## Plans in 2015

- To provide a team-specific training on compliance and fair trade
- To provide support and legal advice with domestic and overseas subsidiaries
- To continue to run a fair trade self-compliance bulletin board
- To conduct an enterprise-wide internal inspection on the risks of violating laws during the special period to monitor unfair practices to suppliers on a yearly basis

# Establishing Base for Fair Competition

## Realignment of Management Organization

We have newly established a public affairs team, a compliance management organization, aside from the legal affairs department. The purpose of this organization is to promote compliance management and a culture of fair trade and to be in overall charge of dealing with tasks and issues related. In addition, a compliance management secretariat under the public affairs team is conducting activities to promote a culture of compliance and is running self-compliance programs. The secretariat is in cooperation with self-compliance agents from sales, production, procurement, support teams to do the following activities: promoting the implementation of compliance management and self-compliance programs on site; providing legal support; conducting an internal inspection and monitoring and; collecting and sharing information on compliance management.

## Improvement in Regulations and Systems

In order to clarify the criteria and responsibility for the violation of fair trade, we revised and announced the company's disciplinary rules in regards to the application of disciplinary actions on the violation of fair trade and anti-bribery laws.

## Self-Compliance Organization

The CHO, the head of the corporate support division, 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.

## Revised Disciplinary Rules (as of May 1st, 2014)

Cause for Disciplinary Action	<p>68. Violation of fair trade laws and obstruction of bidding</p> <p>1) If fair trade laws or subcontracting laws are violated, or there is an obstruction of bidding under the criminal law.</p> <p>2) If there is any involvement in violation specified in Article 68 1) or there is aiding and abetting of violation for an offender.</p> <p>3) If there is any neglect or approval of violation specified in Article 68 1) or 68 2) by those who are in the position of managing or supervising.</p> <p>69. If violation in relation to Article 68 is found in an internal audit</p> <p>70. If there is a violation of anti-bribery laws on international trade</p>
Application Criteria	The case is taken to the disciplinary committee and the committed may take disciplinary actions from level 1 (disciplinary measures or discharge) to level 6 (1-grade wage cut) depending on the seriousness of the case

## 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 self-compliance activities
- Collects and distributes fair trade-related information

### Self-compliance Agents

- Carry out check-up activities in accordance with the checklist of the CP
- Educate and consult employees in their teams in regards to self-compliance programs

### Self-compliance Manager

- Establishes and implements self-compliance programs
- Reviews and takes disciplinary actions against non-compliance with fair trade
- Comes up with preventive measures

## Promotion of Compliance Awareness

### Declaration of LS Compliance Management

In January 2014, we declared enterprise-wide compliance management. As compliance management is the key value of our business, we do not tolerate any unfair or non-compliance behaviors, thereby implementing LS partnership, our corporate philosophy. All of our employees adopted the declaration and committed themselves to implementing compliance management with a high sense of duty.

#### Declaration 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 ourselves to promoting the interests of stakeholders including customers, stockholders, and local communities through compliance management, and fulfill our obligations to the society and the country

Executives and Employees of LS Cable & System

Jan. 2, 2014

### Fair Trade Training

For the compliance of fair trade laws, we believe actions to prevent the risks of non-compliance are more important than anything else. In this regard, a lot of efforts have been made for employees to be aware of its importance and to be provided with compliance guides that they refer to in their work. Online training is given to all employees. For newly-recruited employees and for teams with higher risks related to fair trade, group training sessions are provided. As for online training, all of the 1,197 employees with office works received the 3-hour training which covers six topics including LS compliance management, collusion (cartel), subcontracting, anti-corruption, trade secret protection, and privacy. Meanwhile, group training is provided to newly recruited non-career and career employees, sales employees, and overseas expatriate employees. In 2014, a total of 469 received group training.

### Fair Trade Training

Training Type	Number of Participants
Online	1,197
For Newly Recruited Non-career Employees	26
For Newly Recruited Career Employees	222
For Sales Employees	218
For Overseas Resident Employees	3

### Compliance Management Bulletin Board

We created a compliance management bulletin board in the intranet for all employees. News on compliance and fair trade, best practices in other companies, and company guidelines are posted in the board. In 2014, a total of seven posts were registered in the board.

## Internal Inspection and Legal Advice

### Standard Contract Form

To block an unfair contract with stakeholders in the first place, we use a standard contract form that reflects fair trade principles. In addition, if related laws such as fair trade laws are revised, revisions are reflected in the standard contract form.

### Supporting Activities Including Legal Advice

We review contracts in advance and give legal advice to check whether we strictly abide by regulations and principles related to fair trade. In 2014, we checked fair trade non-compliance risks related to sales activities and held regular meetings nine times to prevent such risks thereby promoting an awareness of employees on compliance.

## Future Plans

In January 2015, we declared the 'LS C&S Way', and four principles for action were defined to achieve our vision. 'Rule and Responsibility' is one of the principles for executives and employees to act on to create a culture of compliance management in the company. Firstly, we will provide team-specific training sessions on compliance and fair trade. A compliance management bulletin board will also be facilitated by posting various cases and revisions in laws twice a month. In addition, as we designate 2015 as the year for intensively monitoring unfair practices to suppliers, an enterprise-wide internal inspection and monitoring on the risks of violating laws will be conducted. We will also expand support to domestic and overseas subsidiaries including providing legal advice to prevent non-compliance risks, thereby establishing the base for compliance management and fair trade.



# Issue 10

## Ethical Management

Ethics is the foundation of corporate management.

Ethical management is a social responsibility for corporate citizens and a base for business activities

and behaviors. As we are aware that the trust between our executives and employees and our stakeholders is a key to competitiveness, we set

'Rule & Responsibility' as the corporate philosophy and as one of our core values, and act on it. We will establish the base for ethical management and promote it so that our executives and employees

at home and abroad voluntarily implement the philosophy, thereby building a culture of ethical management at a global level.

To this end, we provide training to raise the awareness of executives and employees on ethics.

### OUR COMMITMENTS

We establish the foundation for ethical management and promote the culture of ethics so that all our employees voluntarily and continuously act on the philosophy of ethical management.

### GOAL & STRATEGIES

Enterprise-wide ethical management activities are being conducted under the goal of establishing a culture of ethical management. We built the foundation for implementing it in 2006 by revising the code of conduct and establishing an ethics secretariat. Since then, activities for ethical management have been conducted including training and promotional activities, an internal reporting system, and an ethical level assessment. Based on such foundation, we will continue to promote ethical management to subsidiaries, and conduct our activities to establish a culture of ethical management at a global level.

#### Goal

To establish a culture of ethical management at a global level

#### Strategic Tasks

##### 1. Monitoring and Preventing Ethical Risks

- To operate a reporting program
- To run a 'Clean Company' system
- To Make a diagnosis on unethical conducts and take countermeasures

##### 2. Establishing Base for Implementation by Promoting Ethical Management

- To provide training on ethics on a continual basis
- To conduct promotional activities such as posting activities in the intranet
- To make a pledge to implement ethical management
- To expand ethical management to suppliers
- To conduct an ethics level assessment

##### 3. Promoting Ethical Management to Domestic and Overseas Subsidiaries

- To establish a global code of conduct
- To make and distribute a manual

## Major Activities in 2014

- Resolved complaints reported to Cyber Reporting Channel : 100%
- Distributed a letter of cooperation to supplier twice
- Conducted ethics training three times for 33 employees
- Registered 43 posting on ethical management
- Assessed the level of ethical management

## Plans in 2015

- To promote a counseling or reporting channel on ethics
- To diversify the channels to promote ethical management, and to develop related content
- To strengthen training on ethics
- To conduct an ethical level assessment a continual basis

# Ethical Risk Prevention and Response

## Code of Conduct

To make our employees understand and implement the principles of corporate ethical management, a code of conduct should be presented to them. We have established and declared a code of conduct that serves as the criteria of action and value judgment for our employees. Disciplinary rules have been set for violating the code of conduct to ensure employees implement the principles of corporate ethical management.

For the full text of our code of conduct, please check <http://ethics.lscns.co.kr/rule/law.asp>.

## Ethics Secretariat

We have an ethics secretariat under the internal audit & consulting team. The secretariat conducts activities related to ethical management such as establishing and implementing strategies on ethical management. Efforts are also made to prevent non-ethical acts by raising awareness and monitoring its implementation level. If ethics-related issues occur, the secretariat analyzes the causes resolves them.

## Cyber Reporting Channel and Counseling Center

We are operating the Cyber Reporting Channel and the counseling center in our ethical management website. Those who witness unethical behavior of our employee can anonymously report to the Cy-

addressed  
**100**%  
of reported issues

ber Reporting Channel and the counseling center. Once a report is received, the secretariat investigates the issue and informs the reporter of the result. Personal information of the reporter and report details are kept confidential so that stakeholders such as

customers and suppliers feel free to report and do not suffer from disadvantages from reporting unethical behaviors. In 2014, a total of 12 reports were received, investigated, and addressed in compliance with the relevant rules and regulations.

## Rewards for Reporting Violations

To prevent people from condoning unethical behaviors which ultimately undermine the soundness of the organization, those who report irregularities such as bribery are offered a reward of up to five times of the amount of bribe money or a reward of up to USD 5,000 for the reporting. For those who commit irregularities but come clean about their acts, the level of disciplinary actions on them is reduced and the bribe money is spent on volunteer activities.

## Clean Company

We have established a mechanism to help employees voluntarily report when they inevitably end up receiving money or gifts. Once they fill out and submit a report form to the ethics secretariat, the money or gifts received are returned to the givers with a note on our ethical management policy. If there is a situation in which received items are hard to be returned, they are donated to social welfare facilities or to religious groups under the name of the giver.

## Actions on Corruptions and Irregularities

We take strong and strict disciplinary actions on corruptions and irregularities while paying full attention to preventing such risks. Disciplinary actions are taken on our employees involved as well as suppliers who give money and valuables. Depending on the seriousness of the case, the contract with the supplier involved is suspended, or a request is made to come up with measures to prevent its re-occurrence.

## Letter of Cooperation to Suppliers

Every year, we send an official letter of cooperation from presidents asking our suppliers to cooperate with the company's code of conduct which prohibits the conducts of giving and receiving money, valuables or entertainment, and also asking them to report if our executives or employees ask for money, valuables or entertainment. In 2014, we launched a campaign of not receiving gifts and sent an official letter of cooperation to suppliers in New Year's and Thanksgiving holidays.

## Promotion of Ethical Management

### Ethics Training

Newly-hired non-career and career employees are required to take ethics training as a compulsory course. Expatriates are also required to receive training before their leaving to overseas worksites. In 2014, ethical training was conducted three times for 33 employees.

Participants of  
Ethics Training  
**33**

### Postings on Ethics

Postings  
Registered

**43**

We have been posting educational articles on the importance of ethical management and on best practices every week in our intranet since 2006. The articles cover the latest news on ethical management, the introduction of our code of conduct, and

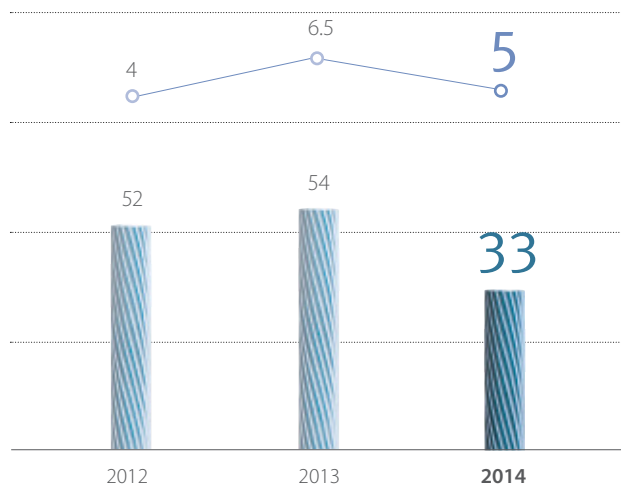
best practices at home and abroad, helping employees to easily understand ethics. In 2014, a total of 43 postings were registered.

### Pledge for Implementation

All employees pledge to comply with the code of conduct, committing themselves to implementing the philosophy of ethical management. In order to promote ethical management to our suppliers, we ask them to agree on our commitment and to submit a pledge for implementation.

### Ethics Training for New Employees

- Training Time (Hour)
- Participants (Person)



### Ethical Level Assessment

Since 2010, we have conducted an ethical level assessment, which is an evaluation tool developed based on international guidelines related to ethical management, on indicators for diagnosis, and on our code of conduct. The assessment is conducted to make a diagnosis on the ethical management level and to come up with improvement points. It is composed of three categories: ethical management framework; corporate ethics implementation and; work ethics implementation. In 2014, the total average was 75.8 points, an increase from 75.3 points in 2013. However, the level of ethical management framework and of corporate ethics is relatively low compared to that of individual ethics, work ethics implementation. We will strive to strengthen and promote our systems on ethical management and will work on countermeasures to narrow the gap of level between corporate ethics and individual ethics.

### Assessment Results

● 2012 ● 2013 ● 2014

Unit : Point



### Future Plans

We will diversify channels to promote ethical management: new channels such as company magazines, newsletter, and video will be used along with existing ethics training and postings in the intranet to increase the interest of our employees and to enhance their understanding of the issue. In addition, a reporting system will be further strengthened: we are working on plans to better operate a counseling center on ethics so as to reduce the burden of reporter, and to better protect reports and deal with reporting cases in a fair way, thereby increasing the reliability of the reporting system.

# Performance Indicators

Statement of Financial Position

Income Statement

Cash Flows

Customer Value

Employee Values

Environment Value

Independent Assurance Statement

GRI G4 Index

UN Global Compact Performance

ISO 26000 Self Diagnosis Results

About this Report

Management Organization

## Statement of Financial Position

Unit : in million USD

LS Cable & System Ltd.				LS Cable & System Ltd. and its Subsidiaries					
				2012	2013	2014	2012	2013	2014
Assets	Current assets	1,426	1,362	1,444	2,673	1,863	1,893		
	Cash and cash equivalents	160	182	160	261	250	214		
	Financial deposits	51	18	18	62	21	26		
	Trade receivables	706	639	676	1,235	881	862		
	Other receivables	31	25	28	39	35	54		
	Financial assets at fair value through profit or loss	-	-	-	-	-	11		
	Available-for-sale financial assets	-	-	-	1	-	-		
	Derivative Financial instruments	18	12	5	20	13	5		
	Firm commitment assets	5	13	31	5	13	31		
	Inventories	241	237	226	774	384	361		
	Other current assets	215	236	302	277	265	329		
	Non-current assets held for sale	496	-	8	499	-	24		
	Non-current assets	1,306	972	916	1,857	946	886		
	Property, plant and equipment	490	519	491	1,156	761	702		
	Intangible assets	38	36	31	535	45	40		
	Investment property	20	8	8	22	10	10		
	Financial deposits	0	0	0	0	0	1		
	Trade receivables	43	68	58	43	68	58		
	Other receivables	23	24	23	31	26	25		
	Available-for-sale financial assets	5	5	4	7	6	5		
	Derivative financial instruments	16	0	-	16	0	0		
	Firm commitment assets	1	1	2	1	1	2		
	Investments in subsidiaries	669	310	283	2	0	0		
	Deferred income tax asset	0	-	15	12	6	21		
	Other non-current assets	2	1	1	32	22	23		
	Total assets		3,228	2,334	2,368	5,029	2,808	2,803	
Liabilities	Current liabilities	1,434	1,421	1,202	2,469	1,911	1,621		
	Trade payables	559	482	472	912	579	571		
	Borrowings	579	541	336	1,123	866	602		
	Derivative financial instruments	11	14	29	12	18	30		
	Firm commitment liabilities	12	8	2	12	8	2		
	Other payables	123	114	143	213	141	164		
	Current income tax liabilities	4	18	19	7	19	20		
	Provisions for other liabilities and charges	-	-	-	9	19	19		
	Other current liabilities	145	245	202	181	260	214		
	Non-current liabilities	1,066	431	541	2,050	488	628		
	Borrowings	1,008	397	512	1,730	451	591		
	Derivative financial instruments	1	1	2	2	2	2		
	Firm commitment liabilities	3	0	0	3	0	0		
	Other payables	3	5	2	1	4	3		
	Net defined benefit liabilities	9	10	11	98	13	13		
	Deferred income tax liabilities	27	1	0	194	2	1		
	Provisions for other liabilities and charges	0	0	0	18	16	18		
	Other non-current liability	16	16	13	5	0	0		
	Total liabilities		2,501	1,852	1,743	4,519	2,399	2,249	
Equity	Equity attributable to owners of the parent	-	-	-	464	378	526		
	Capital stock	105	65	85	105	65	85		
	Share premium	597	372	494	597	372	494		
	Accumulated other comprehensive income	0	1	1	(15)	(6)	(4)		
	Other equity components		(0)	(0)	(5)	214	214		
	Retained earnings(Accumulated deficit)	26	44	46	(218)	(268)	(263)		
Non-controlling interest		-	-	-	46	31	28		
Total equity		728	482	625	509	409	554		
Total liabilities and equity		3,228	2,334	2,368	5,029	2,808	2,803		



## Income Statement

Unit : in million USD

		LS Cable & System Ltd.			LS Cable & System Ltd. and its Subsidiaries		
		2012	2013	2014	2012	2013	2014
Continuing operations	Sales	3,634	3,171	3,116	7,202	4,136	3,667
	Cost of sales	3,350	2,872	2,844	6,602	3,749	3,319
	Gross profit	284	299	272	599	386	348
	Selling and administrative expenses	204	171	189	498	263	256
	Operating profit	80	129	83	101	124	93
	Other income	177	163	181	217	168	188
	Other expenses	144	147	165	190	185	173
	Financial income	16	15	14	15	11	10
	Financial expenses	85	70	32	150	96	47
	Other non-operating income, net	1	49	43	(9)	(5)	(27)
	Profit(loss) before income tax	45	41	38	(16)	17	44
	Income tax expense	9	10	23	17	11	27
	Profit(loss) for the year	36	31	16	(34)	6	16
Discontinued operations	Loss for the year from discontinued operations	(15)	(10)	(11)	-	(85)	(11)
Profit for the year		21	21	5	-	(79)	6

## Cash Flows

in million USD

		LS Cable & System Ltd.			LS Cable & System Ltd. and its Subsidiaries		
		2012	2013	2014	2012	2013	2014
Cash flows from operating activities		84	191	(33)	160	209	11
Cash generated from operations		159	262	32	303	355	88
Interest received		6	6	3	10	11	6
Dividends received		5	7	7	0	0	0
Interest paid		(83)	(78)	(38)	(146)	(141)	(40)
Income tax paid		(3)	(6)	(36)	(7)	(17)	(42)
Cash flows from investing activities		218	(40)	(25)	130	(16)	(46)
Decrease(Increase) in financial deposits		253	33	(0)	249	40	(5)
Decrease in other receivables		(1)	3	(2)	(1)	2	(6)
Proceeds from disposal of available-for-sale securities		10	-	-	10	0	0
Proceeds from disposal of assets held-for-sale		10	67	-	11	67	0
Proceeds from disposal of property, plant and equipment		31	15	1	33	17	2
Proceeds from disposal of intangible assets		0	1	0	1	2	0
Acquisition of property, plant and equipment		(47)	(102)	(20)	(159)	(149)	(24)
Acquisition of intangible assets		(0)	(0)	(0)	(4)	(1)	(0)
Proceeds from Disposal(Acquisition) of other non-current assets		-	0	-	(0)	-	(1)
Payments for acquisition of financial assets at fair value through profit or loss		-	-	-	-	-	(11)
Acquisition or disposal of investments in subsidiaries		(33)	(51)	(0)	(2)	(2)	-
Increase in derivatives		(5)	(7)	(5)	(7)	7	(0)
Others		-	-	-	0	0	0
Cash flows from financing activities		(167)	(129)	36	(131)	(202)	0
Proceeds from borrowings		137	356	88	165	630	124
Proceeds from issuance of debentures		182	0	173	182	0	173
Repayments of borrowings		(176)	(455)	(0)	(163)	(406)	(71)
Redemption of debentures		(309)	-	(364)	(309)	(358)	(364)
Proceeds from the Issuance of common stock		-	-	141	-	-	141
Payments for investment in subsidiaries		-	-	0	(4)	(0)	(0)
Dividends paid		-	-	(2)	(0)	(1)	(2)
Decrease in equity due to spin-off		-	(30)	0	-	(67)	-
Others		(1)	-	(1)	(1)	(0)	(1)
Net increase in cash and cash equivalents		134	22	(22)	159	(10)	(34)
Cash and cash equivalents at beginning of year		26	160	182	108	261	250
Exchange gains (losses) on cash and cash equivalents		(0)	0	(0)	(6)	(1)	(2)
Cash and cash equivalents at end of year		160	182	160	261	250	214

## Customer Value

**Communication with Customers** We listen to customers and share information on our products and applied technology through a communication channel arranged by each business and product. These communication activities help us to understand customer needs and so to provide the most optimized cable solution.

### Communication Channel

Category	Description	Date
Customer Conference	To listen to customer and share company performance	Yearly
Quality Meetings with Customers	To receive customer feedback and discuss ways for improvement	Monthly
Customer Seminar	To share product type, Characteristics and test methods	Yearly
Technology Seminar	To share state-of-the-art technology of manufacturing/test/construction	Quarterly
Monthly customer Meeting	To discuss issues product materials including compounds	Monthly

**Product Liability** After our products have been delivered to customers, to make sure that quality defects do not cause any damage to them or their facilities, we are carrying out quality management activities throughout the entire stages. In case of product defects, we publicly operate the recall system for exchanging, refunding, and repairing defected ones to minimize customer damage through Product Liability Insurance. Additionally, in order to enhance employee's awareness of the product liability, we provide a training in the Quality Meeting.

**Accurate Information** At the request of a customer, we provide information on functions, specifications, structures, electric and technical features, 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 2014.

**Customer Information Protection** To protect customer information in collecting, using, and managing process, we operate an annual response program. In 2012, we established the corporate rule of Personal Information Protection and made a diagnosis of management status. Since 2013, we have carried out implementation activities, which were planned based on the diagnosis results. Also, each team manager takes a leading role of management and appoints staff members who actually deal with customer information as persons in charge, for responsible actual management. We also provide training to all the members in charge. There were no concerns raised or complaints filed in 2014.

## Employee Values

**Employees** As of the end of 2014, we have 2,199 employees. By region, we have 482 at head office; 130 in Anyang plant; 1,038 in Gumi/Indong plant; 330 in Donghae plant; 140 in R&D center; and 79 in overseas operations. As global construction projects have increased, more expatriates were assigned to overseas workplaces, compared to the previous year. In the case of subsidiaries, total employees are 2,556 with a decrease by 3.7% on a year on year basis. The number of employees in our domestic subsidiaries dropped significantly as the JS Cable employees transferred to the each company of the LS Group.

### Number of Employees

Category		2012	2013	2014
LS Cable & System	Head Office	574	462	482
	Anyang	181	190	130
	Gumi - Indong	1,215	1,107	1,038
	Donhae	245	225	330
	R&D Center	199	162	140
	Overseas	60	59	79
	Office position	1,232	1,054	1,048
	Expatriate	60	59	38
	Technical position	938	934	985
	Contract based	244	158	128
	<b>Total</b>	<b>2,474</b>	<b>2,205</b>	<b>2,199</b>
Subsidiaries	Domestic	672	531	271
	Overseas	5,814	2,123	2,285
<b>Total</b>		<b>6,805</b>	<b>2,654</b>	<b>2,556</b>
<b>Turnover rate (%)</b>		<b>7.9%</b>	<b>9.8%</b>	<b>7.5%</b>

### Employee Training

Unit : hour

Category	2012	2013	2014
Average Training Time per Capita*	57.6	33.9	37.7
By position	Executives	38	23
	Managers	73	42
	Staffs~Deputy Managers	102	81
Training Expense (USD)		4,352	2,645
		2,645	2,751

\* Including technical position's data

**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.

In 2014, we raised gift card value offered at employee's anniversaries (birthday, wedding anniversary) to provide more benefits to them. For the purpose of making closer relations among employees, we also supported the family member invitation to the celebrity lecture and a gift-giving event to kind colleagues. In 2015, we support the full implementation of the Refreshing Weeks. To take a rest is essential for refreshing the body and mind and restoring energy. The Refreshing Weeks which allow up to 2-week intensive holidays encourage employees to take a rest and revitalize energy for the sake of creative work performance.

#### Healthy Life

- 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

#### Cultural Life

- Club activities promotion and financial support
- Anniversary celebration (birthdays, weddings) : Gift cards offered
- Cultural Events : Tickets to sports events, Family day event

#### Energetic Life

- 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

- 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
- Commuting vehicles : Commuting buses and shuttles

#### Hopeful Life

- Online training course: in-house online training course every month (job skills, leadership, foreign language, etc.)
- Mid/long-term education support: master's degree course, MBA, intensive foreign language course, etc.
- Outside training courses: job skills education, foreign language course

#### Prosperous Life

- 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

**Joint Activities with Labor Union** We make a joint effort to fulfill corporate social responsibility with our labor unions through a joint donation fund, volunteer works and environment protection activities in the communities. We also carry out cooperative activities for on-site innovation. In 2014, with the donation from salary, we granted about USD 40,029 to those who need for help and carried out volunteering activities. In addition, the labor union pushes ahead with new on-site innovation activities for workplace productivity, quality, and cost competitiveness since December 2014.

**Job Satisfaction** An on-site job satisfaction survey has been conducted on a yearly basis. With the goal of improving working environments, 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. The 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.

**Retirement Pension System** Since 2011, we have enforced the retirement pension system covering all employees in the DC (Defined Contribution) plan and the DB (Defined Benefit) plan. The DB plan pays a specified benefit on retirement based on the service period. In the DC plan, employees receive contributions and investment returns generated by personally operating pension funds accumulated in a financial institution every year. After subscribing initially to the DB plan, they can convert the plan to the DC plan by application every quarter.

**Communication with Employees** By building a variety of communication channels, we provide important corporate management information to employees. Through a monthly meeting, we share business performance and a material management issues. We also listen to on-site opinions and make a joint effort to improve working condition and welfare benefits through quarterly Cooperation Promotion Council and monthly Labor-Management Council.

#### Communication Channel

Category	Attendants	Description
Monthly meeting	All employees	To share business performance
Cooperation Promotion Council (Quarterly)	Labor Union : Labor union leader and 6 others Management : President and 6 others	To discuss important management issues and working conditions
Labor-Management Council (Monthly)	Labor Union : Union Secretary General & others Management : Labor relations planning team manager	To discuss working conditions and welfares

## Environment Value

INPUT		2012	2013	2014
Investment (in thousand USD)	Investment for Energy Reduction	100	540	334
Resources (ton)	Cu	175,291	322,989	341,428
	Al	21,939	30,172	32,504
	PE	26,893	281 21,919	21,542
	PVC	5,074	4,063	3,901
Recycling (ton)	Cu*	-	-	1,717
	Plastic**	2,400	2,600	2,699
Water (ton)	Water for daily use	564,146	532,532	518,782
	Water for industrial use	60,294	69,035	93,742
	Underground water	50,842	48,742	46,245
	Total	675,282	650,309	658,769
	per ton of product	1.02	1.29	1.28
Energy (TJ)	Fuel	729	692	740
	Electricity	2,277	2,122	2127
	Steam	156	152	144
	Total	3,162	2,966	3,011
	per thousand ton of product	4.78	4.30	4.03

**Use of Major Resources** We use copper, aluminum, PE, and PVC as our major resources and continuously develop technologies to reuse raw materials and products more effectively. In particular, we have developed new recycling technologies for scraps, which were impossible to recycle in the past. 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. As for products disposed after use, we sign an agreement with the Ministry of Environment to recover and recycle waste wires. In particular, with the implementation of Resources Circulation Promotion Act due in 2017, we have recently signed an MOU with the Ministry of Environment. Through this agreement, we expect to further significantly reduce natural resource use and waste generation. It will also allow us to respond quickly and provide learning opportunities before the act is implemented in 2017. Currently, we are in discussions with the Ministry of Environment about developing performance indicators for this act. At the conclusion of these discussions, we will plan for the introduction of an appropriate management system to evaluate our performance against the target performance indicators.

OUTPUT		2012	2013	2014
Air Pollutants (kg)	Dust	3,091	3,022	3,075
	NOx	22,501	20,618	21,557
	HCL	2,499	2,457	2,421
	HF	156	194	217
	per thousand ton of product	42.6	54.5	54.6
Water Pollutants (kg)	BOD	0	0	0
	COD	1,802	1,465	962
	SS	439	627	248
	T-N	488	517	189
	Total	2,729.2	2,609	1,399
	per thousand ton of product	4.1	5.2	2.7
GHG Emission (1,000 tons CO <sub>2</sub> eq)	Direct emissions(Scope 1)	40	38	41
	Indirect emissions(Scope 2)	119	112	111
	Other indirect emissions(Scope 3)	2	5	8
	Total	161	155	160
	per thousand ton of product	0.24	0.22	0.21
Hazardous Chemical Substance (ton)		716	687	578
Ozone depleting substances.	SF6 purchased((kg)	27	22	47
	CO <sub>2</sub> equivalent	30,974	25,238	53,918
Wastes (ton)	Designated waste***	2,196	2,170	2,201
	General waste****	14,702	12,007	14,181
	Total	16,898	14,177	16,381
	per thousand ton of product manufactured	25.5	28.2	31.9
Waste Disposal (ton)	Incineration	3,205	1,432	1,850
	Landfill	628	1,825	480
	Recycling	12,971	10,878	14,050
	Recycling ratio (%)	77	77	86

\* Due to change of data calculation method, we did not disclose 2012 and 2013 data

\*\* A data collected and recycled through a voluntary agreement on plastic materials

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

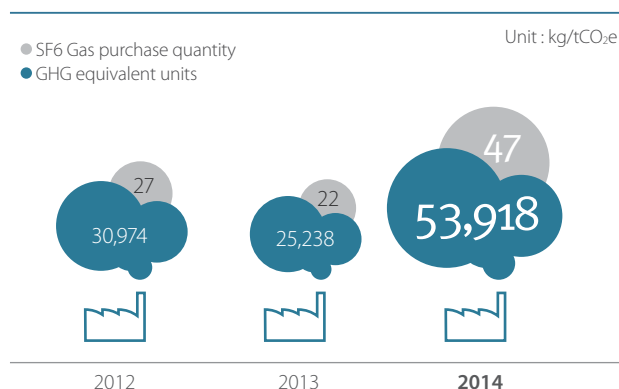
\*\*\*\* General wastes : Cable scraps, used synthetic resins, synthetic rubber waste, etc.

**Water Use & Management** Most of water we use is in our manufacturing processes, such as indirect coolant during the pressing and cooling processes and the casting process after copper melting in the cable manufacturing process. Then there is water for daily use which is used for toilets and other purposes. In 2014, as a result of water saving activities, the total water consumption was 610,000 tons which decreased by 36,000 tons against previous year. However, as leased site was added, the total water consumption increased by 8,000 tons. Daily water reduction was approximately 100 tons. We will continue to reduce water consumption by maximizing recycling in our manufacturing processes, and improving employees' awareness of water saving.

### Major air pollutants Emission

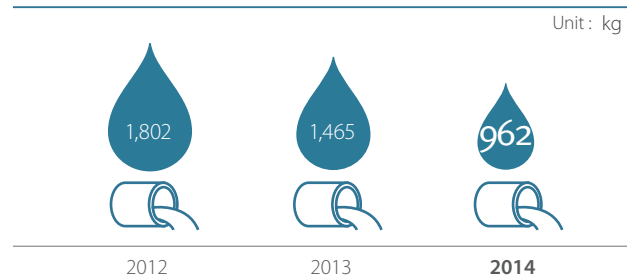
**Air Pollutants Management** The major air pollutants emitted from our entire operations include nitrogen oxide(NOx), dust and hydrogen chloride (HCl). Specifically, NOx is produced in the manufacturing process of magnet wires in the Gumi plant, the Southwire Continuous Rod System process and the aluminum smelting furnace. The amount of NOx emitted is approximately 21 tons per a year, accounting for 77% of the total. Meanwhile dust emission amounts to 3 tons and HCl 2.4 tons annually, accounting for 11% and 9%, respectively. To reduce NOx emissions at the Gumi plant, We have invested in not only in Selective Catalytic Reductor(SCR) but also HCl auto measuring equipment to manage it stably. Due to abnormal operation at some of our facilities, there was an increase in HCl emissions. However, we have introduced various improvement plans and all of our facilities have stabilized. Furthermore, we constantly monitor air pollutants and maintain their emissions to under 20% of the legal limit.

**Ozone-depleting Substances (ODS) Management** We use SF6 gas in production process phase and inspection phase for electronic insulation of high voltage cable and other electrical devices. We separately report on SF6 usage to the government and we have on-site activities to minimize SF6 gas usage.



**Water Pollutant Management** Major water pollutants that we emit include COD, suspended solids (SS), and total nitrogen (T-N). Generated hazardous substances are treated under the density level of 'ZERO', not emitting toxic substances into the ecosystem. Our pollutant density of wastewater is under 20% of the legal limit. At our Gumi and Indong plants, we use wastewater treatment facilities before the wastewater is discharged into the local sewage treatment plants, while Anyang and Donghae plants is sent wastewater directly into the local sewage treatment plants. Since most of the wastewater is produced in the process of pressing and cooling wires, the concentration of pollutants is relatively low compared to other industries. We have improved our water treatment processes by introducing a secondary process. As a result, there was reduction of 610kg in total water pollutant compared to the previous year, despite an increase in production. In addition, we have introduced a policy that our pollutant density discharged is 30% below the legal limit. Our plants are not in or near any special water protection zones, special control zones, or protected areas for biodiversity. Therefore, it can be assumed that the wastewater discharges from our worksites have little impact on public waters and the ecosystem.

### COD



**Waste Management** Key wastes generated in our operation can be categorized into 3 types. 1) Designated waste such as used oil and organic solvents from manufacturing 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. Due to the disposal of long-term inventory, there was an increase in volume of approximately 884 ton. As we have developed new recycling technologies, recycled waste volume increased by approximately 2,000ton. As a result, our recycling rate increased to 86%, up 9% compared to the previous year. In order to ensure appropriate waste management, we visit the contractors regularly or at any time to monitor and evaluate them. We manage the entire process of waste treatment by using the government's online system (Allbaro System : [www.allbaro.or.kr](http://www.allbaro.or.kr)), thus enabling real-time monitoring of whether waste disposal is conducted in an appropriate manner.



## Chemical Substance Management

From 1 January 2015, in accordance with the Chemical Substances Control Act, we have established management standards to prevent chemical accidents and to manage safely chemicals in all our operation sites. The purpose of the Chemical Substances Control Act is to manage chemical substance systematically to prevent environmental damage and public health risks, and to effectively respond to chemical accidents.

The main contents of the Chemical Substance Act are as follows: (1) To establish a chemical substance statistical survey and informational system to strengthen safety management of hazardous chemical handling/installation; (2) To strengthen the prevention of chemical accident protocols by introducing an off-site chemical accident impact measurement system, and the introduction of an operations registration; (3) To require double and triple safety check-up processes in the designing and installation of safety facilities, in order to prevent any damage to third party personal and/or property; (4) To make an immediate reporting and to assign inspectors of chemical accidents for responding to chemical accidents. We have established an emergency response manual and provided training programs, and each plant carries out emergency exercises regularly. Also, only employees who took related education are allowed to use chemical substances in the designated facilities with locks installed. Chemical Substance is moved and managed at specific locations by our specialists. We have established an emergency response system which controls equipment and personal protective equipment at designated areas in all our plants to immediately respond if an accident occurs. Most of the hazardous chemicals we manage can be placed in two categories: (1) Cresol, xylene, and ammonia used in the manufacturing process of magnet wires (2) NaOH in other manufacturing processes. Cresol and xylene account for 90% of our total hazardous chemical substance. In 2015, we will strengthen the management level of efficiency and safety of our chemicals, through chemical substance analysis, third party impact assessments, employee training, and improved storage and treatment facilities.

**Hazardous Chemical Substance Management System** Domestic and international regulations such as the Chemical Substance Assessment and Registration Act, REACH and chemical substance control in products, have become stricter. We have introduced an in-house environmental hazardous chemical substance management policy to increase legal countermeasures, and to strengthen our management process. In particular, we have established an IT system named the LS Hazardous Material information system, and are planning to fully operate it from the end of 2015. To grow with our suppliers, we have established TFT with our major suppliers. The TFT conducts a chemical substance assessment and registration, legal training, joint authoritative interpretation and other business supports to our suppliers.

## Establishment of a Green Product Purchasing Process

To meet global customers' environmental requirement standards, we have established green purchase process and have green cooperator certification system in order to expand eco-friendly supply chain, by helping our suppliers establish clear environmental process.

**Green Purchasing** 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 the followings: environmental certification product, GR marked products, energy saving products, internationally certified products, and products with low hazardous substance. In particular, 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 Supply Chain Management** We have certified the supplies who deliver green raw materials as 'Green Company (GC)', through the Green Company Certification Program, since 2011, to strengthen our eco-friendly supply chain. The Green Cooperator certification program not only evaluates products, but also involves assessing a supplier's entire environment management system including its substance management and environmental impact. According to the green cooperator certification, top tier suppliers are provided incentives, while suppliers who do not meet the criteria, are subject to penalties such as suspension of purchases.

## 2014 Environmental Improvement Cases

### Improvement of Designated Waste Storage Sites

In regard to waste storage sites, which the Waste Management Act, prescribes, there was a narrow storage space and difficulties in waste management. So taking into account the environmental and business perspective, we have derived the improvement measures. By installing a rack, which allows us to utilize the upper space. Indong plant is able to store 12 different types of designated wastes in separated sites. Selective and intensive management of waste therefore, has been established for efficient waste management.

### Reduction of Air Pollutants and Lawful Management

Due to decrepit NOx measurement equipment and measurement errors, the manufacturing process of magnet wires in the Gumi plant produced and unstable level of exhaust gas density. To stably emit NOx, we recently invested USD 34 thousand in a NOx reduction facility to maintain the level of 40ppm, at 20% of the legal maximum.

# Independent Assurance Statement

The Business Institute for Sustainable Development (BISD), led by the Korea Chamber of Commerce & Industry, was requested to serve as an independent 'third-party assurance institute' for the '2014 LS Cable & System Sustainable Management Report' (hereinafter 'Report'), and submits the assurance statement as follows.

## Purpose

The purpose of this assurance report is to identify any major errors or biases in the report, to conduct independent assurance procedures to determine whether the sustainable management issues of LS Cable & System were appropriately reported, and to accordingly present an assurance opinion.

## Responsibilities and Independence

This report contains matters on LS Cable & System's sustainable management efforts, achievements and future plans in 2014. All responsibility regarding the drafting of the report lies with LS Cable & System.

In conducting assurance procedures on the report and providing assurance opinions to the board of directors, BISD has no management-related interests in profits with LS Cable & System, aside from carrying out third-party assurance, in order to maintain independence and autonomy.

## Assurance Standards and Restrictions

BISD performed the assurance engagement (Type 1, Moderate) in consideration of the three accountability principles (inclusivity, materiality and responsiveness) of AA1000AS (2008) and the principles for defining reporting quality laid out by the Global Reporting Initiative G4 guidelines.

Physical inspections were conducted at the Headquarters located in Anyang. The scope of the assurance was limited to only those performances stated in this Report and excludes data from previous years and data reported online. Furthermore, GHG data that has already been verified from another third-party organization was not subjected to the assurance engagement.

## Major Assurance Procedures

Results from the interview and other relevant documents provided by LS Cable & System were considered for the assurance process. Major assurance procedures undertaken are as follows:

- Review of application of company's internal sustainability report standards
- Review of report information and information collection process
- Review of materiality test, report contents related to the core issues and company policies
- Conducting physical inspection and interviews with employees.

## Opinions

BISD performed the assurance engagement in accordance with the procedures identified above, and modified the report if and when deemed necessary. Based on the assurance engagement, BISD is not aware of any significant errors in the report and confirmed that the report was written in accordance with GRI G4 guidelines (core option).

The opinions of BISD produced as a result of its assurance engagement and in consideration of the AA1000APS accountability standards are explained below.

- 1. Inclusivity** : Does LS Cable & System adhere to the principle of stakeholder engagement in order to ensure a responsible and strategic response in advancing sustainability management?
  - LS Cable & System is gathering major concerns and opinions from core stakeholders, including its customers, employees, partners, local communities, shareholders and investors through stakeholder communication channels.

- BISD is not aware of any significant stakeholder groups that were omitted from the process of gathering sustainability management issues through LS Cable & System's stakeholder communication channels..

**2. Materiality** : Does LS Cable & System include material issues that affect stakeholders in the entire spectrum of sustainability management in this Report?

- LS Cable & System used the materiality test process to deduct major sustainability management issues and identified major issues through a separate process of compiling opinions on expectations by stakeholder groups as part of the materiality test process. .
- BISD is not aware of any significant issues that were omitted from the materiality test process.

**3. Responsiveness** : Does LS Cable & System respond appropriately to stakeholder issues?

- LS Cable & System has acknowledged the impact of its business decisions on stakeholders and responded properly with coherent actions. The Report presents related performances during the reporting period.
- BISD is not aware of any violations of the principle of responsiveness in LS Cable & System's response to major sustainability management issues or performances that are described in this Report from the perspective of materiality.

## Recommendations

BISD makes the following recommendations within a scope that does not affect the assurance results:

1. LS Cable & System successfully carried out the 1st Phase (Framework Build-up) of the sustainability management implementation roadmap. For the 2nd Phase (Internalization and Expansion), LS Cable & System needs to establish a sustainable management plan and put this plan into practice, reflecting the results of the sustainable management activities assessment. Also, BISD suggests releasing sustainable management performances on the company's webpage, so that stakeholders can easily access the latest information.
2. In the report, BISD found that LS Cable & System administers business continuance and takes note of global complex economic, social and environmental trends. BISD recommends that LS Cable & System expand its interface with stakeholders in order to minimize uncertainty. It is expected that LS Cable & System will manage risk through close communication and build up sustainability by identifying the changes of its internal business environment.
3. LS Cable & System is expanding its impact in local communities in foreign countries as it strengthens its overseas business. Systematic management of non-financial factors (human rights, labour, ethical management) has been growing in importance as LS Cable & System conducts business under a variety of cultures and systems. Therefore, it is recommended that LS Cable & System set up a system to manage non-financial performances and risks in overseas sites. Also, in the case of social contributions overseas, BISD suggests that LS Cable & System make an effort to identify community needs and develop social contribution activities related to its areas of business.



May 2015  
President  
**Chun, Subong**

# GRI G4 Index (General Standards Disclosures)

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

Category	Indicators	Report level	Page
Strategy and Analysis	G4-1 Statement from the most senior decision-maker	●	4~7
	G4-2 Provides a description of Key impacts, risks, and opportunities	●	14~17
Organizational Profile	G4-3 Report the name of the organization	●	8
	G4-4 The primary brands, products, and services	●	8, 28~29
	G4-5 The location of the organization's headquarters	●	8
	G4-6 The number of countries where the organization operates	●	8~9
	G4-7 The nature of ownership and legal form	●	12
	G4-8 The markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	●	8~9
	G4-9 Scale of the organization	●	8
	G4-10 Total workforce	●	77
	G4-11 The percentage of total employees covered by collective bargaining agreements	●	58
	G4-12 The organization's supply chain	●	26
	G4-13 Any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	●	89
	G4-14 Whether and how the precautionary approach or principle is addressed by the organization	●	18
	G4-15 List Externally developed economic, environmental, and social charters, principles, or other initiatives	●	88
	G4-16 Memberships in associations and/or national/international advocacy organizations in which the organization	○	
Identified Material Aspects And Boundaries	G4-17 All entities included in the organization's consolidated financial statements or equivalent documents	●	8~9
	G4-18 The process for defining the report content and the aspect boundaries.	●	22~23
	G4-19 List all the material Aspects identified in the process for defining report content	●	22~23
	G4-20 For each material Aspect, report Aspect Boundary within the organization	●	22~23
	G4-21 For each material Aspect, report the Aspect Boundary outside the organization	●	22~23
	G4-22 The effect of any restatements of information provided in previous reports, and the reasons for such restatements	●	89
	G4-23 Significant changes from previous reporting periods in the Scope and Aspect Boundaries	●	89
Stakeholder Engagement	G4-24 List of stakeholder groups engaged by the organization	●	87
	G4-25 Basis for identification and selection of stakeholders with whom to engage	●	26~27, 87
	G4-26 Organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	●	77, 78, 87
	G4-27 Key topics and concerns that have been raised through stakeholder engagement	●	26~27
Report Profile	G4-28 Reporting period such as fiscal or calendar year) for information provided	●	89
	G4-29 Date of most recent previous report (if any)	●	89
	G4-30 Reporting cycle such as annual, biennial)	●	89
	G4-31 Provide the contact point for questions regarding the report or its contents	●	92
	G4-32 GRI Index ('In accordance' option, GRI Content index, and the external assurance report)	●	84~87
	G4-33 Policy and current practice with regard to seeking external assurance for the report.	●	82~83
Governance	G4-34 Report the governance structure of the organization, including committees of the highest governance body	●	13
	G4-35 Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	●	20
	G4-36 Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body	●	20
	G4-37 Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics If consultation is delegated, describe to whom and any feedback processes to the highest governance body	○	
	G4-38 Report the composition of the highest governance body and its committees	●	13
	G4-39 Report whether the Chair of the highest governance body is also an executive officer	●	13
	G4-40 Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members	●	13
	G4-41 Report processes for the highest governance body to ensure conflicts of interest are avoided and managed	●	13
	G4-42 Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	●	20
	G4-43 Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	●	13
	G4-44 Processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics	●	13
	G4-45 A. The highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. B. Whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities."	●	13, 18
	G4-46 Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees	●	13

Category	Indicators	Report level	Page
Governance	G4-47 Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	●	13
	G4-48 Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered	●	20, 89
	G4-49 Report the process for communicating critical concerns to the highest governance body	●	13
	G4-50 Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them	●	58
	G4-51 Report the remuneration policies for the highest governance body and senior executives	●	13
	G4-52 Report the process for determining remuneration Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management Report any other relationships which the remuneration consultants have with the organization'	●	13
	G4-53 Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable	●	58
	G4-54 Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country	○	
	G4-55 Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees	○	
Ethics and Integrity	G4-56 Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	●	58, 72
	G4-57 Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines	●	72
	G4-58 Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines	●	72~73

## GRI G4 Index (Specific Standards Disclosures)

Category	Aspect	Indicators	Report level	page
DMA	DMA	G4-DMA Report why the Aspect is material Report how the organization manages the material Aspect or its impacts Report the evaluation of the management approach	●	32-33, 36-37, 40-41, 46-47, 50-51, 54-55, 60-61, 64-65, 68-69, 71-72
Economic	Economic Performance	G4-EC1 Direct economic value generated and distributed	●	21, 33
		G4-EC2 Financial implications and other risks and opportunities due to climate change	●	65
		G4-EC3 Coverage of the organization's defined benefit plan obligations	●	78
		G4-EC4 Financial assistance received from government	●	87
	Market Presence	G4-EC5 Ratios of standard entry level wage by gender compared to local minimum wage	●	87
		G4-EC6 Proportion of senior management hired from the local community	○	
	Indirect Economic Impacts	G4-EC7 Development and impact of infrastructure investments and services supported	●	51~53
		G4-EC8 Significant indirect economic impacts, including the extent of impacts	●	26~27
	Procurement Practices	G4-EC9 Proportion of spending on local suppliers at significant locations of operation	●	21
Environmental	Materials	G4-EN1 Materials used by weight or volume	●	79
		G4-EN2 Percentage of materials used that are recycled input materials	●	79
	Energy	G4-EN3 Energy consumption within the organization	●	79
		G4-EN4 Energy consumption outside of the organization	●	67, 79
		G4-EN5 Energy intensity	●	67, 79
		G4-EN6 Reduction of energy consumption	●	67
		G4-EN7 Reductions in energy requirements of products and services	●	66
	Water	G4-EN8 Total water withdrawal by source	●	79
		G4-EN9 Water sources significantly affected by withdrawal of water	●	87
		G4-EN10 Percentage and total volume of water recycled and reused	○	
	Biodiversity	G4-EN11 Operational sites owned, leased, managed in, or adjacent to, protected areas		N/A
		G4-EN12 Description of significant impacts of activities, products, and services on Biodiversity		N/A
		G4-EN13 Habitats protected or restored		N/A
		G4-EN14 Total number of IUCN red list species and national conservation list species with habitats in areas affected by operations, by level of extinction risk		N/A
	Emissions	G4-EN15 Direct greenhouse gas(GHG) emissions (scope 1)	●	67, 79
		G4-EN16 Energy indirect greenhouse gas(GHG) emissions (scope 2)	●	67, 79
		G4-EN17 Other indirect greenhouse gas(GHG) emissions (scope 3)	●	67, 79
		G4-EN18 Greenhouse gas (GHG) emissions intensity	●	67, 79
		G4-EN19 Reduction of greenhouse gas(GHG) emissions	●	67
		G4-EN20 Emissions of ozone-depleting substances (ODS)	●	79
		G4-EN21 NOx, Sox, and other significant air emissions	●	79



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

Category	Aspect	Indicators	Report level	Page
Environmental	Effluents and Waste	G4-EN22 Total water discharge by quality and destination	●	80
		G4-EN23 Total weight of waste by type and disposal method	●	79
		G4-EN24 Total number and volume of significant spills	●	87
		G4-EN25 Weight of transported, imported, exported, or treated waste deemed hazardous		N/A
		G4-EN26 identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff		N/A
	Products and Services	G4-EN27 Extent of impact mitigation of environmental impacts of products and services	●	24–25
		G4-EN28 Percentage of products sold and their packaging materials that are reclaimed by category	●	79
	Compliance	G4-EN29 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	●	87
	Transport	G4-EN30 Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	●	66
	Overall	G4-EN31 Total environmental protection expenditures and investments by type	●	79
Social-Practice and Decent work	Employment	G4-EN32 Percentage of new suppliers that were screened using environmental criteria	●	48, 81
		G4-EN33 significant actual and potential negative environmental impacts in the supply chain and actions taken	●	48–49
		G4-EN34 Number of grievances about environmental impacts	●	87
	Labor/Management Relations	G4-LA1 Total number and rates of new employee hires and employee turnover by age group, gender, and region	●	56, 77
		G4-LA2 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	●	78
		G4-LA3 Return to work and retention rates after parental leave, by gender	●	59
	Occupational Health and Safety	G4-LA4 Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	●	87
		G4-LA5 Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	●	87
		G4-LA6 Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	●	62–63
	Training and Education	G4-LA7 Workers with high incidence or high risk of diseases related to their occupation	●	62–63
		G4-LA8 Health and safety topics covered in formal agreements with trade unions	●	61-63
		G4-LA9 Average hours of training per year per employee, by gender, and by employee category	●	77
	Diversity and Equal Opportunity	G4-LA10 Programs for skills management and lifelong learning that support the continued employability	○	
		G4-LA11 Percentage of employees receiving regular performance and career development reviews	●	57
		G4-LA12 Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	●	77
	Equal remuneration for women and men	G4-LA13 Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	●	87
		G4-LA14 Percentage of new suppliers that were screened using labor practice criteria	●	48
		G4-LA15 Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	○	
Social-Human Rights	Investment	G4-LA16 Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	●	58
		G4-HR1 Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	●	87
	Non-discrimination	G4-HR2 Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	●	59
		G4-HR3 Total number of incidents of discrimination and corrective actions taken	●	58
	Freedom of Association and Collective Bargaining	G4-HR4 Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	●	58
	Child Labor	G4-HR5 Operations and suppliers identified as having significant risk for incidents of child labor	●	58
	Forced or Compulsory Labor	G4-HR6 Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor	●	58
	Security Practices	G4-HR7 Percentage of security personnel trained in the organization's human rights policies or procedures	●	59
	Indigenous Rights	G4-HR8 Total number of incidents of violations involving rights of indigenous peoples and actions taken	●	87
	Assessment	G4-HR9 Total number and percentage of operations that have been subject to human rights reviews	●	59
	Supplier Human Rights Assessment	G4-HR10 Percentage of new suppliers that were screened using human rights criteria	●	87
	Human Rights Grievance Mechanisms	G4-HR11 Significant actual and potential negative human rights impacts in the supply chain and actions taken	●	87
Social-Society		G4-HR12 Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	●	58
	Local Communities	G4-SO1 Number of grievances about human rights impacts through formal grievance mechanisms	●	52-53
	Anti-corruption	G4-SO2 Operations with significant actual and potential negative impacts on local communities	●	26–27
		G4-SO3 Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	●	87
		G4-SO4 Communication and training on anti-corruption policies and procedures	●	73
		G4-SO5 Confirmed incidents of corruption and actions taken	●	72
	Public Policy	G4-SO6 Total value of political contributions by country and recipient/beneficiary	○	
	Anti-competitive Behavior	G4-SO7 Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices	●	87
	Compliance	G4-SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance	●	87

Category	Aspect	Indicators	Report level	Page
Social-Society	Supplier Assessment for Impacts on Society	G4-SO9 Percentage of new suppliers that were screened using criteria for impacts on society	●	48
		G4-SO10 Significant actual and potential negative impacts on society in the supply chain and actions taken	●	87
	Grievance Mechanisms for Impacts on Society	G4-SO11 Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	●	49, 58, 78
Social-Product Responsibility	Customer Health and Safety	G4-PR1 Percentage of significant products and services categories for which health and safety impacts		N/A
		G4-PR2 Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes		N/A
	Product and Service Labeling	G4-PR3 Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant products and services	●	77
		G4-PR4 Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	●	77
		G4-PR5 Results of surveys measuring customer satisfaction	○	
	Marketing Communications	G4-PR6 Sale of banned or disputes products	●	87
		G4-PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	●	77
	Customer Privacy	G4-PR8 Total number of complaints regarding breaches of customer privacy and losses of customer data	●	77
	Compliance	G4-PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	●	77

## Additional Information

G4 25

### Stakeholders

Our stakeholders are 1) an individual or groups that effect/s by business activities 2) an individuals or group that affect/s on business performance, 3) an individual or groups that has/have finical, legal, operational responsibilities. We use various communication channel to communicate with them and place our utmost effort to reflect their opinion when we conduct our business activities.

Communication channel	Customers	Employees	Shareholders/Investors	Government	Local Communities
	<ul style="list-style-type: none"> <li>• CRM System</li> <li>• Customer seminar</li> <li>• Corporate website</li> <li>• Product manual</li> </ul>	<ul style="list-style-type: none"> <li>• Hotline</li> <li>• Monthly meeting</li> <li>• Intranet</li> <li>• Participation &amp; Cooperation Promotion Council</li> </ul>	<ul style="list-style-type: none"> <li>• BOD</li> <li>• General share-holders' meeting</li> <li>• Business report</li> </ul>	<ul style="list-style-type: none"> <li>• Open discussion</li> <li>• Participation in national projects</li> <li>• Association-academic activities</li> </ul>	<ul style="list-style-type: none"> <li>• Social contribution activities</li> <li>• Business-academic cooperation</li> <li>• Open discussion</li> </ul>

EC4	Financial assistance received from government Unit : In thousand USD		2012	2013	2014
		Tangible Assets			
		Land	14,145	14,145	14,145
		Machines & Equipment	392	358	324
		Intangible Assets			
		R&D	1,282	986	691

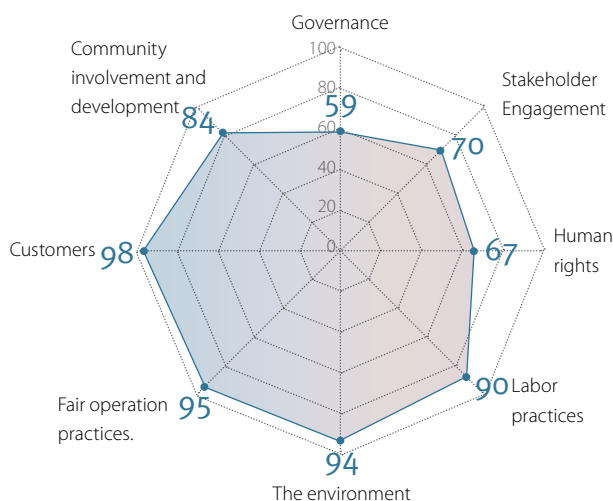
EC5	Ratio of entry level wage compared to local minimum wage is 269%.
EN9	We receive water resources from the rivers and dams: Gumi/Indong plants from Nakdong River; Anyang plant from Paldang dam; and Donghae plant from Dalbang dam. The water collected from resources was supplied by the water supply offices in each area, after being filtered by K-water, which is Korea's governmental agency for comprehensive water resource development and provision.
EN24/EN34	No violations of chemical substance spill or environmental regulations during the reporting period
LA4	We disclose material information and changes related to employee welfare and benefits on our website in real time.
LA5	Occupational Health and Safety Committee which is composed of seven representatives from both the management team and the labor union to participate, provide opinions, establishes plans and makes decisions for improving the workplace safety level.
LA13	Employees with the same position and same job are paid equally. Accordingly, there is no wage discrimination because of gender.
HR1/HR10 HR11	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 not meet I international human right principles, we will improve it as a top priority matter.
HR8	No violation involving rights of indigenous people during the reporting period.
SO3	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. Please refer to our 2014 audit report for more information about these lawsuits. 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.
SO10	As long as we know, there is no supplier that caused negative impacts in 2014.
PR6	There is no products that has been prohibited to sell in 2014.

# UN Global Compact Performance

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

## ISO 26000 Self Diagnosis Results

We use ISO 26000, the international standard on social responsibility, as the basis for checking and improving the present status of the company. Using a BISD-IPS SR index model, we have examined our social responsibility under ISO 26000 guidelines' eight core subjects of stakeholders' engagement, governance, customers, the environment, labor practices, human rights, community involvement and development and fair operation practices. The results are shown below.



Introduction of a compliance management system and the increasing awareness of employees has resulted in a significant improvement in fair operation practices. However, there is a need for greater systematic management for managing and pursuing important sustainability issues from decision making process. To this ends, we will be implementing 'Sustainability Management Phase 2' to better plan, execute and evaluate such important issues to reflect them on decision making processes.

## About this Report

### 'Enable the Cabled World'

We have issued our sustainability report every year since 2011 as part of our efforts to share our principles and activities for improving business sustainability. In particular, with the declaration of 'LS C&S Way', we also renamed our sustainability report 'Enable the Cabled World'. This report were created to provide a clear explanation of our value and impact on stakeholders.

**Reporting period** From January 1, 2014 to December 31, 2014.

- 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 before 2014 and the first half of 2015 are included and specified in point of time.

**Boundaries** The head office, and 4 plants in Korea (Gumi, Anyang, Indong, Donghae) and R&D center

**Reporting guidelines** Global Reporting Initiative (GRI)'s G4 Guidelines

**Assurance** Internal reviews and third party verification

**Data collection** Data was collected and processed from the Management Information System by the Performance Management Department.

- In case of if there was any change in data collection, past data was adjusted based on 2014 data collection and reported.

**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.

**Contents of report** Top ten issues were identified in seven areas of sustainability management and prioritized based on stakeholder's interest and impact on business.

- First half of the report : Status of Sustainability Management
- Second half of the report : Our strategy and performance of 2014 ten issues.

**Key changes in 2014** None

**Date of Publication of latest report** June 2014

# Management Organization

<b>Issue 1</b> <b>Economic Value Creation</b>	We develop strategies within our business functions - such as Sales, Production, Construction, Research and Development, and Finance - to achieve our business plan. Tasks are assigned based on role and expertise. Please contact IR/International Finance team for more information on our economic value creation.	<b>Woo-Kwang Kim</b> IR / International Finance Team
<b>Issue 2</b> <b>New Technology and Product Development</b>	We have established a Research and Development Team to reflect our enterprise-wide technology development strategy. Our Platform Technology Research Center takes full charge of key technologies of cable system and product development and new technologies for the sustainability of the business. The Platform Technology Research Center and Product Development Team focus on developing customized products to enhance business competitiveness	<b>Min-Hee Choi</b> Technology Planning Team
<b>Issue 3</b> <b>Quality and Product liability</b>	The Product Quality Assurance Department, under direct supervision of the President, takes full charge of our product quality management system. The Product Quality Assurance Department involves entire functions of business such as Sales, Planning, Purchasing, Production, Construction, Product Assurance and Customer's Demand to ensure high quality products throughout our entire supply chains.	<b>Ho-Eun Kim</b> Quality management & Environment planning Team
<b>Issue 4</b> <b>Shared Growth with Partners</b>	The Purchasing Strategy Team takes full charge of enterprise-wide co-growth plans. The team also examines our annual plans and strategies. The Non-ferrous Purchasing Team and purchasing teams at each site, take full charge of purchasing the necessary products and services at the sites. The Logistic Team takes full charge of transportation contracts.	<b>Min-Young Lee</b> Purchasing Planning Team
<b>Issue 5</b> <b>Social Contribution</b>	Employees at each site involve themselves in volunteer activities within their local communities. The Public Relations Team and HR & General Affairs Team at each site, communicates regularly with local public institutions to ensure our social contribution activities are effective.	<b>Kyu-Young Nam</b> Public Relations Team
<b>Issue 6</b> <b>Global Talent Management</b>	The Human Resource Team and Educational Value Creation Team take full charge of domestic/global human resource management, organizational performance management and human resource development. In addition, we have established a HR& General Affairs Team at each site to support HR services and to facilitate better communication with the labor unions.	<b>Han-na You</b> Human Resources Team
<b>Issue 7</b> <b>Building Healthy and Safe Workplace</b>	The heads of each worksite have the responsibility for implementing our safety and health policies in their workplace. The heads of each worksite are supported by the Environment & Safety Teams at our Gumi and Indong sites, the Donghae Support Team at our Donghae site and the Labor Relations Planning Team at our Anyang site. Also, we operate an Occupational Health and Safety Committee which is composed of seven representatives from both the management team and the labor union.	<b>Jeong-Wook Jang</b> Gumi/Indong Environment & Safety Team
<b>Issue 8</b> <b>Respond to Climate Change</b>	The Climate Change Committee oversees GHG emission management, strategies and other related activities. In particular, TFT was established in 2014 to manage our GFG emissions and energy target. We have also adjusted the management team's responsibilities to respond to the emission trading scheme in 2015.	<b>Jeong-Rim Kang</b> Quality management & Environment planning Team
<b>Issue 9</b> <b>Compliance with Fair Competition</b>	The head of the Corporate Support Group has been appointed as our Self-Compliance Manager for Fair Trade. Our self-compliance arrangements consist of a Self-compliance Secretariat with self-compliance agents from all departments. The Public Affairs Team and Self-compliance Secretariat are in charge of running existing compliance programs and promoting compliance and fair culture within the organization, as well as providing support and monitoring.	<b>Jung-Jin Aa</b> Public Affairs Team
<b>Issue 10</b> <b>Ethical Management</b>	Under The Internal Audit & Consulting Team is the Secretariat of Ethical Management which takes charge of executing and establishing ethical management strategies, and running ethical programs. The Secretariat of Ethical Management promotes the importance of ethical management and practices by monitoring ethical management practices to prevent unethical practices before they occur. Also, it resolves ethical problems when they do occur and analyzes the causes to prevent problems reoccurring.	<b>Se-Aa Kwon</b> Internal Audit & Consulting Team







Enable the Cabled World



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](mailto: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.