LS ELECTRIC

SUSTAINABLE FUTURE WITH
GREEN ENERGY SOLUTION

FUTURING SMART ENERGY

2021 - 2022 LS ELECTRIC SUSTAINABILITY REPORT

ABOUT THIS REPORT

Cover Story

LS ELECTRIC's vision to "Drive Change for 2030" is expressed with lines symbolizing infinite growth extending across the world.

Report Overview

LS ELECTRIC has been communicating with stakeholders by publishing sustainability reports annually since 2015. This Report, our eighth report, serves to provide a balanced, transparent presentation of our economic, environmental, and social activities and performances in 2021. Moving forward, we will continue pursuing sustainable growth and development by communicating with stakeholders.

Reporting Period

This Report was prepared based on data from January 1 to December 31, 2021, and it includes some data from the first half of 2022. As for quantitative data, the reporting period covers the last three years to provide yearly trend analyses.

Reporting Standards

This Report was prepared in accordance with the GRI (Global Reporting Initiative) Standards: Core Option and the UN SDGs (Sustainable Development Goals). In addition, it complies with the climate change-related disclosure recommendations of the TCFD (Task Force on Climate-related Financial Disclosures) and SASB (Sustainability Accounting Standards Board) standards according to industrial characteristics. Financial data are based on the consolidated financial statements according to the K-IFRS (Korean International Financial Reporting Standards).

Reporting Scope

This Report contains key data identified through materiality analysis. While this Report primarily focuses on our domestic worksites, it also includes overseas worksites on a selective basis as necessary.

Assurance

To ensure the objectivity and credibility of the content, this Report was assured by the Korea Management Register, a third-party independent assurance provider.

Contact Information

This Report is freely accessible on the LS ELECTRIC website (www.ls-electric.com). For inquiries or feedback, please contact us through the following:

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Interactive User guide

The LS ELECTRIC Sustainability Report has been prepared in interactive PDF format. Click icons at the top to open the respective pages.

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CEO Message

Distinguished Stakeholders,

Allow me to extend my deepest gratitude for your interest in and support for LS ELECTRIC, and I wish all of you and your loved ones health and safety.

The industrial paradigm is shifting across the globe according to the digital technology development, which is called the Fourth Industrial Revolution, as well as changes in the market economy caused by the COVID-19 pandemic and global protectionism in line with the intensifying trade conflict between the US and China. The energy market is changing rapidly on the basis of digital transformation and smart connectivity. In addition, the demand for renewable energy is constantly increasing as a result of the instable supply of fossil fuel due to Russia's invasion of Ukraine along with the extreme weather impacts of climate change.

Under the vision "Drive Change for 2030," we will make utmost efforts to become a "global smart energy solution company" by shifting our business focus from devices to solution platform, such as manufacturing technology and ICT convergence, Industry 4.0 Solution business, smart power transmission and distribution network technologies, in order to lead changes in the energy market. At the same time, by following the ESG management vision of "Sustainable Future with Green Energy Solution," we will promote eco-friendly management, fulfill our social responsibilities, and establish fair and transparent governance to realize ESG management; thus further upgrading our corporate value for the future.

We will reinvent our business through digital technology.
In line with the global paradigm shift to "electrification," we will continuously discover new business models by establishing competition strategies based on advanced technologies and a digital platform. We will build a strong ecosystem of technologies and businesses by fostering internal and external venture businesses and making equity investments using a blind fund for inorganic growth. In addition, we will revolutionize the company-wide operating system, establish smart factories, upgrade the MES, and promote the continuous digital transformation of our R&D and services.

We will create outcomes from global business.
Although the traditional supply chain is collapsing due to the prolonged pandemic and the Russia invasion to Ukraine, major countries across the world are focusing on energy security and increasing facility investment. As a result, the power and automation market is expected to expand. Under the circumstances, LS ELECTRIC, a company boasting of power infrastructure operating expertise and ICT competitiveness, is producing remarkable outcomes in the global market based on excellent product quality and delivery competitiveness. By further developing such a competitiveness, we will advance as a global enterprise whose global business accounts for over 70% of total sales by 2030.

We will strengthen ESG management to become a sustainable company.
To become a company leading eco-friendly business, we are committed to achieving carbon neutrality (Net-Zero) by 2040. To reach this goal, we will establish a carbon neutral roadmap, carry out active carbon emission reduction activities such as K-EV 100, transition to high efficiency facilities and renewable energy, and strengthen business competitiveness in the global ESG management environment by pursuing membership in RE100. As part of our efforts to fulfill corporate social responsibility, we plan to support our suppliers in strengthening their ESG management. In addition, we will create a happy working environment by listening to our employees' diverse opinions and applying strategies to alleviate any discomfort. Finally, we continue to operate an independent and democratic Board of Directors based on expertise, and we will do our utmost to organize a transparent governance structure by establishing an ESG Committee to deliberate and decide on appropriate ESG policies and strategies.

In the past, the purpose of a business was all about pursuing profits. In the present time, however, the number one priority of a company is to create sustainable value that satisfies all stakeholders in addition to generating management performances. In the era of new corporate value, LS ELECTRIC will strive to create a better future together with stakeholders by constantly taking on new challenges and innovating. We look forward to your continued interest in and encouragement for our journey into the future.

Thank you.

LS ELECTRIC CEO
Ja-Kyun Koo

ABOUT LS ELECTRIC

Company Profile

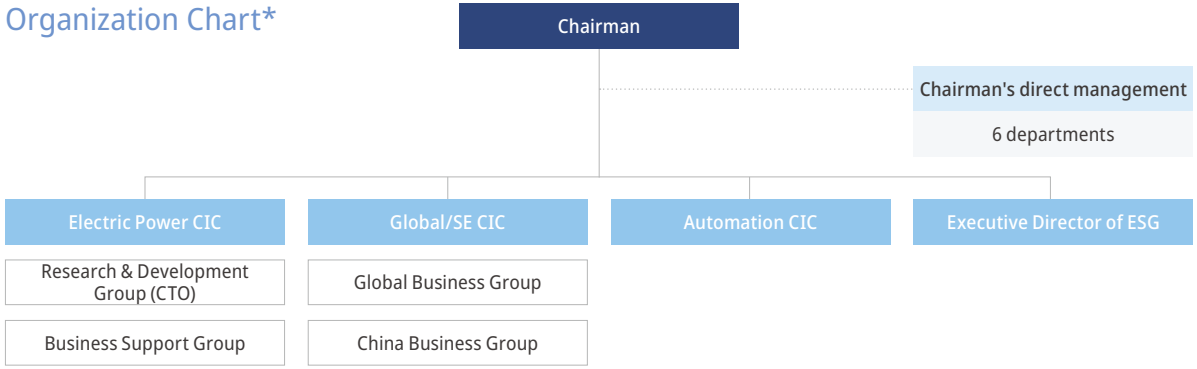
Established in 1974, LS ELECTRIC has grown based on the power and automation industries. Going forward, we will enter a new era of growth through our vision for fundamental transformation, "DRIVE CHANGE FOR 2030," and lead sustainable growth with eco-friendly energy solutions.

Company Overview

Name of the Company	LS ELECTRIC Co., Ltd.
Date of Establishment	July 24, 1974
CEO	Ja-Kyun Koo, Dong-Hyun Kim*
Head Office	LS Tower, 127, LS-ro, Dongan-gu, Anyang-si, Gyeonggi-do, Korea
Employees	3,313 persons
Credit Rating	AA- in corporate bond, A1 in CP (Korea Investors Service)

* CEO Dong-Hyun Kim appointed on March 28, 2022

Organization Chart*



*As of Mar. 2022

Summarized Financial Statements in 2021 (Consolidated)

Sales
KRW 2.6683 trillion

Operating Income
KRW 155.1 billion

Total Assets
KRW 2.7967 trillion

Total Liabilities
KRW 1.3233 trillion

Total Equity
KRW 1.4734 trillion

Company Profile

Corporate history

Era of Beginning

Pioneering the power and automation industries

1974-1995

1974. 07	Established Lucky Packaging Co., Ltd.
1987. 03	Renamed Goldstar Industrial Systems Co., Ltd.
1994. 07	Held an initial public offering of Goldstar Industrial Systems Co., Ltd.
1995. 02	Renamed LG Industrial Systems Co., Ltd.
09	Merged with Goldstar Instrument & Electric Co., Ltd. and Goldstar Electric Machinery Co., Ltd.

Era of Challenge

Becoming the leader in the Korean power and automation sectors

1996-2007

1997. 04	Established production subsidiary in Vietnam
04	Merged with LG Metal Co., Ltd.
2000. 06	Completed production plant in Dalian, China
2003. 12	Spun off from the LG Group
2005. 03	Renamed LSIS
09	Completed electric power and automation equipment production plant in Wuxi, China
2007. 02	Established the sales subsidiary LSIS (ME) FZE in Dubai, UAE

Era of Growth and Innovation

Fully advancing into the global era

2008-2014

2008. 04	Relocated the Head Office to LS Tower in Anyang
2009. 10	Established sales subsidiary in Europe
10	Incorporated LS Mecapion as a subsidiary
2010. 02	Established LS Sauter
04	Completed plant in Busan
04	Spun off the Metal Processing Business Unit (current LS Metal)
10	Established Japan Sales Corporation
2011. 10	Completed HVDC plant in Busan
11	Named one of the 500 Fastest Growing Companies by Fortune Korea
2012. 05	Completed EV relay plant in Cheongju
12	Established sales subsidiary in the US
2013. 11	Received the USD 500 Million Tower of Export
11	Awarded at the 39th National Quality Management Competition
2014. 05	Received the Gold Tower Order of Industrial Service Merit on Invention Day

Era of Value Management

Opening up the future of smart energy

2015-2022

2015. 01	Declared the guiding principles of value management
03	Completed R&D Campus
2016. 03	R&D Campus acquired Korea's first BEMS certification
09	R&D Campus certified as the first to deploy ESS for emergency power supply
2017. 03	Listed among the Top 100 Companies based on patent applications made in Europe
06	Awarded as Korea's Best Enterprise for 10 consecutive years
09	Awarded the Industry, Trade and Energy Minister's Prize in Strategic Trade CP
2018. 11	Won the Grand Prize in the efficiency sector at the "Power Demand Management Awards"
12	Won the Minister's Prize at the Korea Technology Awards
12	Acquired the ESS business of the US-based company Parker-Hannifin
2019. 07	First in Korea to acquire KSGA's PCS Certification Edition 3.0 for ESS applications
08	Completed the world's largest Self-Sufficient DC Energy Island in Seogeochado
12	Established a holding company in China
2020. 03	Renamed LS ELECTRIC Co., Ltd.
07	Established Yeongam Photovoltaic Power Plant, Korea's largest with 94MW capacity
2021. 01	Announced LS ELECTRIC Vision 2030
03	Named one of the world's Top 100 Innovative Companies for 10 consecutive years
03	Acquired LS ITC and AC&T as subsidiaries
09	Selected as "Lighthouse Factory" by the World Economic Forum (WEF)
2022. 03	Took over MCM Engineering II of the US
04	Spun off the EV Relay Business Unit (current LS e-Mobility Solutions)

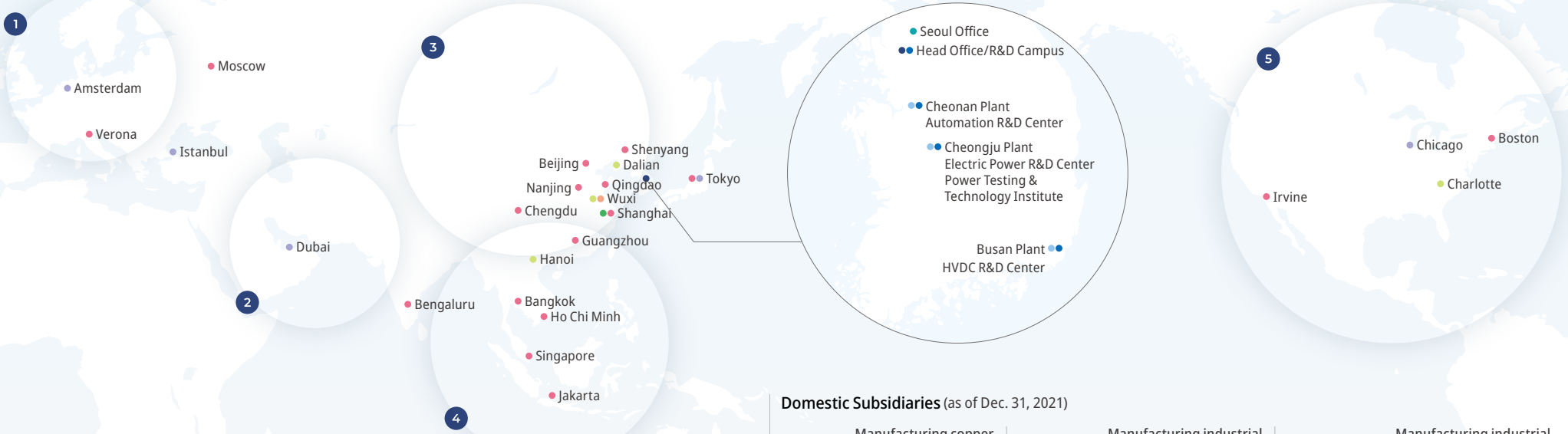
Stakeholder Value Chain Map

LS ELECTRIC creates sustainable values by attentively listening to the voices of stakeholders in every step of management activities. We will continue making efforts to achieve sustainable growth and development with our stakeholders.

	Employees	Local Community	Suppliers	Customers	Shareholders and Investors
LS ELECTRIC's Effort	We provide a range of programs to help our employees improve their quality of life based on work-life balance.	In order to grow with the local community, we focus on creating social values by leveraging our business capabilities and carrying out social contribution activities.	We take a multifaceted approach to pursue sustainable growth with our current and future business partners and help them disseminate and establish a culture of mutual growth.	To live up to the expectations and trust of our customers to deliver customer satisfaction as the ultimate goal, we do our best in improving the quality of our products and developing new products.	We communicate with shareholders and investors through various communication channels to reflect their expectations and requirements fully to our business operations. We strive to enhance corporate value by engaging in continuous communication.
Relevant Departments, Communication Channel, and Key Activities in 2021	GHR Team Communicator, E-Bridge, questionnaire survey, WeLS, meetings with senior management, briefings	Public Relations Department Meetings with local communities, direct communication with persons in charge, meetings with senior management, questionnaire survey	Win-Win Growth Team ACE Club, meetings for mutual growth and innovation, performance sharing meetings, TOPS (internal portal for shared growth), ACE innovation networking	Market Strategy Team, Marketing Team Exhibitions and seminars, meetings with customers, meetings with distributors, customer service center	Treasury Team NDR, company visits, website
Performance in 2021 (consolidated)	**Welfare and benefits expenses** KRW 23.4 billion **New recruitment*** 110 persons (office workers)	**Donations** KRW 3.4 billion **Participants** 4,511 persons (including redundancies)	**Purchase of raw materials and parts*** KRW 1.1723 trillion **Financial support** KRW 31 billion	**Advertising expenses** KRW 7.7 billion **Seminars and exhibitions held** 18 occasions	**Dividends and interest expenses** KRW 44.4 billion

*On a non-consolidated basis

Global Business



LS ELECTRIC has established mid- to long-term visions for respective overseas markets to broaden its global business presence. Not only do we pursue the evolution of existing businesses, we also identify new business opportunities and strengthen the basis of business operations in order to take a tailored approach to each of our local markets.

❶ Europe	❷ Middle East & Southwest Asia	❸ China	❹ Southeast Asia	❺ North America
Accelerating growth mainly in the renewable energy market	Strengthening direct sales through localization	Reinforcing business capabilities in the power equipment and system business	Focusing on the sale of strategic products and project identification	Delivering global products and solutions, tapping the Central and Latin American markets

Domestic Subsidiaries (as of Dec. 31, 2021)

LS Metal	Manufacturing copper tubes and STS pipes Yongsan-gu, Seoul, Korea	LS Mecapion	Manufacturing industrial electronic equipment Dalseo-gu, Daegu, Korea
ACT system	Manufacturing industrial communication equipment Anyang-si, Gyeonggi-do, Korea	LS-Sauter	Selling BAS/IBS and GBS systems Anyang-si, Gyeonggi-do, Korea
LS ITC	Providing total IT services Yongsan-gu, Seoul, Korea		

Head Office	Anyang
Seoul Office	Yongsan
Domestic Worksites	Cheongju, Cheonan, Busan
Domestic R&D Centers	R&D Campus (Anyang), Electric Power R&D Center (Cheongju), Power Testing & Technology Institute (Cheongju), Automation R&D Center (Cheonan), HVDC R&D Center (Busan)
Overseas Holding Company	Shanghai (China)
Overseas Production Subsidiaries	Wuxi (China), Dalian (China), Hanoi (Vietnam), Charlotte (US)
Overseas Sales Subsidiaries	Amsterdam (Netherlands), Dubai (UAE), Tokyo (Japan), Chicago (US), Istanbul (Turkey)
Overseas Branches	Shanghai (China), Beijing (China), Guangzhou (China), Qingdao (China), Nanjing (China), Chengdu (China), Shenyang (China), Tokyo (Japan), Ho Chi Minh (Vietnam), Moscow (Russia), Jakarta (Indonesia), Bangkok (Thailand), Irvine (US), Singapore (Singapore), Bengaluru (India), Verona (Italy), Boston (US)
Overseas R&D Center	Wuxi (China)

Business Overview | Power Solutions

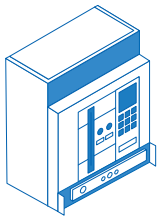
LS ELECTRIC provides electric power devices and systems that are used in supplying electric power generated at power plants to customers and protecting the power system. Our key products are low- and high-voltage products, meters, measurement and protection devices, extra high voltage substations switch gear, and smart grid. Our major customers include KEPCO, distributors, and energy-intensive companies. We engage in smart energy business such as EPC business to establish photovoltaic power generation and ESS-related systems and railway system EPC business for railway power system and signal control system establishment.

Performance of Power Solutions Business in 2021 (non-consolidated)

Sales KRW 1.5423 trillion | **Domestic** KRW 1.0505 trillion | **Export** KRW 491.8 billion

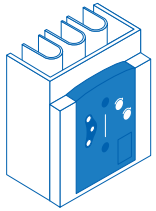
Ratio of total business 82% | **Ratio of overseas sales** 32%

Key Products



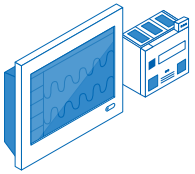
Low Voltage Products

LS ELECTRIC provides optimal solutions with Air Circuit Breaker (ACB) and Molded Case Circuit Breaker (MCCB) to ensure safe use of electricity everywhere from household electronic devices such as TVs and refrigerators, as well as industrial facilities such as motors.



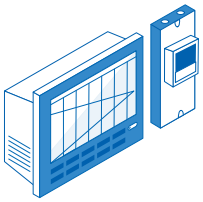
High Voltage Products

LS ELECTRIC provides customer-centric products ranging from Vacuum Circuit Breaker (VCB) with high breaking capacity, vacuum interrupter which is a core part of VCB, vacuum contractors, fault current power fuse, ring main unit, load break switch to high-voltage switch for automated distribution.



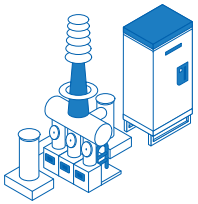
Meter

LS ELECTRIC's digital electricity meters, demand controller and automatic meter reading systems have been reduced in size to improve space utilization and are available in a range of models for optimal installation. With new functions added, these products also enable convenient maintenance and repair.



Protection and Measurement

The GIPAM Series, a multi-function digital power protection monitoring device, and the GIMAC Series, a digital integrated power meter, are digital protection and measurement devices for electronic switchboards that offer a range of additional functions.



Extra High Voltage Substation

LS ELECTRIC produces the Power equipment Diagnosis & Preventive System (PDPS) through convergence between power facilities and IT, as well as Gas Insulated Switchgear (GIS), high-voltage transformer, and Isolated Phase Bus (IPB) applied to high-voltage power systems.

Switchgear

LS ELECTRIC's compact switchgear with high breaking capacity and reliability has wide applications, such as from power generation and substation facilities to commercial and residential buildings. In particular, by applying our high-performance power devices such as VCB, ACB, and MCCB, we provide customers with the best solutions offering optimal system protection and various other functions.

Business Overview | Power Solutions

Smart Energy

LS ELECTRIC provides total solutions encompassing project development, equipment supply, EPC (engineering, procurement, construction), and O&M (operations and maintenance) in various smart energy-related fields, such as photovoltaic power generation, ESS (energy storage system), smart grid, fuel cell, and electric vehicle charging infrastructure. We are expanding the scope of our smart energy business by establishing O&M systems using big data and developing renewable energy power generation projects. In doing so, we are strengthening synergy by entering into strategic partnerships with financial and manufacturing companies.

Photovoltaic Power Business in Yeongam

Key Business Areas

Photovoltaic power solution, ESS, smart grid, fuel cell, electric vehicle charging infrastructure, etc.

Key Solutions

Various solutions necessary for intelligent smart grid, total photovoltaic power generation solution to provide overall photovoltaic power system, solution to establish fuel cell power generation system, etc.

Smart Grid - Micro-grid System

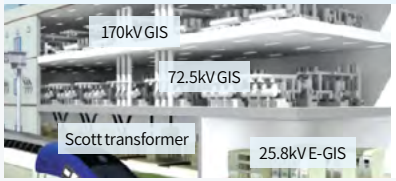
The micro-grid system is a power system to generate, store, and supply energy in a small area on its own, using dispersed power sources independent from the existing power system. LS ELECTRIC succeeded in creating the Self-sufficient DC Energy Island using a DC (direct current) distribution network with stable energy supply and improved energy independence functions on an island lacking power facilities by establishing a low-voltage DC distribution network. For the Self-sufficient DC Energy Island, power generation sources and renewable energy are directly linked to the DC distribution network for high-quality DC power generation, with the generated power directly supplied to customers; thus ensuring reduction in power conversion loss and energy efficiency improvement. We have also established a test bed for the micro-grid system business within our Cheongju worksite, and we are analyzing errors that can occur during the business operation. In addition, based on our domestic business capabilities, we are preparing for business proposals abroad by discovering overseas business models and building local partnerships to install the micro-grid system on overseas islands.

DC Micro-grid System on Seogeochado Island

Railway System EPC

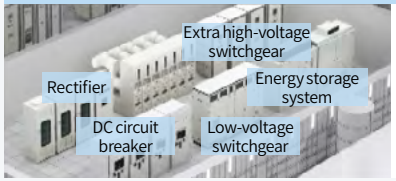
Railway Power Supply System | LS ELECTRIC provides an integrated railway power supply solution by establishing a system that encompasses high-voltage power supply and distribution. Our railway power supply system offers convenience of maintenance as the facilities to supply DC or AC (alternating direct current) power to substations and tracks are collectively provided. In addition, electrical facility management and operation service are provided to minimize the risk of accident.

AC



Electric power solutions for high-speed railway/metropolitan railway/ subway, such as 170kV and 72.5kV GIS, 25.8KV E-GIS, Scott transformer

DC



Electric power solutions for light railway and subway, such as extra high-voltage switchboard, transformer for rectifier, rectifier, DC circuit breaker, and energy storage system

SCADA (Supervisory Control and Data Acquisition)

Supervisory control solution based on the latest standards, such as IEC 61850, specializing in railway systems

Signaling System | The signaling system deploys all-encompassing train signal and communication control systems along with engineering technology to handle train operation intervals and routes as well as operation security and informatization facilities. LS ELECTRIC's key products for the railway signaling system have been verified by customers through domestic and overseas projects. Our wireless communication-based train control system has been applied to the LRT Sillim Line for the first time in Korea.

Business Overview | Automation

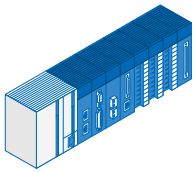
LS ELECTRIC's automation business consists of the manufacture of devices for industrial automation and energy saving, such as PLC and AC drive, the production of system-related products, and the manufacture, sales, and service of the industrial communication of device. In addition, we establish and arrange communication system, wireless monitoring control, and thermal image monitoring. Our key products include PLC, AC drive (inverter), automation system, building automation system, and industrial communication equipment and system. Our key customers include production facilities manufacturers, such as automobiles, electronics, semiconductors and displays, IT companies, smart factory companies, local governments, K-water, and companies specializing in energy efficiency improvement.

Performance of Automation Business in 2021 (non-consolidated)

Sales	KRW 335.2 billion	**Domestic**	KRW 250.1 billion	**Export**	KRW 85.1 billion

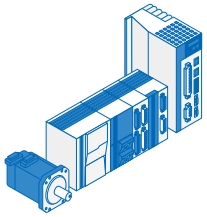
Ratio of total business	18%	**Ratio of overseas sales**	25%

Key Products



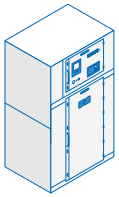
PLC

LS ELECTRIC's key automation products include the next-generation new-concept PLC XGT Series, which is aimed at providing high-speed open network solution, and the innovative XGB Series of compact size with powerful and convenient performance that realizes user-centric integrated control with improved communication network support function.



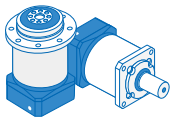
Servo/Motion

Based on a wide range of user-centric products in optimal sizes equipped with powerful user-centric functions, such as high-performance vector, precision, and speed, we provide the best motion system solutions suitable for various applications in each industrial site. Our key products are L7 Series and XMC, a motion controller.



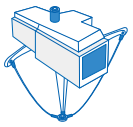
AC Drive (Inverter)

Drive is a device that controls the speed of a three-phase induced motor and is a core product in plant automation. Many types of drive are used in various plants and air conditioning facilities. It is also used in the field of energy saving.



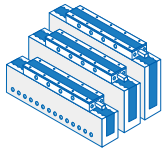
Decelerator

Decelerator is a device connected to a motor shaft to transmit reduced speed and increased torque to the load. With powerful torque and efficiency, LS ELECTRIC's decelerator is used in various industrial sectors.



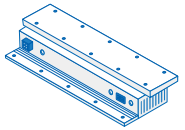
Delta Robot

This is a robot arm that moves quickly in the vertical or horizontal direction using triple - quadruple axial joints. It improves productivity by moving products accurately and quickly on a factory line.



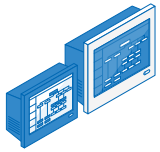
Linear Motor

This motor has the form of cutting and unfolding a general type motor in the axial direction, and converts rotational motion into linear motion. With a high output, this is a very effective device in which most of the motor output is transferred to the load.



Moving Magnet (X-Trak)

Although the structure is the same as that of the linear motor, the top and bottom sides are reversed. With a coil located at the bottom and a magnet at the top, this motor can be moved freely without a cable.



HMI

HMI enables the users to monitor the operating status of various production equipments in the production line through a touch screen and to take immediate actions if necessary.

Business Overview | Automation

Smart Factory

To establish a smart factory where production is carried out through monitoring, analysis, optimization, and prediction of 4M1E* data in the industrial site, LS ELECTRIC provides a life cycle management service including consulting, system establishment, operation, and maintenance in fields ranging from operating technology (OT) to information technology (IT).

* 4M1E(Man, Machine, Material, Method, Energy)

TECH SQUARE

Life cycle support, Korean win-win cooperation smart factory platform

Mentoring Service

- Send professional mentor most suitable for the company requiring service
- Support field productivity improvement
- Establish a smart factory roadmap
- Provide guidance on the government support system

Life Cycle Management Service

- Provide verified platform-based service (solution considering connectivity/maintenance/repair)
  - Flexible solution advancement/expansion, roadmap deployment
- Provide periodic follow-up mentoring service

Optimal Supplier Matching Service

- Pool of Verified Suppliers: Solution considering maintenance/repair
- Match optimal company according to mentoring result

EDGE Hub

Data management solution capable of processing and analyzing various data in the OT field to provide data service to a system in the IT field

Application
(MES, Database, Cloud...)

Recipe, control command ↓↑ Processed data

EDGE HUB
① Connection and data collection
② Data processing and analysis
③ Logging and event handling
④ Visualization and web service

Control command ↓↑ Raw data

Field Device
Motor, Pump, Compressor, Robot, Sensor, PLC, HMI, SCADA

Ready to Connect
Conveniently connecting various interfaces used in OT and IT fields

Convenient O&M
Remote engineering available anytime, anywhere

Easy to Use
Intuitive engineering UI/UX that can be used even by those who are not developers

"Edge-To-Cloud" Smart Factory Solution combines LS ELECTRIC's Edge Hub Solution and SK Telecom's Grandview Service. The solution enables production/quality/cost/delivery compliance and predictive maintenance of facilities.

2021 Highlight | Key Performances of LS ELECTRIC

Environmental

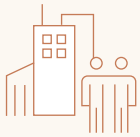
Carbon Intensity
1.87
tCO_2eq/KRW100 million

GHG Reduction
18%
*Compared to 2020

Waste Recycling Rate
84.7%

Environmental Investment
KRW **1.932** billion

Social



Industrial Accident Rate
0.01%

Investment in Data Protection
KRW **1,434** million

Labor Union Membership Rate
97.6%

Safety Training Hours
61,023 hours

Support to Suppliers
KRW **6.9** billion

Social Contribution Beneficiaries
1,471 persons

Governance

Outside Director Attendance Rate
97.6%

BOD Meetings
6 meetings

Ethics Management Violation Report Handling Rate
100%

Compliance Inspections
32 times

2021 Highlight | LS ELECTRIC's Effort for Sustainable Innovation

Expanding the Renewable Energy Business

LS ELECTRIC will lead eco-friendly management by expanding the "smart energy" business based on renewable energy, such as photovoltaic power and ESS.

Leading Convergence Smart Solutions

To lead smart technologies for the environment and society, LS ELECTRIC is strengthening its eco-friendly business based on its digital competencies.

1

New and Renewable Energy Business Agreement with EDP Renewable

In November 2021, LS ELECTRIC entered into a business agreement for renewable energy development, construction, operation, and solution supply with EDP Renewable, a global energy company specializing in renewable energy. Based on a comprehensive partnership across all areas of renewable energy projects, the two companies will jointly respond to carbon neutrality, ESG management, and renewable energy business, which have emerged as global issues as of late. LS ELECTRIC's design and construction capabilities verified through a 94MW ESS-linked photovoltaic power generation project in Yeongnam and EDP Renewable's product development experiences are expected to produce a synergy effect. Through the business agreement, LS ELECTRIC will strengthen business competitiveness in the domestic renewable energy market and expand global market share.

2

Won the photovoltaic power generation EPC project on Bigeumdo Island, Sinan

In December 2021, LS ELECTRIC won a photovoltaic power generation EPC project in a salt farm area (approx. 2.44 million m^2) on Bigeumdo Island in Sinan-gun, Jeollanam-do. The capacity of Bigeum Photovoltaic Power Plant is 200MW, the largest in the country. LS ELECTRIC plans to install bi-facial modules that produce at least 5% higher efficiency than the existing PV modules in the power plant. Through the project, 270,000 MWh of electric power will be generated a year, which is equivalent to the amount of power used by 22,000 households in Sinan-gun over a period of around 3 years and 5 months. The project is also expected to generate an effect of reducing national GHG emissions by approximately 124,000 tons. By implementing renewable energy power generation projects, LS ELECTRIC will not only contribute to national energy supply stabilization but also realize social and economic value sharing by returning development benefits to local residents.

3

Established automation line for automaker for the first time in Korea

In September 2021, LS ELECTRIC provided the following key automation solutions for the automobile manufacturing process to Gwangju Global Motors (GGM) plant where Hyundai Motor Company's Casper is produced: PLC, which serves as the brain for the entire process line; HMI, which instructs and checks process operations; and servos and inverters to control motor speed. As for automation solutions in Korea, those of overseas companies that have been used since the plant's establishment have mainly been adopted. This is the first case wherein a domestic company supplies an automation product applied to the body, coating, and assembly lines of an automobile plant. In particular, major overseas automation companies have increased the market dependence on their products based on independently developed industrial communication technologies (Ethernet). In 2017, LS ELECTRIC also developed the communication technology RAPIEnet. With the technological performance verified through system application to the GGM line, LS ELECTRIC plans to strengthen the automation business further targeting the automobile production lines.

4

Cheongju Smart Factory named "Lighthouse Factory"

In October 2021, LS ELECTRIC's Cheonju Smart Factory was named "Lighthouse Factory" to lead the future of the global manufacturing industry. Since 2018, the World Economic Forum (WEF) has selected Lighthouse Factories around the world as factories to lead the future of the manufacturing industry using core technologies for the Fourth Industrial Revolution. LS ELECTRIC's Cheongju Smart Factory is equipped with an IoT-based automatic facility model change system that enables mass production of multiple items. In addition, a number of key technologies for smart factory including in-house logistics robot, AI-based real-time automatic welding system, and machine learning-based noise and vibration inspection system have been applied. Cheongju Smart Factory also uses the big data analysis service, which seeks to share data on raw/subsidiary materials, production, and quality, etc. in real-time with suppliers.

2021 Highlight | LS ELECTRIC's Effort for Sustainable Innovation

Endless Innovation and Development

5

Recognized as one of the "Top 100 Global Innovators" for 10 consecutive years

In March 2021, LS ELECTRIC was selected as one of the "Top 100 Global Innovators" by Clarivate, an internationally prestigious academic information service provider, for ten years in a row; thus verifying its global competitiveness in the field of IP (intellectual property). Since 2012, Clarivate has been selecting the Top 100 Global Innovators each year by analyzing and assessing the patent application and invention activities of leading companies across the world. LS ELECTRIC has been investing in R&D for the fields of smart power transmission and substation as well as the smart factory. Over the last five years, we have applied for 1,962 patents in Korea and 2,552 patents overseas. In preparation for the energy paradigm shift, we strive to propose various solutions based on ICT convergence. Through continued effort for R&D, we will achieve technological innovation in the fields of smart energy.

Enhancing Management Transparency through "Win-win Cooperation" and "Anti-corruption"

6

Won the 2021 Technology Commercialization Merit award in the Technology Transfer sector

In November 2021, LS ELECTRIC won the Minister of Trade, Industry, and Energy Award for Meritorious Service in Technology Commercialization in the Technology Sharing (group) category. Since 2015, we have been contributing to improving the technological competitiveness of small and medium enterprises by opening excellent electrical power technologies for free and sharing technologies to assist in business creation. Based on the corporate philosophy of "LS Partnership," we not only recognize small and medium-scale suppliers as valuable partners but also strive to build a mutually beneficial relationship to promote shared growth with them. We also provide support through various programs. As of the end of 2021, LS ELECTRIC has provided a total of 793 technologies and transferred 162 for free.

7

Named "Excellent Anti-corruption Company" at the UNGC Business Integrity Society Summit 2021

In March 2021, LS ELECTRIC was named "Excellent Anti-corruption Company" at the Business Integrity Society (BIS) Summit 2021 hosted by the UN Global Compact (UNGC) Network Korea and Korea Sustainability Investing Forum. The award is presented to companies that have made efforts to create a fair, transparent business environment and spread corporate social responsibilities, which are the values pursued by the UNGC. In 2015, LS ELECTRIC joined the UNGC in order to comply with and practice the UNGC 10 Principles, promote the implementation of the UN SDGs, and support the values of the UN. Moving forward, LS ELECTRIC will continue striving to realize ESG management by internalizing the UNGC 10 Principles in the company operation and management strategies.

ESG MANAGEMENT

Integrated Sustainability Management

Basic Direction of Sustainability Management

LS ELECTRIC established the ESG management vision of "Sustainable Future with Green Energy Solution" in order to spread the ESG philosophy and develop ESG management strategies through employees' active participation. We will set detailed and feasible goals in line with the ESG directivity to realize eco-friendly management for achieving carbon neutrality, to create a safe and happy working environment, as well as to promote ethical, transparent, and responsible management. We will also disclose the details of our activities and performances to stakeholders through Sustainability Report. To improve our ESG management to a global level, we organized the ESG Committee under the Board of Directors in 2021 to deliberate on and resolve basic ESG policies and strategies.

LS ELECTRIC's ESG Strategy System

Mission

FUTURING SMART ENERGY

We open up a brighter future through efficient and convenient energy solutions.

Vision

DRIVE CHANGE FOR 2030

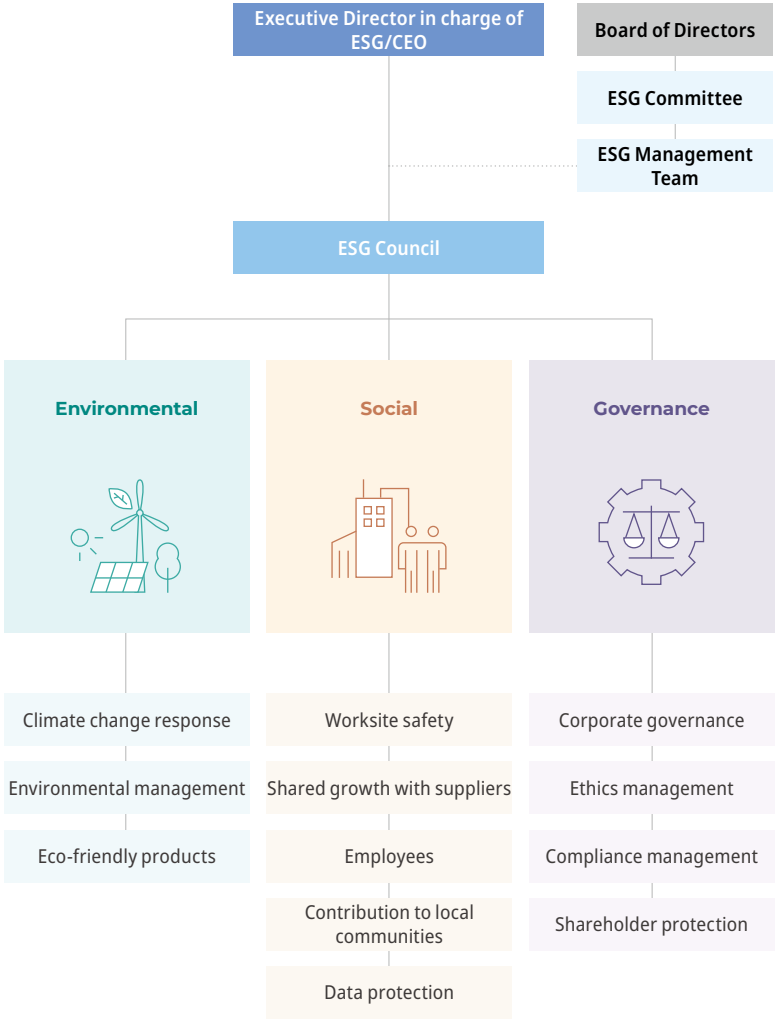
ESG Management Vision

SUSTAINABLE FUTURE WITH GREEN ENERGY SOLUTION

ESG Directivity

REDUCE Carbon Emission	RESPECT Society	RESPONSIBLE Business
Eco-friendly management to become carbon neutral	Safe and happy working environment	Ethical, transparent, and responsible management

System and Council of Sustainability Management Implementation



Integrated Sustainability Management

To disseminate and internalize ESG management, LS ELECTRIC has established and is continuously implementing the basic roadmap for sustainability management. Along with the basic principles of sustainable management, the company selected core tasks in line with the four strategic directions of spreading ESG management: promoting ESG management, creating a safe and happy working environment, and establishing a transparent governance structure. We plan to promote sustainable management according to the roadmap.

Roadmap to Sustainability Management

	Foundation	Stabilization	Advancement
Promoting ESG management 	• Select KPIs by value chain to spread ESG management	• Form ESG management system for overseas subsidiaries	• Stabilize ESG management among overseas subsidiaries
Enhancing the corporate's eco-friendly image 	• Establish GHG reduction strategy	• Participate in climate change initiatives such as RE100 • Acquire ZWTL* certification	• Acquire certification for the energy management system (ISO 50001) • Acquire eco-friendly certification
Creating a safe and happy working environment 	• Conduct activities to enhance safety awareness • Acquire information security certification (ISO 27001)	• Conduct human rights impact assessment	• Improve the supplier ESG assessment system
Establishing transparent governance 	• Establish the Board of Director(BOD) assessment system	• Improve regulations for shareholder protection	• Upgrade ethics/compliance management

* Zero Waste to Landfill : ZWTL grades of Platinum, Gold, and Silver granted to companies recording excellent rates of recycling wastes excluding those that cannot be recycled

Materiality Analysis

LS ELECTRIC conducted a materiality analysis targeting various internal and external stakeholders, such as employees, local communities, suppliers, customers, shareholders, and investors. We created a pool of sustainability management-related issues in order to distinguish core issues with greater stakeholder importance and business relevance. Through the materiality analysis concerning the impact of our business and social concern, we identified 10 core issues.

STEP 1 Create pool of issues

We created a pool of 27 potential sustainability management issues by analyzing both the internal and external environments. We reviewed the global sustainability management standards (GRI Standards, SASB, TCFD, MSCI, ISO 26000, UNGC, SDGs), reflected the key issues and ESG trend in the industry, as well as conducted media research.

STEP 2 Conduct materiality analysis

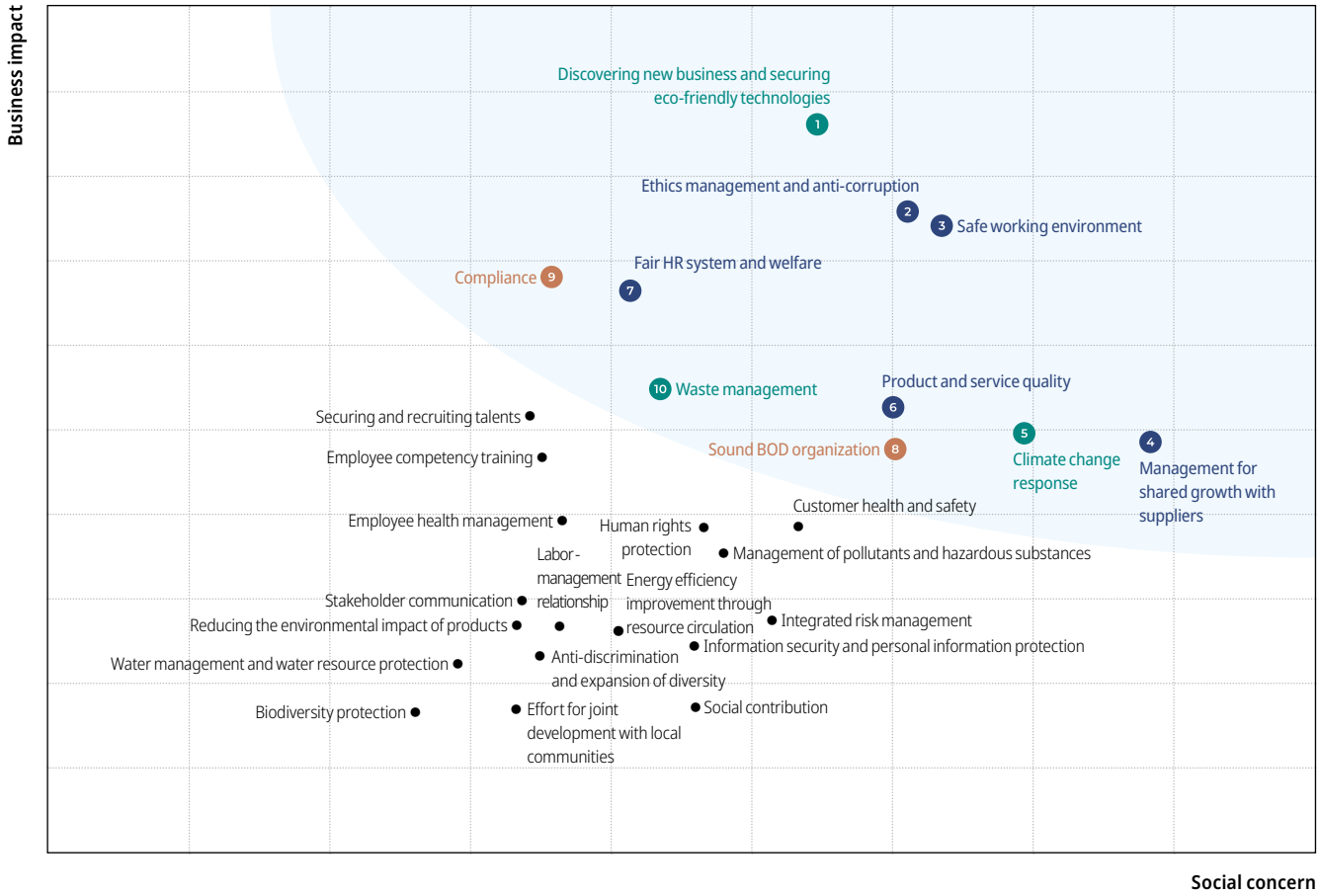
❶ Analyze social concern

International standard analysis	Analyzed 7 international standards (GRI Standards, SASB, TCFD, MSCI, ISO 26000, UNGC, SDGs)
Industry benchmarking	Analyzed 5 companies in the industry
Media analysis	Analyzed 1,707 articles (excluding articles on share price and personnel appointment, etc.)
Questionnaire survey of external stakeholders	Conducted questionnaire survey on the level of interest in each issue targeting external stakeholders, such as customers, suppliers, public organizations, and academe

❷ Analyze business impact

Message from the CEO	Analyzed key issues mentioned in the message from the CEO
BOD agenda items	Analyzed key issues reported to, approved by, and mentioned by the BOD
Questionnaire survey among internal stakeholders	Conducted a questionnaire survey on the level of importance of each issue targeting employees

STEP 3 Derive core issues



Management Approach

Core Issue	Materiality	LS ELECTRIC's Management Strategy	2021 Performance Indicators	Major Activities in 2021	Mid- to Long-term Goal	Page
RANK 1. **Discovering new business and securing eco-friendly technologies** 	• Expansion of renewable energy use is being recognized as one of the most important policy measures for climate change response across the globe. • Energy companies across the world are required to make effort for improving energy efficiency and expand renewable energy use. • In the Fourth Industrial Revolution era, traditional power and automation fields also face the demand for transition to a new innovation model using ICT and DT (digital transformation) capabilities.	• Promote new business identification and application centered on the energy storage system (ESS) that can be applied to various fields, such as electric energy efficiency improvement and power quality compensation from the generating station to the end consumer. • Develop products to expand global business and lead the eco-friendly market through R&D centers specializing in each of the four regions in Korea (Anyang, Cheongju, Cheonan, Busan). Improve eco-friendly technology development competency through strict performance test at PT&T*. • Operate smart switchboard solution business with improved measuring and management functions through IoT and digital technology convergence, asset management solution business to provide total care service across the life cycle of electric power facilities, and photovoltaic power generation volume prediction and virtual power plant (VPP) business.	• Investment in Eco-friendly Product Development: KRW 7.6 billion	• Expanded business based on renewable energy, such as photovoltaic power and ESS • Established automation line for automaker for the first time in Korea using automation solution based on IoT and digital technology convergence • Developed eco-friendly products such as inverter certified for high efficiency, eco-friendly vegetable oil transformer, and insulated switchgear using dry air as insulator	• Discover and apply new renewable energy business, such as using photovoltaic power	15, 25-27
RANK 2. **Ethics management and anti-corruption** 	• As the corporate management environment is becoming unpredictable, the importance of ethics management is increasing. • Corruption of a company wields a negative impact on its reputation and customer loyalty as well as the company's existence.	• Enhance employees' ethical awareness by improving ethics training content and risk management system.	• Reports on Employees' Violation of Ethics Policies and Code of Conduct: 16 cases (Handling Rate: 100%) • Employees Completing Ethics Management Practice Training: 2,194 persons • Types of violation of the Code of Ethics and number of cases handled	• Operated the Ethics Committee and Ethics Committee Secretariat • Established the Code of Ethics and Practical Guidelines • Operated whistleblowing system • Conducted ethics management questionnaire survey • Provided ethics management practice training	• Establish ethical compliance training advancement plan, produce and share training content • Plan, produce, and share anti-corruption content based on case studies	67-69
RANK 3. **Safe working environment** 	• With the Serious Accidents Punishment Act taking effect, corporate responsibilities for serious accidents have been strengthened. • Effort is required to fulfill the obligation of securing health and safety as prescribed by the Serious Accidents Punishment Act	• Strengthen company-wide health and safety management system and promote various activities to establish a safety culture. • Appoint the Chief Safety and Environment Officer (CSEO) and set up the Serious Accident Prevention Committee as the highest health and safety-related decision-making organization under the direct management of the CSEO to hold regular and special meetings.	• Industrial Accident Rate: 0.01% • Lost Time: 47 days • Result of assessment of health and safety goals targeting the Chief Health and Safety Officer and person in charge of organization • Rate of risk assessment compliance in worksites • Safety trainings completed in worksites	• Restructured health and safety management promotion system • Conducted safety inspection in worksites • Provided safety training • Performed activities to improve the working environment	• Produce training and education content in preparation for accidents based on case studies • Establish and revise industrial accident investigation and analysis plans to prevent recurrence • Conduct monitoring and promote advancement	35-38

* Power Testing & Technology Institute: LS ELECTRIC's independent private testing institute equipped with 2,000 MVA short circuit and high-pressure testing facilities

Management Approach

Core Issue	Materiality	LS ELECTRIC's Management Strategy	2021 Performance Indicators	Major Activities in 2021	Mid- to Long-term Goal	Page
RANK 4. **Management for shared growth with suppliers** 	• To achieve sustainable growth, it is essential for a company to improve the sustainability of the entire supply chain. • Together with the establishment of responsible supply chain management system and process, activities to support suppliers' sustainability management competency improvement are required.	• Add ESG items to the supplier assessment criteria in order to improve and establish the supplier ESG management system.	• Financial Support to Suppliers: KRW 31 billion • Win-win Payment System for Suppliers: Win-win payment of approx. KRW 877.7 billion to a total of 820 tier 1 - tier 3 suppliers • Result of questionnaire survey on ethics management targeting suppliers and distributors - Suppliers: 4.18 points - Distributors: 4.13 points • Supplier ESG assessment result	• Practiced fair trade and performed activities to comply with related law (fair trade activities, supplier selection/assessment) • Strengthened supplier competitiveness (ACE Club, financial support, etc.) • Disseminated shared growth culture (agreement, win-win payment system, communication activities)	• Review assessment items for and assess partial suppliers (ACE Club) • Monitor ESG assessment and spread the assessment system across suppliers	47-52
RANK 5. **Climate change response** 	• The accelerated climate change in the 21st century is expected to have an extensive ripple effect on international society, serving as a major risk factor in corporate management activities.	• Improve the efficiency of facilities through replacement with high-efficiency facilities and promote the conversion of heating and cooling devices using LNG into electric facilities. • Convert company vehicles into electric vehicles in order to reduce GHG emissions. • Promote the transition to eco-friendly power by implementing REC procurement and renewable energy PPA.	• GHG emissions • Net Zero 2040 implementation status • K-EV100 implementation status • Status of transition to eco-friendly power	• Managed GHG emissions • Promoted achievement of Net Zero • Promoted achievement of K-EV 100	• Establish mid- to long-term GHG reduction goals and plans • Manage and monitor reduction performance	30-33
RANK 6. **Product and service quality** 	• In the midst of rapid market change, the ability to identify and respond agilely to customer needs is required. • Maintaining and improving the quality of products and services based on technological applications and R&D contribute to strengthening a company's competitiveness through customer satisfaction.	• Contribute to customer satisfaction improvement by improving the customer satisfaction management system and swiftly handling customer complaints.	• Result of customer satisfaction survey in 2021 - Product/Price: 74.6 points - Distribution/Service: 74.7 points - Sales Promotion: 74.2 points • Q-post conducted • VOC processing rate	• Operated quality management system and quality information management system • Operated PT&T • Conducted Q-post and other customer satisfaction activities	• Design and implement feedback reflection and tracking system to improve customer satisfaction • Upgrade tracking system	53-59
RANK 7. **Fair HR system and welfare** 	• Employees' satisfaction and sense of belonging wield a positive impact on the organization's performance, and talent management and creation of a good working environment are considered key values of sustainability management.	• Promote restructuring to a horizontal organizational system to achieve successful communication between positions and establish a flexible organizational culture.	• Welfare expenses • Welfare system operation items and annual result	• Conducted employee assessment and operated the performance management system • Provide employee competency improvement training • Operated welfare system	• Conduct employee satisfaction survey and monitoring at least once a year	41-45

Management Approach

Core Issue	Materiality	LS ELECTRIC's Management Strategy	2021 Performance Indicators	Major Activities in 2021	Mid- to Long-term Goal	Page
RANK 8. **Sound BOD organization** 	• To realize sustainability management, a monitoring and controlling system that helps the business operator fulfill his or her role for the benefit of stakeholders especially shareholders is essential.	• Upgrade the monitoring system to ensure transparent disclosures and legal procedures for realizing and protecting stakeholder benefits.	• ESG-related outside director assessment KPIs and assessment result	• Organized and operated the Board of Directors • Designated the qualifications of outside directors and supported their performance of duties	• Design the Audit Committee assessment system and establish assessment guidelines • Upgrade guidelines	62-64
RANK 9. **Compliance** 	• Social demand to strengthen the compliance monitoring system is increasing. • It is necessary to prepare for legal risks that can occur as a result of non-compliance with laws in a wide range of fields such as fair trade, anti-corruption, win-win cooperation, and employment and labor.	• Preemptively respond to legal risks that can occur inside and outside the company by establishing an integrated risk management system that includes management of compliance risks.	• Employees completing compliance training and training hours - Compliance Training and Compliance Inspection: 32 times - Internal Sharing of Information on Established and Amended Statutes: 16 times • Legal Service Outcomes: 689 cases	• Implemented compliance officer system • Conducted fair trade compliance activities • Conducted employees' autonomous inspection activities • Provided compliance training	• Enhance compliance officer system • Produce and share content for compliance training and compliance risk management improvement based on case studies	69
RANK 10. **Waste management** 	• In line with the expansion of sustainability management of companies, the importance of circular economy to reuse resources through management and regeneration in each stage by veering away from the existing linear economic structure of '(resource) collection - (mass) production - consumption - disposal' is growing.	• Improve the product recycling rate by expanding the use of eco-friendly and recycled materials. • Review the acquisition of ZWTL (Zero Waste to Landfill) certification.	• Waste Recycling Rate: 84.7% • Waste Treatment Volume: 562 tons • Acquisition of ZWTL (Zero Waste to Landfill) certification	• Assessed waste treatment company	• Review the acquisition of ZWTL (Zero Waste to Landfill) certification and acquire the certification • Conduct regular monitoring, maintenance, and management	29

SUSTAINABLE FOCUS AREA:

ENVIRONMENTAL

Environmental Management

Environmental Management Framework

Environmental Management Vision and Strategy

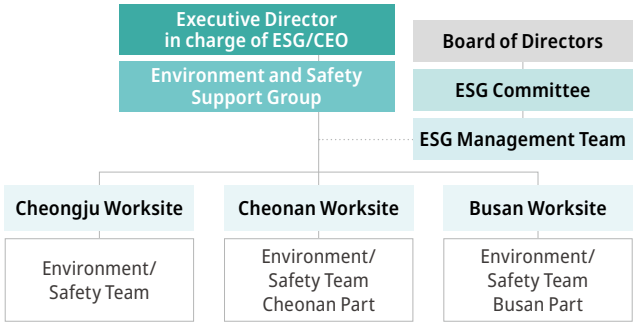
LS ELECTRIC is committed to becoming a global ESH company by complying with domestic and international environmental regulations and global standards to achieve sustainable growth together with society and producing excellent outcomes based on its ESH* capabilities.

* ESH : Environment, Safety, Health

Environmental Management Organization

LS ELECTRIC has established an environmental management organization according to the ESG management system. A separate conference system is operated to improve the senior managers' awareness of the importance of environmental management and to implement a company-wide management and supervision. The environmental management conference organization is a decision-making organization that identifies potential environmental impacts and shares and improves the operational strategies. In principle, the major environmental impacts identified by the conference system are reported to the Head of the Environment and Safety Group and the CEO, and the derived risks should be dealt with immediately.

Environmental Management Organization



Environmental Management System Implementation

Vision: **G3 ESH Company***

Goal: **Zero-pollution/Zero-loss worksite**

Mission: **Operate the global standard ESH system**

Strategy

Strengthen management competency	Comply with domestic and international regulations	Secure operational excellence
• Strengthen the ESH inspection of worksites • Establish an emergency response system • Introduce the IT management system • Expand the ESH management areas	• Establish a Climate Change Convention-related system • Comply with domestic ESH regulations • Respond to global regulations • Comply with other regulations (energy saving, etc.)	• Strengthen the ESH management organization • Establish a sustainability management system • Implement the energy management system • Support Green Biz areas

Environmental Policy

① Comply with environment and energy-related domestic regulations and international conventions.
② Minimize environmental impact from product design to disposal by developing eco-friendly products and applying clean technologies.
③ Minimize energy use and GHG emissions by introducing renewable energy and optimizing energy efficiency, etc.
④ Analyze environmental management performance and continuously improve on the identified risks.
⑤ Provide employees with training opportunities and encourage their active participation in environmental preservation in order to enhance environmental awareness.

Strategies for Achieving Goals

Reduce GHG emissions

Reduce carbon intensity**

Reduce GHG emissions by conducting internal energy-saving activities as climate change response (3% year-on-year).

	2021	2022
Company-wide	1.87	1.81

Unit : tCO_2eq/100 million won

Reduce air pollutant emissions

Use eco-friendly fuel

Reduce air pollutant emissions by decreasing the amount of fossil fuel use

	2021	2022
Company-wide	0.23	0.21

Unit : kg/million won

Increase waste recycling

Reduce incineration waste

Achieve waste recycling rate of 85% or higher by reusing SRF (solid refuse fuel) of incineration waste

	2021	2022
Cheongju	77%	85%
Cheonan	100%	100%
Busan	97%	97%

Provide environmental training

ESG/Environmental training

- ESG training upon employee recruitment
- ISO 14001/Environmental training
- Environmental training of suppliers

* G3 ESH Company : Green, Great, Global ESH Company

** Carbon Intensity: GHG emissions/sales (non-consolidated)

Environmental Management

Environmental Management Framework

Integrated ESH Management System

LS ELECTRIC established and revised criteria to reflect the characteristics of the existing business areas and individual worksites. In addition, we are in the process of establishing an integrated company-wide ESH management system. By developing a R&R according to the planning, implementation, inspection, and supplementation procedures of the PDCA cycle, we will thoroughly execute ESH operations and utilize the R&R in making improvements on the insufficient areas. In addition, by configuring user-based menus, we will encourage the actual users of the system to conduct ESH activities actively and enable them to secure communication channels; thus strengthening the pre-management system to prevent ESH-related accidents.

Environmental Management System

Environmental Management Certification

LS ELECTRIC acquired ISO 14001 certification in order to identify environmental impacts and respond to stakeholder requirements. While establishing the environmental policy and goal, managing and operating resources, assessing results, and performing improvement activities, we have our operational efficiency verified annually through internal and external audits. In addition, we set green management goals every year and reduce pollutants generated from our business by conducting activities of developing eco-friendly products, reducing pollutant emissions, and promoting resource circulation. All of our three domestic worksites have been certified as green companies, and they are continuously implementing environmental management.

Management Certification (ISO 14001)

Green Company Designation

Environmental Management Certification

Category	Cheongju	Cheonan	Busan
ISO 14001		2020.06.25 ~ 2023.06.24	
Green Company (certified by the Ministry of Environment)	2019.12.19 ~ 2022.12.18	2020.08.08 ~ 2023.08.07	2021.02.24 ~ 2024.02.23

Environmental Impact Analysis

LS ELECTRIC has established a system for introducing eco-friendly raw materials and managing the eco-friendliness of products through environmental impact analysis. In particular, we monitor the Chemical Substances Act, EU REACH*, RoHS**, CPSIA***, Conflict Minerals Policy, etc. We also make efforts to minimize the environmental impact resulting from environmental pollution by analyzing and assessing the direct and indirect environmental impacts of our products and services as well as production activities in worksites based on the internal rules.

* EU REACH: European regulations on the registration, evaluation, authorization, and restriction of chemicals

** RoHS : Restriction of Hazardous Substances Directive to restrict the use of ten specific hazardous substances including lead and cadmium in the manufacture of electrical and electronic products

*** CPSIA : Consumer Product Safety Improvement Act of the US

Eco-friendly Supply Chain Based on Environmental Impact Analysis

Category	Content
Level 1 (Prohibited Substances)	Substances that are considered harmful to humans and environment, and therefore are currently prohibited for use in products by the law of the respective region or country; use of such substances prohibited in all items traded with LS ELECTRIC
	LS ELECTRIC banning the use of environmentally hazardous substances designated by the RoHS Directive regardless of the maximum allowable concentration
Level 2 (Substances for Reduced Use)	Substances suspected to be harmful to humans and environment and those subject to regulation according to the domestic law, substances scheduled to be prohibited for use by phase although their use is not currently prohibited

Environmental Management

Dissemination of Environmental Culture

Environmental Training

LS ELECTRIC provides environmental training for employees of our worksites and partner companies. When recruiting new employees, we provide training on our environmental policy as part of the ESG management strategy and system. Training on the overall areas of environmental management is also provided to employees. In particular, the importance of environmental preservation is further stressed to persons in charge of chemical handling and pollutant discharging facilities by providing them with related training. In addition, through environmental engineer training and training to foster internal auditors, we strive to improve the competencies of environmental managers in our worksites.

Details of Environmental Training

Category	Content	Target	Training Performance	
			Trainees	Training Hours
Training upon Recruitment	• Environmental policy • ESG management strategy and system • Worksite operation	New employees	57 persons	57 hours
Training of Environmental Engineers	• Compulsory education for environmental engineers • Environmental policy and goal • Environment-related regulations and systems • Training for responding to environmental emergencies	Environmental engineer	1 person	28 hours
Environment-related Technical Training	• Chemical handling facilities • Management of chemicals • Facilities discharging wastes/ pollutants	Field managers	5 persons	10 hours
Internal Auditor Fostering Training	• Education on ISO 14001 requirements • Education on environment-related regulations • Internal audit practice and assessment	Environment and safety managers by department	61 persons	488 hours

Environmental Investment

LS ELECTRIC continuously invests in the environment in order to minimize the environmental impact caused by corporate production activities. In 2021, we invested in the development of GIS using an eco-friendly insulator, the reduction of raw material input, and the development of eco-friendly products and process improvement to improve energy efficiency.

Environmental Investment Status and Plan

Investment in 2021 KRW 1.932 billion

Investment in 2022 (planned) KRW 3.617 billion

Environmental Inspection Activities

ESH Information Exchange Meeting | In relation to the strengthened environment and safety regulations and systems and other relevant issues, LS ELECTRIC holds quarterly ESH information exchange meetings with the environment and safety managers of each worksite. Issues drawn from the meeting are promptly responded in the respective worksite in order to eliminate any legal risk and realize environmental management.

Support for Supplier ESH Competency Improvement | LS ELECTRIC provides technological support to suppliers in order to enhance the internal environmental management level by strengthening our partners' environmental and chemical business capabilities. We first provide training on related laws and regulations to suppliers' environmental managers, and then pay on-site visits to take stock of their preparation of legally required documents. We also propose improvements on major risks during field management.

Technical Support for SMEs Discharging Environmental Pollutants | LS ELECTRIC, in partnership with the Regional Environmental Office, is participating in a program of providing technical support to small and medium enterprises (SMEs) that operate small scale pollutant discharging facilities. Intensive reviews are conducted on the details of approvals granted to the SMEs according to the discharge of pollutants and their level of hazards; this is followed by on-site visits to provide tailored assistance in the treatment of pollutants considering the characteristics of the respective SMEs. For the identified issues, we support the SMEs in developing and implementing improvement plans.

Management of Pollutant Emissions in Worksites

Management of Pollutant Emissions Targets

To minimize the environmental impact of pollutants discharged from worksites, LS ELECTRIC analyzes environmental performances and establishes targets annually. While managing the intensity of pollutant emissions by worksite, we will continue making effort to minimize the environmental impact of our production activities through target management.

Pollutant Emissions and Targets

Pollutant	Unit	Emissions in 2021	Target in 2022*	Reduction Rate
Air pollutants	kg/KRW 100 million	0.24	0.21	7%
Wastewater	m^3/KRW 100 million	0.006	0.51	5%
Waste	ton/KRW 100 million	0.20	0.19	5%

* Based on data for target setting in each worksite

Pollutant Reduction

Management of Air Pollutants

Management of Air Pollutant Emissions

LS ELECTRIC has established more stringent emission limit values than the legal standards. In order to reduce air pollutant emissions from the production process, we replaced the existing LNG boiler facilities with electric heating and cooling devices. As a result, dust and NOx (nitrogen oxide) emissions have decreased. In addition, for the Cheonan and Busan worksites, boiler maintenance is conducted regularly along with the management of pollutant-discharging facilities to reduce air pollutant emissions. In addition, by entering into a voluntary fine dust reduction agreement with the Regional Environmental Office, we are striving to lower the concentration of fine dust emissions.

Air Pollutant Emissions Limit Value*

Pollutant	Unit	Legal Limit	Internal Limit	Compared to Legal Limit
Dust	mg/㎥	50	25	50%
NOx	ppm	40	36	90%
SOx	ppm	35	28	80%

*50% of legal limits for other pollutants

Management of Water Pollutants

Water Use and Wastewater Treatment

As a small-scale wastewater discharging company, LS ELECTRIC treats the entire amount of wastewater through a professional treatment service provider instead of operating an internal wastewater treatment plant. Although the emission limit value is not applied to the commissioned treatment company, we analyze the components of water pollutants in the source water for internal pollutant management.

In 2021, we closed the wet coating process of Cheongju worksite, reducing wastewater discharge by about 30%. In addition, by extending the capacity of the cooling tower in the Busan worksite, we increased the rate of water reuse; thus lowering the water consumption amount. We will continue conducting investment and pollutant reduction activities to reduce water consumption and wastewater discharge.

Analysis of Water Pollutant Components in 2021*

Water Pollutant	Unit	Cheongju Worksite	Cheonan Worksite	Busan Worksite
TOC	mg/L	296.30	39.50	280.00
BOD	mg/L	39.70	9.60	1.60
SS	mg/L	21.30	24.40	3.00
TN	mg/L	24.14	10.15	30.70
TP	mg/L	160.20	0.66	20.88

*As total amount of pollutants treated through consignment, emission limit value not applied

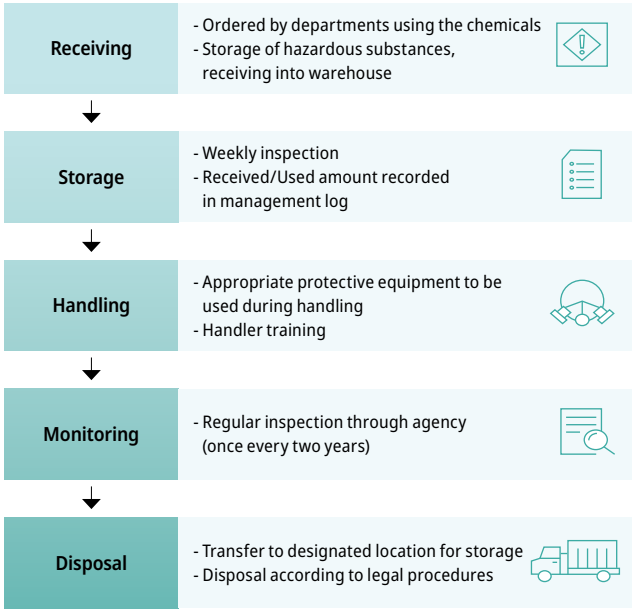
Hazardous Substance Management

Management of Chemicals

Chemical Reduction Activities

LS ELECTRIC conducts external impact assessment on the hazardous chemical substance handling processes and visually inspects facilities for handling such substances once a week according to related regulations. Departments handling hazardous chemical substances manage the receiving and shipping amounts of the substances. In addition, training is provided every two years to persons in charge of chemicals. Hazardous chemical substances will be replaced with general chemicals through continuous process rationalization.

Chemical Management Process



Hazardous Substance Management

Waste Management

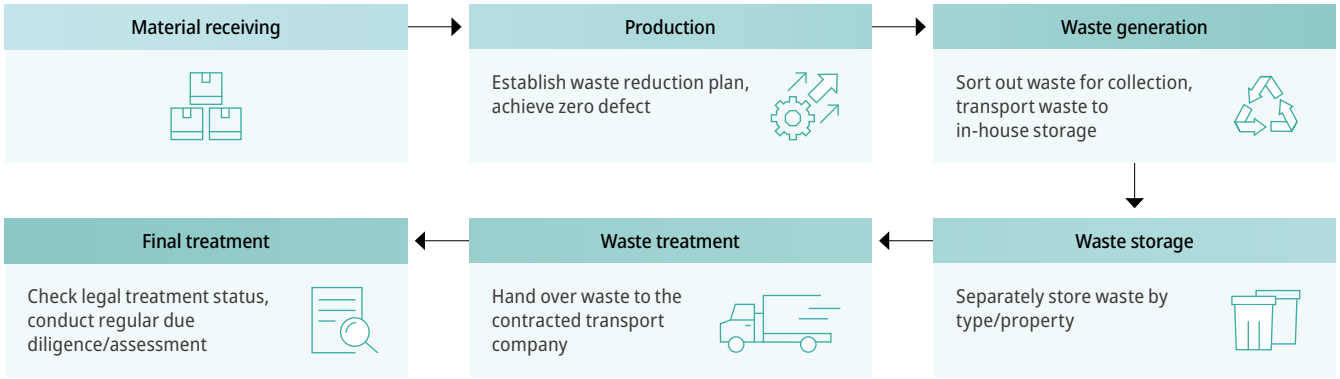
Management of Waste Generation Amount

Wastes discharged from worksites are sorted according to their recyclability and properly disposed of by a professional waste treatment service provider. In particular, waste management activities are underway with the goal of recycling 85% or more of the total amount of waste generated by converting the waste synthetic resin treatment method applied to Cheongju Plant 2, which is incineration as of the first half of 2022, to the SRF (solid refuse fuel) method. We also plan to achieve at least 90% general waste recycling rate by 2024 by continuously reviewing our recycling plans and conducting activities to reduce the amount of waste generation.

Assessment and Management of Waste Treatment Company

According to the obligation of waste discharging companies to manage and supervise waste treatment service providers, LS ELECTRIC conducts field inspections on and assesses its waste treatment company. We select an eligible company by assessing permit documents and conducting field inspections prior to signing a contract and, even after the contract is signed, we continuously monitor if the discharged wastes are being properly disposed of through the online system.

Waste Management Process



Activities to Reduce Raw Material Use and Waste Generation

As part of activities to reduce pollutants generated from business activities, LS ELECTRIC has shut down the coating process in Cheongju Plant 2 through process improvement. As a result, the amount of designated waste discharge has been reduced by at least 25%.

Designated Waste Discharge from Cheongju Plant 2

Category	Type	Unit	2020	2021
Cheongju Worksite	Designated waste	ton	71.36	52.68

In addition, compressors as one of the utility facilities in Cheongju Plant 1 have been replaced with an "eco-friendly and oil-free" type to achieve zero waste oil (designated waste) discharged at regular inspections; thus reducing the environmental risks in the worksite. Moreover, we conduct NWT* activities annually to lower defect rates in manufacturing processes and improve raw material input. The in-house proposal system is also being used in reducing environmental impacts.

* NWT(Natural Working Team) : Internal activity to address productivity and quality goal-related issues

Details of Activities to Reduce Raw Material Use and Waste Generation in 2021

NWT Activity	Expected Benefits
Attach direction detection sensor to MC-40a	Lower defect rate
Recycle packaging box for shipping	Increase packaging material recycling rate
Reuse drawn copper* (raw material) through process improvement	Reduce waste discharge amount
Apply eco-friendly transformer oil	Reduce environmental pollution risk
Conduct paperless office activity	Reduce waste discharge amount
"No Leftover Day" (12 times/year)	Reduce food waste

*Drawn Copper: Copper offcuts processed through drawing

Climate Change Response

Net Zero

LS ELECTRIC is committed to achieving Net-Zero Carbon by 2040 in order to participate actively in climate change response. To develop energy and environmental management strategies and monitor the implementation, we appointed the CEO in charge of ESG as a climate change response officer. In addition, a dedicated organization (ESG Management Team) was established in the Safety and Environmental Support Group to handle practical affairs concerning climate change response as well as energy, environmental, and safety management. The ESG Committee makes decisions regarding carbon-neutral roadmap and reduction plans, which are necessary for the company's carbon emission performance management and business strategies. The Environment and Safety Team in each worksite checks the energy consumption and GHG emissions monthly and conducts reduction activities accordingly.

Reduction Plan for 2021 - 2030

Following the application of facility efficiency improvement and conversion into electric vehicles, LS ELECTRIC will promote the transition to eco-friendly electric power to reduce 26,900tCO_2eq of carbon emissions by 2030 in comparison to BAU; thus achieving the goal of 40% reduction from 2021 (35,084.5tCO_2eq).

- NDC*: Reduction goal of 14.5% in comparison to 2018
- IPCC/SBTi Recommendations**: Recommended reduction by 38% by 2030 in comparison to 2021

Emissions in 2021

35,084.5 tCO_2eq

Reduction by 26,900tCO_2eq

• Eco-friendly electric power : 13,200tCO_2eq	• EV100 : 300tCO_2eq
• Facility efficiency improvement : 5,200tCO_2eq	• Natural reduction : 8,200tCO_2eq

Reduction Plan for 2031 - 2040

LS ELECTRIC aims to achieve the goal of Net-Zero Carbon by 2040 through facility efficiency improvement, fuel conversion, implementation of K-EV100 tasks, and transition to eco-friendly electric power.

Carbon Emission Goal for 2030

21,600 tCO_2eq

BAU*** in 2030

48,500 tCO_2eq

Reduction by 26,700tCO_2

• Eco-friendly electric power : 14,000tCO_2eq	• Facility efficiency improvement : 2,900tCO_2eq
• Facility fuel conversion : 4,300tCO_2eq	• Natural reduction : 5,500tCO_2eq

Net Zero by 2040

* NDC (Nationally Determined Contribution): Korea's 2030 NDC is aimed at 40% reduction in comparison to 2018 and 14.5% in the industries.

** IPCC, SBTi Recommendations: To keep the average temperature increase at less than 1.5°C to prevent global warming and abnormal climate (recommendation to reduce GHG emissions by 38% by 2030 in comparison to 2021)

*** BAU (Business As Usual): GHG emissions estimation, total amount of GHG emissions expected if the current trend is maintained without effort for reduction

Climate Change Response

K-EV100

In June 2021, LS ELECTRIC joined the K-EV100 initiative to change all fossil fuel-based vehicles owned or leased by the company for business use to electric vehicles by 2030. In addition, for the convenience of electric vehicle use by employees and customers, we established electric vehicle charging infrastructure in all worksites as a strategy to achieve carbon neutrality in the mobility field.

K-EV100 Road Map

			Stage 1				Stage 2			Stage 3		
			2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Zero emission vehicle purchase/ rental	Plan (Performance)	No. of electric vehicles	1 (4)	4 (16)	8	12	36	48	60	84	96	**120**
		Transition rate	1% (3%)	3% (13%)	7%	10%	30%	40%	50%	70%	90%	**100%**
Establishment of charging infrastructure	Plan (Performance)	No. of fast chargers	2 (8)		4		8		12		**16**	
		No. of slow chargers	6 (12)		8		10		12		**14**	

Climate Change Response

Governance

LS ELECTRIC established the ESG Committee under the BOD as a decision-making organization in response to climate change risks. The ESG Committee deliberates on and resolves items related to the company's key ESG activities. It supports LS ELECTRIC's sustainable growth by checking the company-wide implementation of climate change response strategies and GHG reduction plans. We plan to set climate change KPIs in relation to the key members and apply them to the assessment and compensation system.

GHG Reduction

GHG Emission Management

LS ELECTRIC establishes GHG inventory by identifying GHG emission sources. We estimate GHG emissions from the buildings we own or lease in Korea and receive third-party assurance to secure the reliability of the data. In 2021, as part of the energy supply rationalization at the Cheongju worksite, we conducted energy-saving activities to replace LNG boilers with systematized cooling and heating facilities. And, as a result, reduced GHG emissions by 18% compared to 2020.

We will continue making efforts to reduce GHG emissions by replacing old energy facilities. In addition, to manage climate change-related risks and opportunities, we inspect GHG emissions and energy consumption of all facilities owned and leased for use in domestic worksites.

Energy Efficiency Improvement

Participation in RPS* System

In line with the government's policy for renewable energy expansion, LS ELECTRIC actively participates in the RPS system by installing power generation facilities and ESS in key production plants and leased buildings in Korea. In 2021, we generated 5,302.5MWh of electric power through the renewable energy facilities and contributed to the reduction of national GHG emissions by approximately 2,435.9 tCO_2eq.

*RPS (Renewable Energy Portfolio Standard) System: System wherein a power generation business operator with generation volume of 500MW or more generates electric power by using renewable energy in a ratio higher than that prescribed

RPS Performance in 2021

Category	Photovoltaic Power (kW)	Power Generation in 2021 (MWh)	GHG Reduction (tCO_2eq)
Cheongju Plant 1	495	473.1	217.3
Cheongju Plant 2	2,034	2,345.5	1,077.5
Busan	912	1,258.6	578.2
Hwamyeong Water Purification Plant	998	1,225.3	562.9
Total	**4,439**	**5,302.5**	**2,435.9**

Estimation of Scope 3 GHG Emissions

LS ELECTRIC intensively manages Scope 3 GHG emissions. Scope 3 GHG emissions are indirect emissions from the value chain other than worksites. Unlike Scope 1 and Scope 2 emissions, which are caused by the use of fuel in production activities and purchase of external electric power, respectively, Scope 3 emissions are not subject to mandatory reduction. However, the necessity of management is increasing alongside the growing severity of climate change issues. To this end, we partially estimate GHG emissions from the value chain. We also plan to estimate and manage other GHG emissions additionally.

Scope 3 GHG Emissions in 2021*

Category	Unit	2021
Waste (incineration)	tCO_2eq	21.1
Business trip (within 40km from the worksites)	tCO_2eq	173.5
Commuter bus	tCO_2eq	450.0
Total	tCO_2eq	**644.6**

*The Scope 3 data are internal estimations and have not been verified through third-party assurance.

Management of Climate Change Risks and Opportunities

Risk and Opportunity Management Strategies

LS ELECTRIC analyzes and consequently responds systematically to the risks and opportunities that can be brought about by climate change on business activities.

Analysis of Climate Change Risks and Opportunities

Category	Risk	Period*	Response Plan	Opportunity
Transition Risk	Carbon tax (price competitiveness)	Mid-term	Establish a carbon footprint system and develop low-carbon products	Promote overseas market entry with low-carbon products
	Expansion of renewable energy use	Long-term	Establish a renewable energy transition strategy (renewable electric power purchase agreement, purchase of certification for renewable energy use)	Domestic and global renewable energy markets expanded
	Product energy efficiency	Short-term	Develop products with high energy efficiency and secure eco-friendly certification	Sales from automation devices (inverter, PLC) increasing, demand for certified eco-friendly products expanding in Korea and abroad
	Emissions trading scheme	Short-term	Reduce emissions and establish an emissions trading scheme response system	Secure GHG emissions allowance by reducing emissions
Physical Risk	Average temperature rise	Mid-term	Strengthen energy consumption monitoring	Sales from high energy efficiency management systems (smart grid, FEMS) increasing
	Abnormal climate (heavy rain, etc.)	Mid-term	Invest in damage prevention/recovery facilities in worksites	Technological support for climate change response
Other	Corporate reputation	Mid-term	Strengthen international communication, such as with the TCFD, SASB, and CDP	Improve corporate image as a smart energy leading company
	Customer response	Mid-term	Identify renewable energy and eco-friendly product purchase trend and strengthen marketing	Preemptively respond to customer requirements

* Short-term: 2021 - 2025 Mid-term: 2025 - 2030 Long-term: 2030 - 2040

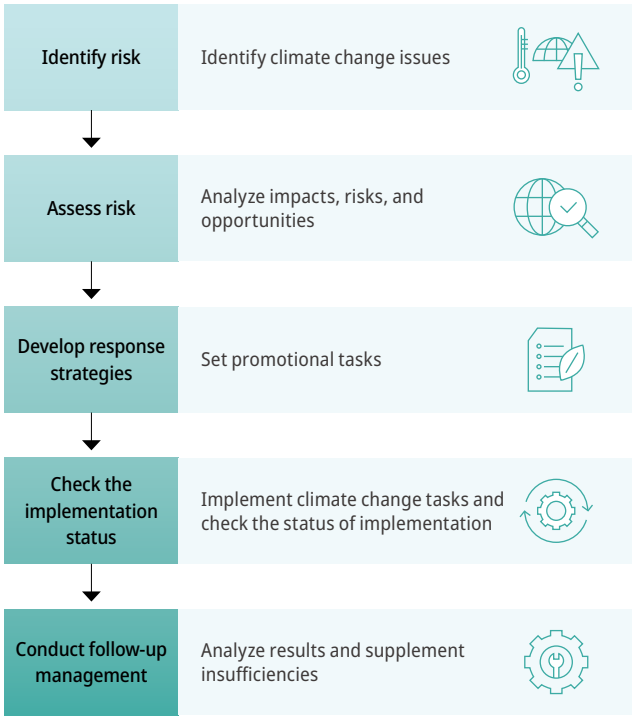
Climate Change Impact Analysis

Category	Degree of Impact	Impact
Business Site	○	Climate change affects the working environment in manufacturing and product installation sites. If the severity of climate change is high, it can even lead to damage and destruction of facilities, which also affect related machinery and equipment.
Supply Chain/ Value Chain	●	Delayed transportation of raw and subsidiary materials due to heavy rain, heavy snow, and typhoon, etc. caused by climate change can have a significant impact on the company's production. This can lead to the risk of failure in successful completion of product delivery to customers.
Product and Service	●	In a humid environment, corrosion and consequent malfunction of products can occur. Therefore, humidity control for products is required. In addition, the increase in customer needs for highly energy-efficient facilities and products with small GHG emissions serves both as a risk and an opportunity for our products and services.
R&D Investment	◐	Changes in domestic and international climate change policies, such as transition to renewable energy, GHG reduction, improvement of energy efficiency, and imposition of carbon tax, wield direct impacts on our business. We are continuously investing in R&D to ensure the stability of our eco-friendly business.

Risk Management Process

LS ELECTRIC's business is closely related to climate change. Therefore, business plans and strategies are reported through the ESG Committee and the BOD. Based on our risk management system, we plan to develop a process for identifying and managing climate change risks.

Risk Management Process



SUSTAINABLE FOCUS AREA:

SOCIAL

Health and Safety Management

Health and Safety Management Framework

Health and Safety Management Policy

LS ELECTRIC upholds health and safety improvement and maintenance as the most important value in management. Thus, we are striving to establish and thoroughly implement the health and safety management policies to create a safe and pleasant work environment for workers and stakeholders. In addition, we are conducting various activities to comply with health and safety-related regulations, establish a safety culture, and develop a health and safety management system. We aim to achieve the goal of "zero accident rate" by implementing the four health and safety management strategies.

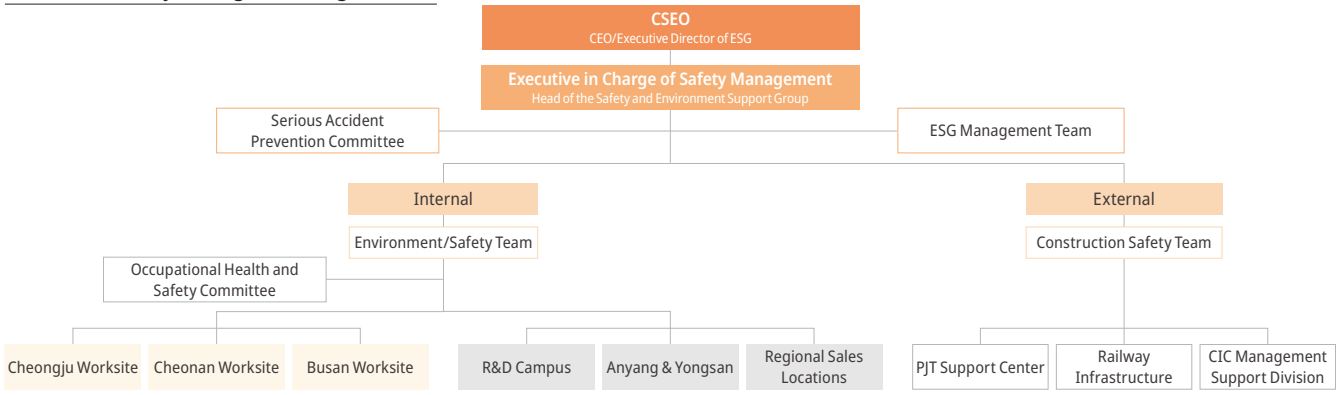
Four Health and Safety Management Strategies

1. Zero accident from the five high-risk operations
2. 100% improvement on nonconformities detected through safety inspections
3. 100% compliance with safety procedures prior to an operation
4. Establishment of employees' safety awareness and dissemination of safety culture

Health and Safety Management Organization

LS ELECTRIC appoints the CEO of the company as the Chief Safety and Environment Officer (CSEO). The role of the CSEO, is to strengthen health and safety management by supervising industrial accident prevention activities through the company-wide implementation of health and safety management policy, safety budget, and compliance with the law and regulations. In addition, we established the Serious Accident Prevention Committee, the highest health and safety-related decision-making organization, under the direct management of the CSEO. The Committee holds two regular meetings (first half and second half of the year) and special meetings each year to deliberate on and resolve health and safety matters. In line with the strengthening of health and safety regulations across the world, such as the enforcement of the Serious Accident Punishment Act in Korea, we restructured and expanded the company-wide health and safety management organization as a subsidiary organization under the management of the CSEO and also established the position of executive in charge of safety and the Safety Control Tower. Moreover, the expertise of the safety organization has been enhanced through the division of the company-wide organization into internal and external (construction) teams.

Health and Safety Management Organization



Serious Accident Prevention Committee | The Serious Accident Prevention Committee, the final decision-making organization for safety and health at LS ELECTRIC, was established to fulfill the roles and responsibilities assigned to business managers under the Serious Accident Punishment Act. Besides regular meetings held in June and November, special meetings of the Committee are convened as deemed necessary by the chairperson. In addition to building the health and safety management system for company-wide projects, the Serious Accident Prevention Committee inspects the operating status of the health and safety management system and establishes accident prevention plans. At regular meetings, legal and accident risks identified through health and safety management status inspections are reported along with performances in comparison to the plans. The necessary handling actions are planned as well.

Occupational Health and Safety Committee | LS ELECTRIC operates the Occupational Health and Safety Committee as a communication organization to guarantee official participation of the company and workers in the process of detecting and resolving health and safety issues in worksites. The Occupational Safety and Health Committee holds regular quarterly meetings and occasional meetings when necessary to disclose information on overall safety and health management and to establish a safety culture in which all members can freely express their opinions.

Health and Safety Management Policy

1. LS ELECTRIC upholds health and safety management as the most important value in all business areas.
2. All employees comply with and faithfully implement health and safety-related laws, regulations, and standards.
3. LS ELECTRIC establishes a health and safety management system that centers on prevention and improves the health and safety management level through continuous performance improvement.
4. LS ELECTRIC establishes a safety culture by promoting communication and cooperation with stakeholders.

Health and Safety Management

Health and Safety Risk Management

Health and Safety Goal Management System

According to the enforcement of the Serious Accidents Punishment Act, LS ELECTRIC is strengthening health and safety management system led by the heads of organization and divisions separately from the existing system to assess division health and safety goals in worksites (MIP). To establish a safety culture, we are also expanding the scope of health and safety goal assessment to include the Chief Health and Safety Officer and executives, heads of divisions. etc.

Health and Safety Goal Assessment

Category	Item	Period
Chief Health and Safety Officer (including persons in charge of organization)	Number of injured employees (100%)	Quarterly
Head of Division	Number of injured employees (80%), Inspection improvement rate (20%)	Quarterly

Worksite Safety Inspection

As part of the effort for establishing an autonomous health and safety culture, LS ELECTRIC has changed the method for prior inspection and removal of potential hazards associated with production activities from the existing patrol type to the planning type, which involves conducting inspections by specific themes. In addition, we hold monthly meetings of the Win-win Cooperation Team to listen to suppliers' health and safety-related difficulties and to provide support for improvement.

Expanding the Project Safety Management Budget

The scope of project safety management budget operation has been expanded to all construction projects in addition to those subject to occupational health and safety management cost accounting according to the Occupational Safety and Health Act. LS ELECTRIC is striving to secure the fund for installing safety facilities, allocating personnel, and supplying protective equipment to remove hazards and risk factors in the field, execute safety management cost appropriately, and prevent occupational accidents in construction sites.

Dissemination of Health and Safety Culture

Health Promotion Activities

For employee health promotion, LS ELECTRIC provides a general health checkup service each year to employees and their spouses. By designating regional general hospitals for each business site as a screening institution, we are striving to provide high-quality health check-ups and early detection and prevention of diseases. In addition, through a medical cost support system targeting employees and their families, we help our employees afflicted with diseases focus on treatment with peace of mind. The in-house health care centers in worksites offer various health promotion programs, ranging from smoking cessation program, body fat loss program, and musculoskeletal disease prevention program to health improvement classes; thus contributing to enhancing employees' quality of life.

Safety Training

LS ELECTRIC's Cheongju worksite operates a safety training center where special safety training is provided under various subjects. Upon completion of the training, which is basically provided using audiovisual materials, employees are individually assessed to maximize their concentration on and the effect of the safety training. In addition, by designating instructors specializing in each field of safety training and inviting outside instructors, we emphasize the importance of safety training and increase employees' awareness of the importance of accident prevention. Moreover, we help external workers receive training without time and space restrictions by operating a mobile safety training system. Individual bar codes are issued to workers completing the safety training, and those without the bar code are restricted from entering worksites. In such a way, we require all workers to complete the mandatory safety training.

LS ELECTRIC's Safety Training

Category	Target	Required Training Hours
Training upon Recruitment	New employees	8hr
Training for Change of Operation Details	Persons subject to reassignment and transfer	2hr
Special Safety Training	Persons conducting hazardous and dangerous operations	16hr
Regular Safety Training	All employees	2hr/month
Manager and Supervisor Training	Managers and supervisors	16hr/year

Health and Safety Management

Work Environment Improvement

LS ELECTRIC applies strict safety criteria to all worksites in order to create a safe work environment.

Measuring Hazard Factors in the Work Environment

- Measure various hazard factors in the work environment (noise, organic compounds, metals, dust, metalworking fluids, etc.) in the first and second halves of each year through a specialized external agency
- For the Cheongju worksite, the criteria for exposure to hazardous substances have been set as less than 50% of those specified by the Occupational Safety and Health Act (excluding noise)

Preventing Diseases Caused by Asbestos

- Minimize the damage of diseases caused by asbestos, which can occur during indoor operations, by preparing an asbestos map to remove the impact of asbestos on workers

Preventing Musculoskeletal Diseases

- Reduce the burden on workers' musculoskeletal system and remove occupational accident risk factors by automating delivery, transport, packaging, and handling of materials
- Prevent musculoskeletal diseases by establishing an unmanned process for material shipping as well as product transfer, classification, and packaging within the plant using automated guided vehicle (AGV), which is applied to smart factories

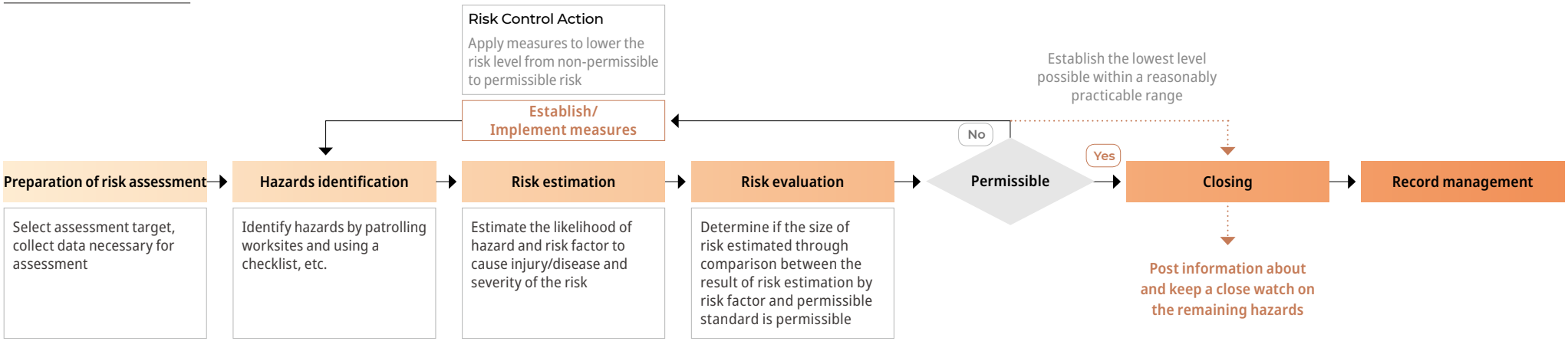
Identifying Potential Risks in Worksites

- Install a ventilation system in the entire transformer production line in order to remove odor and dust generated after drying
- Install an interlock system with forklift safety belt (including sensor detecting inappropriate use of safety belt) and power system to issue alerts when a person is detected within a 10-meter radius from the forklift

Conducting Regular Risk Assessment

- Conduct regular risk assessment wherein field operators, managers, and supervisors participate along with special assessments when the work conditions and/or environments change

Risk Assessment Process



Health and Safety Management

Activities to Prevent the Spread of Infectious Diseases

LS ELECTRIC has established an infectious disease response system in order to prevent the occurrence and spread of infectious diseases that cause harm to employees' health. We provide the information we prepared on disease prevention guidelines by considering various ways of working, and we also established an infectious disease response and contact system to ensure immediate response to suspected cases upon occurrence. While supporting a flexible working system and providing leaves for infectious disease prevention, we are striving to establish a culture to prevent the spread of infectious diseases by refraining from face-to-face meetings and company gatherings, complying with disease prevention rules at meetings, dividing lunch breaks (groups A and B), and advertising and posting infectious disease prevention rules, etc. In addition, we secured and supplied disease prevention items such as non-contact thermometers, masks, hand sanitizers, and emergency medical supplies.

Phase	Decision Criteria	Response	Response Measures
Concern (Blue)	Occurrence of patient confirmed to have an infectious disease	Prevention	• Monitor the spread of the disease • Secure hygiene and disease prevention supplies • Provide training to enhance personal hygiene
Attention (Yellow)	Outbreak of infectious disease in Korea	Symptomatic cases	• Check for confirmed cases (health care institute) • Take temporary quarantine measures when needed • Distribute thermometers and hand sanitizers to all departments
		Prevention	• Same as "Concern" phase
Alert (Orange)	Spread of infectious disease across the local community	Patients	• Isolate confirmed patients • Track and monitor infection routes
		Close contacts	• Monitor outbreak during the incubation period • Minimize business trips/moving
Severe (Red)	Occurrence of confirmed cases in the worksite	All	• Check all employees' temperature • Perform disease prevention activities in the worksites

Hazards and Risk Factors in 4M Risk Assessment

Frequency × **Severity** = **Risk**

Machine (Mechanical)	Media (Material and Environmental)	Man (Human)	Management (Management and Supervision)
• Defectst in machine and facility design • Defects in risk protection equipment • Defects in utilities • Defects in transportation devices used by facilities	• Poor working space • Generation of gas, steam, dust, and fumes*, etc. • Radiation, harmful rays, high temperature, low temperature • Ultrasonic wave, noise, vibration, oxygen deficiency • Exposure to pathogens and abnormal atmospheric pressure, etc. • MSDS of chemicals handled, etc.	• Unsafe conducts due to worker characteristics • Age, disability, gender, foreigner, unskilled worker, etc. • Inappropriate work information • Defects in working posture and motion • Inappropriate working method	• Lack of supervision • Lack of safety management plan and regulations • Insufficient education and training • Safety rules and signboards not displayed • Lack of follow-up health care management

* Fumes: Solid micro-particles formed through heating or chemical reaction

Corrective Action	Preventive Action
Take follow-up actions on the non-conformities that have occurred	Take actions in advance for possible non-conformities

Data Protection and Information Security

Data Protection and Information Security System

Information Security Policy

LS ELECTRIC is promoting the acquisition of security certifications from professional institutions in order to enhance internal and external credibility for information security. As a result of such effort, we acquired the ISO 27001 certification in June 2022. We perform security activities in the field of OT (operational technology) for protection against industrial accidents, and we are improving the security level to acquire the IEC 62443 (international standard for industrial control system security) certification. As a product supplier, we are preparing to acquire certification for the IEC 62443-4-1 standard, which is related to the R&D process. This standard applies to the development of reliable products to take into consideration elements such as product functions and security from the early stage of development in order to internalize security in the R&D process.

Privacy Policy

In processing the personal information of a third party such as customers, employees, and suppliers, LS ELECTRIC complies with related domestic statutes and overseas privacy regulations including the EU GDPR (EU General Data Protection Regulation). We also keep track of and respond to the establishment of and changes in related regulations. We purchased liability insurance in order to fulfill our responsibility of compensating for damages caused by personal information leak. Since 2021, we have been performing activities to improve our personal information protection level by strengthening inspection and improvement of personal information management status, targeting departments handling personal information and related systems and inspecting personal information management consignees.

Employee Security

To manage access to key applications and prevent leak of internal data when the company's network is approached from outside, LS ELECTRIC has installed the EDR*, implemented operation through strict privilege separation, and introduced the 2-factor authentication system.

* EDR : Endpoint Detection Response

Monitoring System

LS ELECTRIC established a monitoring system to prevent malware inflow and internal information leaks. In addition, to secure system availability, we are operating a security monitoring system through group gateway integration. Moreover, to protect corporate information, scenario-based anomaly detection and tracking management are conducted.

Data Protection and Information Security Practices

Investment in Data Protection

Approximately 5.2% of investment in the IT field has been allocated to data protection. Key investment activities include physical network separation for smart factory security, strengthening of security for external access (2-factor authentication), advancement of WebKeeper and Mail I systems, security USB implementation, establishment of NAC solution for OT network, blind mock hacking for inspection, infrastructure and web system vulnerability inspection and improvement, purchase of liability insurance for privacy-related compensations, and regular group-level information security inspection.

Investment in Data Protection

Amount of Investment in Data Protection (A)	Amount of Investment in IT (B)	A/B(%)
KRW 1,434,277,536	KRW 27,442,372,873	5.2

Information Security Audit

In 2015, LS ELECTRIC established a group-level security management system through a security control activity to inspect compliance with the statutes and internal security regulations. Since then, we have been undergoing internal security inspections on a regular basis. In addition, by performing internal security inspection activities, we secure legal conformity and enhance security awareness.

Data Protection Training

LS ELECTRIC is improving employees' security awareness by holding campaigns, providing training, and performing security inspection activities using various online and offline channels including email, groupware, and company-wide posting. We provide training to and inspect departments by establishing a system for rewarding employees with excellent performance in malicious email reporting and by designating personal information managers. Since 2018, daily security inspections have been performed through the PC Security Protector and automatic personal information file detection activities. In addition, to increase the effect of data protection training, we provide training with content differentiated by job type.

Identification and Management of Personal Information Risks

With a goal of securing the safety of corporate and personal information assets against external threats, LS ELECTRIC conducts annual security inspections. We also respond to the risks preemptively through mock hacking training, source code vulnerability inspection, and infrastructure security inspection. In addition, in line with the rapidly changing DT environment, we support a non-disruptive production system through public cloud security system establishment and standardization and factory OT security implementation.

Human Rights Management

Human Rights Management Framework

Respect for Human Rights and Guarantee of Basic Rights

LS ELECTRIC has prepared an institutional system to prevent irrational discrimination by reason of gender, race, religion, nationality, etc. We also strive to provide our employees with a working environment where they can focus on work with passion and display their full potential. In addition to fundamentally prohibiting child labor and forced labor, and thoroughly complying with domestic laws and related items ratified by the International Labor Organization, we provide human rights training in order to supplement and further our systems related to respect for human rights. For the improvement of employees' working conditions and respect for the labor union's collective bargaining rights, the labor-management wage, and collective bargaining agreement is faithfully implemented each year. We also guarantee freedom of the union activities so that members are not placed at a disadvantage by reason of such activities. Moreover, to prevent direct and indirect human rights violations across our business value chain, we have established the SHE (safety, health, environment) policy, recruitment policy, Code of Ethics, Supplier Code of Conduct, and Code of Ethics for Procurement, and we strictly comply with them in management activities.

Respect for Diversity

Respecting Employee Diversity

LS ELECTRIC respects diversity within the organization and prohibits discrimination or restriction in recruitment by reason of nationality, gender, religion, physical conditions, etc. We strive to expand the recruitment of new female managers and employees. In addition, to increase employment opportunities for foreigners, we established an employment-linked global internship plan. According to the plan, foreigners standing on equal footing as Koreans are allocated to general management positions upon completion of the internship course. Our effort for securing excellent foreign talents also includes posting of notices targeting overseas students at admission offices of universities.

Establishing an Inclusive Organizational Culture

LS ELECTRIC strives to create an agile organizational culture to enable fast decision making, execution, and modification based on horizontal communication and simple reporting system. We are building an organizational culture based on mutual respect and inclusion through the step-by step reconstruction of personnel system. In 2019, we reorganized the rank system from five to three, and integrated the three positions to one 'Manager' in 2022. We conduct an annual organizational culture survey to collect employees' opinions about the establishment of an inclusive organizational culture. This year, in addition to the company-wide composite index, the indexes for each department were identified by adding team-specific survey questions. To guarantee anonymity, the survey was conducted through an external company. For survey items whose index points are low, the causes were identified through Focus Group Interview. In addition, we establish improvement plans targeting the heads of departments and continuously perform follow-up activities by checking on changes and implementation of the plans.

E-Bridge (Junior Board)

Almost 50% of LS ELECTRIC's employees belong to the Generation MZ. To listen to their diverse opinions, we operate the E-Bridge. Through online and offline meetings, the E-Bridge members discover and propose new and original ideas about the company management and perform activities with a goal of operational productivity improvement based on efficient thinking.

Dissemination of Human Rights Culture

Human Rights Training

LS ELECTRIC provides training to enhance employees' human rights awareness in addition to protect human rights. The "Create a Healthy Organizational Culture" Campaign is held on a regular basis to prevent workplace harassment and sexual harassment, and the compulsory online training program aimed at preventing sexual harassment and improving awareness of the disabled is operated once a year. Furthermore, offline training programs customized to various job levels, such as persons in charge of organizations, field supervisors and managers, and experienced and new employees are continuously offered.

Grievance Reporting Channel

Since 2021, LS ELECTRIC has been operating "Vision Talk," a channel through which every employee can communicate directly with the CEO. The CEO and employees communicate through the in-house email on a 1:1 basis. Access to information about the sender and content of the email is limited to the CEO and the system administrator, so employees' burden with regard to exposure is minimized. Through Vision Talk, constructive suggestions and ideas for the growth of the company and employees, such as about the corporate vision and organizational culture, are being collected. In the first half of 2022, we opened "Talk Together," an anonymous Intranet noticeboard, to strengthen communication with employees further. With anonymity guaranteed by operating the system through an external company, the proposers can receive an answer to his or her suggestions within 3 days if the suggestion receives the prescribed number of "Likes," which is the same system as that of the National Petition. To create a healthy communication culture, we plan to continuously improve the functions of the anonymous noticeboard according to user demands by adding a questionnaire survey functions. We are also striving to resolve employees' difficulties and inconveniences by operating in-house grievance reporting centers in the head office and worksites.

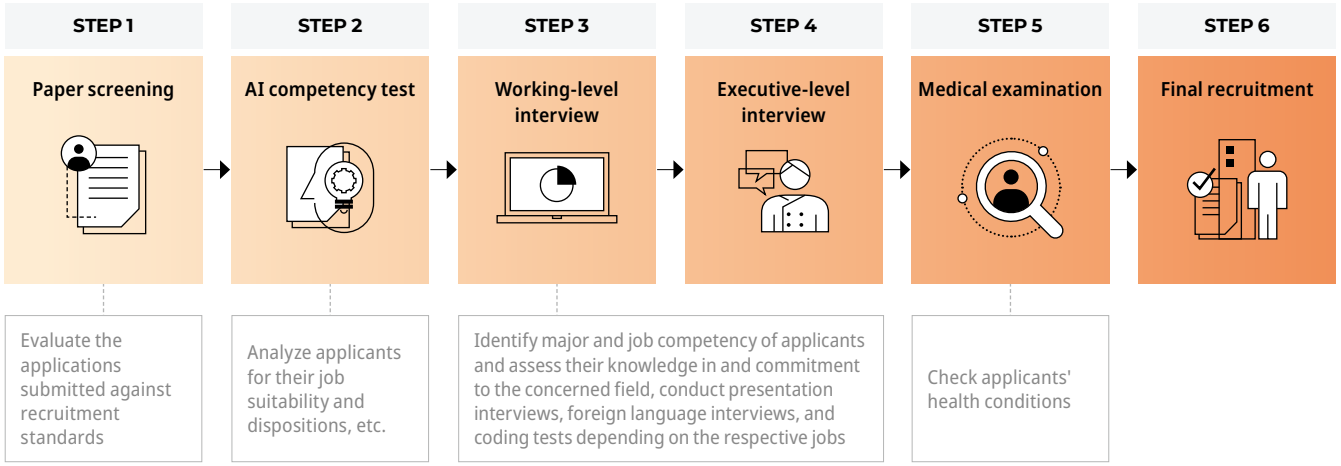
Stakeholders | Employees

Securing Outstanding Talent

Recruitment of Ideal Employee

LS ELECTRIC's ideal employee is defined as an "Imagineer for Future Smart Energy." "Imagineer" is a compound word of "imagine" and "engineering." It describes the ideal LS ELECTRIC employees who take pride in their work and the company (Pride) and have a vision for the future of smart energy (Dream) based on their understanding of technologies (Technology) and global competitiveness (Global) to work together for better results (Partnership). We make various efforts to secure and foster global talents fitting this description.

Recruitment Process



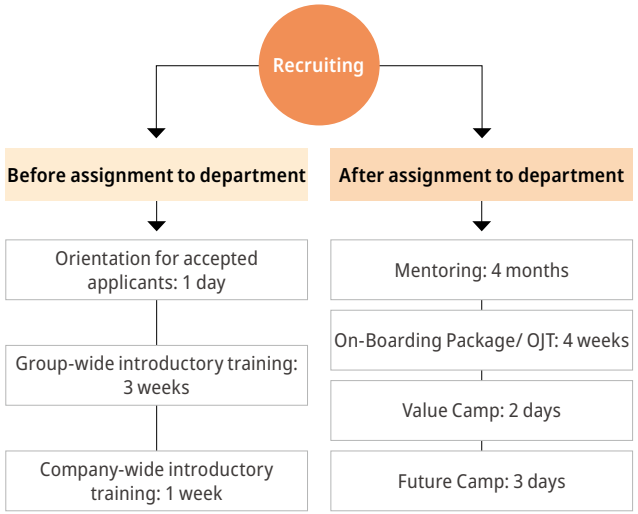
Diverse Recruitment Channels and Processes

LS ELECTRIC has raised the ratio of objective assessment indicators, such as AI competency test, English proficiency test, presentation interview, and software coding test to prevent the occurrence of any unreasonable discrimination. We are making efforts to ensure consistent assessment by standardizing the interview process and providing training to the interviewers. In addition, we are operating a recruitment policy that concerns the socially disadvantaged, such as giving preference to the disabled and veterans.

On-boarding Program for New Recruits

A variety of programs are in operation to assist new recruits in adapting to their new life at LS ELECTRIC. On the day the accepted applicants are announced, they receive a congratulatory letter and a basket of flowers. The accepted applicants also develop a sense of belonging and community by attending an online orientation session with HR managers. Once they join the company, group and company-wide introductory training that includes mentoring and OJT programs is offered to help them develop the basic knowledge, skills, and attitude required in performing their work. After six months of working, the new recruits attend the Value Camp to communicate and bond with one another under the subjects of cooperation, conversation, and creation. One year after, they are given an opportunity through Future Camp to look back on the past year, envision their future at LS ELECTRIC, and consequently think about their individual and organizational visions.

Training Programs to Support New Recruits

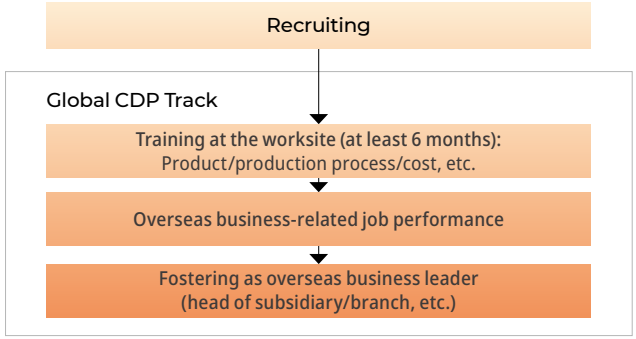


Stakeholders | Employees

Global Internship

LS ELECTRIC fosters overseas business leaders by proposing mid- to long-term visions and providing various training opportunities based on the employment-linked global internship program and Global CDP (Career Development Program) track.

Global Internship Process



In 2021, 19 global interns were selected and provided with training consisting of field OJT, introductory course and task performance programs. for six months in the worksite. In addition to basic learning and mentoring for overall understanding of the company status, products, value chain, and life in the company, the interns were individually interviewed on a regular basis. In 2022, we have selected 16 global interns and they are currently undergoing training.

1st Global Internship Completion Ceremony

Corporate-funded scholarships

Since 2020, LS ELECTRIC has been operating an industry-academe internship program to provide excellent science and engineering students in master's and doctorate degree courses with scholarship as well as an opportunity to join the company. With at least 2 students selected every year and all of them assigned to full-time positions in the company, this program records a high satisfaction level among the interns and the departments where they are assigned. During the systematic internship period, the interns get paired with mentors and develop internship OJT plans together. In addition, the mentees meet up with the mentors four times to ask questions about the jobs and seek advice about the difficulties in their learning experience.

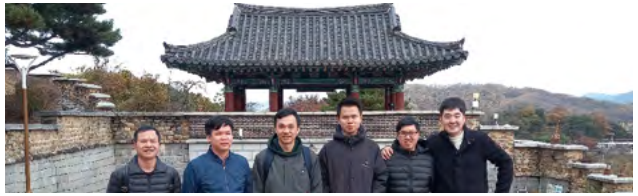
Global Workforce

Local Personnel Recruitment

As of the end of 2021, approximately 1,000 persons are working at 1 overseas holding company, 9 production and sales subsidiaries, and 14 branches located in Europe, China, Vietnam, Japan, and Turkey. To promote overseas market entry, increase sales, and strengthen the global competitiveness of human resources, LS ELECTRIC establishes the Global Talent Map and discovers and fosters talents necessary for the company's development in the mid- to long-term. We also actively engage in recruiting personnel in North America, China, Europe, and Vietnam.

Training of Vietnamese Employees in Korea

For six locally recruited personnel working in the Vietnamese subsidiary, an eight-week training was organized at the parent company in Korea. During the training period, the trainees received education about the company status, key products, and new products along with systematic field OJT. With daily reports prepared, the training result was shared with the Vietnamese subsidiary for communication. The trainees also participated in a line tour at the Cheongju and Busan worksites, during which they inspected the plant line arrangement for reference in the new plant establishment in Vietnam. For the last week, they visited the head office and attended a meeting with executives.



Korean Culture Experience by Locally Recruited Vietnamese Employees

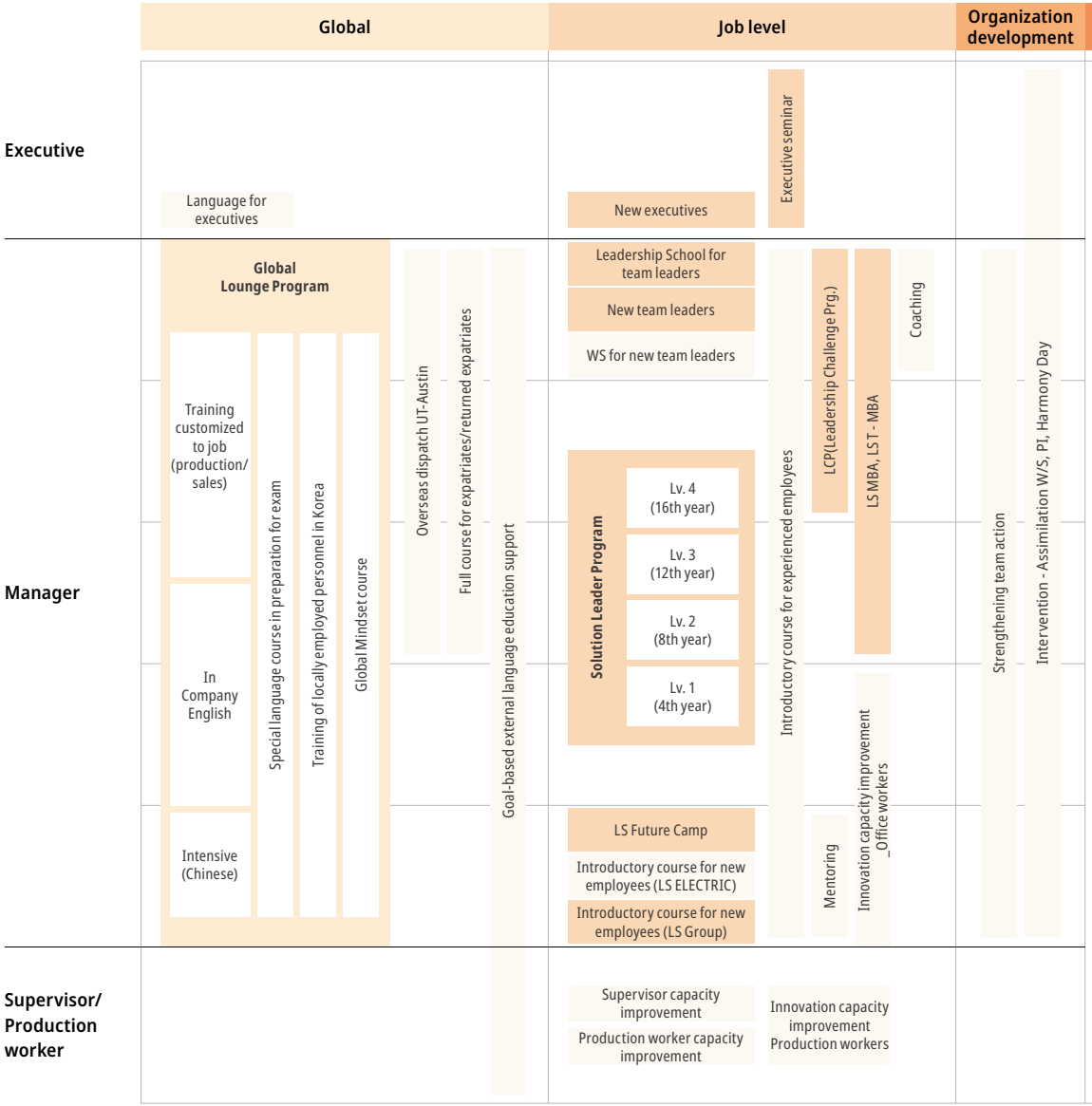
Employee Competency Building

Training for Talent Fostering

LS ELECTRIC operates various education and training programs, such as training by job level, global training, training for organizational development, and job training, to improve employees' capabilities. For global competency building, we operate global lounges in the head office and each worksite where employees can enhance not only language abilities but also cultural acceptance. To help employees develop the necessary abilities at the required time, we also restructured the training system by integrating the three to four job levels in the past to a single job level (manager) and switching from job level-based to job-based training. While providing leadership training by developing competency level-based leadership programs by year of service, we offer a range of competency building programs through the group-level training center (LS Future Center). In addition, for the retirees, outplacement program, retiree reemployment system, and training program for post-retirement life design are operated. Furthermore, customers and students in the power and automation markets are supported with in-depth theory and product learning for the dual purpose of customer satisfaction and social contribution.

Stakeholders | Employees

Education and Training System



Job

R&D

SW	Understanding and using Git & GitLab/Software testing TDD for software architecture practice developer/Design pattern in C++/ Python tutorial for practical use/Linux intermediate level (Linux kernel analysis and tracking)/Application of agile for integrated software and hardware development/Cyber security for beginners/Clean code to improve software maintenance/Micro service architecture/Understanding and using the ALM system
HW	EMC basic course (theory/test/certification)/EMC response technologies/Basic course on practical technologies for reliability/Reliability practice through case study (practice)
Design	CREO basics/CREO drawing design/CREO sheet metal design/CREO optimization design/PDMLink (R&D)/Auto CAD Mechanical/Auto CAD Electrical/PCB design analysis and verification using Altair PollEx tools/PADS Hyperlynx SI+Thermal/ PADS DxDesigner+Analog/PADS layout
CAE	Dynamics and structural analysis using RecurDyn/CAE Cloud (Rescale+Appstream) user training [Altair]SimSolid simple structure analysis/Simlab and Flux low-frequency electronics system analysis/Pretreatment for HyperMesh structural analysis/DptiStruct linear analysis/AcuSolve thermal flow analysis/[ANSYS]SpaceClaim basics/Maxwell basics/Mechanical basics/AEDT Icepak basics/SIwave
Common	R&D basics/Project stakeholder management and communication/R&D PM, PMP/PLM user/RMS PL/ERP
Quality	Reliability basics/Reliability test design and technique/QFD-FTA practice/Reliability statistics and failure analysis/SPC course/ ISO/PL basics/QMS certification reviewer/FMEA course, etc.
DT	Python programming, data pretreatment, operation automation, practical data analysis, key libraries/First step to coding/Google analytics/Data analysis expert fostering/Data literacy/Statistics and machine learning/Power BI/Data analysis using Excel/Data use expert fostering
Production	Basics of production session 1, 2/Fostering production expert
Procurement	Basics of procurement/CPSM qualification
Support	Finance and economy basics (finance)/HR basics/Finance and economy basics (cost)
Sales	Sales/Marketing basics/Sales strategy development/Excel data analysis for sales rep/B2B sales negotiation/Overseas channel management/B2B sales expert fostering
Common	Planning ability of new employees/McKinsey-style planning ability/Study partner/Planning ability improvement/Accounting for new employees/Office tools

Customers/Suppliers

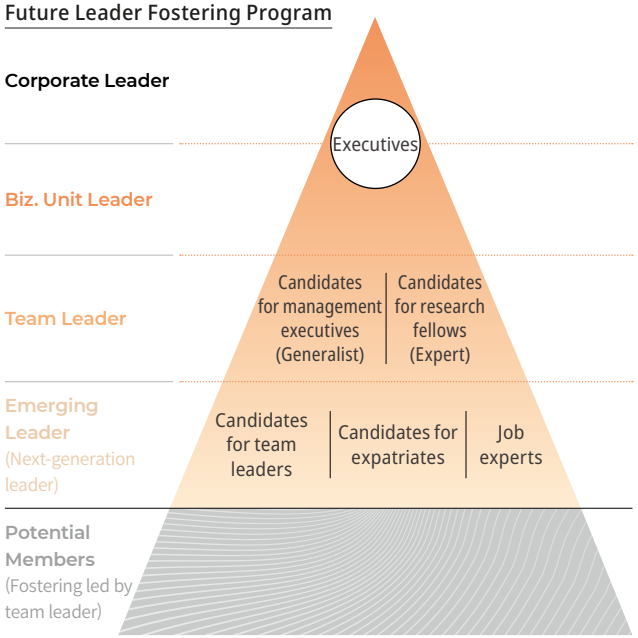
Electric power	Introduction to electric power system Electric power system analysis & failure analysis Digital protection practice X-GIPAM practice Electrical devices Cooperation for electric power system protection Understanding and application of earthing system Photovoltaic power and ESS system
Automation	**PLC** XGK basic XGK advanced XGK basic & advanced XGI basic XGI advanced XGI basic & advanced XGK communication XGI communication XGR general XGK location control/servo XGK network location control/servo XGK special (AD, DA, PID, HSC) **HMI** HMI-XGT Panel HMI-XGT infoU **Drive** Inverter basics Inverter applications
Suppliers	FTA decision of origin Data analysis NAMOS system Drawing analysis SPC basic/intermediate Procurement competency improvement Fair Transactions in Subcontracting Act Quality management techniques and expertise

Stakeholders | Employees

Programs to Support Employee Competency Building

LS ELECTRIC operates the succession planning system to select candidates for and foster next-generation leaders to lead change and innovation in the future. Candidates for management and research leaders are selected through an assessment following recommendation by key duty group. To the selected candidates, we provide training linked to the future leader fostering program and CDP. As for expatriates, candidates for those to serve at subsidiaries and branches are selected by country, and training is provided according to the period of stay abroad. For candidates to work overseas on a short term, such as for one or two years, education on the respective local languages is provided. For candidates to work overseas over a long period of three to ten years, basic and advanced training courses for expatriates are provided.

Future Leader Fostering Program

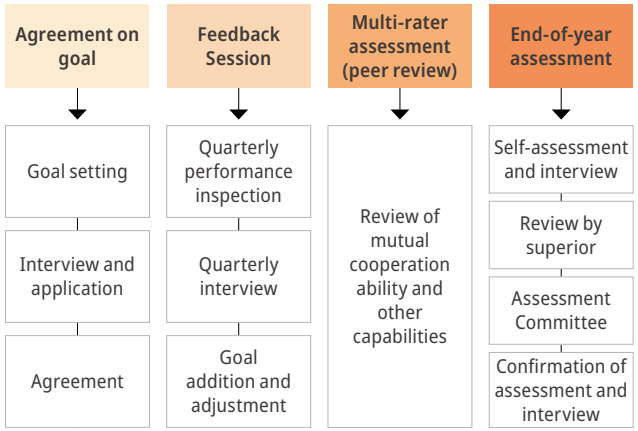


Assessment and Compensation

Future Leader Fostering Program

LS ELECTRIC continuously strives for fair assessment and compensation, based on the belief that it is the foundation for the company's sustainable development. To fulfill the company's management goal, the performance management system is operated with the goals of each CIC group and division and the linked team and individual-unit goals set in stages. For persons in charge of organizations, the goal is established through MIP. As for the team members, performance management is conducted through MBO assessment for general office workers and project or essay assessment for those of research organizations. To secure consistency and objectivity of assessment, we hold quarterly feedback sessions for review of the performances and identification of areas requiring improvement. In addition, a multi-rater assessment (peer review) is conducted once a year, and the result is used as reference in employee competency development and end-of-year assessment. For the end-of-year assessment, the performance of an organization is linked to that of individual members. The assessment result is used in determining and adjusting bonus, annual salary, promotion, and career development.

Performance Management Components and Process



Labor - Management Relations

Labor-Management Partnership

LS ELECTRIC recognizes the labor union as a management partner, and it is committed to building a win-win labor-management partnership. As part of the effort for establishing a sound labor-management culture, we participated in the "Labor-Management Partnership program" organized by the Korea Labor and Employment Service.

We strive to resolve key issues earlier on by holding working-level meetings between labor and management. In addition, through quarterly labor-management council meetings, issues concerning not only employees' working conditions and welfare but also management activities such as personnel arrangement and reshuffle and corporate development strategies are discussed to create a reasonable labor-management culture.

In particular, we practice open management by holding "field management performance briefing" and "talk with the CEO" between senior management and union executives. By sharing information on business conditions and challenges, a mutually cooperative labor-management relationship is maintained. Aside from the labor union, representative bodies for office workers such as E-Bridge, Smart board, Ace Board, and Maekomhadei are operated to promote communication and feedback across worksites and different job levels. As of the end of 2021, 97.6% of production workers are unionized in accordance with the collective agreement and labor union rules. In February 2022, a multiple labor union system was established.

Union Membership Status

Category	Unit	2019	2020	2021
Production workers who joined the union	Persons	999	905	863
Production workers subject to union membership	Persons	999	905	884
Union Membership Rate*	%	100	100	97.6

* Excluding office workers who joined the union

Stakeholders | Employees

Work and Life Balance

Rest weeks

LS ELECTRIC operates the "Rest Week" system to encourage employees' use of annual leave and guarantee employees' sufficient rest. The Rest Week system enables employees to take a refresh leave within the period of paid leaves and annual leaves assigned to them. In addition to the summer vacation, employees can take a refresh leave for three to five days in the first and second halves of each year to refresh themselves, which will help them improve work efficiency. We encourage our employees to take a Rest Week at least once every six months.

Family-friendly Programs

가족친화 우수기업

Housing Support System | LS ELECTRIC operates a housing fund support system to assist in employees' residential and living security with regard to housing purchase and rental. Aside from supporting partial amounts of employees' housing purchase and rental expenses, we provide dormitory and company housing for employees in regional worksites to contribute to operational productivity improvement based on residential stabilization.

Health Checkup and Support for Medical Expenses | LS ELECTRIC supports medical expenses for comprehensive health checkups targeting employees and their spouses. In addition, we have purchased group insurance to prepare for employees' accidents and diseases and promote employees' living stability as well.

Support for Family Events | LS ELECTRIC provides a gift of money, a wreath, and a special leave to employees for family events such as marriage, childbirth, 60th birthday, and death. The presentation of a ring on the first birthday of an employee's child, which was started in 2020, is receiving favorable responses.

Summer Vacation Resort | To encourage employees' leisure life, LS ELECTRIC operates a summer vacation resort where employees can enjoy family-unit camping. We also offer access to famous condominiums across the country to help employees enjoy quality time with their families.

Tuition Support | To ease the financial burden of employees with regard to their children's education, LS ELECTRIC supports scholarship for employees' children in middle school, high school, and university regardless of the number of children to contribute to their stable education.

Employee Welfare Card and Other Supports | LS ELECTRIC pays welfare points on employees' birthdays, wedding anniversaries, and holidays. We also encourage employees to enjoy a cultural life by supporting various cultural events ranging from picnics to sports days and small-group meetings, as well as presenting tickets to baseball, football, and other professional sports events.

Support Work and Life Balance

Corporate Childcare Center | LS ELECTRIC supports employees in keeping work and life balance by operating corporate childcare centers. In Anyang, the LS Childcare Center was opened in March 2015 for employees working at the head office and Anyang R&D Campus. For the Cheongju Worksite, the Cheongju Industrial Complex Childcare Center (Dodam Childcare Center) was opened in March 2014 through our participation in the consortium. The childcare centers are operated by professional agencies on a consignment basis in order to provide excellent childcare service to employees' children in a safe environment. For the Cheonan worksite, we operate a system for supporting additional childcare expenses to be paid by parents.

Encouraging the Use of Childcare Leave | LS ELECTRIC strives to create an ideal working environment for parents by guaranteeing the legally required maternity protection, such as through maternity leave, parental leave, and curtailment of work hours during pregnancy/childcare period.

Use of Childcare Leave in 2021

Number of employees on childcare leave	Rate of return after childcare leave
13	100%

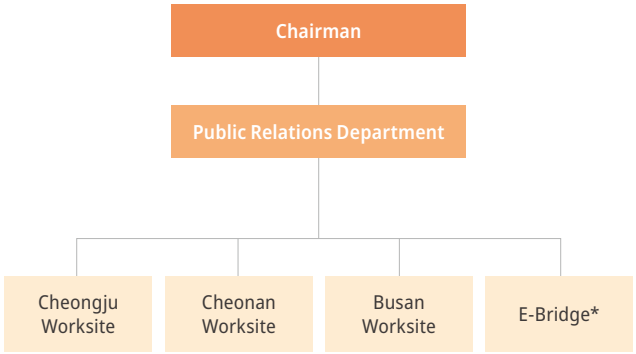
Stakeholders | Local Community

Social Contribution System

Social Contribution Strategy and Organization

LS ELECTRIC defines the identity of the company's social contribution activities based on the LS Group's management philosophy of "LS Partnership." LS Partnership means that we can create greater value by moving together as trusted partners. In line with this philosophy, we aim to become a "reliable partner that supports the underprivileged and future generations" and focus on generating greater value through sharing and cooperation between volunteers and beneficiaries, undertaking social contribution programs in Korea and abroad. Based on the philosophy, LS ELECTRIC and LS Group are creating synergy throughout the process of social contribution program planning and implementation.

Organization Chart for Social Contribution System



* E-Bridge: Launched as LS ELECTRIC's representative body for office workers to establish an open-minded culture and lead social contribution activities, currently has 17 active members

Social Contribution Activities

Category	Description	Key Activities in 2021
Donation to help neighbors in need	• Donation to Community Chest of Korea • Support to protect the socially vulnerable	• Donated KRW 100 million to Gangseo-gu, Busan from the LS Group's joint donation of KRW 2 billion
COVID-19 support	• Support for the socially vulnerable according to the prolonged COVID-19 pandemic	• Donated COVID-19 hygiene kits to approx. 300 elementary school students
Support for children	• Donated learning kits for the new school term to elementary school students from low-income families ("Let's Start with LS ELECTRIC" campaign) • LS Dream Science Class for elementary school students (experience-based science learning)	• Held the LS Dream Science Class twice for 381 elementary school students • Donated school supplies including school bags to 150 elementary school students
Support for senior citizens	• Donated wintering items including winter clothes to the Anyang Senior Citizens Center through a local social group • Employee volunteer team performed voluntary activity to provide companionship for senior citizens living alone	• Donated winter clothes to approx. 200 senior citizens in Anyang-si • Donated KRW 67 million for facility improvement and meal service to the Gangseo Senior Citizens Center in Busan
Support for people with disabilities	• Supported cultural experience event for the disabled together with local centers for the disabled in areas where worksites are based, such as Anyang • Provided support for facilities and donated items to local centers for the disabled	• Donated KRW 35 million to the Gangseo Center for the Disabled in Busan • Donated KRW 15 million raised by employees to the center for the disabled in Cheongju-si
Environmental clean-up	• Activities to preserve the ecosystem in the local streams (Anyangcheon Stream and Musimcheon Stream) together with the Environment Action Association and local residents ("Let's Make Green with LS ELECTRIC" campaign) • Environmental clean-up on Green Day in areas where worksites are based	• Held 10 environmental clean-up events around the Cheongju and Busan worksites (7 events in Cheongju, 3 events in Busan) • River clean-up to be resumed in 2022 due to the spread of COVID-19 in 2021
Support for rural regions	• Regular support activities including sale of farm produce based on sisterhood relationships with rural villages in Chungcheongbuk-do	• Held five events to purchase and sell local produce in Cheongju and Cheonan (2 events in Cheongju, 3 events in Cheonan)

Stakeholders | Suppliers

Shared Growth System

Shared Growth Policy

LS ELECTRIC promotes various shared growth activities to achieve sustainable growth with partners. Having selected four areas necessary for shared growth, we are performing related activities. While complying with the fair trade and other related statutes together with suppliers to secure fair trade order and establish a sound industrial ecosystem, we support programs to bolster suppliers' global competitiveness in order to strengthen our competitiveness in the global market. We also strive to establish a shared growth culture in the supply chain as a core corporate culture by performing various communication activities to build a relationship of cooperation and trust with suppliers.

Four Key Shared Growth Policy Promotional Activities

Comply with the fair trade and other related statutes

- Implement Basic Trade Contract and Pledge for Ethics Management Practice
- Perform activities to disseminate the fair trade culture and the Fair Transactions in Subcontracting Act
- Operate monthly Internal Subcontracting Audit Committee meeting
  Prevent non-payment and delayed payment
- Conduct semiannual monitoring on subcontract transactions
  Conduct post-verification on the legality of subcontract transactions
- Operate the Subcontract Dispute Settlement Committee
- Apply standard subcontract agreement to tier 1 and tier 2 suppliers

Improve global competitiveness

- Operate the ACE Club system targeting excellent suppliers
- Support the welfare of suppliers' workers
  Operate the LS ELECTRIC Shared Growth Joint Workers' Welfare Fund
- Improve the subcontract payment conditions
  Make cash payment for amounts less than KRW 100 million
- Active financial support system operation
- Provide technological support and protect technologies, such as for trade secrets and original certification
- Provide ESH (Environmental, Safety, and Health) consulting to prevent industrial accidents
- Perform management support activities to strengthen competitiveness
  Operate origin management system and bolster the competency of suppliers' employees

Build a relationship of communication and trust

- Hold the New Year's meeting and performance sharing sessions
- Promote various communication activities with tier 1 and tier 2 suppliers
- Conduct quarterly investigations on trade-related irrationalities and unfairness
- Activate TOPS (shared growth portal) operation
  Establish a full-time communication system and disseminate the shared growth culture
- Activate worksite-unit communication

Disseminate the shared growth culture

- Expand the target of Shared Growth Agreement to tier 1 - tier 3 suppliers
- Activate the shared growth payment system
  Support shared growth payment for tier 2 and lower-level suppliers
- Support suppliers' purchase operation through facility and IT investment, etc.
- Establish the Supplier Code of Conduct to form consensus on management philosophy
- Perform corporate social responsibility (CSR) activities

Stakeholders | Suppliers

Shared Growth Organization

LS ELECTRIC comprehensively manages suppliers through the procurement department in each worksite by considering the characteristics of the supply chain for individual businesses. To ensure successful shared growth activities, we also operate the Shared Growth Team to establish related systems, provide training to suppliers, operate the ACE Club, and manage support programs. In addition, the Shared Growth Team and Legal Affairs Division work in collaboration for compliance with fair trade-related statutes and establishment of a fair trade culture.

Shared Growth Promotion System

Key management issues	LS ELECTRIC's Response	Promoting Organization
Comply with fair trade-related statutes	Strengthen policy to comply with the Fair Transactions in Subcontracting Act Establish a fair trade culture	Shared Growth Team Legal Affairs Division
Strengthen suppliers' competitiveness	Operate the ACE Club system Operate shared growth support programs Activate communication	Shared Growth Team

Shared Growth Portal (TOPS)

As LS ELECTRIC's shared growth portal, TOPS is an online channel supporting communication between the company and suppliers. Through TOPS, existing suppliers can apply for various shared growth support programs, and new suppliers wishing to build partnerships with us can request to commence trade.

We also post "Donggam Donghaeng," a monthly shared growth newsletter delivering stories about cooperation with business partners, on TOPS to contribute to establishing and spreading the shared growth culture.

Main Page of the TOPS Portal

Establishment of the LS ELECTRIC Supplier Code of Conduct

In line with corporate social responsibility (CSR) gaining greater importance, LS ELECTRIC has stipulated and operated the Supplier Code of Conduct since 2019 while sharing and practicing the company's management philosophy from the CSR perspective. The code was prepared with reference to the OECD and RBA (Responsible Business Alliance) guidelines and feedback from the relevant departments with focus on social issues, such as respect for employees' human rights, workplace safety, eco-friendly management, compliance with business ethics, shared growth, and social contribution. In 2021, the Supplier Code of Conduct was added to the Basic Trade Contract signed with 470 suppliers. The code was also shared through communication activities such as the New Year's meeting and shared growth innovation meeting to spread the shared growth culture.

Ethics Management Training for Suppliers

To disseminate awareness of ethics management, LS ELECTRIC enters into the Basic Trade Contract and collects the Pledge for Ethics Management Practice from suppliers each year. We also spread and form consensus on LS Partnership as the LS Group's philosophy and ethics management culture by holding the New Year's meeting, performance sharing meeting, and shared growth innovation meeting with suppliers.

Stakeholders | Suppliers

Establishment of Sound Supply Chain

To comply with Fair Transactions in Subcontracting Act and promote contractual fairness, LS ELECTRIC enters the Basic Trade Contract and the Standard Fair Trade Subcontract Agreement with suppliers each year. The contract was concluded in 2021 with 470 subcontractors, reflecting the standard subcontract agreement recommended by the Fair Trade Commission (FTC) and contractual provisions amended that year. In particular, the contract fully integrates provisions to ban unjustified requests for technical documents and unjustified demand for payments to help establish fair and transparent business relationships with suppliers. In 2021, we entered into the Standard Fair Trade Subcontract Agreement with 324 suppliers, demonstrating our commitment to fair trade and win-win cooperation.

Activities for Compliance with the Fair Trade and Subcontracting Act

Internal Subcontracting Audit Committee

Inspect the payment delay risk, fairness of contract conclusion, appropriateness of supplier registration and cancellation process, and appropriateness of technical data request

Post Verification on the Legality of Subcontract Transactions

Annually monitor transaction relationships with suppliers under the Standard Fair Trade Subcontract Agreement

Inspect the contractor's fulfillment of obligations stipulated by the Fair Transactions in Subcontracting Act (document issue, payment, notification of inspection result, etc.)

Inspect for violations of matters banned by the contractor according to the Fair Transactions in Subcontracting Act (order cancellation, rejection of item receipt, technology misuse, special clause setting, etc.)

Subcontract Dispute Settlement Committee

Operate system for autonomously and reasonably settling disputes between contractor and subcontractor caused by unfair transactions using TOPS

The target of dispute settlement includes non-payment and payment delay as well as unjustified receipt and return of items, subcontract payment decision, and amount reduction. Settlement is carried out on items occurring within three years of the date of trade termination.

Activities to Resolve Supplier Difficulties

Receive reports on difficulties experienced by suppliers in subcontract transactions and quality deterioration caused by LS ELECTRIC, and perform activities for substantial improvement in the respective departments

Sending Suppliers and Distributors Official Letters Requesting Cooperation

LS ELECTRIC's Business Audit Division sends suppliers and distributors official letters calling for their cooperation to prohibit the practice of offering and receiving bribes, gifts, or entertainment in conducting business with LS ELECTRIC employees, encouraging them to join in the efforts to practice ethics management.

Official Letters for Cooperation Sent in 2021 - 2022

Category	Chuseok in 2021	New Year's Day in 2022	Fluctuation
Suppliers for procurement	621	1,171	▲ 550
Distributors/ agencies/ designated stores	292	293	▲ 1
Suppliers for support	342	326	▲ 16
Total	1,255	1,790	

Ethics Management Survey of Suppliers and Distributors

Each year, an ethics management questionnaire survey is conducted to assess the satisfaction of suppliers and distributors with LS ELECTRIC's ethics management activities and monitor compliance with the Code of Ethics and practical guidelines. The survey score in 2021 (on a scale of five points) was 4.18 points for suppliers and 4.13 points for distributors, which decreased slightly compared to the previous year. We will continue identifying changes in the ethics management level, receiving suggestions, and reflecting them to our ethics management activities.

Stakeholders | Suppliers

Fair Supplier Selection and Assessment

Supplier Selection and Assessment | For a new supplier registration, a team of reviewers consisting of persons in charge of design, production, procurement, and quality visits a candidate and conducts a comprehensive assessment. The candidate more than a certain number of points is selected as a supplier. For supply chain management that provides optimal quality, delivery service, and innovation, QDC and competency assessment of suppliers are carried out annually. In addition, to reduce GHG emissions and environmental pollutant discharges from suppliers, we not only conduct general supplier assessment together with quality and process-wise assessment but also include environmental assessment as a required step. In particular, in assessing suppliers for parts whose hazardous substance management is important in the coating, plating, and heat treatment processes, environmental and safety assessment criteria are strictly applied in accordance with the rules for response to environmental regulations concerning products. Furthermore, we built the Material Data Management System (MADAMS) in 2020 with the goal of effectively managing hazardous substances, and we have since made it mandatory for suppliers to register the RoHS and REACH related reports and warranties.

Suppliers' Fair Trade Management | To maintain a fair transaction relationship management with suppliers, we conduct risk assessments and implement prior business consulting system for monitoring potential legal violations. For risk assessment, the monthly Internal Subcontracting Audit Committee meetings are held under the supervision of the Shared Growth Team to evaluate the risk of delayed payment to suppliers as well as appropriateness of new supplier registration and cancellation of the registration. By operating the Committee, we prevent violations of the Fair Transactions in Subcontracting Act. Moreover, legal compliance in subcontracting and unfair situations in transactions are regularly inspected by internal quarterly procurement process monitoring. In addition, led by the Business Audit Division, we conduct the ethics management questionnaire survey of suppliers and operate the online whistleblowing system to regularly monitor for fair trade violations. Moreover, the system of prior business consulting with the Chief Compliance Officer helps suppliers receive legal counseling and consulting services prior to execution of a business for which the likelihood of violation of the Monopoly Regulation and Fair Trade Act is high, or it is difficult to determine violation.

Support for Shared Growth with Suppliers

Supporting Activities through the ACE Club

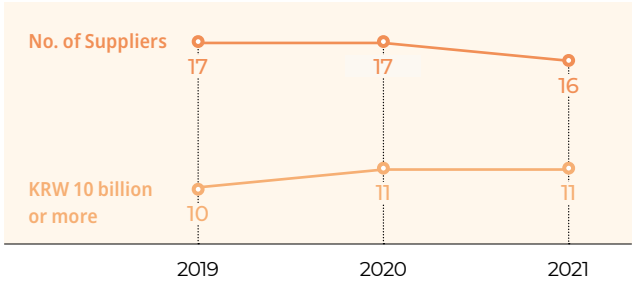
ACE Club Operation and Support | The ACE Club aims to select outstanding suppliers through the supplier assessment system based on the three criteria of Activity (taking swift action), Challenge (pushing the envelope), and Excellence (achieving top-tier performance as an exceptional partner); thus offering them guidance on quality, production, and overall management and recognizing their status as a shared growth partner. This program was launched in 2008, and the members are selected through comprehensive annual assessments on their quality, on-time delivery, cost competitiveness, and advocacy for shared growth. ACE Club members are provided with support in securing global competitiveness, such as through productivity improvement activities, domestic and overseas benchmarking, and management seminars as well as preferential payment conditions.

ACE Club Innovation Exchange Meeting | LS ELECTRIC operates ACE Club Innovation Exchange meetings mainly attended by working-level employees with expertise from each supplier. The participants share common practices and launch practice-based innovation activities in order to generate mutual synergy. In 2021, 16 suppliers participated in the "Next-generation Leader Reading Club" and engaged in discussions in the fields of economy, business, and humanities to explore management insights for innovation.

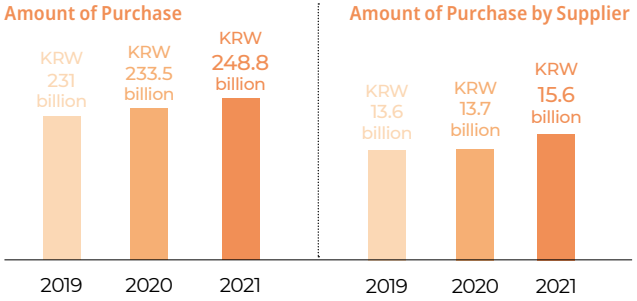
ACE Club Reflection | The ACE Club Reflection program is aimed at reviewing ACE Club activity outcomes over the year, encouraging members to identify implications on their own activities and discussing ways for activating ACE Club operations in the coming years. With opinions exchanged as to the significance of activities performed over the year and areas requiring improvement, plans for strengthening ACE Club's competitiveness in the future are also discussed. To activate the ACE Club, LS ELECTRIC will continue preparing various motivation plans and support systems.

ACE Club CSR Activities | LS ELECTRIC performs the annual "Love Volunteering" activities together with ACE Club members to contribute to local communities and practice sustainable management. In June 2021, the CEOs of 16 ACE Club members visited the Chungcheongbuk-do Branch of Community Chest of Korea and donated KRW 2 million to help those affected by COVID-19. Sharing the philosophy for social responsibility that "contribution to the local community forms a cornerstone for fulfilling corporate social responsibility," LS ELECTRIC and ACE Club pursue shared growth and practice sharing-driven management through CSR activities.

ACE Club Members



Purchase from ACE Club Members



Stakeholders | Suppliers

Financial Support for Suppliers

Financial Support | LS ELECTRIC provides low-interest rate loans to suppliers to help facilitate their financing of facility investment for productivity enhancement. In 2021, we raised a total of KRW 31 billion, which is divided into KRW 3.6 billion through direct support, KRW 14.8 billion through combined support, and KRW 12.6 billion through special support, and provided KRW 6.9 billion to 43 tier 1 and tier 2 suppliers to contribute to improving their financial liquidity and business stability. We will actively operate the system so that various benefits can be provided to tier 1 and tier 2 suppliers in need of funding assistance. In addition to the low-interest rate loan support, we endeavor to improve subcontract payment conditions and increase the rate of cash payments to help improve the cash liquidity of suppliers.

Shared Growth Payment System | LS ELECTRIC introduced the shared growth payment system to improve payment conditions for suppliers. This system allows tier 2 and tier 3 suppliers as well as tier 1 suppliers to extend secured loans of credit sales based on LS ELECTRIC's credit. As of 2021, a total of 820 suppliers benefited from shared growth payments amounting to approximately KRW 877.7 billion. Our shared growth payment system will assist suppliers in duly receiving their payments and resolving concerns over dishonored payments to create a sound ecosystem across the supply chain.

Procurement and Investment Support | When suppliers are in need of facility investment, such as for IT, measuring, and transportation equipment, LS ELECTRIC puts to use the capacity to support the suppliers' procurement operations. Our suppliers are assisted in making purchases under competitive conditions ranging from the selection of trade partners to the review of purchase amounts. In 2021, three suppliers received support in their investment operations.

Support for Early Payment | To promote win-win partnership with small and mid-size suppliers experiencing financial difficulties due to the COVID-19 pandemic, LS ELECTRIC made payments totaling approximately KRW 42 billion for the New Year holiday season earlier than the regular payment dates. This helped our suppliers pay for their raw materials, make facility investments, and develop parts as planned. Notably, in each payment cycle, we have made all payments in cash for contracts worth KRW 100 million or less since 2014 to assists in suppliers' management stability.

Financial Support to Suppliers

Category	Unit	2019	2020	2021
Combined Support*	KRW 100 million	74	39	148
Special Support**	KRW 100 million	8	23	126
Direct Support***	KRW 100 million	36	48	36
Total	KRW 100 million	118	110	310

* Combined Support: Loan support through Shared Growth Cooperation Fund linked to financial institutions
** Special Support: Financial loan credit through the Korea Credit Guarantee Fund
*** Direct Support: Loan support using LS ELECTRIC fund

Suppliers that Introduced the Shared Growth Payment System

Category	Unit	2019	2020	2021
Tier 1 Suppliers	companies	686	623	632
Tier 2 Suppliers	companies	156	165	188

Performance of Shared Growth Payment System Implementation

Category	Unit	2019	2020	2021
LSE → Tier 1 Suppliers	KRW 100 million	7,325	8,424	7,850
Tier 1 Suppliers → Tier 2 Suppliers	KRW 100 million	674	807	927

Establishing the Conflict Minerals Regulation Response System

As the Conflict Minerals Regulation, which was first adopted by the US, increasingly spreads to Europe and other advanced nations, LS ELECTRIC established a conflict minerals management system in order to respond to the Regulation and prevent risks that can affect suppliers. To secure consistency of data provided by suppliers, we implement a process to verify the use and sources of conflict minerals contained in the supplied parts and raw materials and also conduct briefings and provide the necessary training on an ongoing basis. In addition, when entering into the Basic Trade Contract with suppliers, we stipulate their compliance with the ban on minerals sourced from conflict areas. We will continue advancing our conflict minerals management system in collaboration with suppliers and responding to the global trend of strengthening related regulations in the EU and other major countries to take a step closer to sustainability management.

Support for the FTA Country-of-Origin Management System

In response to the increasing number of FTAs concluded across the globe and related customer requirements, LS ELECTRIC assists suppliers in establishing the FTA Country-of-Origin (COO) management system and consigning the COO management to licensed customs agents to ensure consistency of their COO certificates and minimize the post-verification risk. A total of 47 suppliers were supported in developing the COO management system, receiving COO work process consulting and FTA management training, and developing personnel dedicated to FTA management. In addition, we provided free-of-charge consulting to five other suppliers through government-assisted projects. We align our COO management system with that of suppliers to respond to external requirements through interactive communication.

Stakeholders | Suppliers

Support for Smart Factory Development

To promote the balanced growth of SMEs and create an innovative industrial ecosystem, LS ELECTRIC has raised KRW 3.3 billion for its "Win-Win Cooperation Fund to Support Smart Factory Development Among Small, Medium, and Large Enterprises." Under this program, we assist our suppliers in strengthening their competitiveness by sending mentors with expertise in smart factory development, providing consulting service on smart factory roadmap development, and delivering tailored solutions based on LS ELECTRIC Tech Square. In 2021, a total of 18 suppliers participated in this program to retrofit their manufacturing and inspection equipment, improve and expand their systems, upgrade IT infrastructure, and introduce the relevant solutions.

Technology Protection

In line with aggravating damage to SMEs due to the leak of trade secrets, LS ELECTRIC initiated the Certification of Original Documents on Trade Secrets System to assist suppliers in protecting their technology and trade secrets. Operated by the Korea Institute of Patent Information, this certification was designed to confirm ownership of SMEs' proprietary technologies and business information and can be used by our suppliers to prepare for any theft or leak of their critical corporate assets. In 2021, we assisted to protect 17 technologies and trade secrets. LS ELECTRIC plans to extend the scope of this system to support suppliers willing to protect their technologies.

Supplier Communication and Dissemination of Shared Growth Culture

Establishment and Operation of Joint Workers' Welfare Fund for Suppliers

The LS ELECTRIC Shared Growth Joint Workers' Welfare Fund was established as a corporation to promote the welfare of suppliers' employees. A total of KRW 8 billion has been raised and is operated. The raised fund is used for children's tuition support, health checkups, and funeral support for employees of the member companies. In 2021, benefits worth approximately KRW 490 million were provided to 2,391 employees of 20 companies. Having hosted a briefing session for all member companies to ensure stable fund operation, we will expand the scope of the fund operation to provide benefits to the employees of a greater number of suppliers in the future.

Support for Shared Growth with Disease Prevention Items

LS ELECTRIC provided masks to 49 suppliers for health and hygiene support to the employees of suppliers experiencing difficulties due to the prolonged COVID-19 pandemic.

Mask Donation to Suppliers

New Year's Meeting and Performance Sharing

Every year, LS ELECTRIC holds online and offline communication events to share outcomes achieved jointly with suppliers as well as the company's business directivity and procurement policies. In January, we exchange New Year's greetings with suppliers and reaffirm our commitment to shared growth to achieve LS Partnership. In July, a meeting to share the Q.D (Quality·Delivery) outcomes and shared growth policy is held. In January 2021, a total of 100 suppliers attended the event to exchange New Year's greetings and reaffirm their commitment to innovation for the year. In July, we engaged in communication with 107 suppliers by introducing our shared growth support programs and the Material Data Management System (MADAMS) and sharing best practices on technology protection and innovation.

New Year's Meeting

Shared Growth Innovation Meeting

LS ELECTRIC hosts the monthly shared growth innovation meeting to support suppliers in securing parts quality and strengthening their innovation activities. Major suppliers attend this meeting to share monthly quality status reviews, procurement, shared growth, and worksite-specific quality policies, raw material supply and market conditions, environmental regulations for products, company-wide issues (FTA, conflict minerals), and issues concerning the Fair Transactions in Subcontracting Act. As a regular communication channel between LS ELECTRIC and suppliers, this meeting will be continuously operated to enable the free exchange of opinions.

Stakeholders | Customers

Customer Satisfaction System

Customer Satisfaction Goal

LS ELECTRIC strives to win customers' trust and provide reliable information to help customers use the company's products and services worry-free by establishing the quality mission, "Achievement of zero customer complaints by advancing the reliability management system based on digital transformation", and by promoting continuous improvement and innovation of development quality, parts quality, process quality, customer quality, and quality infrastructure.

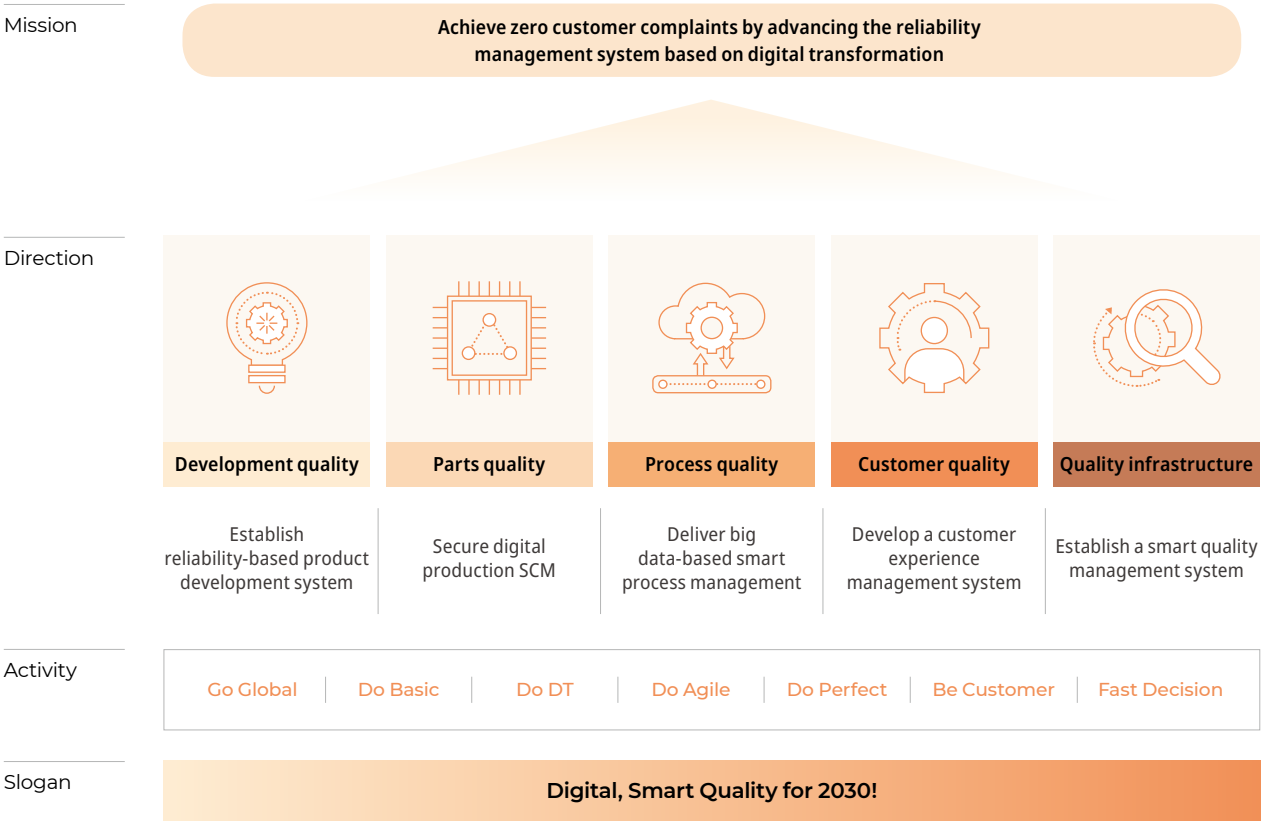
Quality Management System

LS ELECTRIC's quality management system reflects the requirements of ISO 9001, ISO 14001, IATF 16949, and ISO 45001 as well as regulatory, customer, and market needs along with the necessary process improvements identified in the course of business activities. We strive to ensure that this system is implemented across our worksites in Korea and abroad to generate greater business performances.

Quality Improvement System (QIS)

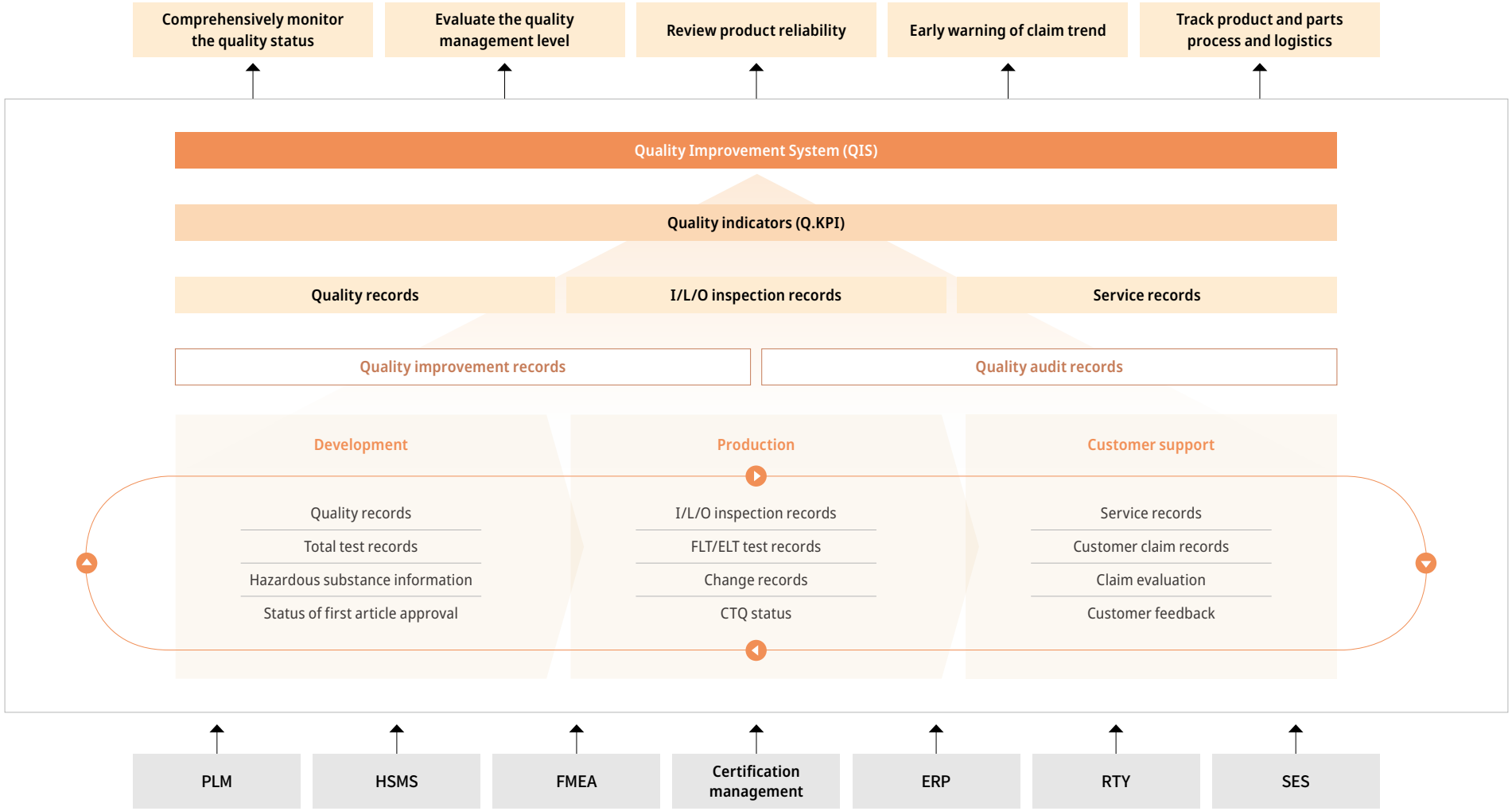
To secure product quality and reliability, LS ELECTRIC complies with the mass production quality process, establishes systematic inspection processes, and dedicates effort to building capabilities for swift quality improvement and failure analysis. In addition to quality improvement based on the PDSA (Plan, Do, Study, Action), quality adjustment is conducted within the headquarter in Korea. By integrating information related to parts quality, development quality, manufacturing quality, and market quality, we are operating the system to achieve a more structured quality management.

Customer Satisfaction Promotion System



Stakeholders | Customers

Quality Improvement System (QIS)



Stakeholders | Customers

Power Testing & Technology Institute(PT&T)

Power Testing & Technology Institute | The Power Testing & Technology Institute (PT&T) was established in 1999 as a facility to conduct tests to comply with international, regional, and domestic standards and meet various customer needs with a goal of securing the global competitiveness of LS ELECTRIC products. After being evaluated by a testing institution that meets international standards, it was recognized as a KOLAS accredited testing institution in 2000 by the Korea Accreditation Organization (KOLAS), and is currently conducting official tests for 69 domestic and international standards in the electrical field. To strengthen our export competitiveness based on testing and certification, PT&T has also secured the qualification as an accredited testing agency from global certification, such as UL and ASTA. In addition, PT&T is keeping a close cooperative relationship with the Korea Electrotechnology Research Institute (KERI) in order to join the Short-Circuit Testing Liaison (STL).

Short Circuit Generator Extension | As the first private sector testing lab in Korea with a 2,000 MVA short circuit testing equipment, PT&T decided on investment in short circuit generator extension in 2020 to resolve the issue of testing backlog and secure testing competitiveness equivalent to that of global-standard heavy electric equipment enterprises. The extension is being implemented with a goal of equipment operation in 2023. Once the facility extension is completed, PT&T will secure the testing capacity of 4,000 MVA; therefore, the testing scope will expand to three-phase 24 kV/40 kA (previously 25 kA) and 36 kV/31.5 kA (previously 16 kA). In addition, using two short circuit generators both in single operation and parallel operation, PT&T will resolve the shortage of heavy electrical equipment testing capacity and increase the test areas and scope for LS ELECTRIC products. As a result, it will secure testing competitiveness equivalent to that of global-standard heavy electric equipment enterprises.

PT&T Test Areas | With differentiated facilities, advanced technologies, and professional personnel, PT&T assesses the performance of various electrical devices. Applying test methods developed on the basis of fair and strict criteria, it leads the way in setting highly reliable standards. As for the heavy electrical equipment testing to assess device performance using a short circuit generator, global standard testing is conducted on products such as switches, breakers, transformers, and electric cables in a wide range of fields from low to ultra-high voltage. In preparation for the increased demand for testing on eco-friendly products, PT&T is also developing related testing technologies and securing facilities in stages. For the reliability test, environmental and EMC tests are mainly conducted in addition to short circuit and load breaker switch testing of low-voltage power devices. The recent trend is that electromagnetic testing facilities are being expanded according to an increase in IoT convergence devices. In response to the establishment and revision of international standards and regulations, PT&T is performing as a member of the IEC (International Electrotechnical Commission) and working on international standardization together with the US and European countries.

Stakeholders | Customers

Eco-friendly Products

Providing customers with efficiency for energy, climate, and resources, LS ELECTRIC defines and consequently manages products and services that conform to the K-Taxonomy criteria as eco-friendly products. We classify eco-friendly products according to criteria such as reduction of carbon emissions, renewable energy and power generation, electric and hydrogen fuel cell vehicle infrastructure, biodegradability strengthening, and energy efficient management.

						
Product	**g3 170kV GIS**	**Photovoltaic O&M Solution**	**ESS Solution**	**EV CHARGER**	**154 kV Eco-friendly Vegetable Oil Transformer**	**AC Drive (Inverter)**
Category	**Reduction of carbon emissions**	**Renewable energy and power generation**	**Renewable energy and power generation**	**Electric and hydrogen fuel cell vehicle infrastructure**	**Biodegradability strengthening**	**Energy efficiency management**
Features	Same size as SF_6 GIS, convenient for substitution and extension Reducing GHG emissions by 98% in comparison to SF_6 GIS Reliability improvement • Motor-driven spring applied • Material compatibility verified	Contributing to carbon neutral by expanding photovoltaic power generation infrastructure Strengthening safety and efficiency by predicting the amount of power generation Increasing amount of power generation by using bi-facial modules	Estimating optimal ESS/battery capacity through electric power demand pattern analysis Resolving the complexity of the electric power system Minimizing energy loss with maximum efficiency of 98% or higher Increasing and stabilizing renewable energy use	Highest energy efficiency in Korea • Energy efficiency of 96.7% • Certified as high-efficiency energy equipment IP44 class closed structure Intuitive and convenient management system applicable	Using vegetable oil as insulation medium • Eco-friendliness: Preventing soil contamination • Flame Retardancy: Preventing fire High-efficiency (PEI Level 1) transformer, reducing cost of loss Compact design to minimize installation area Easy connecting system to reduce on-site assembly time	Optimal speed control producing energy-saving effect Universal product that can be customized according to the characteristics of each industry Compact design to minimize cost for additional space

Stakeholders | Customers

Customer Satisfaction Practices

Q-Post Tour

Q-Post Tour is an activity of preemptive response to customer complaints. It aims to understand customers' emotional quality level, potential complaints, and improvement suggestions on products manufactured and sold by LS ELECTRIC by visiting customers in person. Q-Post Tour not only supports sales activities for the existing products but also contributes to improving customer satisfaction as it enables us to reflect customer needs to new product development. The results of the activity are also registered in the QIS for management.

Customer Consulting (VOC) and Confirmation Call

LS ELECTRIC strives to win customer trust and improve satisfaction by receiving and swiftly responding to customer VOC, such as simple inquiries, complaints about a product defect, or those requiring SVC response, in a way requested by the respective customers. To follow up on customer consulting, we make confirmation calls to monitor customers' satisfaction with the consulting service and collect customers' additional requests.

Customer Witness Inspection System

To improve customers' understanding of the witness inspection of transformers, LS ELECTRIC has prepared a video manual of the inspection method and process. The manual is used in the briefing prior to virtual inspections. In addition, the Ontact Control Room with video conference equipment has been installed as a designated space for virtual witness inspection. We are making efforts to meet the varying needs of customers observing inspections, which include paperless data sharing and concurrent implementation of on-site and virtual inspections.

Strategic Customer TFT Activities

LS ELECTRIC contributes to strategic market sales activation by promoting the intensive management of individual customers based on the establishment of a comprehensive strategic customer response system, new project technology and quality review, and handling and improvement of key field issues. Integrating issues concerning each department in relation to strategic customers, we comprehensively respond to the issues through internal sharing and customer response by TFT. In addition, we resolve issues by conducting prior verification and risk review and handling for spec-in to new projects of strategic customers and swift response to and fundamental improvement of key quality-related issues.

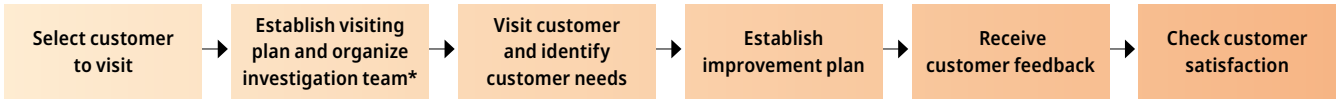
Strengthening Product Reliability

Customers recently display a distinctive trend of taking an active stance of participation in the process of increasing product lifespan and availability rather than the previous passive position of only requesting normal product operation over a long period of time. Responding to such customer needs requires a company's ability to provide reliability information accurately, such as about the expected and remaining product lifespan, integrity indicators, and efficient maintenance methods. To this end, LS ELECTRIC, in conducting product reliability analysis, performs an activity of increasing the consistency of lifespan prediction and assessment results by parts through the reflection of field claim data and key reliability test results to the basic defect rate data. In addition, for large-scale electric power systems, we are building a system for quantitative and comprehensive reliability analysis and integrity maintenance such as RAM Study*.

* RAM Study: An activity of quantitatively analyzing reliability, availability, and maintainability by reflecting system structure and operation profile

Q-Post Tour Process

*Investigation team consisting of 2 - 4 experts related to the respective product



Intellectual Property Strategy

Intellectual Property Management Organization | By installing an organization in charge of intellectual property (IP) management, LS ELECTRIC establishes and implements mid- and long-term IP strategies in terms of professional and systematic IP creation, protection, and use.

Intellectual Property Strategy | LS ELECTRIC aims to establish an innovative intellectual property (IP) portfolio in order to respond to the rapidly changing market conditions and improve global business competitiveness. In particular, we continue to acquire IPs and build their application infrastructure to be used in the key technology areas of the Fourth Industrial Revolution: smart power transmission/distribution, energy efficiency improvement solutions powered by information and communication technology (ICT) and direct current (DC) technology, and smart factory technology. In so doing, we not only generate tangible and intangible profits but also actively participate in the government's technology sharing project to transfer our idle IPs free of charge to SMEs to promote shared growth and win-win partnership.

IP Registrations and Applications

Domestic

Category	Unit	Registration	Application	Total
Patent	Cases	1,977	777	2,754
Design	Cases	123	12	135
Total	Cases	2,100	789	2,889

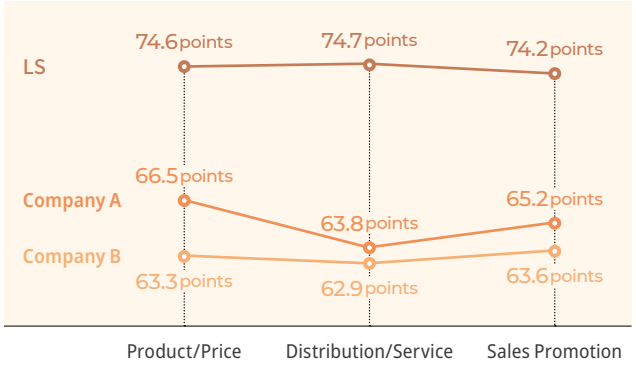
Overseas

Category	Unit	Registration	Application	Total
Patent	Cases	3,432	598	4,030
Design	Cases	169	12	181
Total	Cases	3,601	610	4,211

Stakeholders | Customers

Awards in 2021 | LS ELECTRIC has been named one of the "Top 100 Global Innovators" by Clarivate for ten years in a row since 2012. The Top 100 Global Innovators are selected through a comprehensive assessment on patent applications, influence of inventions, patent registration rates, and global marketability over the last five years. In 2021, LS ELECTRIC won the Minister of Trade, Industry, and Energy Award for Meritorious Service in Technology Commercialization in the Technology Sharing (group) category. This award is presented to a person or a group contributing to technological dissemination for public interest and promotion of shared growth culture among small, medium, and large enterprises by transferring technologies owned by large enterprises and public corporations, etc. to SMEs free of charge. In 2021, LS ELECTRIC, by participating in the technology sharing project led by the Ministry of Trade, Industry, and Energy and Korea Institute for Advancement of Technology, provided 150 IPs for low- and high-voltage electric devices, drive, PLC, and smart grid and transferred 32 of them for free to SMEs.

Customer Satisfaction Survey*



* Customer Satisfaction Survey: Conducted every year for the power solutions business

New Product Identity

Major domestic and overseas companies including LS ELECTRIC, which supply electric power and industrial automation devices and systems, manufacture a wide range of products according to the users and required functions. As such, these products come in diverse forms and shapes. As the period of product development is longer than that of consumer goods, consumers tend to recognize manufacturers based on the unique characteristics of their products. One of the methods for increasing consumer recognition is the consistent application of colors, among various design elements. This trend is referred to as product identity. LS ELECTRIC also established a unique identity, which has been maintained for a considerable period of time. Our Product Design Team set LS ELECTRIC's color codes as DT Gray, DT Blue, and DT D Blue by applying the survey results on customer requirements and preferences. The color codes are consistently applied to newly developed products. This is called "new product identity." Our products to which the new product identity was applied have been selected as winners of iF, one of the world's three major design awards, consecutively in 2019 and 2020.

Smart MCCB/Smart ACB with New Product Identity

Design Management

LS ELECTRIC is the first in the industry to establish and operate an organization dedicated to designing development and management. The trend to demand a premium and specialized exterior quality along with performance-wise quality of products is becoming more solid in the industrial device market, and the importance of design to secure competitiveness in the overseas markets is also growing. LS ELECTRIC's design team contributes to differentiated product development through product analysis and functional proposals from a design perspective in the initial stage of product development. It continues exerting effort for sustainable design management and product quality improvement. To have our design competitiveness verified, we exhibit products at major design awards hosted by prestigious domestic and international design organizations. In 2021, our rotary electric meters won the "Good Design Award" of the Korea Institute of Design Promotion.

Rotary Electric Meter | This product is used for remotely reading electric consumption of residential and commercial facilities without the need for meter reading in person. As the display part rotates, it can be installed in various environmental settings. A user-friendly design to maximize user convenience has been applied.

Rotary Electric Meters

Stakeholders | Customers

Exhibitions in 2021		Customer Seminars in 2021	
7 times	• Power Solutions: 5 • Automation: 2	11 times	• Power Solutions: 10 • Automation: 1

Exhibitions and Customer Seminars in 2021

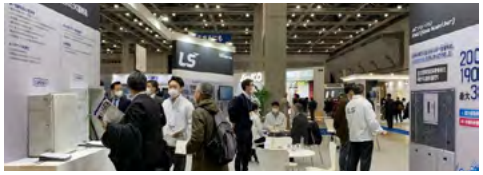
Every year, LS ELECTRIC participates in domestic and international exhibitions for each business sector. In 2021, we communicated with customers by participating in online and offline exhibitions.

INT'L SG EXPO

Mar. Power Solutions

Tokyo, Japan

LS ELECTRIC participated in the Smart Grid EXPO 2020 of WSEW (World Smart Energy Week), the largest energy exhibition in Asia. With RMU, for which we have produced a number of outcomes in Japan, we are enhancing our reputation as a company equipped with EPC capabilities to support the overall areas of ESS and PV power generation business.



IKSGE & SIEF

Apr. Power Solutions

COEX, Seoul

LS ELECTRIC participated in IKSGE & SIEF, an integrated international energy exhibition of the largest scale in Korea, under the concept of "Korea's largest company leading the future of digital energy with new technologies for response to DT and green new deal era." By participating in the exhibition, we enhanced our reputation as a global power company and publicized our competencies and qualification as a leader in the smart energy field.

HANNOVER MESSE

Apr. Power Solutions

Hannover, Germany

Hannover Messe is the world's largest industrial exhibition held in Hannover, Germany. LS ELECTRIC communicated with customers by attending an online live streaming seminar under the subject of a new approach for the next-generation electric power network solutions.

LV Drive Series G100 Seminar

Jun. Auto-mation

On-Line

LS ELECTRIC held a seminar to introduce the G100 line, a new LV Drive product. Through comparison with the existing iG5A, the improved features and differentiated specifications of this product were explained to customers.

Virtual Partnership Day 2021

Nov. Power Solutions

On-Line

LS ELECTRIC held the Virtual Partnership Day event on a metaverse platform. As part of our effort to communicate with domestic and global customers, this online event was held to strengthen the partnership and improve customer loyalty in a format befitting the "COVID-19" era.

BIXPO 2021

Nov. Power Solutions

Kimdaejung Convention Center, Gwangju

LS ELECTRIC participated in BIXPO (Bitgaram International eXPOsition of Electric Power Technology) 2021, an online power and energy exhibition organized by KEPCO. At the exhibition, we introduced our business areas and technological competencies along with products to which new technologies were applied.

WIN EURASIA 2021

Nov. Auto-mation

Turkey

WIN EURASIA 2021 is the largest exhibition held in Turkey, a production powerhouse. ANT, a leader in Turkey's automation market, is one of LS's major automation customers. LS ELECTRIC participated in this exhibition for the purpose of introducing various Fa-related solutions using LS products and discovering new customers by inviting personnel from automation product distribution, OEM, SI, and government sectors. The exhibition also served as an opportunity for us to secure a foundation for entry to the PA market.

LS ELECTRIC Virtual Exhibition

Nov. Auto-mation

On-Line

In this online exhibition, Automation CIC gave a presentation titled "Automobile Solutions for Finished Vehicle Production Process."

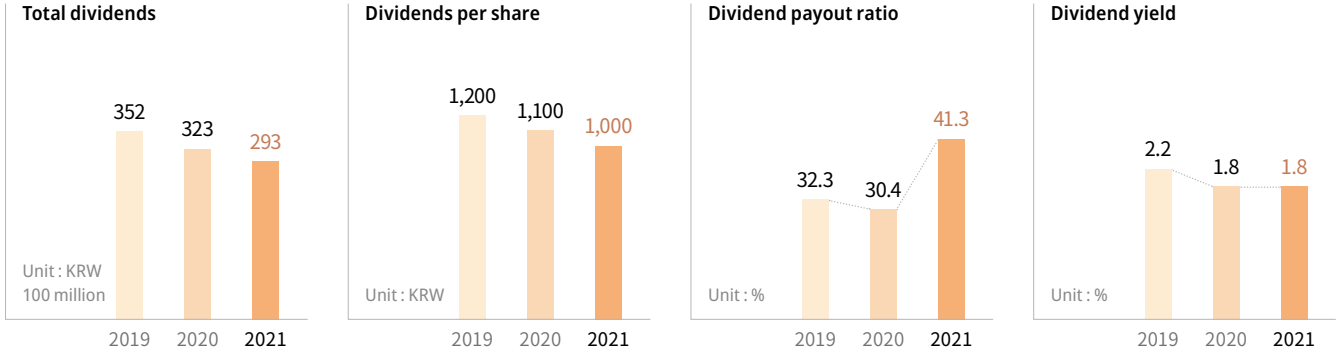
Stakeholders | Shareholders and Investors

Shareholders and Capital Structure

Shareholders and Investors

LS ELECTRIC is a company listed in the securities market. As of the end of 2021, the number of issued shares is 30,000,000, 46% of which are owned by LS Co., Ltd, the majority shareholder. National Pension Service, the second largest shareholder, has a 12.34% shareholding.

Shareholder Return (Dividends)



Establishing a Mid- and Long-term Shareholder Return Policy

LS ELECTRIC's shareholder return policy is to increase steadily the amount of dividends through continuous growth. From the long-term perspective, we aim to realize shareholder return by increasing our corporate value. We determine the financial resources for dividend payout by considering business performances, forecasts, and financial conditions; to enhance shareholder value, we established a mid- and long-term shareholder return policy. From fiscal years 2022 - 2024, we plan to maintain a dividend payout ratio as at least 40% of the current net profits based on the non-consolidated financial statements and pay dividends of at least KRW 1,000 per share. Having set the policy continuation period to three years to increase predictability for investors, we will reexamine the policy after this period in order to reflect environmental changes. On February 25, 2022, LS Co., Ltd, the majority shareholder, decided to purchase LS ELECTRIC shares in the amount of KRW 20 billion with the goal of realizing responsible management by shareholders.

Expanding Communication with Shareholders and Investors

LS ELECTRIC's Board of Directors (BOD) introduced the electronic voting system in March 2021 and the proxy solicitation of voting right system in March 2022 to enhance shareholders' convenience in exercising voting rights. LS ELECTRIC discloses overall information related to the general shareholders meeting, such as the date, location, purpose, and method of voting right exercise, in the DART (Data Analysis, Retrieval, and Transfer System) of the Financial Supervisory Service. The BOD resolves a general shareholders meeting convocation and issues the convocation notice 48 days and 4 weeks prior to the meeting, respectively, in order to help shareholders exercise their voting rights after sufficiently reviewing items on the agenda. Following the earnings announcement, NDR (non-deal roadshow) is held targeting key domestic institutional investors every quarter and when requested by investors. NDR for overseas investors and IR activities in the form of a corporate day meeting are also conducted to explain directly about the areas of investors' interest and collect investors' requests about the company. In addition, for domestic and overseas institutional investors wishing to have meetings with us in person, we hold IR meetings along with IR activities using contactless conference calls.

Key Agenda Items for the General Shareholders Meeting in 2021

Category	Item	Passing Rate
Item 1	Approval of the Financial Statements and Consolidated Financial Statements for the 48th period	95.7%
Item 2	Partial change of the Articles of Incorporation	99.4%
Item 3	Appointment of a director	
3-1	Appointment of an inside director	88.8%
3-2	Appointment of an outside director	72.9%
Item 4	Appointment of an Audit Committee member	86.8%
Item 5	Approval on the remuneration limit for directors	83.5%
Item 6	Approval on the division plan	97.0%

SUSTAINABLE FOCUS AREA:

GOVERNANCE

Governance

Governance Policy

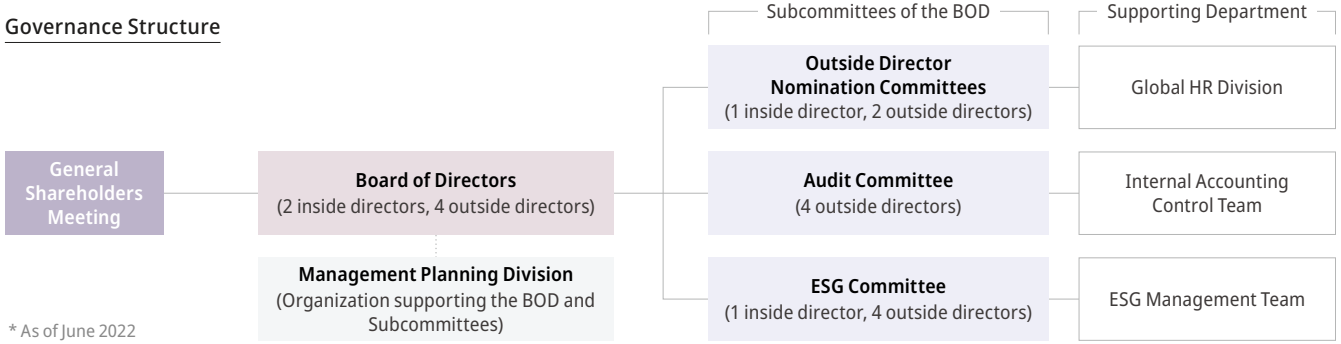
Governance Principle

According to the management philosophy of LS Partnership that "LS, with integrity and the best abilities, will achieve sustainable growth with all partners by creating outstanding outcomes based on mutual respect and respect and cooperation," LS ELECTRIC pursues the goal of contributing to the development and happiness of employees, customers, and human society. To this end, we operate governance, which serves as the foundation for corporate management, according to our principles and policies.

Governance Organization

The Board of Directors (BOD) is LS ELECTRIC's highest decision-making organization. LS ELECTRIC supports the BOD's rational management decision making by including persons equipped with various expertise and capabilities as BOD members and, at the same time, strengthens the BOD's function to keep senior management in check through outside directors whose independence has been verified. The BOD is operated according to the Regulations on BOD Operation that stipulate matters concerning the BOD operation.

Governance Structure



* As of June 2022

BOD Operation and Organization

Committees of the BOD

To ensure that the BOD efficiently and professionally performs its roles and responsibilities, LS ELECTRIC operates the Audit Committee, the Outside Director Nomination Committee, and the ESG Committee under the BOD. The Audit Committee is composed of four outside directors including two financial experts (Won-Chang Lee, Won-Ja Song). It is responsible for supervising and assisting senior management in making informed decisions through checks and balances. The Committee reviews operating results and financial statements on a quarterly basis or more often, and it is authorized to audit general accounting operations as well as the status of corporate assets when deemed necessary. The Outside Director Nomination Committee was established with a goal of guaranteeing fairness and independence in outside director appointment. With candidates strictly reviewed by the Committee, outside directors are appointed at the general shareholders meeting.

Establishment of the ESG Committee | LS ELECTRIC's BOD expanded and restructured the Internal Transaction Committee to the ESG Committee in November 2021 in order to strengthen the corporate responsibility for ESG management and respond to stakeholders' demand for ESG management. The ESG Committee sets LS ELECTRIC's ESG directivity and establishes and implements ESG strategies by considering the balance between the company's short-term performances and long-term sustainable growth strategies.

BOD and Subcommittee Operations

In 2021, the BOD held six meetings in all (four regular meetings once every quarter and two special meetings). In 2022, a total of five BOD meetings are scheduled for convocation.

BOD and Subcommittee Operations in 2021

Category	No. of Meetings Convened	Attendance	No. of Items Resolved	No. of Items Reported
Board of Directors	6	98%	33	19
Audit Committee	5	95%	7	14
Outside Director Nomination Committee	1	100%	1	-
ESG Committee	4*	94%	7	-

* Result of the Internal Transaction Committee prior to restructuring to the ESG Committee

Governance

BOD Composition*

Category	Name	Gender	Responsibilities	Date of Appointment (Expiration of Term)	Field of Expertise	Career Highlights
Inside Directors	Ja-Kyun Koo	Male	• Chairman and CEO • Chair of the BOD	2005. 3.11 (2023. 3.24)	Overall business management	• Professor, Korea University Graduate School of International and Public Affairs • Chairman, Korea Smart Grid Association • Current) Chairman & CEO, LS ELECTRIC
	Dong-Hyun Kim	Male	• Executive Director & CEO • Member of the Outside Director Nomination Committee • Member of the ESG Committee	2022. 3.28 (2025. 3.28)	ESG management/ support	• Current) Executive Director of ESG, LS ELECTRIC
Outside Directors	Won-Chang Lee	Male	• Chair of the Audit Committee • Chair of the ESG Committee	2018. 3.20 (2024. 3.29)	Accounting/Audit (Certified Public Accountant)	• Professor of accounting, Chungnam National University • Commissioner, Board of Audit and Inspection of Korea • Current) Outside director at Kodaco
	Seung-Il Moon	Male	• Member of the Audit Committee • Chair of the Outside Director Nomination Committee • Member of the ESG Committee	2017. 3.17 (2023. 3.24)	Electricity/Electric power (Professor)	• Member of the National Energy Council • President, KEPRI • Professor of electrical engineering, Seoul National University • Current) Professor, Korea Institute of Energy Technology
	Jong-Won Choi	Male	• Member of the Audit Committee • Member of the ESG Committee	2020. 3.24 (2023. 3.24)	Administration (Professor)	• Non-standing commissioner, Korea Fair Trade Commission • Member of the Public Institutions Management Committee, Ministry of Economy and Finance • Current) Director, Seoul National University Asia Center • Current) Professor, Seoul National University Graduate School of Public Administration
	Won-Ja Song	Female	• Member of the Audit Committee • Member of the Outside Director Nomination Committee • Member of the ESG Committee	2022. 3.28 (2025. 3.28)	Accounting/Audit (Certified Public Accountant)	• Member of the Ethics Investigation Deliberative Committee, Korean Institute of Certified Public Accountants • Member of the Compensation Deliberative Committee, Anti-Corruption & Civil Rights Commission • Current) Assistant professor, Division of Business Administration, University of Suwon • Current) Outside director at SK Rent A Car

* As of June 2022

Organization of the BOD

Independence of the BOD | To ensure the independence of the BOD and assist in the BOD's transparent and rational decision making, LS ELECTRIC stipulates that the BOD be composed of three or more and less than nine directors with outside directors constituting the majority. In compliance with the relevant statutes and the Articles of Incorporation, the BOD is composed of two inside directors and four outside directors. With independence secured, the outside directors successfully perform the role of keeping senior management in check. In addition, as experts from various fields make decisions through in-depth discussion, the BOD is operated professionally and transparently. In particular, to improve the BOD's independence from senior management, the Audit Committee, which conducts audits on the company's operations, is entirely composed of four outside directors. The ESG Committee, which plays the role of inspecting and controlling internal transactions, consists of four outside directors and one inside director. In addition, two of the three members of the Outside Director Nomination Committee, which recommends outside director candidates, are outside directors.

Diversity and Professionalism of the BOD | LS ELECTRIC's outside directors come from diverse backgrounds and have expertise in various fields, from a financial and accounting expert who is also a certified public accountant to a professor specializing in the industrial field where the company's business is based as well as economic and administration experts. Therefore, they are capable of making substantial contributions to corporate management. In 2022, we appointed the first female outside director in order to strengthen our ESG management further. The Audit Committee in particular has been entirely composed of outside directors who are experts in individual fields in order to bolster the Committee's function of keeping senior management in check and enhance the expertise of the Committee itself.

Governance

Outside Director Qualifications | To strengthen the independence of outside directors in the decision-making process, LS ELECTRIC's BOD checks if the companies or organizations where outside director candidates belong have any significant interest in the company from the stage of appointment. The Outside Director Nomination Committee recommends a candidate based on his or her career records and other qualifications, and it is followed by a process of checking for any past transactions between the company where the candidate served and LS ELECTRIC (any relationship of interest if transactions had been made). Outside director candidates who are former public officials are verified through the review for restrictions on the employment of retired public officials (Ministry of Personnel Management). In addition, to confirm that an outside director candidate does not fall under any of the reasons for ineligibility under Paragraph 3, Article 382 (Appointment of Directors, Relationship with Company and Outside Directors) and Paragraph 2, Article 542-8 (Appointment of Outside Directors) of the Commercial Act before the resolution and notice of a general shareholders meeting convocation, a statement of outside director eligibility is collected from the candidate.

Supporting Outside Directors' Job Performance | According to the Regulations on the BOD Operation, LS ELECTRIC's BOD may have a secretariat to support the performance of their duties. Currently, the Management Planning Division performs the role of BOD Secretariat. As specified in Article 3 and Article 7 of the Regulations on the BOD Operation, the BOD can request the necessary information to the company, and the company complies with the obligation. The Internal Accounting Control Team is operated to assist in the efficient operations of the Audit Committee. To secure independence from senior management, the Internal Accounting Control Team is established as a subsidiary organization of the Audit Committee. The Internal Accounting Control Team performs activities such as internal accounting control system operation targeting all departments and subsidiaries and support for the Audit Committee. In relation to the internal accounting control system operation, it also reports to the Audit Committee at the regular meetings.

Training of Outside Directors | LS ELECTRIC provides directors with training necessary for their operations. All outside directors attended the "Regular Forum Webinar for Auditors and Audit Committee Members" held by the Audit Committee Forum in April, July, September, and November 2021 and April 2022.

CEO Succession Policy | The CEO must have the ability to manage the company in a way that is in line with the interests of the company and its shareholders and to effectively realize the company's core values and vision. To discover and foster CEO candidates, the HR Division operates a talent fostering system for each field according to the detailed mid- to long-term goals. The CEO and senior management regularly review the selection of candidates for key positions through the Talent Development Committee meeting. When necessary, external recruitment is also considered. The selected candidates get assigned to various positions and receive coaching according to the mid- to long-term goals. A talent fostering program linked to the CEO programs of major universities is also provided. From the candidates fostered through this system, the BOD selects those for inside directors to be appointed at the general shareholders meeting, and the CEO appointment is resolved according to Article 30 of the Articles of Incorporation and the Regulations on the BOD Operation. According to the duty delegation system, if the CEO cannot perform his or her duty due to absence, the position is filled in order by the Chairman, Vice Chairman, President, Vice President, Executive Director, and Managing Director through the BOD's resolution, or by a person designated by the BOD. Although there are no stipulated rules for the CEO succession, LS ELECTRIC's internal process and criteria apply. We plan to prepare the CEO succession policy by stipulating the internal process and operating a related committee, etc.

Assessment of Outside Directors | Currently, LS ELECTRIC does not conduct a separate outside director assessment in order not to damage the independence and neutrality of outside directors. However, the details of outside director activities such as meeting attendance and contribution are checked, and the result is used in improving the efficiency of the BOD and subcommittee operation. In particular, the recommendation of an outside director's reappointment is decided considering the impact of the bills proposed by the director on the company's key policies and management and the director's contribution to the expected corporate value improvement.

Remuneration of Outside Directors | The remuneration limit for directors is decided through resolution at the general shareholders meeting according to the Commercial Act, Articles of Incorporation, and Regulations on the BOD Operation. The appropriateness of the remuneration limit for directors to be presented for resolution at the general shareholders' meeting is reviewed in advance, and the remuneration is paid within the limit approved at the meeting. The remuneration for outside directors is decided on the basis of the remuneration levels of LS ELECTRIC and other companies with consideration given to the importance and value of duties performed by the directors. LS ELECTRIC does not grant stock option to outside directors. We will exert our best effort to establish a fair remuneration policy along with assessment of outside director activities.

Director Remuneration in 2021

Category	No. of Directors	Total Remuneration	Average Remuneration per Person
Registered directors (outside directors, excluding members of the Audit Committee)	3	KRW 4,731 million	KRW 1,577 million
Outside directors (excluding members of the Audit Committee)	4	KRW 192 million	KRW 48 million
Audit Committee members*	-	-	-

* Considering the expertise and independence. of outside directors, LS ELECTRIC's four outside directors concurrently hold positions as members of the Audit Committee. Unlike for outside directors, LS ELECTRIC does not pay remuneration to the members of the Audit Committee. If necessary, however, we plan to review remuneration for the Audit Committee separately from outside directors.

Integrated Risk Management

Integrated Risk Management System

LS ELECTRIC manages risks in the form of emergency response, prior risk control, and operation process internalization depending on the risk management types. Since 2016, we have devised and operated the pre-management method so that risks can be identified and managed in advance, and a system has been established to respond quickly by applying this method primarily to key management risks. Risks recognized by pre-management system go through the risk assessment stage to be quantified and limited, and when the limit is exceeded, an Emergency Response Committee is organized for company-wide response and monitoring. The risk management process is continuously reviewed and improved through strict follow-up management. Disclosure risks are managed by one financial disclosure officer and two disclosure managers, and disclosure-related issues are being monitored through the disclosure inspection mailing system under the order management system and internal accounting control system.

Risk Management Practices

Financial Risk Management

LS ELECTRIC categorizes financial risks that can be caused by management activities into capital risk, internal accounting risk, financial risk, and tax risk, and it is preparing systematic management plans for each risk category.

Classification of Financial Risks

Classification of Financial Risks	Management Plan
Foreign Exchange Risk Risk of exchange rate fluctuation that can arise in foreign currency transactions	· Regularly measure the exchange risk in relation to Korean won exchange rate fluctuations · Use financial derivatives · Enter into a currency forward contract to avoid exchange risk for foreign currency debts and bonds · Enter into a currency forward contract to manage exchange risk for expected sales and purchase transactions
Interest Rate Risk, Price Risk	· Regularly measure the interest rate risk caused by borrowings in variable rates · Measure the marketable fair value, regularly measure the price fluctuation risk occurring in equity instruments
Credit Risk Risk of a counterpart in a contract causing financial loss by failing to fulfill the obligations specified in the contract	· In addition to credit risk for accounts including amortized cost of financial assets, LS ELECTRIC's credit risk is also caused by payment guarantee limit · Assess credit by considering other elements such as past experiences and financial conditions of general accounts, and identify possible risks in advance by credit rating
Liquidity Risk	· Establish short-, mid-, and long-term fund management plans · Respond to maturity of financial assets and liabilities by continuously analyzing cash outflow budget and actual cash outflows

Capital Risk Management | For the purpose of capital management , LS ELECTRIC maintains an optimal capital structure in order as an ongoing endeavor to provide benefits to stakeholders continuously and reduce the cost of capital. To maintain or adjust the capital structure, we adjust the dividends, return capital to shareholders, or issue new shares and sell assets to reduce liabilities.

Internal Accounting Risk Management | LS ELECTRIC is operating the regulations on internal accounting control that it has established including the detailed rules of the internal accounting control system operation. We optimized and consequently fully reestablished the internal accounting control system in order to establish a systematic assessment and authentication process for responding to the internal accounting control system audit and improving our risk management to a global level. The CEO reports the internal accounting control system operation status at the general shareholders meeting as well as to the BOD and the Audit Committee, and the Audit Committee reports the internal accounting control system operation assessment result to the BOD.

Financial Risk Management | In relation to financial instruments, LS ELECTRIC is exposed to various financial risks including market risk (foreign exchange risk, interest rate risk, price risk), credit risk, and liquidity risk. The purpose of financial risk management is to identify potential risks affecting the company's financial performances and consequently reduce, remove, or avoid the risks in a level permissible by the company.

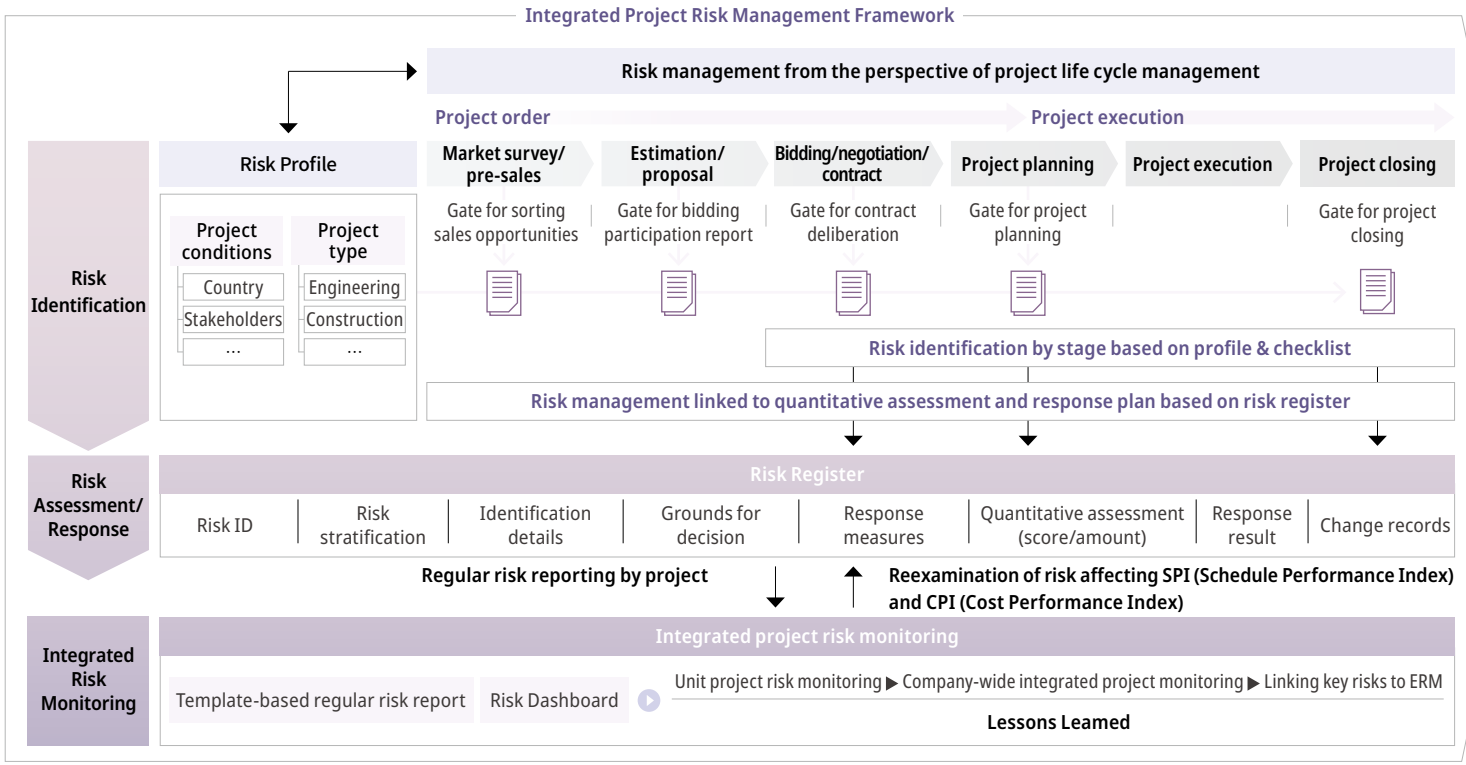
Tax Risk Management | To meet the time limit for tax return and manage other tax risks, LS ELECTRIC constantly monitors the amended statutes and established rules. We also detect changes in the international tax environment and laws and manage the transfer price risk through BEPS (Base Erosion and Profit Shifting). In addition, by cooperating with a global accounting firm, we check and respond to domestic and international tax policies and laws; thus minimizing the occurrence of tax risk.

Integrated Risk Management

Project Risk Management

LS ELECTRIC identifies and responds to the risks for each project across the entire process from project discovery to closing. We also operate a management system for the integrated monitoring of both unit project risks and company-wide project risks. In accordance with the LS ELECTRIC risk management rules, we utilize our company-wide capabilities to identify risks through the Risk Profile and Risk Checklist*, and calculate the risk grade based on the amount and risk score derived from the evaluation. It is required for the risks derived from the project order stage and the respective response plans to be registered in the risk register system for continuous monitoring. In order to minimize the project risks, we select business agendas based on sufficient review in the order-taking and sales stage, and make decisions to increase the probability of receiving orders by gate and to minimize risks. In the stage of project operation after signing a contract, effort is also made to build experience assets in order to strengthen the risk monitoring competency. In addition, as the number of orders for overseas projects is expected to increase, we list the risk inspection items necessary for overseas project promotion and share the list with the relevant departments to assist in the correct decision making.

* Risk Profile and Risk Checklist: Risk profile is developed by categorizing risks that can occur in a project according to contract type, customer type, and execution stage. Different risk profiles are given depending on the project field and industrial characteristics. Then, risk items to be reviewed according to the risk profile are reviewed using the risk checklist.



Risk Management Plans

❶ Project risk identification plan
- Define risk profile
- Define risk identification plan based on risk checklist

❷ Project risk assessment/response plan
- Define risk register for risk registration
- Define risk assessment and response plan

❸ Project risk monitoring
- Define unit project risk monitoring plan
- Define company-wide integrated project risk monitoring plan

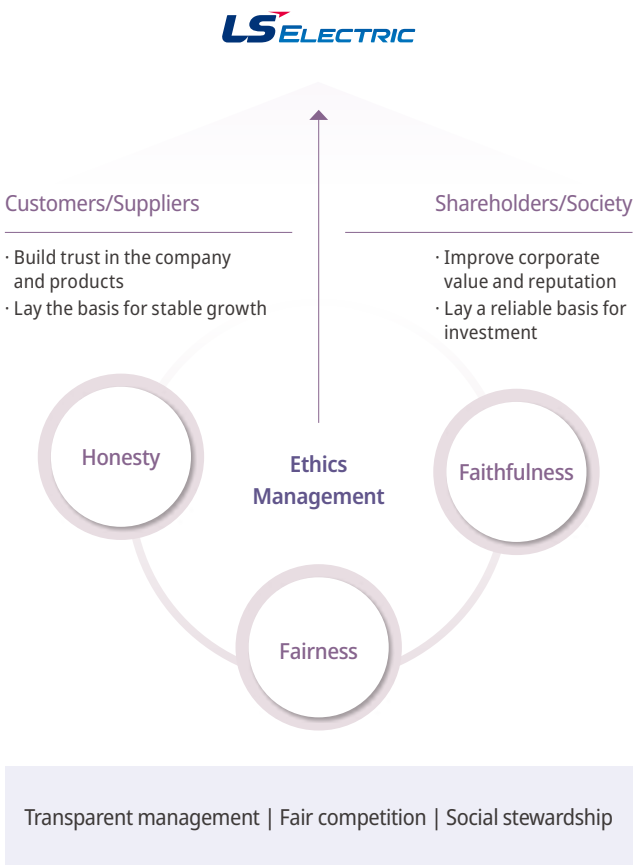
❹ Project risk management process
- Identify, assess, and respond to project risk/ establish integrated monitoring process
- Establish project risk management system operation process

Ethics Management

Ethics Management System

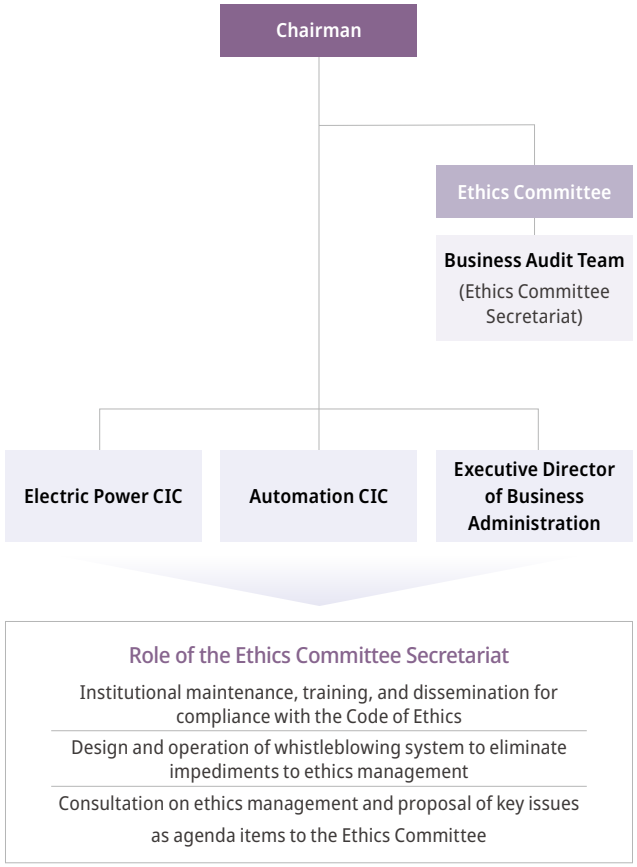
Goal of Ethics Management

The goal of LS ELECTRIC's ethics management is to conduct business in a transparent manner based on fairness, honesty, and faithfulness and to evolve constantly into a top-tier company that fulfills its responsibility to customers, suppliers, shareholders, and society at large.



Ethics Management System

The Ethics Committee serves as the highest decision-making organization in practicing the Code of Ethics, and the Ethics Committee Secretariat is up and running for the day-to-day operation of ethics management.



Code of Ethics and Practical Guidelines

The Code of Ethics and Practical Guidelines have been stipulated and are operated to provide all employees with standards to follow in taking proper actions and making value judgments.

Full Text of the Code of Ethics and Practical Guidelines

Code of Ethics and Practical Guidelines	
Chapter 1 Responsibilities and obligations to customers	• Sincerity in information provision • Customer service • Protection of customers' interests
Chapter 2 Fair competition	• Fair competition • Respect for applicable laws and regulations and commercial practices
Chapter 3 Fair trade	• Fairness in selecting suppliers • Fairness in trade and evaluation • Maintenance of transparent trade order • Support for suppliers
Chapter 4 Basic ethics for employees	• Maintenance of employee's dignity • Honesty and fairness in reporting • Protection of corporate assets • Avoidance of conflict of interest with the company • Anti-sexual harassment at the workplace
Chapter 5 Responsibilities to employees	• Talent development • Fair treatment • Health and safety • Respect for individual opinions
Chapter 6 Responsibilities to the nation and society	• Reasonable business conduct • Protection of shareholder rights and interests • Contribution to national and social development • Environmental protection

Ethics Management

Ethics Management Practices

Whistleblowing System

LS ELECTRIC operates a wide range of communication channels such as phone, email, post, and cyber reporting center to receive and handle reports submitted by suppliers, employees, and customers for any disadvantage they have come to suffer. In so doing, we are fully committed to eliminating any corruptive or unfair business practices and noncompliance with ethics management on the part of our employees. Simple quality claims or service and product-related inquiries are handled by the customer service center instead of the whistleblowing channels.

Report Handling Process

Receive report → Check details → Commence investigation → Complete investigation → Check handling result

Reporting Channels

- **Cyber reporting center :** https://www.ls-electric.com/ko/customer/sinmungo
- **Phone:** +82-2-2034-4472 (Business Audit Division)
- **Post :** LS ELECTRIC CEO or Business Audit Division LS Tower, 127, LS-ro, Dongan-gu, Anyang-si, Gyeonggi-do, Korea

Report Handling Status

Report Type	Unit	2019	2020	2021
Unfair trade	cases	9	5	4
Corruption and irregularities	cases	-	1	
Unjustified business practices	cases	3	-	6
Claim	cases	6	-	2
Others	cases	4	5	4
Total	cases	22	11	16

Voluntary Report System

To promote the voluntary eradication of any unethical practices that may occur among LS ELECTRIC employees or other stakeholders, such as customers, suppliers, and shareholders, and to establish a sound organizational culture, LS ELECTRIC operates a voluntary report system to receive reports on the acceptance of bribes or entertainment by using the predefined reporting form.

Whistleblower Protection Policy

Any and all information related to whistleblowers and their reports, such as whistleblower's identity, evidence submitted by the whistleblower or information collected for the report, information about stakeholders, information implicative of the person subject to suspicion, and follow-up measures strictly remains confidential, and the whistleblowing system is operated in a highly secure manner. We do not disclose any explicit or indicative information on the identity of whistleblowers or reports they submit without their prior consent. If our non-compliance with such whistleblower protection causes any disadvantage to the whistleblowers, we assume responsibility for their restoration or take equivalent measures. The protection applies only when the whistleblower's real name is specified or accurate evidences are submitted.

Whistleblower Reward System

To eradicate any unethical practices of employees and other stakeholders and create a sound corporate culture, LS ELECTRIC has operated a whistleblower reward system since 2019. The acts subject to reporting rewards include acts that cause damage to the company by making illegal transactions by employees and stakeholders in violation of ethical management, the acceptance of money, valuables and entertainment from stakeholders in relation to their duties, and other violations of the Code of Ethics and Practical Guidelines. A reward ranging from a minimum of KRW 1 million to a maximum of KRW 10 million is provided according to the amount of impact on the company's profit or loss fluctuation. In the case of long-term gains and losses, the amount of one-year estimate is to be provided. Rewards of 500,000 won is provided in cases of reporting bribery, entertainment, and hospitality cases that are not directly related to the company's direct profit increase or loss reduction, and 300,000 won in cases of tampering and false reporting.

Ethics Management Pledge

All employees of LS ELECTRIC sign the ethics management pledge every two years to raise their awareness of the practice of ethics management and establish transparent work processes. In 2021, 3,844 out of 3,900 employees of LS ELECTRIC and subsidiaries signed the pledge.

Ethics Management Pledge

In executing operations, I will not engage in any unfair transactions or corrupt practices by complying with the LS ELECTRIC Code of Ethics.

I will execute operations according to the principle of good faith and will dedicate utmost effort to refrain from impeding the operations or causing damage to the company deliberately or due to negligence.

In executing operations, I will dedicate utmost effort to protecting the company's funds, assets, and information.

In the event of a violation of the Code of Ethics, such as when I become aware of an employee's unfair or corruptive practice or when I am asked to engage in such practice, I will report it immediately to the Business Audit Team.

In the event of an investigation on any unfair or corruptive practice in violation of the LS ELECTRIC Code of Ethics, I will fully cooperate with the investigation, such as submit data requested by the company (documents necessary in the unfair or corruptive practice investigation).

I will execute operations fairly by following the LS ELECTRIC Code of Ethics and Practical Guidelines.

Should I violate this pledge, I will assume all associated responsibilities.

Ethics Management

Ethics Management Survey Among Employees

Ethics management surveys are conducted every two years to measure employees' satisfaction with ethics management activities and to monitor employees' compliance with the Code of Ethics and Practical Guidelines. Employees' satisfaction with ethics management, Code of Ethics and Practical Guidelines, effect of ethics management, and ethics management implementation is surveyed to grasp the changes in the company's ethics management level and receive suggestions. The score of the survey in 2020, which was participated in by 52% of employees, was 3.95 points. For 2022, the ethics management survey will be conducted in the second half of the year.

Employees' Satisfaction with Ethics Management in 2020

Category	Satisfaction (on a scale of 1 to 5)
Satisfaction with ethics management	3.95
Satisfaction with the Code of Ethics and Practical Guidelines	3.99
Satisfaction with the effect of ethics management	3.90
Satisfaction with ethics management implementation	3.91

Ethics Management Training

Ethics management training is provided to employees at the LS Group-wide level. Ethics management publicity materials are uploaded on the intranet, and company-wide cyber training is provided under the supervision of the GHR Team. In 2021, 2,194 employees completed the training.

Compliance Management

Compliance Management System

Following the implementation of the compliance officer system in 2012, LS ELECTRIC hosted the compliance management proclamation ceremony in 2014 and adopted the Compliance Program (CP). We also conduct compliance support activities to assist all employees in their compliance through self-directed reviews. Under the leadership of the head of the Legal Affairs Group, who is serving as the compliance officer, we practice compliance management by categorizing legal risks, conducting self-initiated reviews, and offering compliance training. The compliance officer operates under the direct leadership of the BOD in accordance with the Commercial Act (Article 542-13). In 2012, the BOD appointed the head of the Legal Affairs Group as compliance officer (reappointment every three years upon termination of office). The compliance officer organization created under the Legal Affairs Group reports compliance activities to the BOD each year.

Compliance Support Activities

1. Categorize legal risks that can arise in the course of the company's business operations
2. Prepare a checklist to prevent and manage legal risks
3. Support self-initiated reviews in the field using the checklist
4. Perform activities to strengthen compliance management, such as compliance training and sharing of the amended statutes

Fair Trade Compliance

In 2021, the BOD appointed the head of the Legal Affairs Group as fair trade compliance officer. It also revises the fair trade compliance manual to reflect the amendments of the fair trade-related statutes. LS ELECTRIC's compliance officer organization inspects the status of violation of fair trade-related statutes on an ongoing basis according to the CP, explains the purpose and content of the statutes to the relevant departments based on the inspection result, and promotes active training to prevent any violation of the statutes based on a case study.

Self-directed Compliance Review

LS ELECTRIC categorizes legal risks related to business operations while developing and providing a checklist for use in the self-directed management and review in day-to-day business routines. Every year, the compliance officer organization categorizes legal risks, updates the checklist, and supports self-directed reviews. In addition, we monitor the results of self-inspection and, if necessary, check compliance with laws and regulations.

Legal Risk Prevention

LS ELECTRIC provides legal services, such as contract review and legal advices, in order to minimize legal risks. In 2021, we provided 689 legal services, which are divided into 580 reviews of domestic and overseas contracts and 109 legal advices. For large-scale or new type projects, risks are identified through a workshop with the project-related departments from the stage of bidding to review and manage legal risks in advance.

Compliance Training

The compliance officer and fair trade compliance officer provide employees with compliance training regarding significant themes each year and share major domestic and foreign laws (drafts) and government policies with relevant departments within the company. In addition, we are trying to prevent corporate and social losses in advance by preemptively examining the impact of newly enacted laws and regulations as the at home and abroad, such as the Severe Disaster Punishment Act and the China Information Security Act, on the company and guiding the relevant departments. As related activities, compliance training and compliance status inspection were conducted 32 times, and sharing of established and amended statutes was done 16 times in 2021. Accordingly, various activities are being carried out to strengthen compliance management.

APPENDIX

ESG Data

Financial Statements(Consolidated)

Summarized Statement of Financial Position

Unit: KRW million

Particulars	2019	2020	2021
Assets	**2,538,144**	**2,540,396**	**2,796,732**
Current assets	1,666,900	1,649,805	1,887,748
Non-current assets	871,244	890,592	908,983
Liabilities	**1,175,462**	**1,126,926**	**1,323,312**
Current liabilities	753,779	644,246	845,301
Non-current liabilities	421,683	482,680	478,012
Equity	**1,362,683**	**1,413,470**	**1,473,419**
Total equity attributable to the shareholders of the company	1,360,591	1,411,499	1,481,633
Non-controlling interests	2,091	1,971	(8,214)
Total liabilities and equity	**2,538,144**	**2,540,396**	**2,796,732**

Summarized Statement of Cash Flows

Unit: KRW million

Particulars	2019	2020	2021
Cash flows from operating activities	216,080	288,901	101,544
Cash flows from investing activities	(78,623)	(84,498)	(120,431)
Cash flows from financing activities	(57,835)	(55,341)	34,813
Change in cash and cash equivalents	79,621	149,063	15,926
Cash and cash equivalents at the beginning of the year	455,629	534,507	683,235
Effects of exchange rate changes on cash and cash equivalents	(743)	(335)	2,436
Cash and cash equivalents at the end of the year	534,507	683,235	701,597

Summarized Statement of Comprehensive Income

Unit: KRW million

Particulars	2019	2020	2021
Sales	2,346,849	2,402,673	2,668,265
Operating income	168,549	133,714	155,132
Income from continuing operations before tax	146,957	127,845	110,750
Net income	103,043	85,486	85,310
Total comprehensive income for the current term	**100,401**	**86,671**	**107,906**

Balance in Government Subsidies

Unit: KRW million

Particulars	2019	2020	2021
Buildings	184	172	167
Machinery	510	370	333
Tools and equipment	-	12	25
Office equipment	21	46	217
Development expenses	291	173	184
Other non-tangible assets	-	-	18

ESG Data

Environmental Performance

Item				Unit	2019	2020	2021	Remarks
Investment inenvironment and safety	Eco-friendly product development			KRW million	8,519	17,232	7,602	
	Process improvement			KRW million	14,044	15,704	5,119	
	Investment in environmental and safety facilities			KRW million	411	842	944	
	Maintenance of environmental and safety facilities			KRW million	875	629	478	
Air and water quality	Air	Dust	Amount discharged	kg	1,033	1,554	841	
		NOx	Amount discharged	kg	2,508	2,480	4,068	
		SOx	Amount discharged	kg	-	-	-	
	Water quality	Consumption by source	Service water	㎥	65,741	59,093	113,752	
			Industrial water	㎥	94,818	113,661	64,583	
		Total consumption		㎥	**160,559**	**172,754**	**178,335**	
		Wastewater discharged		㎥	28	152	104	
		Reuse		㎥	-	-	-	
Energy and GHG	Energy	Power consumption		TJ	728.4	745.2	637.3	
		Fuel (LNG) consumption		TJ	114.4	100.4	87.5	
		Total energy consumption		TJ	**842.8**	**845.6**	**724.8**	
		Energy intensity		TJ/KRW 100 million	0.05	0.05	0.04	
	GHG	Amount discharged	Scope 1	tCO_2eq	5,914	5,288	4,587	
			Scope 2	tCO_2eq	35,376	37,582	30,498	
		Total GHG emissions		tCO_2eq	**41,290**	**42,870**	**35,085**	
		Carbon intensity*		tCO_2eq/KRW 100 million	2.28	2.31	1.87	
Chemicals	Consumption of hazardous chemicals			kg	1.5	1.5	0.27	
Green procurement				KRW million	374	433	252	Amount of eco-friendly green product purchase according to the "Green Procurement Guidelines"
Raw materials	Steel			ton	8,203	8,162	9,470	
	Non-ferrous metal			ton	3,324	2,841	3,419	
	Resin			ton	532	352	2,278	

* Base of aggregation changed from production amount to separate sales

Item					Unit	2019	2020	2021	Remarks
Waste*	**Total waste generation**				ton	**4,542.91**	**4,056.41**	**3,683.66**	
	Waste treatment	Designated waste	By treatment type	Landfill	ton	2.83	1.22	0.91	
				Incineration	ton	31.29	69.08	55.84	
				Others	ton	-	-	-	
			By treatment method	Internal treatment	ton	34.12	70.3	56.75	
				Consignment to treatment company	ton	-	-	-	
			Subtotal		ton	**34.12**	**70.3**	**56.75**	
		General waste	By treatment type	Landfill	ton	7.66	5.97	7.23	
				Incineration	ton	601.61	613.4	498.4	
				Others	ton	-	-	-	
			By treatment method	Internal treatment	ton	609.27	619.37	505.63	
				Consignment to treatment company	ton	-	-	-	
			Subtotal		ton	**609.27**	**619.37**	**505.63**	
	Total waste treatment				ton	**643.39**	**689.67**	**562.38**	
	Waste recycling	Designated waste	By recycling type	Pretreatment for reuse	ton	-	-	-	
				Recycling	ton	48.03	52.82	46.41	
				Other treatment	ton	-	-	-	
			By recycling method	Internal treatment	ton	48.03	52.82	46.41	
				Consignment to treatment company	ton	-	-	-	
			Subtotal		ton	**48.03**	**52.82**	**46.41**	
		General waste	By recycling type	Pretreatment for reuse	ton	-	-	-	
				Recycling	ton	3,851.49	3,313.92	3,074.87	
				Other treatment	ton	-	-	-	
			By recycling method	Internal treatment	ton	3,851.49	3,313.92	3,074.87	
				Consignment to treatment company	ton	-	-	-	
			Subtotal		ton	**3,851.49**	**3,313.92**	**3,074.87**	
	Total waste recycling				ton	**3,899.52**	**3,366.74**	**3,121.28**	
	Recycling rate				%	85.8	83.0	84.7	

* Data for 2019 and 2020 modified according to the advancement of the waste amount aggregation method

ESG Data

Social Performance

Employees

Item		Unit	2019	2020	2021	Remarks
Employees by job level	Executive	Persons	21	21	29	
	Permanent employees	Persons	3,093	3,085	3,064	Including Supervisors
	Temporary employees	Persons	233	246	220	
	Total	Persons	**3,347**	**3,352**	**3,313**	
Employees by region	Anyang	Persons	953	883	894	
	Seoul	Persons	123	252	278	
	Cheongju	Persons	1,449	1,413	1,364	
	Cheonan	Persons	473	457	423	
	Busan	Persons	183	183	177	
	Others	Persons	166	164	177	
	Total	Persons	**3,347**	**3,352**	**3,313**	
Employees by age group (permanent employees)	20s	Persons	180	185	183	
	30s	Persons	967	926	846	
	40s	Persons	1,109	1,065	1,052	
	50 and older	Persons	837	909	983	
	Total	Persons	**3,093**	**3,085**	**3,064**	
New recruits		Persons	87	99	110	Office workers, on a non-consolidated basis
Turnover		%	3.7	3.2	5.1	Based on permanent employees
Voluntary turnover rate*		%	1.5	1.0	2.4	
Female employees		Persons	304	312	445	
Ratio of female employees		%	10.7	11.1	13.4	
Female managers		Persons	59	85	66	Manager or higher
Ratio of female managers		%	4.1	7.2	4.2	Against total managers

* Significant figures corrected through rounding off to the second decimal place

Item	Unit	2019	2020	2021	Remarks
Employees with disabilities	Persons	57	44	43	
Ratio of employees with disabilities	%	1.8	1.4	1.3	
Foreign national employees	Persons	11	10	11	Foreign national employees working in Korea
Training expenses	KRW 1,000/person	1,974	1,355	1,487	Including executives
Training hours	PD/person	8	7	10	1PD = 8 hours of offline training and 1 month of online training
Industrial accident rate	%	0.01	0.06	0.01	
Lost time	Days	207	894	47	
Welfare expenses	KRW million/ person	17	17	18	Based on permanent employees
Employees taking maternity leave	Persons	15	11	16	
Encouraging taking parental leave	Persons	14	32	13	Based on employees who took parental leave in 2021
Rate of return after parental leave	%	100	100	100	

Retirement Pension Fund Management

Item		Unit	2019	2020	2021	Remarks
Defined Benefit (DB)	Funds under management	KRW million	198,501	217,113	233,995	Funds under management based on the year-end balance of pension fund operators
	Subscribers	Persons	2,831	2,852	2,707	
Defined Contribution (DC)	Funds under management	KRW million	-	-	-	
	Subscribers	Persons	346	387	404	

ESG Data

Social Performance

Shared Growth

Item		Unit	2019	2020	2021	Remarks
Ethics index of suppliers		Points	4.25	4.37	4.18	
Ethics index of distributors		Points	4.04	4.21	4.13	
Supplier training on the Fair Transactions in Subcontracting Act		Times	1	1	-	
Signing of the Shared Growth Agreement	Agreement signing	Cases	258	329	324	
Financial support to suppliers	Funds raised	KRW 100 million	310	310	310	
	Support amount	KRW 100 million	118	110	69	
	Supported suppliers	Companies	62	60	43	
Shared growth payment support for suppliers	Total shared growth payments made	KRW 100 million	7,999	9,231	8,777	
Training support for suppliers	Number of participants	Persons	293	-	122	
Technology transfer to suppliers	Benefiting suppliers	Companies	42	-	37	
Technology protection for suppliers	Number of supports	Cases	34	22	17	
Technology development support for suppliers	New product development projects	Cases	-	-	-	
	Technology cooperation projects	Cases	-	30	22	
	Support amount	KRW 100 million	-	14	17	
ACE Club (suppliers association)	Members	Companies	17	17	16	
Innovation capacity support for ACE Club	Supported suppliers	Companies	17	17	16	
	Supported employees	Persons	17	17	16	
Performance sharing with suppliers	Participating suppliers	Companies	238	238	133	
Communication with suppliers		Times	3	-	-	

Health and Safety

Category			Unit	2019	2020	2021	Remarks
Safety	Training	Total training hours (cumulative)	Hours	89,438	71,460	61,023	
		Total participants (cumulative)	Persons	18,960	13,272	28,250	
Health	Health checkup expenses		KRW million	729	691	699	
	Support for medical expenses		KRW million	1,027	1,113	1,110	
	Support for medical supplies		KRW million	37	101	52	

Purchase by Region

Category	Unit	2019	2020	2021	Remarks
Asia (excluding the Middle East)	%	59	65	69	Region-specific percentage of overseas purchase amount
Europe	%	33	20	21	
Americas	%	5	13	10	
Middle East	%	3	2	-	
Others (Oceania and Africa)	%	-	-	-	
Total	%	**100**	**100**	**100**	

Social Contribution

Category	Unit	2019	2020	2021	Remarks
Donations	KRW million	5,638	691	3,426	On a consolidated basis
Social contribution expenses	KRW million	56	125	151	
Social contribution activities	Cases	97	68	55	
Participants in social contribution activities	Persons	6,076	4,856	4,511	
Beneficiaries of social contribution activities	Persons	-	724	1,471	

GRI Standards Index

Topic		Title	Page	Remarks
Universal Standards (GRI 100)				
Organizational profile	102-1	Name of the organization	6	
	102-2	Activities, brands, products, and services	10~13	
	102-3	Location of headquarters	6, 9	
	102-4	Location of operations	9	
	102-5	Ownership and legal form	60, 62~64	
	102-6	Markets served	9	
	102-7	Scale of the organization	6	
	102-8	Information on employees and other workers	6, 73	
	102-9	Supply chain	8~9	
	102-10	Significant changes to the organization and its supply chain	7~9	
	102-11	Precautionary Principle of approach	65~66, 69	
	102-12	External initiatives	21~23, 78	
	102-13	Membership of associations	78	
Strategy	102-14	Statement from senior decision maker	4	
Ethics and integrity	102-16	Values, principles, standards, and norms of behavior	67~69	
Governance	102-18	Governance structure	60, 62~64	
Stakeholder engagement	102-40	List of stakeholder groups	8	
	102-41	Collective bargaining agreements	44	
	102-42	Identifying and selecting stakeholders	8	
	102-43	Approach to stakeholder engagement	8	
	102-44	Key topics and concerns raised	20	
Reporting practice	102-45	Entities included in the consolidated financial statements	9	
	102-46	Defining report content and topic boundaries	20	
	102-47	List of material topics	20	
	102-48	Restatements of information	72, 73	
	102-49	Changes in reporting	-	No change
Reporting practice	102-50	Reporting period	2	
	102-51	Date of most recent report	2	
	102-52	Reporting cycle	2	
	102-53	Contact point for questions regarding the report	2	
	102-54	Claims of reporting in accordance with the GRI Standards	2	
	102-55	GRI content index	75~76	
	102-56	External assurance	80	
Management approach	103-1	Explanation of the material topic and its boundary	20~23	
	103-2	The management approach and its components	20~23	
	103-3	Evaluation of the management approach	19	
Economic (GRI 200)				
Economic performance	201-1	Direct economic value generated and distributed	8, 60, 62~64	
	201-3	Defined benefit plan obligations and other requirement plans	73	
	201-4	Financial assistance received from government	71	
Procurement practice	204-1	Proportion of spending on local suppliers	8, 74	
Anti-corruption	205-1	Operations assessed for risks related to corruption	67~69	
	205-2	Communication and training about anti-corruption policies and procedures	67~69	
	205-3	Confirmed incidents of corruption and actions taken	-	No incident of corruption during reporting period
Environmental (GRI 300)				
Materials	301-1	Materials used by weight or volume	72	
	301-2	Recycled input materials used	72	
Energy	302-3	Energy intensity	72	
	302-4	Reduction of energy consumption	30, 32	
	302-5	Reductions in energy requirements of products and services	32	

GRI Standards Index

Topic		Title	Page	Remarks
Environmental (GRI 300)				
Water and effluents	303-2	Management of water discharge-related impacts	28	
	303-3	Water withdrawal	28, 72	
	303-4	Water discharge	28, 72	
	303-5	Water consumption	72	
Emissions	305-1	Direct (Scope 1) GHG emissions	72	
	305-2	Energy indirect (Scope 2) GHG emissions	72	
	305-3	Other indirect (Scope 3) GHG emissions	72	
	305-4	GHG emissions intensity	72	
	305-5	Reduction of GHG emissions	30~32, 72	
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	28, 72	
Waste	306-1	Waste generation and significant waste-related impacts	29, 72	
	306-2	Management of significant waste-related impacts	29, 72	
	306-3	Waste generated	29, 72	
	360-4	Waste diverted from disposal	29, 72	
	306-5	Waste directed to disposal	72	
Environmental compliance	307-1	Non-compliance with environmental laws and regulations	-	Not applicable
Social (GRI 400)				
Employment	401-1	New employee hires and employee turnover	73	
Labor-management relations	401-3	Parental leave	73	
Occupational health and safety	402-1	Minimum notice periods regarding operational changes	44	
	403-1	Occupational health and safety management system	35	
	403-2	Hazard identification, risk assessment, and incident investigation	37~38	
	403-3	Occupational health services	36, 74	
	403-5	Worker training on occupational health and safety	36, 74	
	403-6	Promotion of worker health	36~38	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	36~38	

Topic		Title	Page	Remarks
Occupational health and safety	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	73	
	403-9	Work-related injuries	74	
	403-10	Work-related ill health	73	
Training and education	404-1	Average hours of training per year per employee	73	
	404-2	Programs for upgrading employee skills and transition assistance programs	42	
	404-3	Percentage of employees receiving regular performance and career development reviews	42~44	
Diversity and equal opportunity	405-1	Diversity of governance bodies and employees	40, 73	
Freedom of association and collective bargaining	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	-	Not applicable
Child labor	408-1	Operations and suppliers at significant risk for incidents of child labor	40	
Forced or compulsory labor	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	40, 49	
Human rights assessment	412-2	Employee training on human rights policies or procedures	40	
Local communities	413-1	Operations with local community engagement, impact assessments, and development programs	46	
Public policy	415-1	Political contributions	-	Not applicable
Customer health and safety	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	-	Not applicable
Marketing and labeling	417-3	Incidents of non-compliance concerning marketing communications	-	Not applicable
Customer privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	-	Not applicable
Socioeconomic compliance	419-1	Non-compliance with laws and regulations in the social and economic area	-	Not applicable

SASB Index

Topic	SASB Code	SASB Index	Unit	Status in 2021	Remarks
Energy management	RT-EE-130a.1	Total energy consumed	GJ	724,747	
		Percentage grid electricity	%	87.9	
		Percentage renewable	%	2.6	
Hazardous waste management	RT-EE-150a.1	Amount of hazardous waste generated, percentage recycled	Ton, %	103.16 tons, 45%	Recycled Waste: 46.41 tons
	RT-EE-150a.2	Number of reportable spills, aggregate quantity of reportable spills	Products, kg	-	
Product safety	RT-EE-250a.1	Number of recalls issued, total units recalled	Products	-	
	RT-EE-250a.2	Total amount of monetary losses as a result of legal proceedings associated with product safety	KRW	-	
Product life cycle management	RT-EE-410a.1	Percentage of products containing IEC 62474 declarable substances by revenue	%	-	Management scheduled from next year
	RT-EE-410a.2	Percentage of eligible products meeting the ENERGY STAR® criteria by revenue	%	-	Not applicable
	RT-EE-410.3	Revenue from renewable energy-related and energy efficiency-related products	%	13.4%	
Material sourcing	RT-EE-440a.1	Description of management of risks associated with the use of critical materials	-	-	Criteria to be established after 2023
Business ethics	RT-EE-510a.1	Description of policies and practices for the prevention of (1) corruption and bribery and (2) anti-competitive behavior	-	-	p.21, 23, 67~69
	RT-EE-510a.2	Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption	KRW	-	
	RT-EE-510a.3	Total amount of monetary losses as a result of legal proceedings associated with anti-competitive behavior regulations	KRW	-	
Activity Metrics	RT-EE-000.A	Number of units produced by product category	KRW million	Photovoltaic Power : 81,697 ESS : 9,800 Inverter : 159,347	Photovoltaic power: Including photovoltaic power module, PCU, and orders ESS: Including ESS orders and mass production
	RT-EE-000.B	Number of employees	Persons	3,313	

TCFD Index

Topic	Recommended Disclosures	Page
Governance	a. Describe the board's oversight of climate-related risks and opportunities	32
	b. Describe management's role in assessing and managing climate-related risks and opportunities	30~33
Strategy	a. Describe the climate-related risks and opportunities the organization has identified over the short-, medium- and long-term	33
	b. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	33
	c. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios including a 2°C or lower scenario	30
Risk Management	a. Describe the organization's processes for identifying and assessing climate-related risks	32~33
	b. Describe the organization's processes for managing climate-related risks	33
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	33
Metrics & Targets	a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	30~32, 72
	b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions and related risks	32~33, 72
	c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	31~32, 72

UNGC, Memberships and Awards

UN Global Compact

The Ten Principles of the UN Global Compact			Page	LS ELECTRIC's Policy
Human Rights	Principle 1.	Businesses should support and respect the protection of internationally proclaimed human rights; and	Ethics Management p.67~69 Employees p.41~45	LS ELECTRIC Code of Ethics Practical Guidelines for Employees' Basic Ethics
	Principle 2.	make sure that they are not complicit in human rights abuses.		
Labor	Principle 3.	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;		
	Principle 4.	the elimination of all forms of forced and compulsory labor;		
	Principle 5.	the effective abolition of child labor; and		
	Principle 6.	the elimination of discrimination in respect of employment and occupation.		
Environment	Principle 7.	Businesses should support a precautionary approach to environmental challenges;	Environmental Management p.25~33	LS ELECTRIC Environmental Policy
	Principle 8.	undertake initiatives to promote greater environmental responsibility; and		
	Principle 9.	encourage the development and diffusion of environmentally friendly technologies.		
Anti-corruption	Principle 10.	Businesses should work against corruption in all its forms, including extortion and bribery.	Ethics Management p.67~69 Employees p.41~45	LS ELECTRIC Code of Ethics Practical Guidelines for Employees' Basic Ethics

Memberships

Domestic

Korea Chamber of Commerce and Industry, Korea International Trade Association, Federation of Korean Industries, Korea Electrical Manufacturers Association, Korea Smart Grid Association, Korean Standards Association, Korea-Japan Economic Association, Korea Electric Association, Korean Institute of Electrical Engineers, Korea Electrical Contractors Association, International Contractors Association of Korea, Korea Listed Companies Association, Korea Engineering and Consulting Association, Korea New & Renewable Energy, Korea Photovoltaic Industry Association, Korea Fire Safety Institute, Construction Association of Korea, Korea Customs Association, ODVA Korea, Korea Industrial Technology Association, Korean Information & Communication Contractors Association, Korea Railway Association, Korea Railway Signal Engineering Association, Korea Mech. Const. Contractors Association, Korea Fire Facility Association, Korea Electric Engineers Association, Korea Products Safety Association, Korea Smart Manufacturing Industry Association, Korean Institute of Power Electronics, Korea Institute of Information & Telecommunication Facilities Engineering, Korean Institute of Electrical and Electronic Material Engineers, Korea Software Industry Association, Korea Software Technology Association, Korea Intellectual Property Association, Korea Industrial Safety Association, Korea Association of Standards & Testing Organizations, Green Company, Environmental Preservation Association, etc.

Overseas

UN Global Compact, Mechatro Link, ETG(EtherCAT Tenchnology Group), IERE, CIGRE KNC, CIGRE, CAN in Automation

Awards

Category	Date (Month/Year)	Award	Hosting Organization	Award Description
Company	2021.03	Top 100 Global Innovators	Clarivate Analytics	Top 100 Global Innovators
	2021.03	Excellent Anti-corruption Company, UNGC Network Korea Awards	UNGC Network Korea	Excellent Anti-corruption Company
	2021.10	Lighthouse Factory	The World Economic Forum (WEF)	Lighthouse Factory
	2021.11	Citation for meritorious service in spreading the donation culture	Anyang City	Meritorious service award in spreading the donation culture
Individual	2021.04	Citation of the Minister of Science and ICT on Science Day (Geon Yun, Automation R&D Center)	Minister of Science and ICT	Meritorious service award in science and technology promotion
	2021.06	Citation of the Minister of Environment on Environment Day (Gi-Seon Kim, Environment and Safety Team)	Ministry of Environment	Meritorious service award in environmental protection

Independent Verification Statement

INTRODUCTION

LS ELECTRIC Co., Ltd. implemenets annual MRV based on international standards including ISO 14064 to respond to climate change risks. KMR confirms the verification results of 2021 as below.

SCOPE

- Organizational boundary : The whole business under control of the organization
- Reporting Period : Calendar year of 2021
- Reporting greenhouse gas : CO_2, CH_4, N_2O (not applicable for HFCs, PFCs, SF_6)
- Type of emission : Direct Emissions(Scope1), Indirect Emissions(Scope2)

STANDARDS

- ISO 14064-1 (2018), ISO 14064-3 (2018), WRI/WBCSD GHG Protocol (2004)
- Verification guidelines for the operation of the GHG emissions trading system (Notification No. 2021-112, MOE)
- KMR GHG & Energy verification manual and procedure, IPCC Guidelines(2006)

RESULTS

2021 GHG emissions	Unit	Scope1	Scope2	Total
	tCO_2-eq	4,586.568	30,497.893	35,084
2021 Energy Consumption	**Unit**	**Fuel**	**Electricity**	**Total**
	TJ	87.452	637.294	725

CONCLUSION

KMR confirms that the calculation of the Greenhouse gas emissions and energy consumption of the organization are proper.

Independent Verification Statement

INTRODUCTION

LS ELECTRIC Co., Ltd. implemenets annual MRV based on international standards including ISO 14064 to respond to climate change risks. KMR confirms the verification results of 2021 as below.

RESULTS (PLACE)

Category	GHG emissions			Energy Consumption		
Unit	tCO_2-eq			TJ		
Work Place	Scope1	Scope2	Total (tCO_2-eq)	Fuel	Electricity	Total (TJ)
Cheongju	1,600.790	20,985.714	**22,587**	31.091	438.525	**470**
Busan	696.555	2,702.021	**3,399**	13.666	56.462	**70**
Cheonan	873.069	3,238.395	**4,111**	16.925	67.671	**85**
LS Tower(HQ)	631.224	1,294.667	**1,926**	11.392	27.054	**38**
LS Yongsan Tower	151.528	837.355	**989**	2.794	17.498	**20**
Global R&D Campus	351.301	1,275.195	**1,626**	6.745	26.647	**33**
Daejeon office	28.736	12.758	**41**	0.415	0.267	**1**
Daegu office	31.408	6.272	**38**	0.489	0.131	**1**
Busan office	49.296	42.404	**92**	0.792	0.886	**2**
Ulsan office	18.050	5.359	**23**	0.278	0.112	**-**
Naju office	21.973	15.042	**37**	0.332	0.314	**1**
Gwangyang office	18.734	2.501	**21**	0.285	0.052	**-**
Anyang office	113.903	80.208	**194**	2.247	1.676	**4**
Total	**4,586.568**	**30,497.893**	**35,084**	**87.452**	**637.294**	**725**

KMR is an ETS & TMS verification institytion authorized by Republic of Korea Government.
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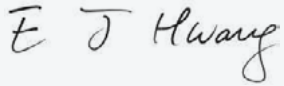
April 8th, 2022
CEO **Eun Ju Hwang**



To readers of 2021-2022 LS ELECTRIC Sustainability Report

Introduction

Korea Management Registrar (KMR) was commissioned by LS ELECTRIC to conduct an independent assurance of its Sustainability Report 2021-2022 (the "Report"). The data and its presentation in the Report is the sole responsibility of the management of LS ELECTRIC. KMR's responsibility is to perform an assurance engagement as agreed upon in our agreement with LS ELECTRIC and issue an assurance statement.

Scope and Standards

LS ELECTRIC described its sustainability performance and activities in the Report. Our Assurance Team carried out an assurance engagement in accordance with the AA1000AS v3 and KMR's assurance standard SRV1000. We are providing a Type 2, moderate level assurance. We evaluated the adherence to the AA1000AP (2018) principles of inclusivity, materiality, responsiveness and impact, and the reliability of the information and data provided using the Global Reporting Initiative (GRI) Index provided below. The opinion expressed in the Assurance Statement has been formed at the materiality of the professional judgment of our Assurance Team.

Confirmation that the Report was prepared in accordance with the Core Options of the GRI standards was included in the scope of the assurance. We have reviewed the topic-specific disclosures of standards which were identified in the materiality assessment process. We also confirmed that the report was prepared in accordance with the TCFD recommendations and SASB.

- GRI Sustainability Reporting Standards
- Universal standards
- Topic specific standards
  - Management approach of Topic Specific Standards
  - GRI 205: Anti-Corruption
  - GRI 302: Energy
  - GRI 305: Emissions
  - GRI 306: Effluents and Waste
  - GRI 403: Occupational Health and Safety
  - GRI 404: Training and Education
  - GRI 419: Socioeconomic Compliance
- SASB Sustainability Disclosure Topics & Accounting Metrics
- TCFD recommendations

As for the reporting boundary, the engagement excludes the data and information of LS ELECTRIC's partners, suppliers and any third parties.

KMR's Approach

To perform an assurance engagement within an agreed scope of assessment using the standards outlined above, our Assurance Team undertook the following activities as part of the engagement:

- reviewed the overall Report;
- reviewed materiality assessment methodology and the assessment report;
- evaluated sustainability strategies, performance data management system, and processes;
- interviewed people in charge of preparing the Report;
- reviewed the reliability of the Report's performance data and conducted data sampling;
- assessed the reliability of information using independent external sources such as Financial Supervisory Service's DART and public databases.

Limitations and Recommendations

KMR's assurance engagement is based on the assumption that the data and information provided by LS ELECTRIC to us as part of our review are provided in good faith. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied. To address this, we referred to independent external sources such as DART and National Greenhouse Gas Management System (NGMS) and public databases to challenge the quality and reliability of the information provided.

Conclusion and Opinion

Based on the document reviews and interviews, we had several discussions with LS ELECTRIC on the revision of the Report. We reviewed the Report's final version in order to make sure that our recommendations for improvement and revision have been reflected. Based on the work performed, it is our opinion that the Report applied the Core Option of the GRI Standards. Nothing comes to our attention to suggest that the Report was not prepared in accordance with the AA1000AP (2018) principles.

Inclusivity

LS ELECTRIC has developed and maintained different stakeholder communication channels at all levels to announce and fulfill its responsibilities to the stakeholders. Nothing comes to our attention to suggest that there is a key stakeholder group left out in the process. The organization makes efforts to properly reflect opinions and expectations into its strategies.

Materiality

LS ELECTRIC has a unique materiality assessment process to decide the impact of issues identified on its sustainability performance. We have not found any material topics left out in the process.

Responsiveness

LS ELECTRIC prioritized material issues to provide a comprehensive, balanced report of performance, responses, and future plans regarding them. We did not find anything to suggest that data and information disclosed in the Report do not give a fair representation of LS ELECTRIC's actions.

Impact

LS ELECTRIC identifies and monitors the direct and indirect impacts of material topics found through the materiality assessment, and quantifies such impacts as much as possible.

Reliability of Specific Sustainability Performance Information

In addition to the adherence to AA1000AP (2018) principles, we have assessed the reliability of economic, environmental, and social performance data related to sustainability performance. We interviewed the in-charge persons and reviewed information on a sampling basis and supporting documents as well as external sources and public databases to confirm that the disclosed data is reliable. Any intentional error or misstatement is not noted from the data and information disclosed in the Report.

Competence and Independence

KMR maintains a comprehensive system of quality control including documented policies and procedures in accordance with ISO/IEC 17021-2015 - Requirements for bodies providing audit and certification of management systems. This engagement was carried out by an independent team of sustainability assurance professionals. KMR has no other contract with LS ELECTRIC and did not provide any services to LS ELECTRIC that could compromise the independence of our work.

Aug. 2022 Seoul, Korea
CEO E. J Hwang

KMR SRV1000 Sustainability Committee Assurance AA1000 Licensed Report 000-129/V3-F350E


LS ELECTRIC