# Growth through Harmony

2010 DOOSAN INFRACORE SUSTAINABILITY REPORT

# Growth through Harmony

## The most important element of Doosan Infracore's sustainability management activities is a full and open communication with its various stakeholders.

The company enhances the quality of people's lives and the values of urban areas through a wide range of equipment designed for the construction and maintenance of infrastructures. This includes construction equipment, machine tools, engines & materials, and forklifts. One of its key priorities is to ensure open and honest communications with all of its stakeholders, including customers, employees, business partners, and local communities.

### About This Report

**Report Overview** This is Doosan Infracore's very first sustainability report. It focuses on the company's activities from January 1 to December 31, 2010. However, quantitative results have been reported over a three-year report, allowing readers to identify important trends. Although the lion's share of the report deals with the company's operations in the Korean cities of Seoul, Incheon, Changwon, Gunsan, Suji, and Ansan, information concerning its overseas locations has also been included regarding certain activities and their results. Going forward, Doosan Infracore intends to publish a global sustainability report on an annual basis as part of its efforts to ensure effective and efficient communications among all its stakeholders.

**Principles and Guidelines** This report was prepared based on the Global Reporting Initiative's (GRI) G3 Guidelines. In addition, keys issues were identified based on the AA1000SES, a global standard for stakeholder participation activities. The ISO 26000, an international standard for issues involving corporate social responsibilities, was also consulted. To enhance the report's reliability and quality, Two Tomorrows (Asia) Limited verified its contents according to the AA1000AS (2008), which is based on the three principles of AA1000APS (2008). More details on our verification results can be found in the third party verification statement in the Appendix.

**Additional Information and Contacts** For additional information, please refer to the company's homepage (www.doosaninfracore.com). Alternatively, please reach us through the contact points given below.

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Dow Jones Sustainability Indexes
DJSI Korea Member 2009/10

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# CEO'S MESSAGE

## Our highest-priority goal is be a company that is respected for its commitment to its corporate social responsibilities, its development of an open and honest corporate culture, and its goal of enhancing value for its customers and other stakeholders.

First of all, I would like to express my sincere gratitude for your continued support of Doosan Infracore.

This is the company's very first sustainability report. Our purpose in producing it is to share information with you about our sustainability management activities in the areas of the economy, the environment, and society. This includes both the results of our performances and our management plans going forward.

Doosan Infracore, Korea's very first machine tool company, was established in 1937. In the seventy-odd years that have since elapsed we have grown and profited in tandem with the country's machinery industry. We have enjoyed especially remarkable success since 2005, when we joined the Doosan Group, with annual growth averaging an extremely healthy 17%. In 2007, we became even more competitive globally through our acquisition of Bobcat.

These accomplishments resulted from our policies of continuous innovation and core competency enhancement. In addition, we have been fulfilling our responsibilities toward society at-large by leading restoration and rehabilitation efforts in many of the world's most disaster-stricken areas, putting our products to good and productive use. In addition, we are bolstering our efforts to improve educational opportunities and increase infrastructure investments for the socially marginalized. Our efforts in these areas were rewarded by our being included in the 2010 Dow Jones Sustainability Indexes (DJSI) Korea.

Crises and opportunities coexist in every business environment—this is why we make profits and incur losses. Some of today's most pressing problems include unstable prices for raw materials, environmental degradation and natural disasters, and restrictions on production that threaten to undo the already-fragile recovery of the global economy. In order to overcome these challenges and remain a sustainable and profitable company, Doosan Infracore has established six sustainability management strategies. They include; continuing creation of customer value; developing environmentally friendly technologies and products; carrying out socially responsible activities; growing together with our partners; enhancing communications with stakeholders; and hiring and nurturing top-notch employees. We have developed a series of action plans based on these strategies, and will implement them by carrying out the following activities.

**First, we will create customer value by continuously developing environmentally friendly technologies and products.**
In terms of safety, health, and performance, we will develop new technologies, establish infrastructures, and continue developing the strengths and talents of our employees. All of these activities will be carried out with customer value as their highest end. We will also develop more environmentally friendly products, such as hybrid excavators and "green" engines that will save energy and operate at maximum efficiency.

**Next, we will continue to fulfill our social responsibilities in a variety of areas.**
One way that we will do this is by increasing our employment levels by enhancing our global competitiveness and actively expanding into new business realms. By supporting organizations that make contributions to society, we will be able to carry out our social responsibilities in a more systematic manner. This includes supporting the socially marginalized, increasing educational opportunities for children living in communities in which we operate, and offering a wide range of cultural experiences. In addition, we will add to our programs for sustainable and mutual growth with our business partners by bolstering our relationships with them. This will include assisting small- and medium-sized enterprises (SMEs) with their financial needs and helping them become more competitive.

**We will also take steps to create a more people-oriented corporate culture.**
This is in keeping with our belief that our continuing success necessitates the development of a warm and welcoming working environment, in which every employee can gain satisfaction and work with pride. To achieve this end, we will enhance our communication level both vertically and laterally, establish a fair and transparent organizational structure, and streamline our work processes. In addition, we will increase the skills sets of every employee through a continuous regimen of training and coaching. By taking these steps, we will develop a corporate culture that operates as a virtuous circle, allowing our workers to grow as we grow.

Finally, we will transplant our sustainability management framework to all our overseas locations in order to fulfill our economic, environmental, and social obligations as a caring and concerned global enterprise. A closely-related project is the publication of this sustainability report, which is intended to broaden communications with our stakeholders around the world.

In summary, Doosan Infracore is committed to being a company that grows with you and works hard to win your trust and respect.

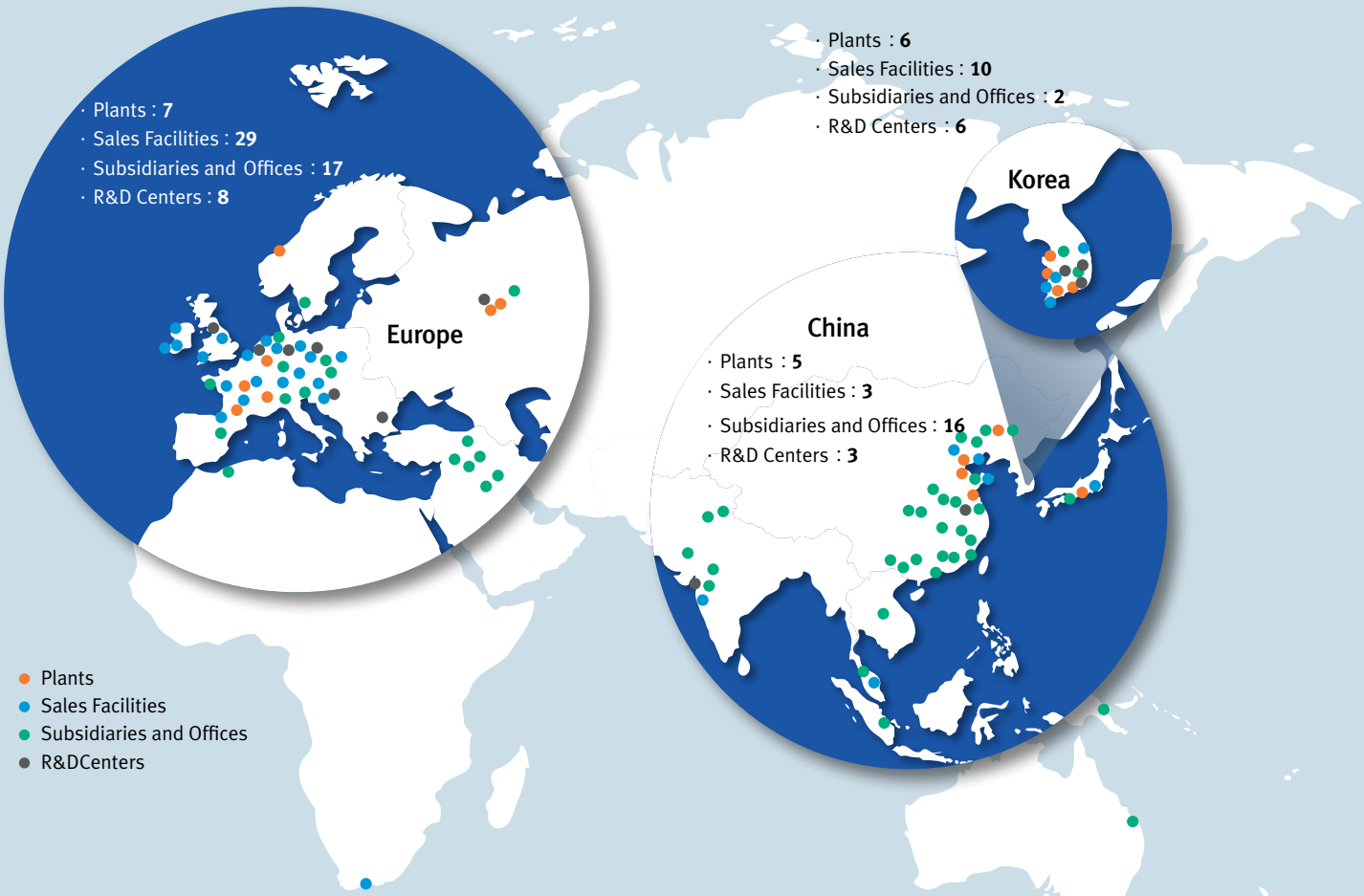
Thank you for your care and consideration.

*Yongsung Kim*
CEO
Doosan Infracore

# Company Profile

## Global Doosan Infracore

Doosan Infracore boasts a global network encompassing several locations around the world, including China, Europe, and North America. These include production and sales operations, subsidiaries, and technology support and parts centers. Korean facilities include our corporate headquarters, and factories in Incheon, Changwon, and Gunsan, which manufacture construction equipment, machine tools, engines, and forklifts. Based on decades of experience as the leader of Korea's machine industry, DI has steadily expanded its reach to include Europe and China. It is now challenging the future by turning its vision of being a "Top 3 Player in the Global Machine Industry" into a reality.




## Global Doosan Infracore Network

### Korea

Incheon Plant

Changwon Plant

Technology Institute

## Company History

Doosan Infracore, Korea's first machine tool company, was founded in 1937. Since then, it has become a truly global industry player through impressive growth. With our world-wide reputation and resources, we are striving to become a company known for fulfilling its economic, environmental, and social responsibilities.


### Other Regions

- Plants : **0**
- Sales Facilities : **7**
- Subsidiaries and Offices : **14**
- R&D Centers : **0**

### Overseas

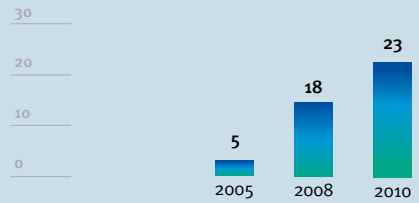

Doosan in China


Doosan in the United States

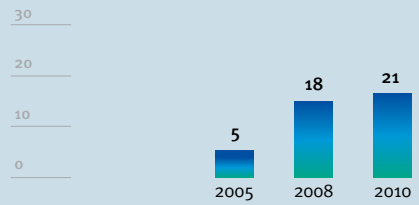

Doosan in Europe

### Status of Company Locations and Number of Employees

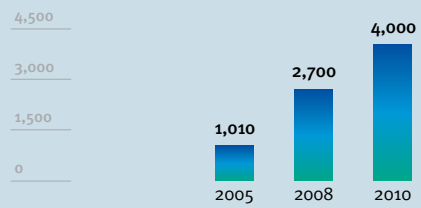
**Manufacturing Plants** (unit : plants)



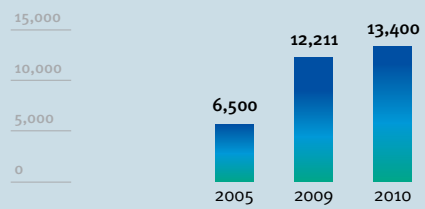

**R&D Centers** (unit : centers)




**Dealers** (unit : dealers)




**Employees** (unit : people)



## Corporate Chronology

| | |
|---|---|
| 1937 | Chosun Machine Manufacturing Company founded |
| 1966 | Listed on the Korean Stock Market |
| 1975 | Incheon Diesel Engine Plant completed |
| 1977 | Changwon Machine Tools Plant completed |
| 1977 | Incheon Excavator and Forklift Plant completed |
| 1981 | Institute of Technology founded |
| 1984 | Changwon Defense Industry Plant completed |
| 1986 | Mass Production of Independently-developed Excavators begins |
| 1990 | Doosan Infracore Europe S. A. established in Belgium |
| 1994 | Doosan Infracore U. K., Ltd. founded in the United Kingdom |
| 1994 | Doosan Infracore China Co., Ltd. established |
| 1996 | Awarded Grand Prize for Product Quality in Korea |
| 1998 | Doosan Infracore Germany GmbH established |
| 1998 | Doosan Infracore America Corp. established |
| 1998 | Yantai Forklift Plant in China completed |
| 2003 | Doosan Infracore Machine Tools Yantai Co., Ltd. established |
| 2004 | Awarded “One Billion-Dollar Export Milestone” on Day of Trade |

## Company Establishment and Growth

| | |
|---|---|
| 2005 | Doosan Infracore founded |
| 2005 | Doosan Infracore Co., Ltd. (a branch office) established in the Middle East |
| 2006 | Doosan Infracore China Investment Co., Ltd., a Holding Company in China, established |
| 2006 | Yonhap Capital acquired (now known as Doosan Capital) |
| 2007 | Doosan Mechatec’s Machine Tools Business acquired |
| 2007 | Acquired the CTI Stake in the Company Possessing the Original HCNG Engine Technology |
| 2007 | Doosan Infracore Suzhou Co., Ltd. established in China |
| 2007 | Doosan Infracore India Private Ltd. established |
| 2007 | Acquired China Yeondae Yoohwa Machine (now known as Doosan Infracore Shandong Co., Ltd.) |
| 2007 | Doosan Infracore International, Inc. (DII) established |
| 2007 | Acquired Ingersoll Rand’s Compact Equipment Business |
| 2007 | Awarded “Two Billion-Dollar Export Milestone” on Day of Trade |
| 2008 | Acquired ATL, a German Forklift Manufacturer (now known as Doosan Infracore Logistics Europe GmbH.) |
| 2008 | Established a Machine Tools R&D Center |
| 2008 | Acquired Moxy Engineering AS, a Norwegian articulated Dump-truck Manufacturing Company |
| 2008 | Completed the Construction of a Wheel Loader Plant in China |
| 2008 | BG, a Defense Industry Company, spun off and operated as Doosan DST (Doosan Defense Systems & Technology Co., Ltd.) |
| 2009 | Established an Engine Manufacturing Company in a Joint Venture with the Xuzhou Construction Equipment Group of China |
| 2010 | Completed Construction of the Gunsan Plant |

# Business Areas

**Doosan Infracore is engaged in a wide range of machine industry businesses. Our global competitiveness ensures we are becoming a leading global player in all operating areas.**

**Construction Equipment** After having independently developed an excavator in 1985, Doosan Infracore made acquisitions in three related businesses including Bobcat. This allowed the company to develop a wide-ranging proprietary product lineup, including various types of excavators, loaders, and utility equipment. Ninety percent of our construction equipment business takes place overseas with international sales for 2010 a very healthy 44% higher than the year before. We intend to become the leading construction equipment player in China and one of the top three in the world by the year 2015.

**Engines and Materials** Doosan Infracore entered the diesel engine business in 1958. Since then, its unparalleled R&D capabilities and state-of-the-art manufacturing technologies have made it Korea’s engine manufacturing leader. In 1975, we completed the construction of a large-scale diesel engine plant. In 1985, we succeeded in developing a proprietary diesel motor, enhancing our leadership in the diesel engine industry. In 2010, overseas sales by our diesel engine sales increased by 10% year-on-year, mainly due to purchases by large-volume buyers. Going forward, we intend to adopt a strategy of gradual and steady growth in our production volume, shifting our emphasis to the development, stabilization, and internalization of new and promising technologies.

**Machine Tools** Doosan Infracore is a key Korean machine-tool manufacturer whose super-high-speed, ultra-precision technologies lead the market. In addition to operating the country’s largest machine tool R&D center, we host a biannual trade event, the Doosan Infracore Machine Tools Fair (DIMF), and participate in a number of global exhibitions, such as the International Manufacturing Technology Show (IMTS), Emotional Machine Operation (EMO), and China Machine Tool Show (CIMT) exhibitions. These activities act as extremely valuable venues for highlighting new and exciting technologies, enhancing our brand image and heightening our status as a world-class industry player. With strong growth forecast in the chinese market for the foreseeable future, we plan to achieve our goal of sure, stable, steady, and sustainable growth based on our differentiated sales strategies.

**ForkLifts** Doosan Infracore was the first Korean player to enter the forklift business in 1968. Since then, we have expanded our product portfolio to include diesel-powered forklifts, gasoline/LPG-powered forklifts, electric forklifts, and other equipment used in warehouses. Our goal is to become increasingly buyer-oriented by focusing on both manufactured products, parts, and services.

## Global Brands

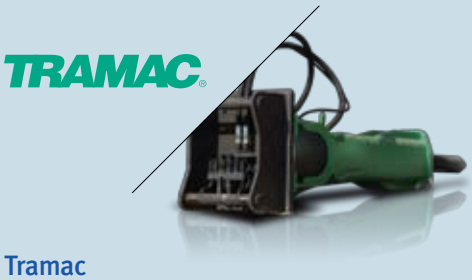
Many of Doosan Infracore's brands are recognized world-wide. Besides being a testament to our illustrious history, they are invaluable contributors to our sustainable growth.


### Bobcat

Bobcat is a compact equipment brand used in construction, manufacturing, landscaping, and agriculture applications. The largest manufacturer in the state of North Dakota, its business activities range from manufacturing to distribution and related support.


### Doosan Infracore Portable Power

Doosan Infracore Portable Power produces a wide range of portable air compressors, lighting systems, generators, light-weight blasters, and equipment for the general construction industry. Its product portfolio also includes lighting towers and mobile security equipment.




### Tramac

The Tramac brand is renowned for its high-quality hydraulic crushers, and plate compactors. Its products maximize customer output by combining cutting-edge technologies with multi-functional, innovative designs.


### Doosan Moxy

Doosan Moxy is an articulated dump truck (ADT) brand utilizing unrivaled technologies. It has earned an innovative reputation for its progressive design and outstanding durability.

### Geith

Geith produces a full range of attachments for excavators. Over the past fifty years, its products have developed a reputation for outstanding quality and reliability.



### Montabert

Montabert is a hydraulic attachment brand used in construction and civil engineering projects, mining, and quarrying.

# 2010 Operating Highlights

## Twenty-Fourth Doosan School of Hope Established

The twenty-fourth Doosan School of Hope was established in Muju City, Gansu Province, China, in March 2010. The company builds schools, improves the learning environment, and provides scholarships and study materials for children in under-developed areas of the country. Beginning in 2007, we recruited in honorary school principals to run Summer Camps of Hope. Our greatest wish is that Doosan Schools of Hope will continue making positive contributions to China and its people.

## Gunsan Construction Machine Plant Completed

Doosan Infracore completed its Gunsan Plant in October 2010, at a total cost of KRW 114.6 billion. Its construction started in 2007. The plant, which occupies an area of 610,000 m2 in the Gunsan Industrial Complex, manufactures large-scale construction equipment, including seven types of excavators and seven varieties of wheel loaders. An integral contributor to Doosan Infracore's goal of becoming a Global Top 3 player in the construction equipment industry, the plant has formed a network of efficient and effective linkages with the company's other manufacturing facilities.



## Doosan Infracore China Wins "Social Responsibility Excellence" Award

In January 2010, Doosan Infracore China received the "Social Responsibility Excellence" award from the 2009 Unity Award Competition held in Yundae City, Shandong Province, China, in January 2010. It recognizes the company's contributions to building harmony in the economic, social, and environmental spheres. Doosan Infracore plans to continue implementing sustainable and socially-responsible activities that accurately reflect the needs and desires of local Chinese communities.

## On-Site Management Strengthened to Ensure Mutually-Beneficial Growth with Business Partners

Doosan Infracore enhanced its on-site management activities for mutual growth with its business partners by forming a team that will support their efforts to strengthen their competitiveness. It includes key management personnel and experts from relevant business sectors. In addition to making regular visits to our partner companies, we have instituted a "management doctor" framework in partnership with the Federation of Korean Industries' (FKI) Small- and Medium-Sized Enterprise (SME) Cooperation Center. The goal of the program is to enhance the competitiveness of outstanding SMEs, provide training for innovation activities, and offer technology support.

## Wins "Excellent" Rating in Assessment of Co-Existence, Cooperation, and Fair Trade Activities

In May 2010, the Agreement Assessment Committee of the Korean Fair Trade Commission evaluated the performances of eighteen conglomerates, each of whom are a part of the Triangle Cooperation Program (TCP) to promote co-existence, cooperation, and fair trading practices with their business partners. Doosan Infracore won an "Excellent" rating through its program called "TCP Doosan Group-Wide" established in 2008. Since then, it has been an ardent supporter of the Korean government's policy of coexistence, cooperation, and fair and transparent trade practices between large companies and their business partners. We have also been developing a culture of fair trade by supporting the introduction of compliance programs for partner companies.

## DICC Wins Ministry of Knowledge Economy's Grand Prize at Inaugural Korea-China Corporation Management Contest

In December 2010, DICC, Doosan Infracore's local manufacturing company in China, won the Ministry of Knowledge Economy's grand prize at the First Korea-China Corporation Management Contest, jointly sponsored by the Ministry of Knowledge Economy, the Korea International Trade Association (KITA), and the Joong Ang Daily. The purpose of this contest is to strengthen economic cooperation between the two countries by discovering outstanding companies simultaneously operating in both markets. DICC's specialized business model, which is based on a strategy of fostering positive relations with China through activities that make significant contributions to its society, received high marks for enhancing the reputation of Korean companies.

## Developed CNG Engine with Selective Catalytic Reduction (SCR) Technologies

The "GL11," a compressed natural gas (CNG) engine developed for use in the North American market, was awarded a 2011 model year certification by the U. S. Environmental Protection Agency (EPA) in February, followed by one from Carbon Reductions in Buildings (CARB) in March. The amount of NOx it produces was reduced to 60% of the statutory level by applying Selective Catalytic Reduction (SCR) technologies. In addition, the engine's fuel consumption was reduced by 10% compared to US 2007 engine.


## Doosan Infracore Selected by Dow Jones Sustainability Index Korea

Doosan Infracore was included in the Industrial Goods and Services category of the Dow Jones Sustainability Index Korea (DJSI Korea) for the very first time in 2010. The DJSI, which was jointly established by Switzerland's SAM and Dow Jones in 1999, is a global standard that analyzes and evaluates a corporation's value as it relates to the economy, society, and the environment. In 2010, only 48 out of Korea's 200+ conglomerates were selected by DJSI Korea.

## Doosan Infracore's Excavators Rated First in Customer Satisfaction for Seventh Straight Year in Chinese Market

Doosan Infracore's excavators were named best-in-class in a customer satisfaction survey conducted by the Chinese Market Brand Customer Satisfaction Research Committee in February 2010. They outdistanced the second-place product by a wide margin, demonstrating the company's sustaining product excellence in the Chinese.

## Achieves 500,000 Accident-Free Hours

Doosan Infracore initiated a zero-accident campaign in the first half of 2010. The commitment of Machine Tools and Engines & Materials employees to the establishment of an accident-free workplace was reflected in achieving 500,000 accident-free hours.

# Sustainability Management

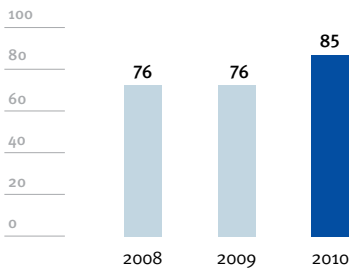
## Corporate Governance

Doosan Infracore has taken dramatic steps to preserve the independence and transparency of its corporate governance structure. We are committed to the establishment of clear and transparent decision-making processes.

### Board of Directors (BOD)

The company has enhanced its BOD-based governance framework to signal its commitment to transparent and responsible corporate management. The BOD is our ultimate decision-making body. It is tasked with upholding the rights of the company's shareholders and stakeholders. In addition, it oversees all management activities, and is responsible for ensuring all operating decisions contribute to healthy and sustainable long-term growth.

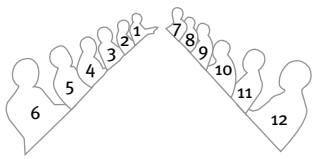
**Attendance at Board Meetings** (unit : %)




### Composition of BOD

The BOD consists of five inside and six outside directors. It also operates three exclusively independent committees, to ensure transparent decision-making. The directors are elected at the company's General Shareholders' Meeting. The Outside Director Candidate Recommendation Committee nominates candidates for these posts after evaluating their expertise and any relationships they may have with Doosan Infracore. To guarantee a high-level of decision-making only those candidates who can demonstrate requisite economic, social, environmental expertise are nominated for directorships.

**Picture of Board Operation**




1. **Reporter** Exec. Managing Director, Doosan Infracore
2. **Kijong Hong** Lawyer, Kim Chang & Lee
3. **Ho Yang** Crystal Capital CEO
4. **Myungjae Lee** Legal Councilor at Bae, Kim & Lee, LLC
5. **Youngtak Lee** Board Chairman, World Future Forum
6. **Gilwon Kim** Head of M&As, Nexiz Samduk
7. **Asst. administrator** Managing Director, Doosan Infracore
8. **Ogyoo Lee** Vice President, Doosan Infracore
9. **Yongsung Kim** President, Doosan Infracore
10. **Yongmaan Park** Chairman, Doosan Corporation
11. **Jeongwon Park** Chairman, Doosan Construction
12. **Jaekyung Lee** Vice Chairman, Doosan Corporation

### Board Operation

The BOD considers, makes resolutions on, and provides a check and balance mechanism for key management decisions. It also makes determinations on the company's fundamental management policies and other important matters. In addition, it sets key agenda items, formulates the company's investor relations (IR) activities, and deliberates on matters that have been brought to its attention by shareholders and/or company employees at the General Shareholders' Meeting. The BOD examines its agenda items in advance of formal meetings, allowing it to deal with potential conflicts of interest that might negatively impact the company, and take appropriate steps to deal with them. All directors are allowed to participate in the BOD's deliberations by video link,

which is considered equal to physically attending a BOD meeting. On the other hand, BOD members are not allowed to exercise their rights by proxy. Directors who have a vested interest in a particular agenda item are not allowed to vote on it.

## Assessment of the Board's Performance / Directors' Remuneration

Remuneration for both inside and outside directors of the BOD is calculated within the limits specified for them through General Shareholders' Meeting. To ensure there is a linkage between directors' compensation and performance, the company has implemented a basic annual salary system for each job grade, along with a bonus system for performances that exceed expectations.

## Committees

There are a number of committees under the BOD's jurisdiction. They are tasked with enhancing the BOD's operations, ensuring the professionalism of its decision-making, and guaranteeing its independence. Outside directors are members of all of them, maximizing the efficiency and professionalism of their activities.

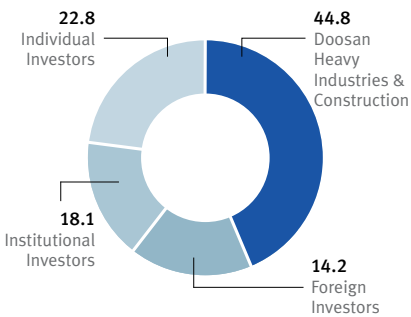
## Committees' Purposes and Roles

**The Audit Committee** The Audit Committee consists of three outside directors, guaranteeing the transparency and independence of the company's auditing processes. Its main task is to ensure that the company's accounting practices are transparent and fair. It has the right to ask the BOD to report on the company's operations and to review its financial situation.

**Outside Director Candidate Recommendation Committee** This committee is composed of four outside directors. It nominates candidates for election at the General Shareholders' Meetings.

**Insider Trading Committee** This committee was created to establish a framework for complying with fair trade rules and regulations. It consists of at least four outside directors. In addition, directors who have a vested interest in a particular agenda item are not allowed to vote on it. Any transaction worth over KRW 10 billion that will be carried out by the company with an individual or corporate entity that is not at arm's length from it requires the committee's prior approval. It also has the power to investigate instances of insider trading and propose corrective measures.

**Shareholder Status** (unit : %)



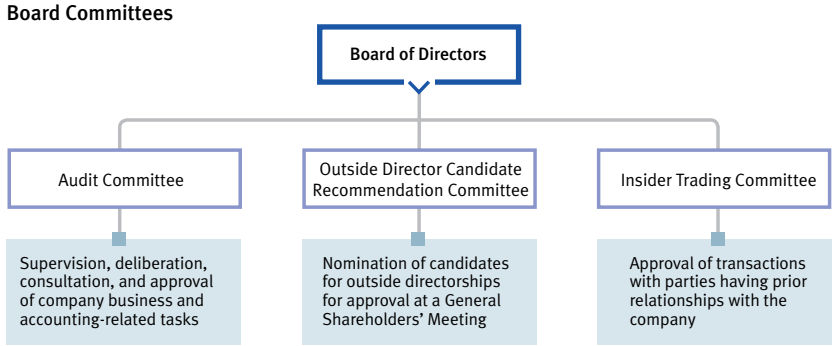

* As of the end of 2010, Doosan Infracore's largest stockholder is Doosan Heavy Industries & Construction at 44.8% of the stake. At annual general stockholders' meetings, status of company management is reported to stockholders and the stockholders can participate in decision-making.

**Composition of BOS** (as of April 2011)

| Position | Name | Current Position/ Role within Board |
|---|---|---|
| Inside Directors (5 people) | Yongmaan Park | Chairman / Chairman |
| | Jeongwon Park | Doosan Construction Chairman / Director |
| | Jaekyung Lee | Vice Chairman / Director |
| | Yongsung Kim | President / CEO |
| | Ogyoo Lee | Vice President / CEO |

| Position | Name | Current Post / Role within Board |
|---|---|---|
| Outside Director (6 people) | Myungjae Lee | Legal Councilor at Bae, Kim & Lee, LLC / Outside Director Candidate Recommendation Committee member; Insider Trading Committee member |
| | Youngtak Lee | Board Chairman, World Future Forum / Insider Trading Committee member |
| | Ho Yang | Crystal Capital CEO / Outside Director Candidate Recommendation Committee member; Insider Trading Committee member; Audit Committee member |
| | Gilwon Kim | Head of M&As, Nexia Samduk / Outside Director Candidate Recommendation Committee member; Audit Committee member |
| | Yongsuk Yoon | Lawyer, Lee & Ko / Audit Committee member; Insider Trading Committee member |
| | Kijong Hong | Lawyer, Kim Chang & Lee / Outside Director Candidate Recommendation Committee member |

**Board Committees**

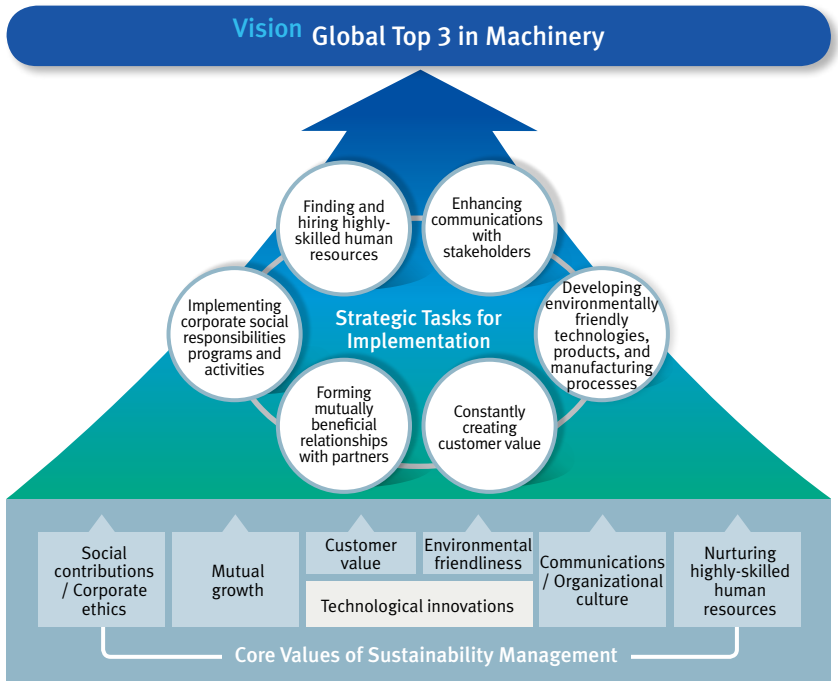



## Sustainability Management

Doosan Infracore's sustainability management activities are based on full and frank communications with our various stakeholders, including customers, employees, partner companies, and local communities. Our goal is to foster an atmosphere of harmonious co-existence and to form mutually beneficial relationships.

### Sustainability Management Framework

As part of our strategy to achieve profitable and sustainable growth, we have selected six tasks for implementation, which dovetail into our strategic sustainability management framework.




### Implementing Sustainability Management

Doosan Infracore has established a Sustainability Management Team within corporate center strategy organization. Its duties include assessing the progress of our sustainability management activities on a company-wide basis, as well as crafting our strategies and their implementation methods. The team carries out these activities in collaboration with in-house sustainability management consultation groups. We have also established a series of highly-efficient communication channels with various stakeholders, and use these to disseminate information regarding our economic, social, and environmental responsibilities.

## Key Sustainability Management Results

Doosan Infracore has achieved a number of positive results in its efforts to enhance its sustainability management activities and practices, both inside and outside of Korea.

### Awards for Sustainability Management


Our Chinese affiliate, DICC, won the 2009 Excellence in Social Responsibilities Implementation award at the Chongwa awards ceremony for its ongoing contributions to the betterment of China's society.

In addition, Doosan Infracore was awarded the 2010 Korea CSR 30 Award. This was especially significant, as the award was based on the "Asian social responsibility assessment model" created by economic and financial experts in Korea, China, and Japan.

### Sustainability Management Awards

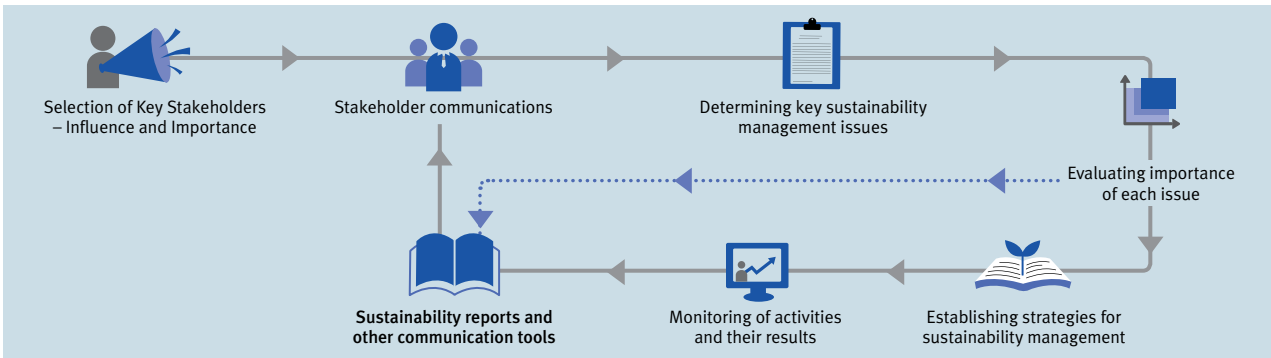
| Year | Awards |
|---|---|
| 2008 | Marketable Securities Excellence in Corporate Governance Structure Assessment |
| 2009 | Excellence in Governance Structure |
| | DICC (China) won the "Excellence in Social Responsibility Implementation" award at the Chonghwa awards ceremony |
| 2010 | Doosan Infracore included in the 2010 DJSI Korea |
| | Won the Korea CSR 30 Award |
| | DICC (China) won the "Excellence in Social Responsibility Implementation" award |
| | DICI (China) given a "Golden Working Bee" honorary award |

## Stakeholder Participation

Stakeholder participation formulates all of Doosan Infacore's sustainable management activities. We have established a wide range of communication channels that enable us to keep in touch with each stakeholder group and learn about their thoughts and opinions.

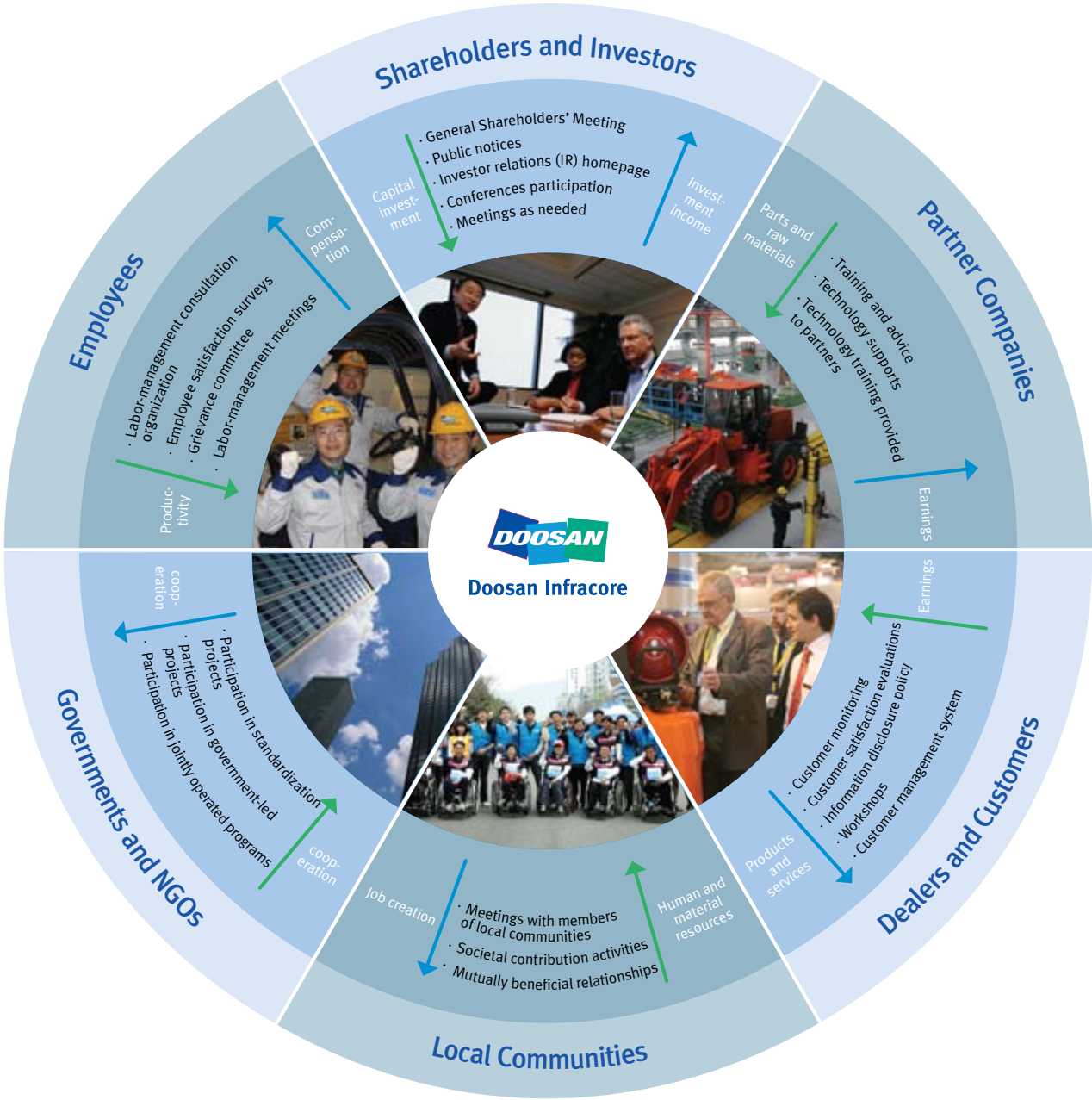
### Stakeholder Participation Process

Doosan Infracore has a number of key stakeholders. They include its employees, shareholders and investors, partner companies, dealers and customers, local communities, governments and NGOs. We strive to form positive and mutually beneficial relationships with each. In addition, we have established efficient and effective communication channels with each stakeholder group, allowing us to learn about their thoughts and opinions on various sustainability management issues. We work with this data to establish and implement new strategies to support our overall goal of sustainable management. The results of these new activities are carefully monitored and shared with our stakeholders through communication tools such as this sustainability report.



## Communication Channels for Stakeholders

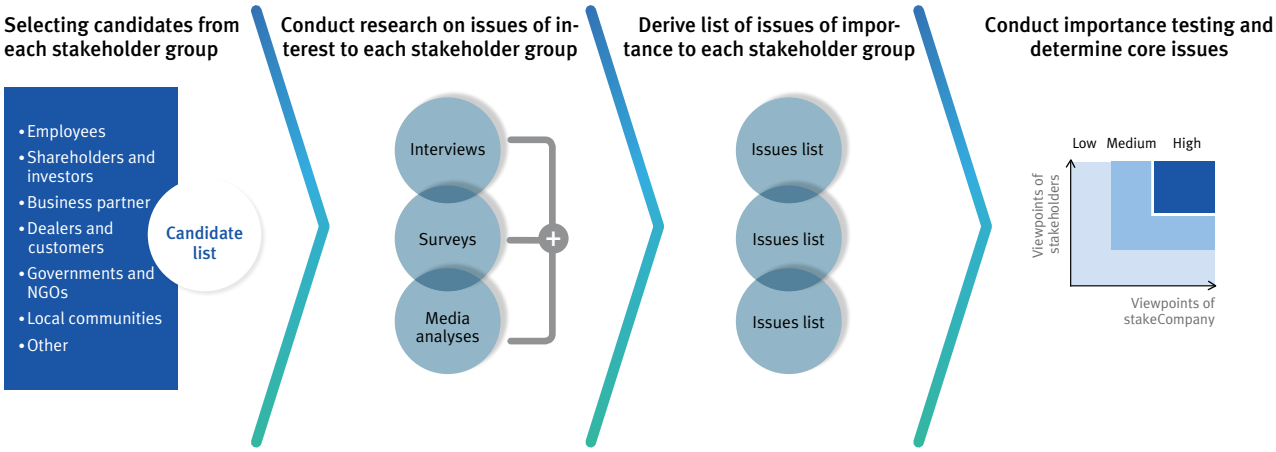
Doosan Infracore has established a network of communication channels for each of its stakeholder groups. We operate them continuously or at regular intervals, depending on the level of influence of the group at which they are directed. This allows us to constantly keep abreast of issues that are of interest to all our stakeholders.



## Assessing Importance of Stakeholders

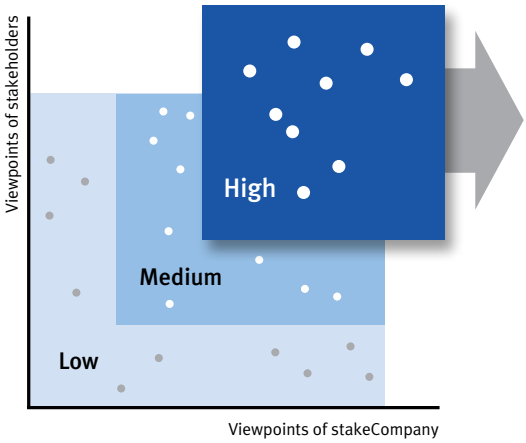
We determine the relative importance of stakeholder groups by assessing their interest levels in issues impacting the company's sustainability management strategies and activities. These assessments are carried out by selecting members from each stakeholder group and conducting research to identify sustainability management issues important to them. The final step is to determine which issues are core issues. This is done by consulting a wide range of resources, including Korean and overseas media, global sustainability management indices (such as the GRI and the DJSI), stakeholder surveys, and in-house documents. Priorities are then determined based on the amount of influence each issue has on the company's ability to deliver on sustainable management strategies.

## Determining Importance Level of Issues




## Key Sustainability Management Issues Prioritization in 2010

Key sustainability management issues derived through this process were then classified into three groups (high, medium, and low) according to their relative importance. The "high" group consisted of nine core issues. When this process was completed, the company began outlining its policies and activities relating specifically to them.




**Core sustainability management issues**



**High** : This describes an issue area in which a stakeholder group is highly interested and that also exerts a significant influence on the company's strategies and operations. They are the main focus of this report

**Medium** : This describes an issues area requiring continued management to further the company's sustainability management goals. They have also been included in this report.

**Low** : This describes an issues area with a relatively low level of importance, or one that is overly biased toward a certain area. They either have not been included in this report or have been reported as data only, without the benefit of additional commentary.

# Economic Sustainability

Doosan Infracore is maximizing its economic performance by securing world-class technologies, executing rigorous quality-management processes, embracing change and innovation, and pursuing a world-wide mergers and acquisitions (M&As) program.

**These activities contribute to strategy of becoming a "Global Top 3" machinery industry player.**

## Approach

Doosan Infracore takes an aggressive and proactive approach to changes in the global economy. In 2010, the company achieved its target of increasing sales by 44% year-on-year. 2011 marks the halfway point of our "post-economic crisis" operating strategy, with a goal to have total sales of KRW 17 trillion.

## Principle

As the global economy steadily recovers, our domestic and overseas sales results are expected to grow. We still face many risks, including the possibility of a delayed economic recovery, natural and environmental disasters, and rising raw materials prices and exchange rates. To cope with these eventualities, Doosan Infracore plans to strengthen its business capabilities by developing and securing differentiated products and technologies, expanding its global network, and continuing with its innovation activities. We also intend to enhance our sustainable management foundation through a transparent governance structure, ethical management, and exhaustive risk management.

## Economic Performance

| Category | Unit | 2008 | 2009 | 2010 |
|---|---|---|---|---|
| **Sales** | 100 million won | 73,713 | 55,382 | **79,541** |
| **Operating income** | 100 million won | 1,155 | -3,953 | **4,546** |
| **Operating income ratio** | % | 1.6 | -7.1 | **5.7** |
| **Total assets** | 100 million won | 125,509 | 107,380 | **103,769** |
| **Total liabilities** | 100 million won | 94,296 | 81,949 | **79,734** |
| **Total capital** | 100 million won | 31,213 | 25,431 | **24,035** |

* The financial results given above are consolidated results.

# Special Issue

## Doosan Infracore reinforces its competitiveness through continuous innovation activities.

This includes installing a specialized innovation system whereby optimal techniques are deployed according to each operation, allowing us to continually reinforce our competitiveness.

In order to turn our slogan of "safe sites, efficient plants, and an enjoyable workplace" into a reality, we have implemented a variety of strategic tasks and process innovations, with a focus on bolstering our employees' abilities to carry out their tasks effectively. As a result, innovation has become the primary engine of achieving strong competitiveness and steady economic performance.

## Strengthening Employees' Innovation Abilities

### Nurturing innovation experts

Doosan Infracore has implemented a training framework that enhances its employees' understanding of innovation activities, and nurtures their ability to carry out their tasks efficiently and effectively. The framework consists of: Integrated Cost Reductions (ICR); Design to Cost (DTC); Purchasing and Supply Management (PSM); Lean Manufacturing; and Total Quality Management (TQM). We will refine the training curriculum, which is already tailored to increase our employees' expertise in such areas as R&D, purchasing, manufacturing, and quality control. We will also link it to our human resources system to continuously groom an expert workforce boasting top-notch innovative capabilities.

**Training Curriculum to Cultivate Innovation Experts**

| Course | Content |
|---|---|
| Purchasing Academy | Expert knowledge, roles, and attitudes for persons in charge of purchasing; group training |
| Lean Academy | Reinforces implementation of lean manufacturing processes; lean experts nurtured |
| Quality Academy | Expert-knowledge training, including core processes already in operation (e.g. QP, PPAP, and CAP) and their resolution (Six-sigma); sharing successful cases |
| R&D Professional Course | Under the aegis of its Research Institute, the company offers an expert training program to cultivate R&D knowledge and skills. 40 to 50 courses are run each year. |

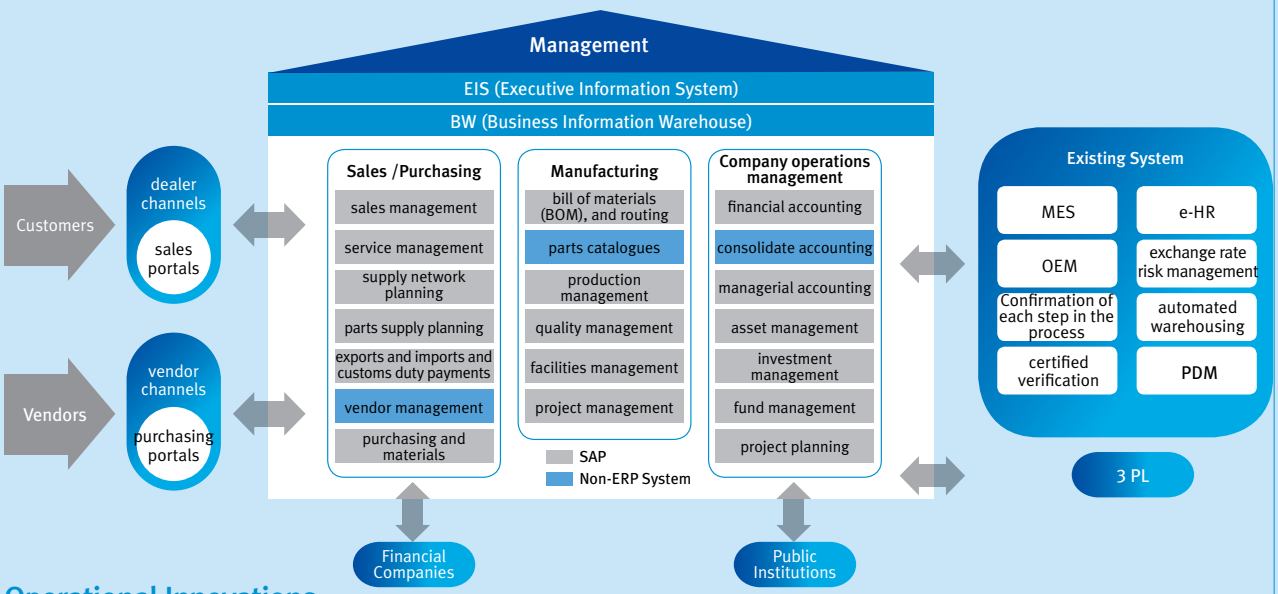
Domestic Lean education

Lean education abroad

## Process Innovation

### Working with the ERP System

The company-wide process innovation and ERP implementation activities initiated in 2007 for customer-value maximization have now been applied to most locations in Korea, China, and Europe. In 2011, it will be extended to our U. S. operations (including machine tools, Forklifts, and engines) and new Doosan Infracore operations in China. Our Enterprise Resource Planning (ERP) system integrates our internal and external management across the entire organization, including finance and accounting, manufacturing, and sales and services, markedly enhancing our overall operational results. Because of the system's efficacy, we are taking steps to integrate our motto of "working within ERP". Following on its implementation in the construction equipment group, we have expanded its application to include machine tools, Forklifts, and engines. We are also formulating plans to carry out post-ERP innovations and adopt more advanced operating systems.

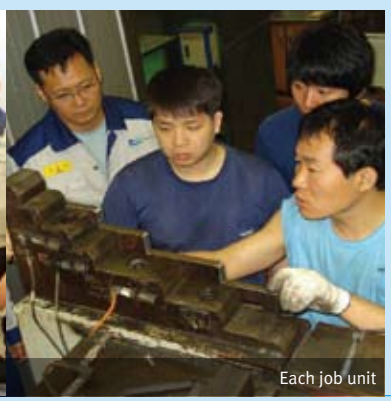



## Operational Innovations

### Warm and welcoming production sites

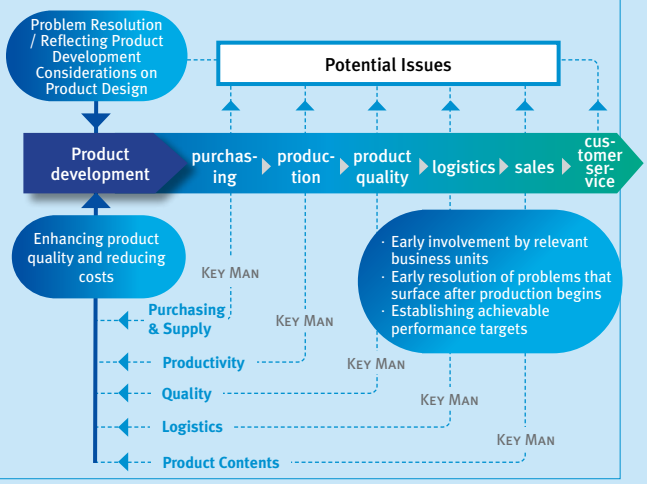
Warm and welcoming production sites are an integral part of Doosan Infracore's innovation activities. In order to encourage voluntary participation in our innovation activities at our production sites, the company has been running improvement-themed activities for each job and work unit since 2007. This has allowed us to achieve marked reductions in our use of materials, and enjoy dramatic improvements in the productivity and overall quality of our products. In 2010, we began holding "best of the best" competitions for each work unit, offering generous rewards to operators who made major improvements to their performance through innovation. In addition to providing employee incentives, the program motivates workers, showing them ways in which they and the company can grow together. It also increases the participation rate and enhances the quality level of our on-site activities. Motivating our employees with enjoyable, voluntary innovation activities is an integral part of the company's goal of developing an innovative and competitive culture.

2010 Best of Best competition


Each job unit

### Reducing unnecessary costs, from design to sales

We are forging ahead with a number of innovations encompassing all our manufacturing processes, from product planning to shipping to sales. For example, the company has introduced an Integrated Cost Reduction (ICR) system. In addition to fostering innovations at each stage of the production chain, it encourages all facets of the organization to participate in new product development activities, including, but not limited to: initial development purchasing, production, quality control, financing, planning, and sales. The system allows us to maximize the efficiency of our manufacturing operations, reducing the incidence of unnecessary elements that might otherwise occur in the course of developing a product and lessening our overall costs. This results in increased product competitiveness, allowing both the company and its business partners to enjoy faster and more profitable growth.



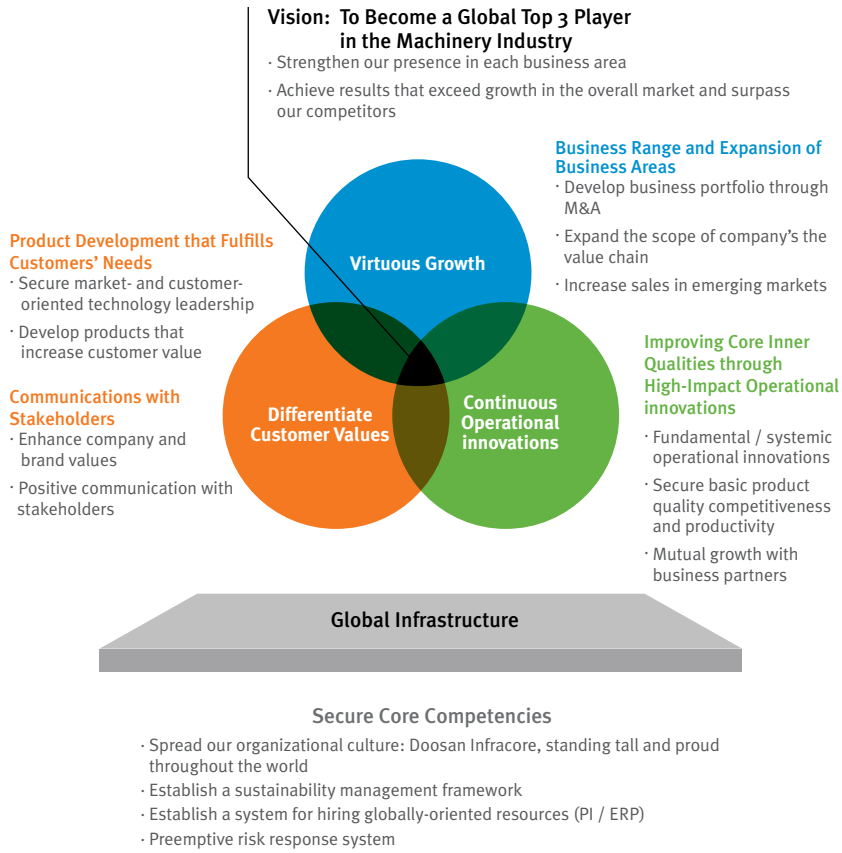
# Growth Strategy

## Vision and Strategies in Our Pursuit of Becoming a "Global Top 3"

Doosan Infracore's vision is to become "A Global Top 3 Player in the Machine Industry." We are establishing a foundation for enhancing our global competitiveness and enhancing customer value. Basing our strategies on the Doosan Group's management philosophy of the "Doosan Way"

### Medium- to Long-Term Strategic Direction

Doosan Infracore boasts an overseas network comprising more than 4,000 business entities, including eighteen production facilities throughout the world. Our dramatic global growth is reflected in healthy overseas sales, which accounted for 79% of the company's overall results. Our strategy of undertaking M&A of overseas companies has been a primary contributor to this success. Stellar growth has allowed Doosan Infracore to set a target of KRW 17 trillion in sales by 2015. Our mid- to long-term operating strategies are based on the following four premises: expanding the implementation of virtuous growth, creating differentiate customer values, developing continuous sustainable operational innovations, and establishing a global infrastructure. In 2010, we generated sales of KRW 7.95 trillion, up 44% year-on-year.



# Growth Engines



## Activities to Achieve Corporate Vision

In order to bolster its competitiveness, Doosan Infracore is placing emphasis on its global operations. This includes developing sales in advanced markets while becoming a leader in emerging ones, such as Brazil and India. We are also striving to secure technological leadership through continuous technology development and operational innovation.

### Expanding Global Network

Due to our efforts to strengthen our global operations in both advanced and emerging markets, the overall sales ratio of our overseas businesses is on the rise, while our workforce is becoming increasingly globalized. In 2010, sales by our overseas businesses were KRW 6.25 trillion, 79% of the company's overall total. In addition, we had 8,160 employees working overseas, 61% of our total workforce.

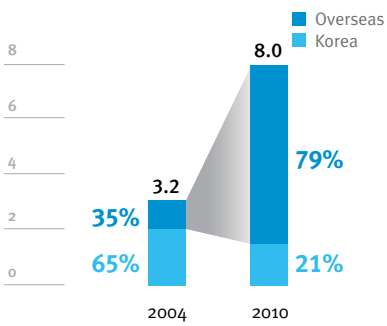
#### Expanding Overseas Businesses

In order to grow into a truly global enterprise, we are expanding the role played by our overseas businesses. Over the years, the company's overseas sales have grown faster than in Korea. (For example, although overseas sales accounted for only 35% of our total in 2004, they almost doubled to 79% in 2010.) This foreign-based business growth can be attributted to our acquisition of Bobcat and the expansion of our construction equipment plants in China. Our dealer network, which connects the company to its customers, now numbers more than 4,000 global locations.

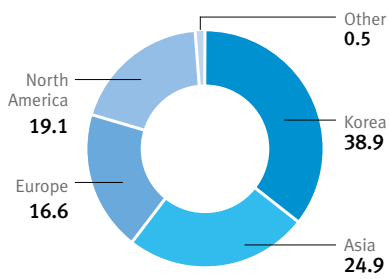
#### Globalizing through Local Recruitment Activities

Thanks to this growth, our business is attracting talent. The number of our employees (including those working for Doosan Infracore corporations overseas) rose from 6,500 in 2005 to 13,400 at the end of 2010 as people of many nationalities are now an integral part of Doosan Infracore's operations. We are now able to develop products that reflect local cultures and their needs more accurately. In addition to enhancing our reputation as a truly global enterprise, we contribute to the well-being of local communities by creating more jobs for their people.

**Sales Composition by Geographical Area**
(Unit: Trillions of KRW)



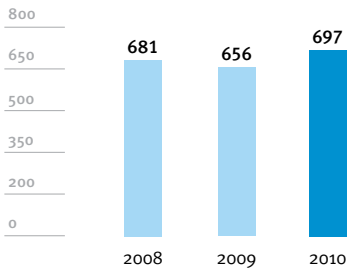

**Global Workforce in 2010** (unit : %)



## Ensuring Technological Leadership

In order to continue producing products that always exceed its customers' expectations and bolster its competitiveness in the field of environmentally friendly technologies, Doosan Infracore is taking a multitude of steps to enhance the core competencies of its 700 R&D specialists. We are also focusing on R&D because of its potential to act as a long-term growth platform.

**R&D Workforce** (Unit: persons)




### Directions for Technology Innovation and R&D

We founded our first research institute in 1981, concentrating on improving our R&D capabilities to develop key proprietary products. After becoming part of the Doosan Group, we continued to increase R&D investment, resulting in world-class product development capabilities. In 2007, our Research Institute was moved to the city of Sooji in the province of Kyunggi-do, offering us an ideal environment for conducting cutting-edge research. We decided to focus the following core research areas: hybrid power systems; new combustion technologies; intelligent technologies; industrial designs; virtual designs; hydraulic systems; and friction and abrasion technologies. The reason that we did this was to focus on the creation of industry-leading technologies and advance them to the "next-generation" level. This allowed us to develop new and innovative products, and discover new businesses that might become future growth engines for the future. Because of this, we are steadily increasing our expertise as a global technology developer. This expansion of our R&D capabilities has allowed us to carry out technology developments in links with the company's overall strategies. We have done this by establishing a framework for securing strategic technologies based on a technology development roadmap. To ensure that we achieve this goal, we continue to recruit outstanding R&D personnel and support them in developing their

**INTERVIEW**

### "Behind Global Competitiveness and High Growth were Technology Leadership and Continuous Innovation"

**Kijong Sung,** Daewoo Securities

Doosan Infracore's global competitiveness and high growth are backed by a history of technology leadership and continuous innovation. The company has already achieved product competitiveness in a variety of fields, including construction equipment, process automation, engines, and Forklifts, and its products are leaders in a number of key global markets, such as Europe, North America, and China. I believe that Doosan Infracore's high growth and international competitiveness are fueled by the company's technology leadership, constant introduction of new products, and commitment to continuous innovation.

Today's management environment contains a number of risks that could impact negatively on a company's sustainable growth. These include increases in raw materials prices, exchange rate fluctuations, and intensified competition. However, these can be viewed as either crises or opportunities. Doosan Infracore must cope with this risky operating environment. To do so, it must retain its industry-leading competitiveness and leadership by continuously introducing products that are radically differentiated from those of its competitors.

I think that Doosan Infracore's valuation on the stock market is too low relative to its growth potential. After all, it is Korea's flagship machinery company, boasting a superior presence in terms of price, product quality, design, productivity, and experience. It is also the industry leader in the area of core technologies. Along with its well-demonstrated strengths in overcoming crises in the past, the company has developed the flexibility to respond to changing customer demands in an expeditious manner. Its global network is another of its major strengths, since it allows the company to introduce new products to world markets very quickly.

Given all of these factors, institutional investors are retaining their optimistic view of Doosan Infracore's future potential. If the company engages even more proactively in communicating its worth to the world going forward, I believe that the views of the market and investors toward it would improve dramatically. I also believe that the company should expend more effort using public relations to build its reputation. If it concentrated on providing the public with clear and easily understandable information about its products and operations, it would experience immediate and positive benefits in terms of its overall valuation.

skills. In addition, we are creating synergies in each business area by locating research institutes at our overseas corporations. This has led to the development of a series of globally competitive, next-generation products, garnering many favorable reviews in the process.

## R&D Directions by Business Area

Doosan Infracore is developing technologies tailored to each of its business areas. For more details on our R&D operations and the technologies described below, please refer to our company homepage.

**Construction Equipment** Starting with the creation of the "Solar" in 1985, Korea's first independently-developed excavator, we have developed a portfolio that meets world-wide customer demand, including both emerging and advanced markets. In this particular business area, we are focused on the marketability of our products by emphasizing their cost competitiveness, and their quality, reliability, and durability (QRD). To achieve this end, we are continuing with our commitment to quality innovation, enhances our Reliability Growth (RG) Process while reducing production costs.

**Machining Tools** The thrust of this business area is to develop environmentally friendly intelligent products. We are implementing a plan to transform next-generation equipment into an optimal "series" platform, ranging from compact models to highly-advanced equipment. Our ultimate goal is to become the world's leader in machining tools, and will do this by offering products that fulfill and exceed customer demand in terms of pricing, features, scalable packaged systems, and by continuing to develop cutting edge technologies.

**Engines & Materials** Doosan Infracore is developing a wide range of products in this area, including environmentally-friendly vehicle engines and gas motors for generators. We are also developing high-performance engines that meet impending and restrictive emission regulations. Moving forward, we will become the industry standard of fuel efficiency, durability, reliability, emissions and decibel reduction levels. This will be achieved through various virtual product developments in our cutting-edge manufacturing facilities.

Research & Development

## Results of Securing Technology Leadership

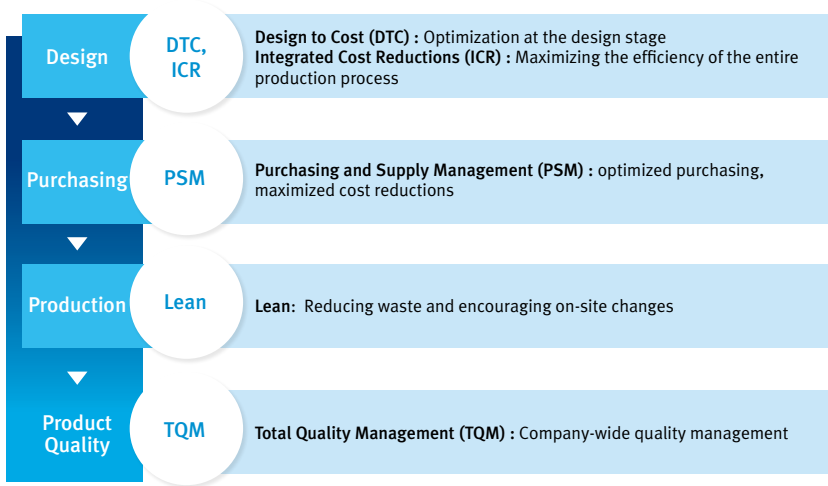
Doosan Infracore's efforts to secure technology leadership in the machine industry are reflected in its number of technology registrations and patent applications. Given the rapid increase in ever-stricter environment-related regulations, the company's R&D efforts in the area of emissions regulations are increasing exponentially. Among the fifteen invention applications filed by Engines & Materials BG Research Development, ten of them, representing a full 67% of the total, were related to emissions regulations. To satisfy emissions standards that are becoming ever more restrictive, we have adopted a strategy of applying for certifications by country and use. This resulted in our securing fifty-nine certifications in 2009--seventeen for industrial purposes, eighteen for marine applications, twenty-two for vehicles, and two for generators.

## Sustainable Innovations

Doosan Infracore is committed to innovating both its processes and its operations to increase the company's economic value and ensure its operational excellence.

### Innovating Operations

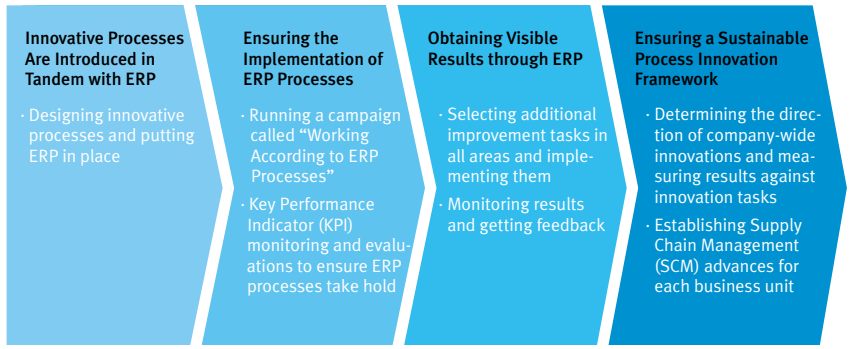
We are innovating all areas of operation–including design, production, purchasing, and product quality–to help us discover our customers' needs and reflect them in our finished products. At the design stage, we strive to optimize our design and product features while enhance our parts commonality. In purchasing, we achieve cost reductions by supplementing our business partners' competencies and reducing the number of companies we deal with. In production, we add to plant efficiency through a lean production system. For product quality, we encourage employee participation in a number of areas including determining the proper processes for ensuring quality at each stage of a product's development; determining the best means of guaranteeing the quality of outsourced products before they leave our facilities; preventing the reocurrence of poor-quality workmanship; and establishing the highest possible production standards.




### Process Innovations

Enterprise Resources Planning (ERP): We have completed the implementation of a standardized Enterprise Resource Planning framework in all business areas to realize exceptional operational efficiencies.

**ERP Processes**



# Growth Bases



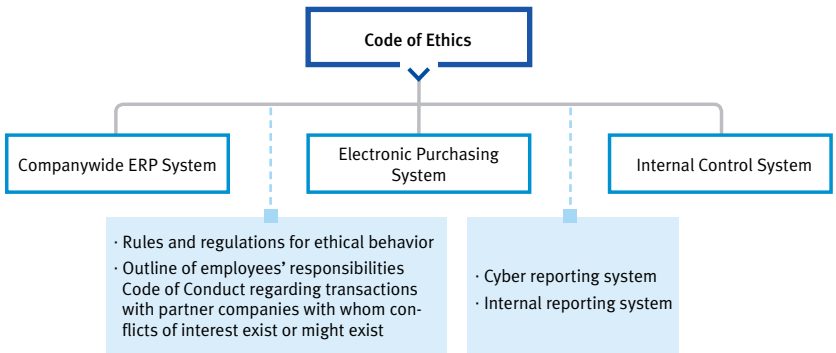
## Ethical Management

In order to evolve into a top-tier global enterprise, Doosan Infracore will presure healthy and principled growth through an ethical management system.

### Ethical Management Framework

We operate an ethical management system to ensure that the company is managed in an above-board and ethical manner. It includes a Code of Ethics, rules and regulations outlining employee responsibilities, a Code of Conduct for dealing with business partners with whom conflicts of interest exist or might exist, and a voluntary fair trade compliance system. We also introduced an ERP system to ensure that transparent management is being practiced throughout the company. This allows us to increase our work efficiency and enhance our control over items that need to be dealt with by our internal accounting management system. We regularly conduct inspections of internally controls to comply with external rules and regulations. These are carried out through a set of standardized control procedures.

**Diagram of Ethical Management Framework**




### Strengthening Ethical Management System

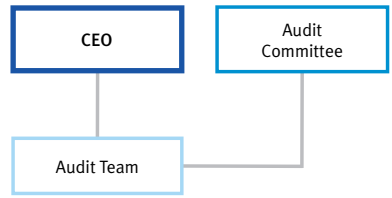
#### Internal Reporting System

Interested parties may make reports alleging corruption or unethical behavior to the company's ethical management system by using its internal reporting system. They can do this through various communications channels, such as telephone, email, letters, or faxes. We also run a web-based reporting system on our homepage so people can report violations anonymously. The contents of these reports are kept strictly confidential to ensure that the person making the report will not be affected negatively. The company's audit team checks the veracity of each report and takes appropriate measures, including notifying the person who made the report if his or her name is known. Each investigation is reported to the CEO; issues concerning the company's annual accounting process and/or work audits are reported to the Audit Committee as well. There were four total reports involving allegations of corruption or unethical behavior in 2010 was four.

#### Cyber Auditing and Activities to Prevent Corruption

Transparent and ethical management is one of Doosan Infracore's core values. Headed by the audit team depending on the circumstance, we follow corruption prevention ac-

**Organizations Supporting Ethical Management**




* Information on our Code of Ethics, our ethical behavior rules and regulations, and operating policies for the company's internal reporting system can be accessed on our homepage.

**Business Locations Where Corruption Risks Have Been Analyzed**

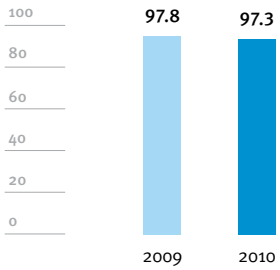
| Category | 2008 | 2009 | 2010 |
|---|---|---|---|
| Total number of business locations | 8 | 9 | 9 |
| Number of locations analyzed | 5 | 7 | 9 |

* As of 2010, We have been monitoring all business locations

**Corruption Prevention Activities by Team**

| Category | Activities |
|---|---|
| Audit Team | Regular audit according to annual plan; audits as needed when warranted; special audits upon request by management |
| Internal Control Team | Checks whether internal control items have been complied with. This is done every quarter. |
| Inventory Investigation Team | Annual inventory check of products and raw materials to prevent their illegal use |
| Debt Management Team | Annual examination of audits of debt status of sales offices |
| General Affairs Team | Conducts annual direct or indirect due diligence of fixed assets |
| Financial Accounting Team | Monitors whether rules and regulations regarding sales have been complied with. This is done on a monthly basis. |

**Participation Rate in Ethical Management Training Courses** (unit: %)

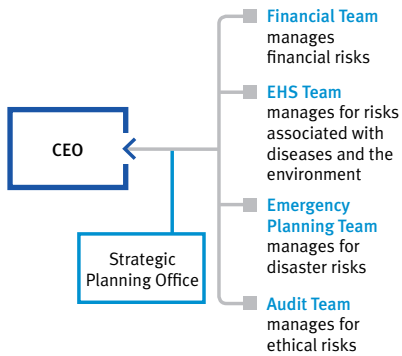



tivities for each team regularly or as needed. To ensure this system is applied throughout the entire production chain, we run a web-based mechanism to carry out everyday audits and ethical management-related tasks. Anyone can access the cyber audit process, confidant that it is being operated as a closed-door, one-to-one mechanism between the audit team and the person making the report.

### Establishing an Ethical Management Culture

Since 2008, as part of its company-wide campaign to ensure that a culture of ethical behavior is taking root at every level, Doosan Infracore has been appointing an ethics leader for each production team. His or her job is to provide training in ethical behavior to team members on an annual basis. Topics include the company's Code of Ethics, ethics rules and regulations, employees' responsibilities, and instructions on how to conduct transactions with a business partner when a conflict of interest exists or might exist. The results of this training are submitted to management after it is finished. Employees at a team leader level or higher are required to submit an annual description of any relationship(s) that might place them in a conflict of interest, affirming their willingness to adhere to the company's ethical behavior rules and regulations. Every year, during the New Year and Autumn Harvest holidays, the company's CEO sends out letters encouraging employees to comply with the company's Code of Ethics. This demonstrates our commitment to ensuring ethical management is practiced among all our stakeholder groups. Employees are also required to submit an agreement signaling their willingness to comply with the Code of Ethics. The company also informs its employees about what steps they must take after they have incurred out-of-pocket expenses and how to prevent errors in their year-end settlements.

**Risk Reporting Structure**




## Risk Management

Our risk-response measures are designed for us to respond quickly and appropriately to internal and external management crises that could occur due to changes in our environment. We are also establishing a risk management process that will enable both management and staff to recognize risk-related anomalies and respond to them quickly.

### Risk Reporting Framework

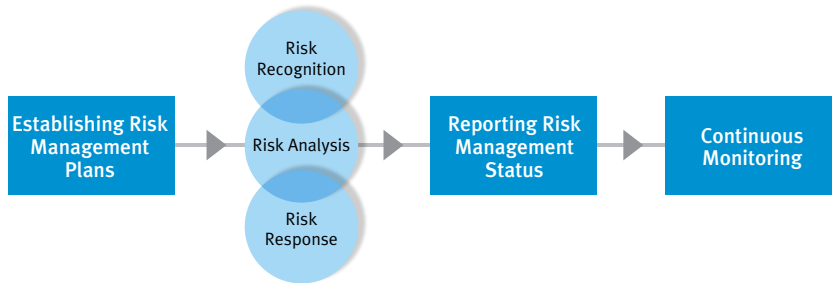
Doosan Infracore has established an organic risk management and reporting system for each of its businesses to help it cope with risks that could reduce its value and cause it to sustain losses. Each type of risk is analyzed to determine its potential for occurring and its threat to the company. When a risk is detected, it is reported to the CEO immediately, so that a quick and effective response can be formulated.

### Key Risk Response Activities

| Risk Area | Response Activities |
|---|---|
| Finance | Management of liquidity regarding exchange rates and interest rate risks |
| Disasters | Prevent losses of life and property through disaster risk management and post-disaster measures |
| Diseases / The Environment | Management of safety, public health, and the environment associated with employees, residents of local communities, and customers over the entire product production and plant operation stages |
| Ethics | Check whether employees are adhering to the company's ethical rules and regulations through an audit of unethical activities,including taking bribes and corrupt actions |

### Risk Management Process

The company's risk management system covers the entire operating spectrum, from planning for its establishment to developing risk measurements to implementation and reporting.



# Economic Performance



## Growth Potential, Stability, and Equitable Distribution

Doosan Infracore is committed to reinforcing both the potential and the stability of its growth in terms of sales, profits, and credit ratings. In order to achieve its target of annual sales of KRW 17 trillion by 2015 and become a Global Top 3 player in the machine industry, we will provide the market with the highest-quality products and services by using a strategy of customer-oriented management and continuous innovation.

### Achieving Highly-Profitable Economic Results

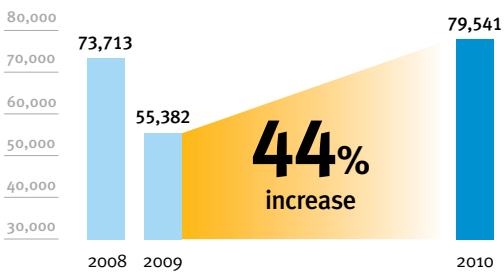
Doosan Infracore's 2010 sales were KRW 7.9541 trillion, up 44% year-on-year. Operating profit was KRW 454.6 billion, a remarkable increase of KRW 849.9 billion from a year ago.

The construction equipment business enjoyed the core of company sales, with 71% of the total. Engines business made up 8%; machine tools business 13%; forklifts business 5%; and parts sales 2%. The company's overseas sales have been increasing steadily since 2008. In 2010, they were 36% higher than the year before.

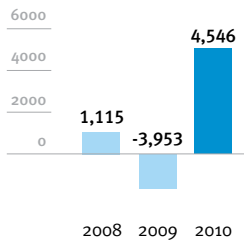
**Economic value distribution**

| Stakeholders | Amount (in millions of KRW) | Ratio (%) |
|---|---|---|
| Customers | 657,204 | 52.6 |
| Business Partners | 240,178 | 19.2 |
| Employees | 171,714 | 13.8 |
| Shareholders and Investors | 143,882 | 11.5 |
| Governments | 24,194 | 1.9 |
| Local Communities | 12,351 | 1.0 |
| Total | 1,249,523 | 100 |

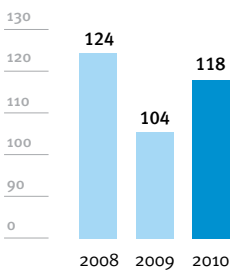
**Sales** (unit: KRW one hundred million)



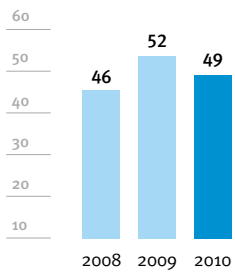

**Operating Profit**
(unit: KRW one hundred million)




**Liquidity Ratio** (unit: %)




**Total Loans and Bonds Payable to Total Assets** (unit: %)




**2010 Credit Rating (Korea Investors Service)**

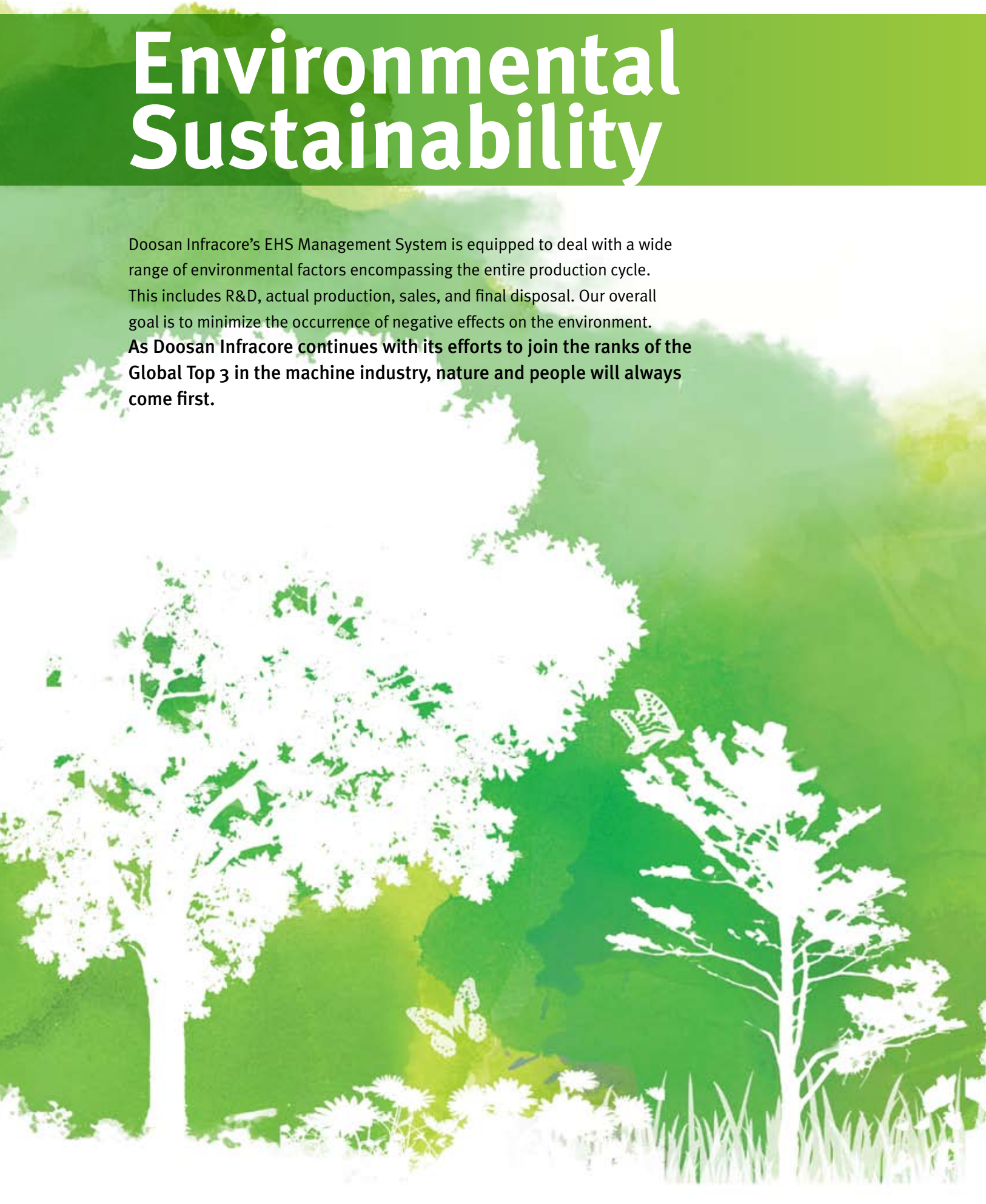
**A**

* Data were calculated according to the standard used for consolidated financial statements

# Environmental Sustainability

Doosan Infracore's EHS Management System is equipped to deal with a wide range of environmental factors encompassing the entire production cycle. This includes R&D, actual production, sales, and final disposal. Our overall goal is to minimize the occurrence of negative effects on the environment.

**As Doosan Infracore continues with its efforts to join the ranks of the Global Top 3 in the machine industry, nature and people will always come first.**



## Approach

Going forward, the company will continue as a leading environmentally friendly enterprise that develops high-quality technology and creates enhanced values through continuous investments in sustainability.

## Principle

In response to such global environmental issues as the demand for low-carbon green growth, Doosan Infracore installed an environmental management program to fulfill its responsibilities to our global community. This program provides our customers value by developing environmentally friendly products that also reduce the consumption of resources.

## Environmental Performance

**Key Environment-Related Results**

| Category | Key Indices | Unit | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| Greenhouse Gases | Volume of direct and indirect greenhouse gases | t-$CO_2$eq | 108,898 | 85,305 | **134,917** |
| Energy | Amount of direct and indirect energy used | TJ | 2,165 | 1,625 | **2,543** |
| Resources | Number of iron plates used | kt | 90 | 30 | **30** |
| Water | Volume used | kt | 875 | 623 | **1,787** |
| Investments | Investment and operating costs | KRW 1M | 144 | 128 | **164** |
| Environmental effect costs | EHS Management Program Results | KRW 1M | 42 | 71 | **166** |

**Management of Pollutants**

| Category | Pollutant | Legal Standard | Incheon | Changwon | Gunsan |
|---|---|---|---|---|---|
| Water pollutants | BOD | Incheon, Changwon: 130 (52)/ Gunsan: 400 (160) | 16.3 | - | 133.0 |
| | COD | Incheon, Changwon: 130 (52)/ Gunsan: 400 (160) | 10.0 | 19.0 | 113.3 |
| Air pollutants | NOx | Incheon, Changwon, Gunsan: 200 (80) | 1.6 | - | 0.3 |
| | SOx | Incheon, Changwon, Gunsan: 400 (160) | 0.8 | - | 1.2 |

## Environmentally Friendly Products that Help Safeguard Our Planet

Our experience and expertise built over many decades has made us a sustainability leader in Korea's machinery industry well before we joined Doosan Group. Our commitment to developing environmentally friendly products continues today. We built a research institute in 1981, using it as a foundation to develop world-class proprietary models of many of our most popular products. We built a new, state-of-the art research facility in 2007, focusing on the development of environmentally friendly products, future-oriented technologies such as hybrid power systems and new combustion technologies. Enhancing our product performance means we remain faithful to our environmental responsibilities.

# Special Issue

### Future-Oriented Excavator Wins red dot Design Award

The term "hybrid" in the context of mechanics refers to technologies that incorporate electric motors and internal combustion engines. Because they represent a merger of environmentally friendly technologies and future-oriented designs, hybrid motors are becoming increasingly popular. Our Concept Excavator CX is part of this trend. It is a cutting-edge construction machine that combines environmental friendliness with safety, convenience, and low operating costs, all resulting from our strategy of enhancing our competitiveness through future-oriented, sustainable products that are ahead of their time.

The Concept Excavator CX was developed from our own proprietary designs, and we have already applied for patents for it in Korea and China. It has been showcased at various global industry exhibitions including the Hanover Industrial Fair 2009 and INTERMAT 2009. In addition, it won the "Best of the Best" award in the "concept" category at the red dot Design Awards in Germany, one of the world's top three industrial design award showcases. We have completed designs for wheel loaders and forklifts using the same concept.

Futuristic Excavator CX

### Developed Green Engine

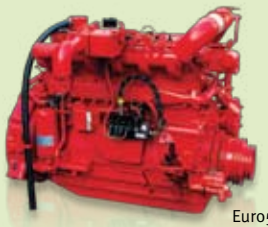
Doosan Infracore started developing a full-fledged "green engine" in 2009. By 2010, we created and began testing a prototype with a mechanism based on two state-of-the-art diesel engine technologies: ultra-high- pressure injection, and a two-stage system. We are also exploring ways to reduce the engine's exhaust-gas emissions (especially $CO_2$) and increase its fuel consumption as part of our participation in the Korean Ministry of Knowledge Economy's project to encourage the development of original industrial technologies.

Hybrid Excavator

## Hybrid Excavator Developed

Doosan Infracore started to develop a hybrid excavator in 2007, completing the design, manufacture, and performance testing of such core parts as the generator, power transformer, and energy storage device. Since hybrid excavators are extremely energy efficient and adhere favorably to the climate change treaty, they are a high-priority development item in advanced economies. The company is now working to enhance its hybrid excavator's performance, durability, and reliability.

## EURO5 Low-Fuel-Consumption, Clean Engines Introduced


Euro5 CNG Engine


Euro 5 Diesel Engine

In 2010, Doosan Infracore succeeded in developing a diesel engine and a CNG engine that satisfy all EURO5 regulations. The Euro 5 diesel engine uses a refined version of our Selective Catalytic Reduction (SCR) technology, which had previously been used on the Euro 4 diesel engine. The Euro5 CNG engine uses advanced technologies, including improved cylinder heads. In addition to higher output and lower fuel consumption than the Euro4 motors, the low-pollution Euro5 engines feature dramatically reduced emissions. Combined with their high quality and impressive performance, it means that they are extremely competitive in the market. Doosan Infracore has also been expanding the application of its SCR technology in response to the Tier 4 Final Rule, the "next-generation" in emissions regulation. It is part of the company's campaign to develop the ultimate "clean" engine.

Super EV

## Forklifts Enter Hybrid Era Era of Hybrids

Doosan Infracore is performing extensive R&D in a bid to gain market leadership for hybrid forklifts. The company showcased its Super EV prototype hybrid forklift at the 2010 Korea International Construction Equipment Exhibition and the International Material Handling Exhibition in the United Kingdom. The Super EV is an energy-storage device that combines traditional acid batteries with ultra-capacitors, solving the age-old problem of forklifts experiencing a reduction in output as their batteries run down is now a thing of the past. A forklift equipped with this technology will maintain its same level of output regardless of battery, enhancing its energy efficiency.

NX 6500

## Machine Tools for a "Greener" Industry Developed

We have developed a high-speed, high-precision, vertical machining center (DNM Series) of the LM Guide type, boasting 10% less energy consumption than traditional models. Mobility enhancements were achieved by reducing the weight of some of its structural elements, such as its transporting mechanism. One of the other environmentally friendly products that we have introduced in response to changing customers' needs is a mammoth-sized, high-load, parts-processing NC boring product that uses 30% fewer hydraulic fluids due to Servo ATC developments. Other efficiency improvements include a double column-type, high-precision, mold-processing machining center, and an NX series that uses minimal amounts of cutting oil has been made easier, is also available. Finally, the VTS1620 is a turning operation and milling processor that is used for manufacturing parts for generators.

# EHS Management Strategy

## EHS Management Vision

Doosan Infracore's EHS Management Vision is to be a "World-Leading Green Company." We take the environment and its needs into consideration in all our business activities. This means those aspects of our business processes that might otherwise negatively impact the environment are minimized throughout our production cycle. It also means that environmentally friendly production and management processes must be established.

### Five EHS Management Implementation Strategies

In order to achieve our EHS Management Vision, we have selected Integration, Risk Management, Market Leadership, and Relationships as the four key directional bases upon which our five implementation strategies are established. These strategies include: strengthening our environmental management system; ensuring mutually beneficial growth with our business partners; dealing with climate change in an efficient and effective manner; developing environmentally friendly products; and reinforcing our communications with the larger society. We have derived a set of strategic tasks from these premises for implementation.

**Five EHS Management Implementation Strategies**

## EHS Policy (Safe Environment Policy)

Doosan Infracore's EHS policy was established in 1995 for two reasons: to make the public aware of the company's EHS management strategies, and to use them as guideposts for our EHS management activities. Since then, the policy has been amended seven times. In its current form, it outlines four specific and detailed principles. They include: establishing and operation of a safe environmental management system; complying with environmental safety rules and regulations globally; developing environmental and pollution prevention technologies; and establishing accident-free worksites. The system encourages company-wide participation in EHS management.

**EHS Policies**

| Theme | Content |
|---|---|
| EHS Management System Operation | Establishing and operating an ESH management system that will continuously enhance both direct and indirect influences associated with environment, safety, and health, and that occur in tandem with the development of products, activities, and services. |
| Compliance with environmental safety rules and regulations | Adheres to both Korean and overseas rules and regulations regarding environment, safety, and health. In addition, we have devised even more stringent in-house standards. |
| Environmental technology development and pollution prevention | Energy efficiency is enhanced and the possibility of pollution reduced through the development and application of clean production technologies |
| Establishment of accident-free work-sites | Enhance employees' health and quality of life by creating pleasant and safe work-sites |

## EHS Management Objectives

We establish annual environmental objectives to achieve our environmental vision and its implementation. All company divisions participate in devising an EHS Index Management System, which highlights items requiring improvement. In 2010, this included more than eight hundred improvements from the Incheon Plant, three hundred from the Changwon Plant, and four hundred from the Gunsan Plant. As a result, everyone involved in the company's operations plays an integral part in enhancing its environmental management activities. This is a primary reason why Doosan Infracore has become known as the "green leader" in the Korean machinery industry. Additionally, we have established in-house regulations covering water and air quality and the generation and treatment of wastes that are more stringent than those mandated by statute in Korea and other countries.

**2010 EHS Management Objectives and Results by Business Site**

| EHS Objective | | Greenhouse Gas Emissions | Reduction (50% or less vs. legal) | EHS Operation | Leading-Index Operation |
|---|---|---|---|---|---|
| Incheon | 2010 Targets | 2% less (vs. 2006-2008 average) | Achieved | 57 cases | 13 indices achieved |
| | 2010 Results | 1% less (vs. 2006-2008 average) | Achieved | 83 cases | 13 indices achieved |
| Changwon | 2010 Targets | 2% less (vs. 2006-2008 average) | Achieved | 20 cases | 13 indices achieved |
| | 2010 Results | 3% exceeded (vs. 2006-2008 average) | Achieved | 33 cases | 13 indices achieved |
| Gunsan | 2010 Targets | - (To have a target starting in 2011) | Achieved | N/A | 12 indices achieved |
| | 2010 Results | - (To have a target starting in 2011) | Achieved | 1 case | 11 indices achieved |

* EHS Management Program : A program that provides guidance for the implementation of improvement activities for items that have been identified through environmental impact evaluations and risk evaluations carried out in accordance with ISO14001 and OHSAS/KOSHA 18001
* Leading Management Index : An index that selects and manages for EHS incident prevention and preemptive EHS management
* Gunsan Plant construction to be completed in October 2009
* Overseas Doosan locations also devise EHS management objectives and report their results, but they have not been listed in this report

## EHS Training Programs

| Subject | Program |
|---|---|
| Management | Doosan EHS basic course |
| | EHS leadership workshop |
| EHS Managers | EHS leadership course |
| | Hands-on safety training |
| | Customized training by task |
| | Doosan EHS basic course |
| | EHS Management System staff training |
| | Environmental impact assessments / Risk assessments |
| | EHS auditor training |
| | Climate change response training (at external locations) |
| | Environmental seminars (at external locations) |
| Non-managers | EHS basic course (for managing employees) |
| | Introductory EHS training for new employees |
| | Emergency training |
| | Regular health and safety training for all employees |
| Business Partners | In-house safety guidelines / Occupational safety training |

# EHS Management System

Doosan Infracore has selected sixteen EHS management improvement items and is committed to applying them to all global locations. Through large-scale investments in company-wide EHS training programs and various environmental facilities. By establishing an environment management system (ISO 14001) that considers environmental factors over all stages of product planning, R&D, and production, we are helping to reduce environmental pollution and minimizing environmental impacts. In 2010, we implemented ISO14001's environmental guidelines at all overseas locations where our EHS management system wasn't already in place, and completed all necessary certification operations. This decision was based on the results of a company-wide EHS audit.

## EHS Management Organization

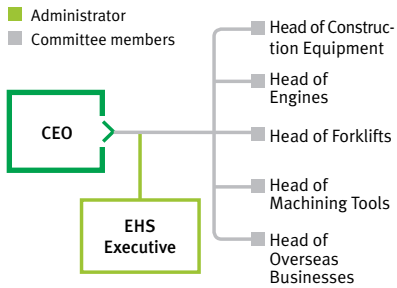
### EHS Committee

Doosan Infacore's EHS committee is composed of the CEO and the heads of each of our business divisions. In addition to establishing the company's EHS policies, it convenes monthly meetings for each business division, at which EHS-related matters are discussed and the results of various EHS activities are shared.

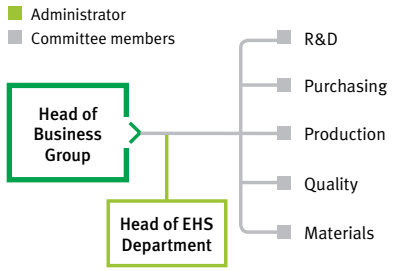
### Company-Wide EHS Organization

To ensure the development of more efficient EHS operations and activities as our overseas businesses continue to expand and global environmental issues become increasingly important, we increased the size of our Incheon location's EHS management team and recasted it into two separate teams: a safety, health, and environment team, and a firefighting team. We also founded a China EHS Team to oversee our operations in that country. This increases in the size of our existing EHS planning team, along with co-locating EHS teams at each of our business locations, enhances our commitment to environmental management activities.

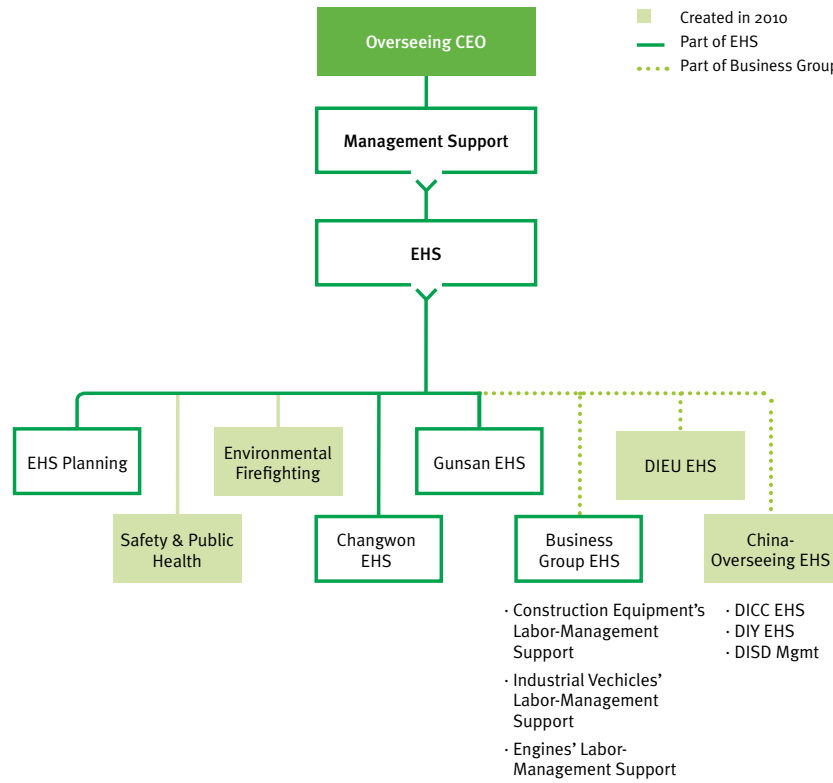
### Company-Wide EHS Committee




### Business Group EHS Operational Meetings




### Company-Wide EHS Organizational Chart



# EHS Management System



## EHS Management Monitoring

Doosan Infracore monitors both internal and external EHS activities to ensure the establishment and the continuing advancement of an efficient and effective EHS culture.

### Establishing an EHS Management Assessment Index

After developing set of company-wide EHS management assessment indices in 2009, we used it to develop company-wide evaluation standards for our EHS activities and programs. The EHS Management Assessment Index that resulted from these standards facilitates the measurement, analysis, and assessment of all the environmental management activities that take place at all our business locations, ensuring that they are continuously improved upon and advanced. In 2010, we added, completed, and/or reviewed items that fell short of these standards at some of our overseas business locations.

### 2010 Company-Wide EHS Audit

As a following to the EHS Management System even more advanced and effective, we developed an EHS Audit Program in 2009. Since then, we have been conducting annual EHS audits of all our locations in Korea and overseas. While doing this in 2010, we found that the level of our EHS management system had improved relative to 2009. On the other hand, we also found that the nature of our businesses we are in meant that there were still risks of accidents occurring, and that further improvements needed to be made. As a result, we are planning to establish a global EHS management framework and develop safety-consciousness training and EHS participation programs for all our employees.

### EHS Management Certification

In addition to our ISO14001 and OHSAS/KOSHA 18001 certifications, we are carrying out internal EHS-oriented activities, such as monitoring the safety of our machines and tools and carrying out PSM process management. We have also entered into agreements regarding continuing improvements in the areas of the environment, safety, and health. In addition, the EHS team members at each of our business locations are tasked with ensuring compliance with the company's EHS regulations.

### Environmental Investments

In 2010, Doosan Infracore invested KRW 16.4 billion in programs and facilities related to the environment. This included reducing the level of bad smells and arsenic acid, establishing environment management strategies, and publishing reports. We also saved KRW 16.6 billion in environment-related expenses through various management activities, such as reducing raw materials and parts waste.

ISO 14001 Certification

OHSAS 18001 Certification

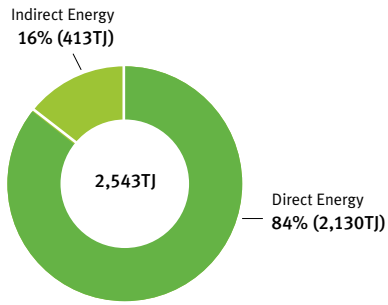
**Environmental Investments and Operations, Resulting Costs and Savings**

(unit: KRW one million)

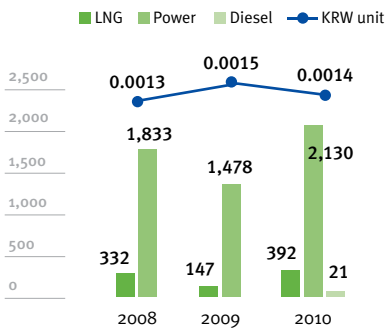
| Category | Item | Costs |
|---|---|---|
| Environment Investments & Operating Expenses | Pollution Management Costs | 5,230 |
| | Investment Costs | 11,013 |
| | Environmental Risk Management Costs | 0.2 |
| | Social Environment Costs | 147 |
| | Total | 16,390 |
| Costs/ Savings | Savings in Environmental Activities Costs | 16,589 |

# EHS Activities and Results Achieved

**Direct and Indirect Energy Use (Company-wide)**




**Use by Energy Source (Company-wide)**
(Unit: TJ; KRW unit: TJ/KRW 1M)




**Energy Savings Achieved**

| Area | Activities | Energy Savings (saved amount) |
|---|---|---|
| Gunsan | Turning off lights during lunch time | 17MWh per year (minimum KRW 150,000 a month) |
| Changwon | Power-factor improvements | 307MWh / yr (KRW 2.8 million) |
| | Changes to power-saving lighting (industrial lighting) | 102MWh / yr (KRW 6 million) |
| | Localized lighting | 154MWh / yr (KRW 14 million) |
| | Enhancing efficiency of painting facilities | 195 MWh a year (KRS 16 million) |
| Incheon | Controlling peak electricity use | 1,610MWh a year (KRW 130 million) |

## Energy Management

Doosan Infracore is contributing to the development of an energy savings culture by establishing environmentally friendly facilities and conducting energy-saving programs with full employees participation.

### Establishing an Energy Management Framework

We have established a set of energy management objectives, such as maximizing energy-use efficiencies, enhancing our energy management technologies, and developing an optimal energy-savings framework for each of our business locations in Korea. Our energy savings implementation tasks include various power-savings programs, such as replacing aging boilers with high-efficiency ones and inefficient lighting sources with power-saving ones (LED, etc.). By doing so, we are transforming each business location into a venue for innovating and developing a highly energy-efficient operating structure.

### Energy-Saving Innovations

#### High-Efficiency Flow-Through Boilers

We have replaced aging and inefficient water-pipe boilers with high-efficiency flow-through ones, achieving a 10% savings in fuel and operating costs and another 25% in maintenance costs, while reducing our volume of greenhouse gas emissions. During the summer months, we plan to use flow-through boilers that save fuel by responding to appropriate loads.

#### Power-Saving Lighting (LED)

In order to reduce our electric power usage, we installed 78W LED lights on the upper floors of our newly-built parking tower and its exterior security lighting areas. LED lights use about 45% less electricity than 175W metal halide ones, and last five times longer. We plan to extend this lighting replacement program to all business locations.

### Peak Power Controls

We have introduced a peak-power control system (also called a maximum power-demand surveillance system) that controls power usage below the peak figure by controlling devices on which it is installed. It controls the device if its load exceeds the target power usage that has been set for it. This has helped us achieve annual savings of approximately KRW 130 million. We plan to reduce our energy costs even more by using the system on a regular basis.

### Energy Savings in Everyday Activities

These activities include turning off lights at our work-sites and offices during lunch time and setting higher temperature ranges for air conditioners during the summer months.

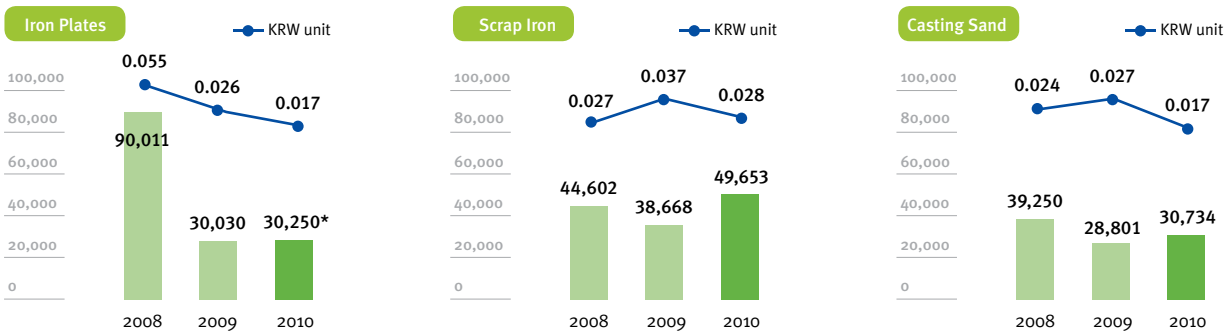
# Managing Use of Raw Materials and Water

Doosan Infracore carries out comprehensive evaluations of the environmental impacts from all its production processes. After that, we take any and all necessary steps to ensure that these impacts are minimized.

## Fuel Use

Our Incheon Plant manufactures construction equipment, engines, and forklifts. As a result, it uses many iron plates and a great deal of scrap iron and casting sand. Due to our continuing efforts to make our products more light-weight and enhance their overall efficiency, we have reduced our need for iron plates in each product dramatically. For example, we have reduced the weight of our machines' front ends and frames by at least 6%, while also increasing their fuel-consumption efficiency. Besides producing savings on our customers' fuel and final disposal costs, this reduces our own disposal costs for waste materials. All of the casting sand we use is recycled.

**Fuel Use (Incheon Plant)** (Unit: tons. KRW unit: tons/KRW 1 million)

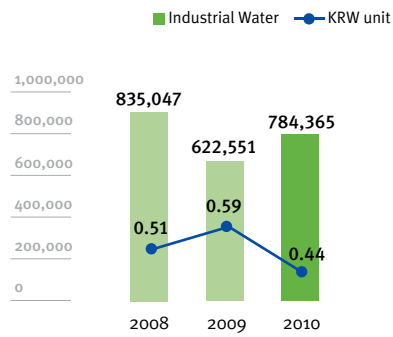



* Excluding subcontracts for steel purchasing

## Water Use

In order to protect increasingly-scarce water resources and reduce the threat of environmental pollution, we are expanding our use of water that has already been used during our production stages. For example, our Incheon Plant uses some of its waste water to clean roads or for landscaping, recycling about five tons of waste water every day. At the Changwon Plant, we are utilizing around forty tons of underground water a day, besides the tap water being used.
(*Amount of underground water permitted to be used by the City of Changwon: 350 tons per day)

**Water Use (Company-wide)**
(Unit: tons. KRW unit: tons/KRW 1 million)




* Water use includes both tap water and underground water

## Reducing Use of Wooden Packaging Materials

In order to use resources more efficiently, we are replacing our wooden packaging materials with plastic for parts weighing 24kg or less. In addition, heavier materials are now delivered directly to our customers without any wooden packaging. We have also replaced wooden boxes used for filters being delivered to our dealers with plywood. In 2011, we are expecting savings of KRW 290 million from these reductions.

## Managing Greenhouse Gas Emissions

As part of its program to provide infrastructure support for better emissions control management activities, Doosan Infracore is developing a state-of-the-art greenhouse gas management system. In addition, we are developing products boasting increasingly efficient fuel-consumption profiles.

### Mid- to Long-Term Greenhouse Gas Management Roadmap

Doosan Infracore has established a mid- to long-term roadmap for its greenhouse gas management activities. These include voluntary activities, such as an in-house emissions rights exchange system, that are strengthening our internal competencies and improving our operational efficiencies on a company-wide basis. We plan to establish a global carbon management system in 2011 and 2012. This will allow us to respond, both proactively and ahead of time, to new international regulations. It will also enable us to create a wide range of new business models in the areas of hybrid engines and renewable energy.

| | Objectives | Core Tasks |
|---|---|---|
| 2008~ 2010 | Building Foundations | · Developing a greenhouse gas inventory<br>· Voluntary reductions (in-house declaration, setting targets)<br>· Deriving KPI and evaluating results<br>· Participating in Carbon Disclosure Project (CDP) |
| 2011~ 2012 | Establishing a Global Carbon Management Framework | · Declaration of 2020 voluntary greenhouse gas reduction targets<br>· Development of compulsory reduction technologies (determining potentially-reducible amounts and how to achieve them)<br>· Establishing an in-house EHS organizational culture<br>· Supporting carbon-neutral programs<br>· Implementing an in-house emissions-rights trading system |
| 2013~ | Strengthening Low-Carbon Emissions Management and Leading Responses to Climate Change (new business model creation) | · Development of environmentally friendly technologies: developing hybrid products<br>· Zero-emissions business locations (increasing recycling rate) |

### Establishing a Greenhouse Management Response System

The first round of our greenhouse gas inventory activities were verified in 2008, with a series of internal processes to manage our greenhouse gas inventory implemented in 2009. We also revamped our existing energy management organization to enhance our capabilities for managing greenhouse gases. In 2010, we studied and analyzed the central government's greenhouse gas management policies, and used them to set our own reduction targets. We also formed a task force team that leads our greenhouse gas reduction program, and deals with all of our greenhouse gas and energy issues.

### Managing Greenhouse Gas Emissions

Doosan Infracore has established a greenhouse gas inventory as part of its program to manage greenhouse gas emissions. It is verified and managed by an objective third-party institution, based on guidelines designed by the Intergovernmental Panel on Climate Change (IPCC) and Greenhouse Gas 24 (GHG), asannounced by the WRI (World Resource Institute).

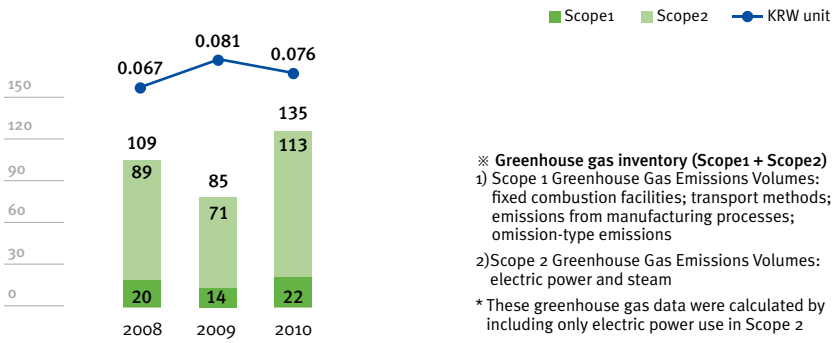
## Efforts to Reduce Greenhouse Gas Emissions

In order to reduce greenhouse gas emissions produced at its business locations, Doosan Infracore established greenhouse gas inventories at its Incheon and Changwon plants in 2008, and has been managing them ever since. We also follow voluntary reduction activities if and when reduction targets for each area has been previously determined, with the results reflected in our performance evaluations. In addition, we are taking positive steps to respond to the central government's greenhouse gas- and energy-targeting policies. Going forward, we are contemplating the development of mid- to long-term strategies on company-wide, change-related issues, such as introducing an emission rights trading system.

## Tasks for the Future

According to the Ministry of Knowledge Economy's official notification in September 2010, our Incheon Plant has been targeted for management of its energy use and greenhouse gas emissions. In response, we formed a task force engaged in establishing a set of appropriate responses, including forming an initial basis. Our Gunsan Plant, which will be given the same designation in 2012, is already engaged in similar preparations in accordance with the company's strategies and policies, including calculating climate change trends and implementing reduction activities. Our overall plan is to have a state-of-the-art, low-carbon management plan in place by 2013. We will do this by forming a greenhouse governance structure for all our business locations, developing and implementing compulsory greenhouse gas reduction technologies, and creating an efficient and effective organizational culture. Our long-term goal is to burnish our reputation as a leading environmentally friendly enterprise by proactively responding to the problem of climate change through the creation of new business models.

**Company-Wide Greenhouse Gas Emissions** (Unit: tons; KRW unit: t-co2eq/KRW 1 million)




※ **Greenhouse gas inventory (Scope1 + Scope2)**
1) Scope 1 Greenhouse Gas Emissions Volumes: fixed combustion facilities; transport methods; emissions from manufacturing processes; omission-type emissions
2)Scope 2 Greenhouse Gas Emissions Volumes: electric power and steam
* These greenhouse gas data were calculated by including only electric power use in Scope 2

### Participating in Carbon Disclosure Project (CDP)

The Korean government's Low-Carbon Green Growth Law mandates the disclosure of any company's greenhouse gas management information, includes response measures that have been taken to combat climate change. Doosan Infracore has been participating in the CDP since 2009, informing both the central government and its stakeholders of such matters as its energy reduction targets and its purchasing costs. This policy of totally transparent disclosure reflects our commitment to proactively responding to the climate change treaty and enhancing our corporate image. This means that we will be able to lay the foundations for low-carbon management by reviewing our responses to climate change. Moving forward, we intend to respond proactively to any and all requirements to disclose our measures for climate change in our role as a caring and concerned corporate citizen.

Carbon Disclosure Project 2010

## Pollution Management

Doosan Infracore is committed to reducing the amount of pollutants it discharges. This will be done through technological innovations and by canvassing our employees for ideas that are workable.

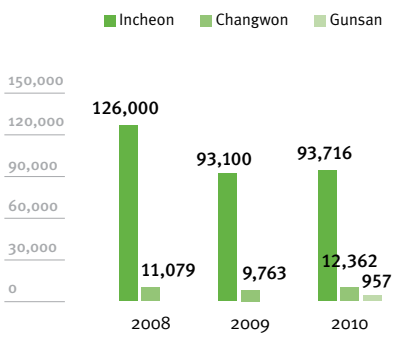
### Managing for Water Pollution

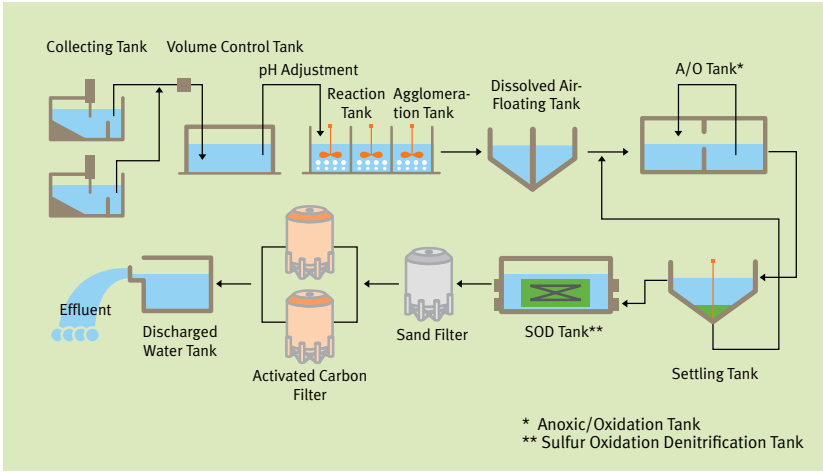
All waste water resulting from our production processes is discharged only after undergoing physical, chemical, and biological treatments in our waste water treatment facilities. We have automated our waste water treatment processes so that our volume of pollutants is now 40% below the statutory limit.

### Activities to Reduce Water Pollution (Incheon Plant)

Our Incheon Plant handles its waste water by separating it into rainwater, sewage, and general waste water. Rainwater is released to the sea through pipes to prevent the seawater from being contaminated with water gates to be installed inside the plant this year. Sewage water goes into the city's sewage treatment facilities. General waste water is first treated in our in-house waste water treatment facility, and is then released into the ocean. In addition, the plant has a monitoring system in place that determines the source(s) of its waste water, helping prevent environmental accidents before they occur.

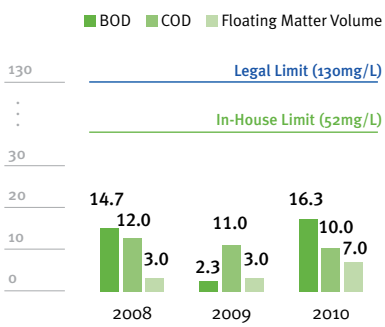
**Waste Water Discharge Volume** (unit : tons)



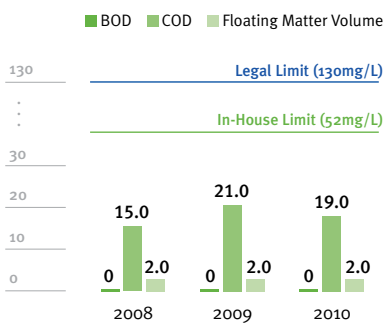

**Discharge Volume of Water Pollutants** (unit: mg/L)

**Incheon**



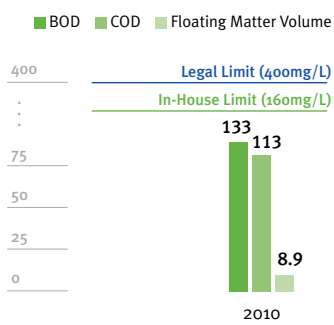

*The legal limit for floating matter volume is 120 mg/L. Our in-house limit is only 48 mg/L.

**Changwon**




* A different discharge volume limit is in effect at the Gunsan National Industrial Complex

**Gunsan**




* For Gunsan National Industrial Complex, a different limit in discharge volume is in effect

** The Gunsan Plant has been operating its own waste water treatment facility since February 2010

*** The legal limit for floating matter volume is 200 mg/L. Our in-house limit is only 80 mg/L.

## Managing for Air Pollution

Air pollutants created during our production processes include NOx, SOx, and dust. In addition, volatile organic compounds (VOCs) occur while electric furnaces are operating and machinery is being painted and dried. We take special steps to manage dust and VOCs to minimize harmful effects on nearby communities. In order to reduce harmful impacts on the environment, we have installed new painting and concentration catalytic oxidation (CCO) facilities at each of our production bases. The Changwon Plant produces no NOx or SOx, while the Gunsan Plant began installing air-pollution equipment in 2009. Our in-house air pollutant discharge limits for our global business locations are at least 40% lower than legally mandates. We were not subject to any legal or administrative measures regarding our discharges of pollutants at any of our Korean production facilities in 2010.

## Reducing Air Pollution

### Installed Burners to Reduce Nitrogen Oxide Emissions

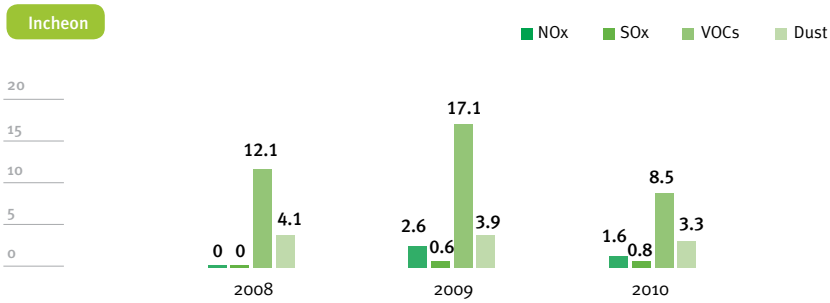
In 2010, in accordance with the Special Law for Greater Metropolitan Seoul, our Incheon Plant was allocated a total discharge volume of nitrogen oxides. Before this regulation went into effect, we had already replaced eight of our boiler burners with low-NOx ones to reduce our volume of nitrogen oxide emissions. Once all boilers (excluding two that we keep in reserve) are replaced by low-NOx burners, our discharge volume of nitrogen oxides will decrease from 100ppm to 60ppm.

### Improving Painting Facilities to Reduce Volume of VOCs

In order to reduce the volume of volatile organic compounds (VOCs) that occur during the painting and drying processes, we installed new painting and concentration catalytic oxidation (CCO) facilities to replace our aging painting facility. This included an activated carbon (AC) tower. In the case of certain painting processes, we are now using an environmentally friendly powder painting technique. These improvements have reduced our volume of VOCs from around 40ppm to around 10ppm.

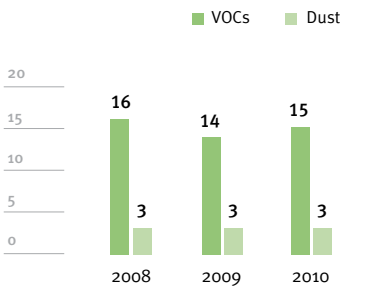
**Discharge Volume of Air Pollutants** (unit: ppm; dust: mg/m³)

Incheon



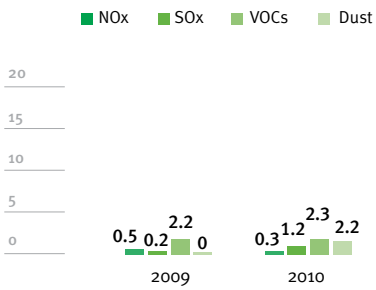

·VOCs: continuous-type / Dust: based on electric furnaces

Changwon




·VOCs: non-continuous-type / Dust: other standards

Gunsan




·The Gunsan Plant began the previously mentioned operations in December 2009

**Incheon**

· NOx Legal (In-House) Limits : 200ppm(80ppm)
· SOx Legal (In-House) Limits : 400ppm(160ppm)
· VOCs Legal (In-House) Limits : 40/200ppm(32/160ppm)
· Dust** Legal (In-House) Limits : 20/50㎎/㎥(8/20㎎/㎥)

**Gunsan**

· VOCs Legal (In-House) Limits : 200ppm(160ppm)
· Dust** Legal (In-House) Limits : 50㎎/㎥(20㎎/㎥)

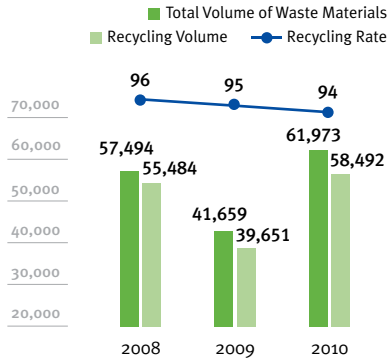
**Changwon**

· NOx Legal (In-House) Limits : 200ppm(80ppm)
· SOx Legal (In-House) Limits : 400ppm(160ppm)
· VOCs Legal (In-House) Limits : 40ppm(32ppm)
· Dust** Legal (In-House) Limits : 50㎎/㎥(20㎎/㎥)

In-House Limit: 40% of the legal limit. For VOCs, it is 80% of the legal limit
* Continuous type / Non-continuous type: The Changwon Plant operates the non-continuous type only, while the Gunsan Plant operates only the continuous type
** Electric Furnaces / Other: For Changwon and Gunsan, only "Other" applies

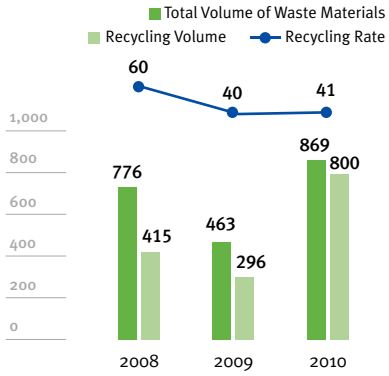
**Waste Materials Discharge Volumes and Recycling Rate** (unit: tons; recycling rate: %)

Company-wide

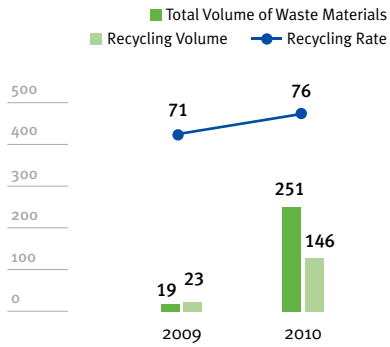



Incheon


Changwon



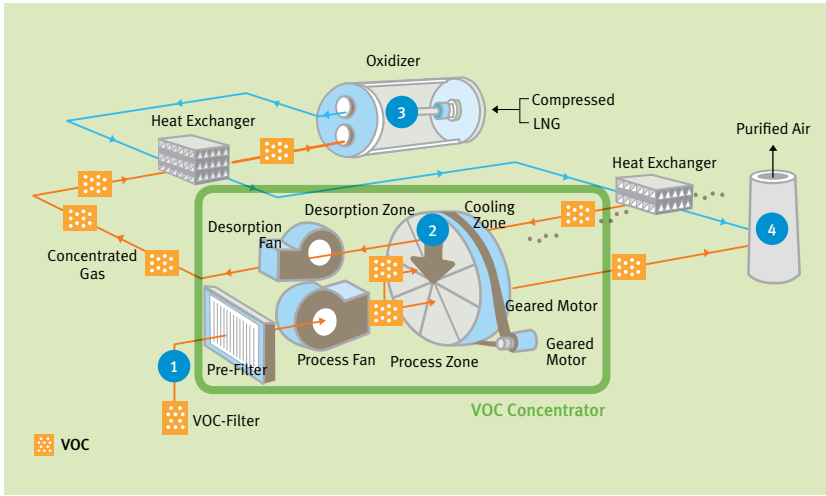

Gunsan




## Concentration Catalytic Oxidation (CCO) Facility Installed

During the initial stage of its construction our Gunsan Plant installed a CCO facility, greatly reducing its discharge volume of volatile organic compounds (VOCs). The principle behind a CCO facility is to introduce gases created from painting lines into it and then pass them through an absorbent called zeolite. After that, 97% of the VOCs are eliminated. The remaining 3% of the gases are then put through a heat-rising process in a combined heat exchanger and catalytic oxidation facility, during which a catalytic reaction decomposes them entirely. Thanks to the introduction of this highly-efficient air pollution prevention facility, the company's current discharge concentration of VOCs is around 2ppm, a remarkable 5% of the statutory limit.

## Schematization of Concentration Catalytic Oxidation (CCO) Facility




## Reducing Volume of Waste Materials

Doosan Infracore rigorously manages its production processes to minimize the amount of waste materials that it creates. In addition, we operate an online, real-time waste water handling system at our Incheon Plant to confirm that waste materials created there are being recycled and treated legally. We also have a guideline in place stating that a properly-certified waste materials handling company must visit the site at least once a year.

## Increased Waste Materials Recycling Rate

Our emphasis on recycling resources means that we are minimizing the disposal of materials at landfills and/or incinerators. When we select a waste material handling company, we give priority to those that recycle waste materials. In addition, we encourage our employees to separate waste materials as soon as they have been created. As a result of these efforts, our annual waste materials recycling rate is approximately 90%.

# Managing for Harmful Materials and Chemicals

Doosan Infracore does not use ozone-depleting materials, such as CFCs, HCFCs, CH-3BRs, or R-22, in its manufacturing processes. In addition, we closely monitor the incidence and use of cancer-causing materials such as asbestos. We are also establishing a chemical management system to proactively respond to international environmental regulations.

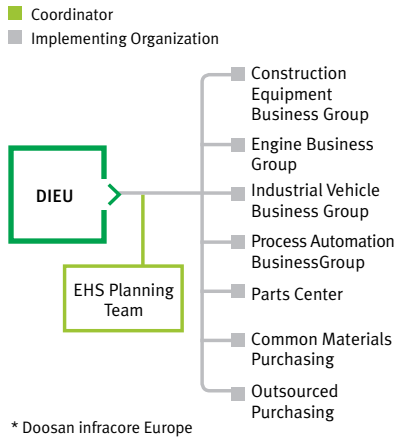
## Efforts to Minimize the Use of Toxic Materials

In order to prevent health problems associated with the use of asbestos, a proven carcinogen, before they occur, we are removing structures containing this substance from all our plants and offices. We began this operation in 2009, and plan to complete it by 2011, at a total cost of KRW 17 billion. There have been no instances of harmful materials being discharged over the past three years.

## Response to REACH

In order to respond appropriately to the European Community's Regulation on chemicals and their safe use, REACH (meaning Registration, Evaluation, Authorization, and Restriction of Chemicals), we selected representative chemicals from each of our business areas, prepared a substance inventory (i.e., a materials and parts list) for each type, and created a database of chemicals according to the equipment it is used in. By doing so, we were able to continue exporting our products to the EU without interruption. In 2010, we analyzed all registered materials and made a report based on the prescribed registration. In order to facilitate our future analyses of, and responses to, this regulation, we created a company-wide REACH team. We hold regular training sessions for employees who are tasked with this responsibility, as well as representatives from our business partners.

**Company-Wide REACH Response Organizational Chart**




* Doosan infracore Europe

## GHS Response

Due to a 2010 UN recommendation, we are preparing to establish the GHS (Globally Harmonized System of Classification and Labelling of Chemicals (GHS), a more standardized and updated system from the existing Material Safety Data Sheet (MSDS). The purpose of the GHS is to harmonize existing hazard communication systems on chemicals in order to develop a single, globally synchronized system to address the classification of chemicals according to their hazards and communicate the resulting information through labels and safety data sheets. Doosan Infracore fulfills its responsibilities for safeguarding the safety of its products by adhering to all international standards. In addition, we ensure that our employees' capabilities pertaining to the management of toxic and/or harmful chemicals are enhanced by enrolling them in in-house GHS training courses.

Eliminating Asbestos

**INTERVIEW**

### "Doosan Infracore is committed to forming harmonious relationships with local communities."

**Youngchul Ko**_Team Leader, Environment Improvement Team, East County Office, City of Incheon

Since Doosan Infracore's Incheon Plant is located in the vicinity of a number of residential areas, their residents are very concerned about noise, odors, and dust produced there. For the past few years, however, their level of complaints has been greatly reduced, since their living environment has been markedly improved. In order to tackle these problems at their root, we made significant investments in environmental facilities that were custom-tailored to our production processes. In addition, we established in-house standards for managing pollution that were far more stringent than those mandated by statute. We have been carrying out these activities for several years through an organization called "The East County Voluntary Environment Improvement Association," which comprises key manufacturers located in the vicinity of East County, Incheon. Our long-term goal is to achieve even better results in the future.

Companies that wish to be truly sustainable must carry out activities in three areas: economic, social, and environmental. By carrying out environmental protection and improvement projects in tandem with local residents, Doosan Infracore is helping to create harmonious relationships with the communities in which it operates. In addition, the company makes every effort to view their living environment from the viewpoint of people actually living there, and welcomes their participation in environmental preservation and protection activities. This makes it much easier to find and resolve problems areas before they become significant.

## Environmentally Friendly Logistics System

Doosan Infracore's efforts to consider the environmental impacts of its production processes extend to all facets of a product`s life cycle--from its raw materials to its production to its delivery to customers and its final disposal.

Vehicle Wheel-Washing Facility in Operation

### Vehicle Wheel Washing

Doosan Infracore is taking a number of steps to deal with environmental risks that could occur throughout its entire production chain. At work-sites where vehicles enter and exit frequently and/or when waste materials are being transported, there used to be a significant risk of environmental degradation due to the presence of arsenic acid dust and the transport of other pollutants. We are now operating vehicle wheel-washing equipment to reduce this possibility. With all of the waste water created when vehicle wheels are washed flows into treatment facility, ensuring no pollutants are discharged outside our premises.

Sealed Double Covers Mandatory

### Sealed and Double Covers over Waste Material Loads on Transport Vehicles

The Incheon Plant has made it a rule that all vehicles transporting scrap cast iron, which accounts for at least 80% of its total waste materials, must be equipped with sealed double covers to prevent the blowing of arsenic acid dust.

### Recyclable Iron Used for Parts Packaging

Doosan Infracore has replaced the wooden and/or vinyl materials that it used to use to package parts exported to Doosan Infracore Europe (DIEU) with recyclable iron and buffered materials, allowing us to reduce our volume of waste and enhance the efficiency of our reuse, reduce, and recycle (3R) program. We plan to collect the iron plates used for parts exports and use them again.

**Protecting Ecological Diversity**

None of Doosan Infracore's business locations in Incheon, Changwon, and Gunsan are located in areas where there is a high population of endangered animals, a high incidence of ecological diversity, or water intake areas that might impact ecological diversity. Despite this, the company is vitally interested in protecting the natural environment. This includes actively participating in a number of ecological diversity programs.

## Managing for Safety and Health

Doosan Infracore is committed to a pleasant working environment that enhances its employees' safety and health. We take safety and health issues into consideration in our all production processes.

### Creating a Safe Working Environment

In order to ensure the safety of all customers and employees, wer require all production facilities and equipment must be fitted with safety covers. In addition, we have developed and distributed a series of manuals to guarantee the safe operation of our equipment. We also provide our workers with safety equipment, and insist that they pass a set of rigorous safety tests. We commission impartial third-party agencies, such as the Korean Occupational Safety and Health Agency, or an institution designated by the Ministry of Labor, to verify the safety of our workplaces.

## Accident Prevention Activities

In order to increase our employees' awareness of the importance of safety and the need to prevent unnecessary accidents, we encourage their voluntary participation in safety-related issues, and provide them with the motivation to do so. This motivation includes case studies of both serious and minor accidents, as well these that occurred due to a momentary lapse in someone's concentration. This gives our workers good reason to anticipate dangerous situations in advance on their own.

## Safety and Firefighting

We determine risk factors for all activities that take place within our organization. For ones that might involve serious risks, we establish and implement safety and health objectives with regular improvement plans, ensuring that they are carried out. We also conduct annual company-wide training exercises to strengthen our ability to respond to emergency situations.

## Public Health

Doosan Infracore conducts regular medical examinations of all its employees. This aids in our health management activities and reduces the possibility of sickness and diseases. In the case of certain infectious diseases, we include the workers' families, and provide them with free vaccines. In addition, we hire an outside expert to carry out regular assessments of our work environment, lessening our employees' exposure to harmful chemicals—including those whose volume is below legally-mandated standards. Workers who handle toxic chemicals must undergo special medical examinations at least once a year.

**Status of Safety and Health Certifications**

| Certification | Certified/Passed | Subjects | External /In-House |
|---|---|---|---|
| OHSAS 1800119 /KOSHA 1800120 | Certified | All departments | External |
| Safety Inspection of Dasngerous Machines and Devices / In-House Inspection | Passed | Cranes, presses, lifts, pressurizers, etc. | In-house |
| PSM Process Management | Stagnant rating (normal) | Painting sites, engine trial runs, tanks for holding dangerous materials | In-house |

## Key Activities of Industrial Safety and Health Committees

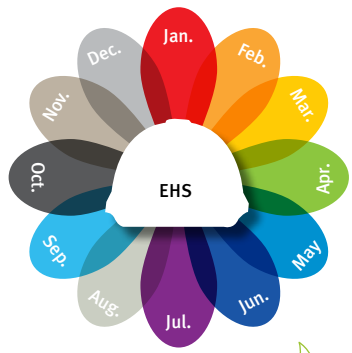
Doosan Infracore has an Industrial Safety and Health Committee at each of its business locations. This includes eighteen people at the Incheon Plant, eight at the Changwon one, and ten at Gunsan. This committee, holds consultations with other interested parties to manage its employees' health, takes action on items that will improve safety and well-being, and selects companies to assess the company's work environment.

| Location | Key Activities | |
|---|---|---|
| Incheon | - Select an institution to investigate factors that might cause harm to bones and sinews<br>- select an institution to carry out comprehensive, general, and special health examinations of employees | - select a company to evaluate work environment<br>- select safety equipment<br>- consult on other items needed to improve employee safety and health |
| Chang-won | - Establish and operate a Bones and Sinews Protection Standing Committee | - free blood examinations for workers |
| Goon-san | - Select companies to evaluate work environment and manage employees' health | - make improvements to work-sites; carry out noise-reduction activities, etc ; safety training by external experts |

**Safety Calendar at Engine Business Group's Production Sites**

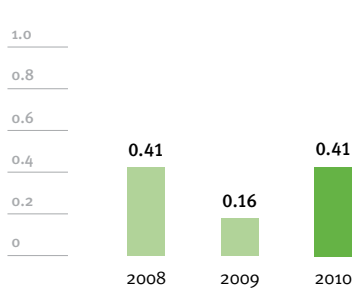
Our safety calendar contains data that make it easy to confirm the safety status of our work-sites at a glance. It has been in place since 2005.

**Color-Coded Management Cycle Table**




This table is used to check whether there are any potential problems at our various facilities, allowing them to be dealt with before the situation becomes serious.

**Industrial Accident Rate** (unit: %)




※ Number of days off for convalescence requested

# Social Sustainability

**Doosan Infracore is driving to become a company respected and trusted by people around the world by carrying out the spirit of sharing and volunteering as a global citizen that puts deeds before words.**

Realizing machine technologies for humanity is Doosan Infracore's value and aspiration.

## Approach

Doosan Infracore wishes to be known as a company that is trusted by its employees, customers, and the communities in which it operates, based on a commitment to open and honest management. We are creating a management culture that emphasizes the need for active communication with all stakeholders. Working from an organizational culture of trust and respect, we are rapidly expanding our social contributions activities throughout all business sites and areas, further enhancing our commitment to sustainability management.

## Principle

Doosan Infracore carries out training and monitoring exercises to encourage its employees to engage in ethical management activities on their own initiative. In order to ensure our workers are both competent and highly-skilled, we are improving our skills enhancement programs, organizational culture, and work conditions. We will enhance the trust level of the communities in which we operate by making continuous improvements to the ways that we interact with them.

## Social Performance

| Category | Key Indices | Unit | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| Employees | Training hours per person (entire workforce) | Hours | 68 | 74 | **87** |
| | Training hours per person (white-collar workers) | Hours | 114 | 134 | **160** |
| Customers | Number of breaches of customer confidentiality | occurred | 0 | 0 | **0** |
| Local Communities | Number of employees who participated in social contributions | people | 300 | 335 | **500** |
| | Amount budgeted for social contributions activities | KRW 1M | 3,000 | 5,445 | **12,352** |

## As part of its goal to produce machine technologies that benefit all of humanity, Doosan Infracore is showing its concern for people and the environment throughout the world.

Doosan Infracore's social contribution activities can be summarized as "rescue, support, and share." "Rescue" means that we deploy infrastructures and equipment to carry out quick and effective rescue activities for people who are victims of both man-made and natural disasters. This also includes providing them with rehabilitation equipment and offering free services to help them recover from disasters. The term "support and sharing" means that we carry out a wide range of projects, such as providing sponsorships and scholarships. It also includes supporting educational facilities and enriching the lives of the socially marginalized.

Going forward, Doosan Infracore's social contributions activities will move beyond rescue and support to help the socially marginalized build their capabilities so they can stand on their own and pursue a happier future.

# Special Issue

## *Doosan Schools of Hope*

### Doosan School of Hope since 2001

In November 2010, the 23rd and 24th Doosan Schools of Hope opened their doors in the Chinese provinces of Sichuan and Guizhou. The tie between Doosan Infracore and Doosan Schools of Hope began in 2001, when the company's chinese excavator business stabilized. In order to commemorate the sale of its five thousandth excavator, the company donated its entire value (around RMB 750,000) toward the founding of three Doosan Schools of Hope, each located in the Chinese provinces of Qinghai, Gansu, and Ningxia.

Doosan Infracore's journey of hope is more than simply constructing school buildings. In 2007, for example, we introduced the concept of "honorary school principals" and initiated "Doosan Summer Camps of Hope." We use a portion of our yearly profits to support the building of elementary schools in remote areas of China where educational facilities are lacking. As of the

end of last year, we donated a total of RMB 7.45 million to the Chinese Youth Advancement Fund, helping to build twenty-four Doosan Schools of Hope in twenty provinces across China.

## Turning a Young Boy's Dream into Reality

Doosan Infracore's Schools of Hope represent more than simple donations by a company: they are also sources of beautiful and enduring memories for Chinese children during their most formative years. For example, one student who had recently graduated from Doosan School of Hope dreamed a dream of operating a Doosan excavator after taking a course at a company vocational school.

The Chinese Government honored our social contribution activities by bestowing the "Public Goods Partner Award" on Doosan Infracore at the National Congress of the Communist Party of China in 2008.


# *Bringing Hope to an Earthquake Site*

## Helping at a Site of Desperation

At 7:49 a.m. on April 14, 2010, a magnitude 7.1 earthquake shook the city of Yushu in Qinghai Province, China, causing 1,944 deaths, injuring 12,135 people, and leaving 216 missing. After an earlier earthquake had struck in the province of Sichuan, Doosan Infracore rushed to provide rescue and rehabilitation assistance--the first non-Chinese company to do so. Based on that experience, the company was able to move quickly to help the people of Yushu as well.

## Recovery Activities

The first step was to mobilize dealers and customers in the vicinity of the earthquake site, so that their equipment could be put to use in the recovery effort quickly. We assumed all costs for rentals, labor, and parts, worth at least RMB 2million. Then, in collaboration with the Economic Technology Development Management Committee of the City of Yantai, one of the locations in which Doosan Infracore China Company (DICC) is located, we donated RMB 1million to help residents of the earthquake-stricken area. In addition, DICC increased its number of "Doosan One-Family Disaster Recovery and Rescue Teams" to three, increasing hopes for a quick recovery at the earthquake site. To provide even more equipment and rescue items, we studied the scope of the disaster and the status of the rescue operation to determine the demand for additional help. This is just one example of how DICC, through its motto of "Let's Build a Beautiful and Happier China Together," is fulfilling its responsibilities as a caring and concerned corporate citizen.

# *Bobcat: The Little Giant that Helped Prevent a Flood*

## A Time of Mortal Danger

In March 2009, the Red River was inundating areas in the state of North Dakota nearly Bobcat's headquarters and plants. Houses were being submerged in water, with tens of thousands of people forced to flee from their homes. An unprecedented amount of snowfall had hit the area that year; spring rains came and melted the still-frozen ground, causing the river to crest and leading to intense flooding. Area residents worked day and night for seven straight days to prevent the flood from becoming one of the worst ever. This included filling 3.5 million sand bags to build a makeshift levee. In the early morning of Saturday, March 28, the water level in the river rose to around 12.4m, the highest level ever recorded. It soon after began to recede, and the focus of the flood prevention activities turned to helping the residents return to the homes that they had been forced to abandon.

## Equipment Donated and Technicians Provided to Help Build Levee

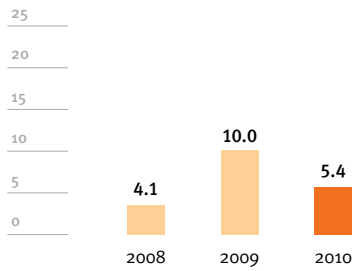
Bobcat donated forty pieces of equipment to the rescue effort. Realizing the urgent need for experts and volunteers to help avert a full-scale disaster, the company also urged all its employees to volunteer at the site. More than a hundred Bobcat employees descended on the location where the worst flooding was feared, helping to build a levee, provide food, and answer telephones at a volunteer center. The US National Guard, with the help of the equipment donated by the company and forty of its volunteer engineers, ramped up efforts to build a portable levee. Meanwhile, in the Bismarck and Gwinner areas where Bobcat's plants are located, an unexpected flood took place due to an ice jam in the Missouri River. With buildings becoming submerged in the water and roads being swept away by the flood, demolition experts were called in to detonate the ice blocking the river. Employees at the Gwinner Bobcat plant joined the effort in the vicinity and the Red River area, driving machinery to help build the levees and providing food to residents affected by the flood. This shows how employees of the little giant called Bobcat did their part to prevent a full-scale flooding disaster. Acting as one big family, they let the outside world Doosan Infracore's commitment to loving its neighbors.

# Employee Growth

## Hiring and Developing Talented Workers

Doosan Infracore has installed advanced human resources system and efficient and effective talent-development programs to ensure continuing and sustainable growth. By making generous investments in this area, we are putting our philosophy of hiring and developing talented human resources into practice.

**Job Turnover by Year** (unit: %)




**Job Turnover by Age Range** (unit: %)

| Age Range | 2008 | 2009 | 2010 |
|---|---|---|---|
| 20s | 13.9 | 9.0 | 7.1 |
| 30s | 4.9 | 10.3 | 5.3 |
| 40s | 1.5 | 6.9 | 1.4 |
| 50s | 5.4 | 14.0 | 9.1 |

### Hiring Talented Human Resources

As of the end of 2010, Doosan Infracore 5,057 employed people. In term of job types, regular positions numbered 5,041 (99.7%) with non-regular at 16 (0.3%). Among our workforce, 4,718 people (93%) were male, while this composes a very high ratio, the hiring of females to the workforce is gradually expanding. Doosan Infracore employees are not discriminated against due to their gender, religion, race, or age, and there is no difference in basic salaries given to the newly-hired whether they are women or men. We also give preferential treatment to war veterans in Korea.

**Employee Status*** (Unit: number of people)

| Category | | 2008 | 2009 | 2010 |
|---|---|---|---|---|
| Total | | 4,679 | 4,695 | 5,057 |
| Gender | Male | 4,396 | 4,429 | 4,718 |
| | Female | 283 | 266 | 339 |
| Job Type | Regular | 4,679 | 4,691 | 5,041 |
| | Non-Regular | 0 | 4 | 16 |
| Job Area | Office | 2,548 | 2,545 | 2,819 |
| | Technical | 2,131 | 2,150 | 2,238 |
| Diversity | Physically-Challenged | 143 | 126 | 123 |
| | Armed Forces Veterans | 116 | 96 | 118 |

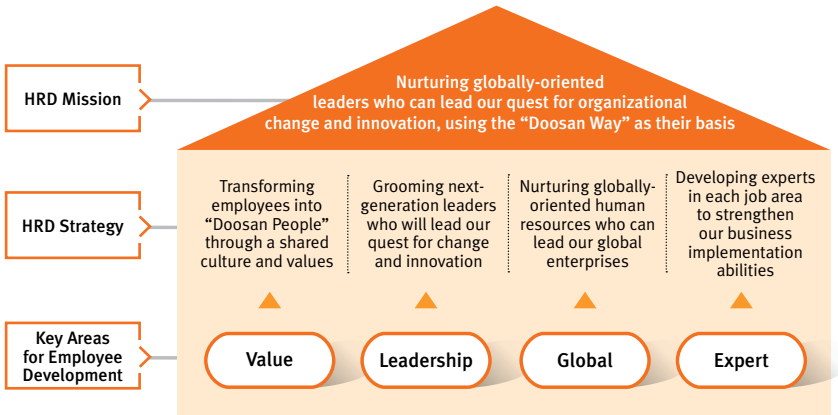
*Excluding workforce dispatched overseas

### Employee Development

In order to nurture globally-oriented employees who can lead the company's quest for organizational change and innovation, we provide a wide range of opportunities for learning and self-improvement. By doing so, we are creating a culture in which the company and its workers can grow together.


PLP L-Camp 3 (Third Edition)

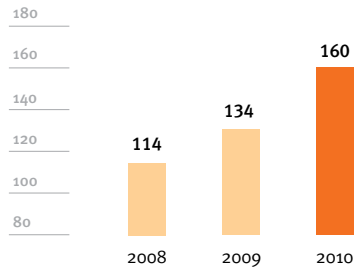
## Direction of Employee Development




## Employee Development Training System

In order to satisfy our employees' various learning needs, our self-improvement programs and courses are sub-divided in terms of job levels and tasks, allowing our workers to develop their capabilities at their own pace while enhancing their ability to perform the tasks they have been allocated.

## Average Number of Training Hours per Person (Unit: hours per person)



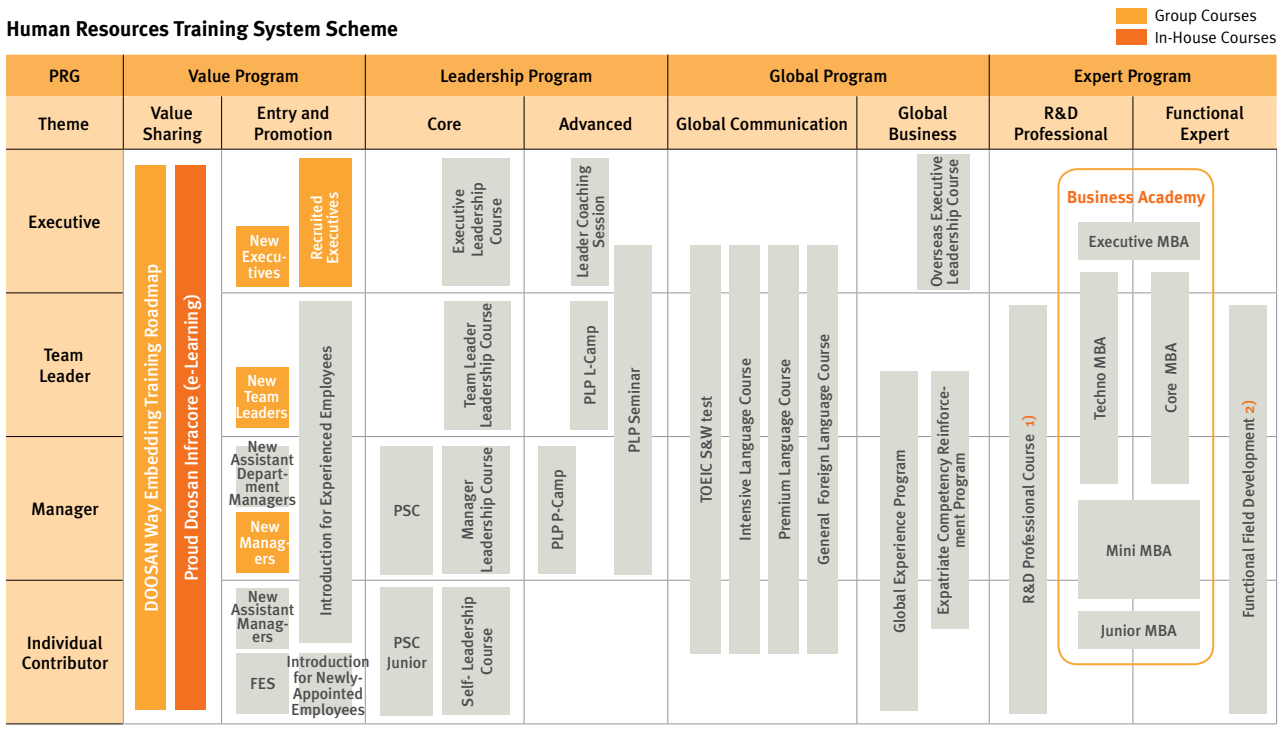

* Based on white collar workers

## Status of Training in the Prevention of Sexual Harassment (Unit: number of people)

| Year | 2008 | 2009 | 2010 |
|---|---|---|---|
| People who completed the course | 5,046 | 4,615 | 4,779 |

* Personnel dispatched overseas and expatriates overseas didn't complete the training

## Human Resources Training System Scheme




1) R&D Technology Training by the Research Institute 2) Job Task Training by Current Job Task

**PLP L-camp :** Developing leadership skills based on self-awareness; core leader training through one-on-one coaching

**PLP P-camp :** Core human resources development course; enhancing skills in resolving problems at their current jobs through 7-Step Problem Resolution Method and action-based learning

**Companywide Leadership Program :** Develop leadership abilities for managing organizational change; encourage workers to become global leaders; leadership training program by job level for all employees

**Winning Team Workshop Program :** Sharing company's vision and core values and enhancing ability to work as part of a team; improving "bottom-up" organizational culture; annual all-teams company-wide workshop

**Business Academy :** Groom next-generation managers to become core talents, executives, and outstanding talents at each level; in-house growth program for strategic talents to MBA level; high-end management education and training

Introductory Training for Technology Professionals

## On-Site Expert Development Program

Doosan Infracore's On-Site Expert Development Program is designed to allow promising employees the opportunity to build their potential by improving their skills in areas that interest them. An internal training program to enhance entry-level technology professionals' prowess, it involves training in the mechanisms of products by business area. In 2010, this training was carried out four times for sixty-seven newly-hired, entry-level technology employees at our Technology Education Center in Ansan.


## Performance and Competency Assessment Policy

Every year, Doosan Infracore carries out fact-based competency and performance evaluations for all its white collar workers. Based on the results, we establish a development plan for each individual, linking it to his or her career path. Each person receives helpful feedback from his or her supervisor.

2010 Company-Wide Reward Program

## Company-Wide Rewards System

Every year, we carry out a company-wide rewards program for employees making positive contributions to achieving the company's vision and organizational culture. Our Rewards Committee makes its assessments based on three factors: achieving results; improvements to the company's organizational culture; and change and technology advancement. We also select winning teams from our business areas. The Grand Prize for the 2010 Team of the Year went to the Engines & Materials Business Group's Development Team 2, which developed the world's very first CNG engine based on SCR technologies.

## Global Learning Academy of Doosan Infracore (GLAD), our online training system, in operation

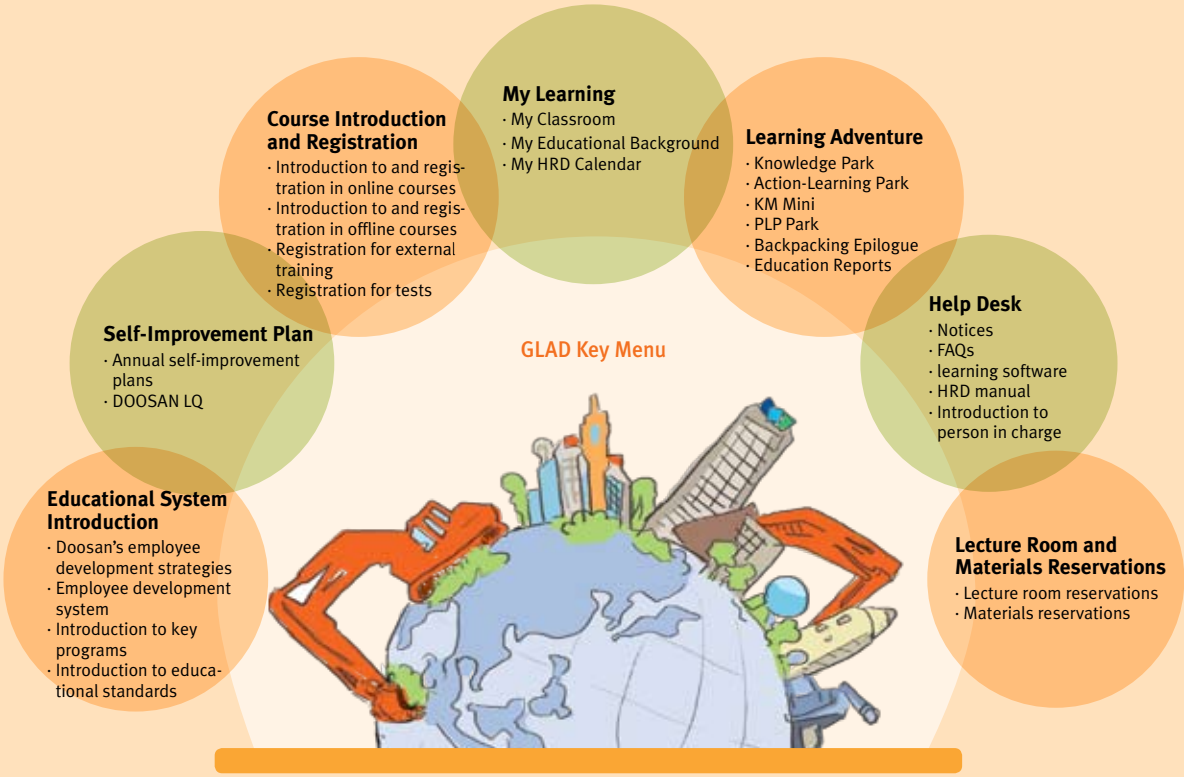
### e-HRD GLAD

e-HRD GLAD is Doosan Infracore's comprehensive human resources development program. In association with other employee growth programs run by the company, a systematic, learning environment has been created. Educational and training operations and performance management activities are all done online, allowing employees to share their expertise and flexibly participate. The program's name-Global Learning Academy of Doosan Infracore(GLAD), is a directly result of an employee naming contest.

### "Global Hub of Talent Development"

GLAD is greatly influencing Doosan Infracore's employee development environment. Through it, every worker can design custom-tailored self-improvement plans suited to his or her own needs and use them to enhance his or her various competencies. In addition, team leaders can manage the growth of their team members more systematically, while executives can provide additional support to improve the company's competencies. People who are responsible for administering the company's educational and training programs can increase their own knowledge to more effectively groom globally-oriented professionals and strengthen on-site job training. We plan to turn GLAD into a "global hub of talent growth," by means of which our employees anywhere in the world will be able to grow.

GLAD Online Education System



**O.N.E. Doosan Magazine**

O.N.E. Doosan is a monthly in-house magazine that combines the online and offline in-house newsletters that used to be published by our key world-wide business divisions. Published in Korean, English, and Chinese, it is distributed to all our employees throughout the world. It provides them with company-related information and issues, and facilitates the easy dissemination of in-house communications. As a result, it has become a major contributor to the spread of the company's overall corporate culture.


Winning Team Workshop

## A Warm and Welcoming Organizational Culture

Doosan Infracore believes that sustainable growth cannot take place, and a company will not earn respect, unless a people-oriented corporate culture takes root. In order to encourage the development of an organizational culture that is based on pride, trust, and happiness, we have developed a wide variety of in-house communication channels for forstering a warm and welcoming workplace in which we and our employees can grow stronger together.

### Open Communications

We designated year 2011 as the year when respect for people and an enhanced employee development system take full root. In addition, 2011 will be a time when everyone in the Doosan Infracore family will be filled with feelings of trust, pride, and happiness. We intend to develop our communications channels in such a way that everyone can share their precious success stories company-wide.

#### Strengthening Leadership

We are expanding our company-wide leadership training programs to include executives and team leaders. By reinforcing our leadership competencies, we will create an environment in which team members can grow in respect for one another. We are committed to enhancing the leadership and communication skills of all our executives and team leaders. After all, they are the core of the company.

#### "Winning Team" Workshop

The goal of the 2010 Winning Team Workshop was to help strengthen the company's organizational culture by providing a venue at which all of our employees could work together and come to understand each other better. They reached agreed-to goals by establishing shared visions and missions through intense debate and soul-searching. In the end, everyone was able to agree on the meaning and value of the work that we do. This exercise was just one example of how Doosan Infracore is making sustained efforts to make its organization a place in which both management and employees can unite and evolve into a positive and powerful force.

#### Communication Enhancement

We have developed a wide range of communications channels. Through which, management and workers can engage in a close and comfortable environment. We are developing even more diversified communications routes to facilitate interaction between our team leaders and the members of their teams (and even between teams).

### Employee Benefits System

Doosan Infracore has established a wide-ranging employee benefits system to enhance its employees' quality of life and boost their morale. They include support for housing, childbirth and child-raising, medical expenses, and education. To help our employees enjoy the full value of their leisure activities, we are running a program called "Experience Overseas Cultures through Backpacking" and hosting "Family Days" where families can have an enjoyable time. In 2010, we implemented a new health-improvement campaign. In addition, we operate clinics, fitness clubs, and health management programs to enhance our employees' well-being.

**Employee Benefits System**

| Category | Programs |
|---|---|
| Leisure Activities | Overseas backpacking; "refreshing" vacations; summer vacations; wedding anniversary vacations; support for buying condominiums; support for clubs; "Family Days" |
| Childbirth and Nurturing Infants | Pre- and post-natal vacations; leave of absence to raise children; rest areas for female employees |
| Housing and Rentals Stipends | Housing subsidies; rental subsidies; moving subsidies; other living stipends; disaster support stipends |
| Medical | Medical expense support; comprehensive medical examination supports |
| Education | Full tuition support for junior high school, high school, and college for employees' children; subsidies for textbooks and reference materials |
| Legally-Mandated Employee Benefits | Four national insurance options; retirement pension (to be implemented) |
| Optional Employee Benefits | Group personal injury insurance for employees at assistant manager level and below; group insurance for managers and above; retirement savings insurance for technology professionals |
| Other Employee Benefits | Commuting buses; clothing subsidies |

### Operating a Stable Retirement System

Beginning in 2010, we have been giving special lectures one month before our technology specialists retire. The topics include career development, establishing post-retirement targets, health management, and information on social clubs for retirees. We are also preparing to introduce a retirement pension system.

**Overseas Backpacking Memoir**

## *A Precious Occasion for Sharing Family Love*

**Kwangmo Ko**_Manager, Strategic Materials Management Team

Doosan Infracore has instituted a program supporting overseas backpacking activities for its employees. It allows them to experience other cultures, and gives them a much-welcomed chance to recharge their physical, spiritual, and emotional batteries. while it is true that there is a financial burden involved in making trips overseas, I hadn't been able to spend much time with my family due to my busy work schedule, and decided to apply for the program. My wife and son and I went on a trip for eleven nights and twelve days, touring six countries in Europe – the United Kingdom, France, Italy, Switzerland, Austria, and Germany. Although viewing beautiful scenery and visiting museums in which history is treasured and kept intact gave us memories that will stay with us forever, witnessing Doosan and Bobcat excavators at work in the city of Milan was a true highlight of our vacation. When I told my wife and son that they were produced at the company I work for, they were happy and proud. We had a great time together, sharing our love and our free time. I'd like to express my sincere thanks to Doosan Infracore, the company that made it all possible.

## A Harmonious Labor-Management Relationship

Doosan Infracore is creating a healthy workplace by building a harmonious labor-management relationship, based on mutual effort and trust between the company and the members of its labor union.

### Enhancing Labor-Management Communications

Doosan Infracore has established a wide array of communications channels to strengthen a "win-win" relationship between itself and its workers. This includes regular labor-management consultation meetings, a Grievance Handling Committee, an Industrial Safety and Health Committee, a Bones and Sinews Implementation Committee, and an Employee Benefits Committee. The results of their deliberations are made available through our in-house communication channels. In order to encourage our employees to put forward their ideas freely and openly, we hold regular "town hall" meetings between employees and our CEO, strengthening a culture of positive and proactive management.

#### Labor-Management Consultation Meetings

We hold both regular and special quarterly meetings of representatives of labor and management, with a minimum of three and a maximum of ten people from each side. Some of the topics discussed include improving productivity, distributing profits, improving the company's personnel and labor management policies, enhancing employee benefits, and improving the work environment. If the company decides to turn over its businesses, either entirely or in part, to a third party through M&A, a spinoff, or a transfer, it is obligated to consult with the labor union during the preparation stage and make notifications of its intentions in advance.

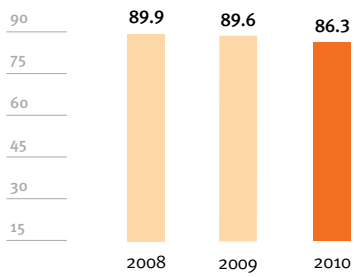
#### Industrial Safety and Health Committee

This committee is comprised of nine people each from labor and management. It holds four regular meetings a year, as well as special meetings to discuss extraordinary items. The committee is tasked with enhancing safety and health at the company's facilities, including accident prevention, safety and health, the work environment, and safety- and health-related equipment. Health and safety items that must be discussed in advance with the labor union are stipulated in the collective agreement.

#### Grievance Handling Committee

This committee consists of three representatives each from labor and management. and meets once a month. It is tasked with gathering and disseminating employees' grievances and opinions, allowing them to focus on their jobs and duties.


**Labor Union Membership** (unit: %)




* For Production Line Employees

### Compliance with Collective Agreement

Based on both the letter and the spirit of the constitution of the Republic of Korea, and the central government's various labor-related laws and regulations, Doosan Infracore has established a fair and voluntary system to enhance its working conditions. We comply with the prohibition against compulsory labor as stipulated in the Labor Standards Law and the Collective Agreement's Article 5. To assist our workers who are responsible for ensuring the security of our facilities, we carry out security guard training courses, instruct them on fulfilling their required tasks, and hold biannual meetings to discuss any work-related problems, including human rights matters. In 2010, all seventy-nine of our security personnel completed job-related training courses.

**ILO (International Labor Organization) Compliance with Labor Agreement**

Doosan Infracore is in full compliance with the ILO's labor agreement.

- **Article 87** : Agreement on freedom of association and protecting the right to organize
- **Article 88** : Agreement on forming job-stabilization organizations
- **Article 154** : Agreement on promoting collective bargaining

# Enhancing Customer Satisfaction

## Customer Satisfaction Management

Doosan Infracore enhances customer satisfaction through the delivery of accurate information and customer-oriented activities regarding its products and services. Its goal is to always exceed customers' expectations.

### Quality Management System

Since Korea's Product Liability Law was enacted, the safety and reliability of products have become increasingly important. The situation is much the same in overseas countries, where rules and regulations regarding product specification descriptions are even more advanced. In response to this trend, Doosan Infracore has established a quality management policy with the motto "Delivering the World's Best Quality to Inspire Our Customers." By ensuring that our customers find our products trustworthy, well-made, and reliable, we minimize our Cost of Poor Quality (CPQ) by improving our performances and results.


### Quality Innovations

In order to ensure the production of high-quality goods that will inspire its customers, Doosan Infracore has implemented the ISO9001: 2000 quality management system, guaranteeing the establishment of stringent, customer-oriented quality management policies and processes. Working collaboratively with our business partners, we earned this certification by carrying out a wide variety of quality innovation activities. They included improving our design and manufacturing processes, offering our employees training in quality improvement processes and programs, establishing a quality-assurance infrastructure, and running a year-round "quality school." In addition, we are continuing with such quality innovation activities as TQM projects at all business locations.

### Developing Products that Inspire Customer Satisfaction

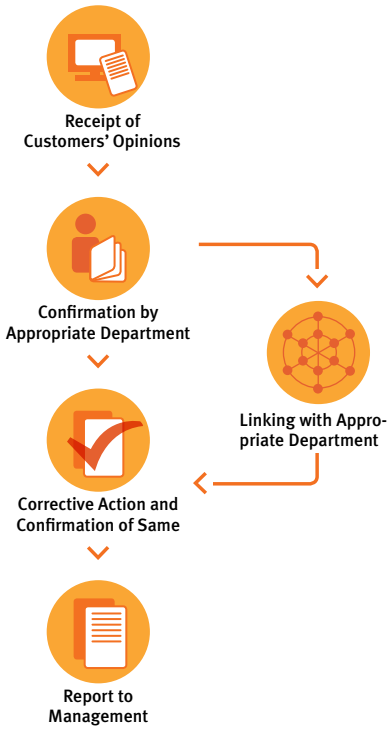
In order to develop products that live up to our customers' expectations, adhere to all statutory safety specifications, and are delivered on time, we have increased our investments in R&D year-over-year. We only ship products whose quality has been guaranteed by our Reliability Evaluation Center's various performance tests and reliability assessments. To guarantee the safety of our products, we comply with all safety regulations regarding equipment and vehicles during the design stage, and evaluate safety issues related to users and their employees. If an evaluation cannot be performed in-house, we commission a qualified outside company to perform this task.

**Disclosing Product Information**

Doosan Infracore discloses all essential information regarding its products to customers.

- A mark guaranteeing compliance with international safety regulations is affixed
- Provide operating manuals for heavy machinery
- Provide drawings of parts used in equipment, along with information regarding specifications

**Customer Management Process**




## Customer Communications

Doosan Infracore listens to its customers through a wide range of channels and reflects their opinions in its operating activities and decisions. We communicate with our customers throughout the entire life cycle of our products, putting our philosophy of enhancing customer value into action.

### Communications at the Development Stage

We are striving to develop products that accurately reflect our customers' needs and wishes. This means we have to perform frequent investigations to determine the importance and satisfaction level of each product quality category. In the case of construction equipment, we invite engineers from both Korea and overseas to provide their opinions concerning new product prototypes. We also host technology lectures, perform certification testing, and visit key customers at least once every quarter to understand their opinions to reflect them in our products and service offerings.

### Communications at the Sales Stage

We operate sales and marketing websites for each of our business areas. Moving forward, we plan to integrate them into the DOOBIZ System, enhancing how we provide information to our dealers and customers.

### Communications at the After-Sales Stage

We operate an On-Time Service System that provides service at our customers' convenience through our newly-created Integrated Customer Service Center. Our goal is to resolve customer complaints quickly and prevent the reoccurrence of similar issues. Once we have received a customer's complaint about a product, the appropriate business department contacts the customer and tracks its shipping date, manufacturing date, production status, and inspection records. This allows us to resolve problems associated with our products and services in an efficient and effective manner by immediately implementing corrective and/or preventative measures. As a result, our on-time handling rate, reflecting the total number of problems resolved within the time-frame demanded by a customer, is a remarkable 95%.

**Smartphone-Based Task Handling System**

Doosan Infracore's construction equipment business introduced a PDA-based customer service system in November 2008. Two years later, we became the first player in the industry to introduce a smartphone-based task-handling system. It selects the service people who are closest to the customer, and immediately dispatches them to deal with equipment issues. In addition to allowing for real-time information-sharing between the service center and all our on-site working locations, this means we can share information quickly with other internal departments, such as production and quality. As a result, all of our service-related tasks can be easily integrated for management at our various on-site working locations. We are especially proud that this was the first time that such a system was created by an industry player, rather than an IT specialist.

## Online Communications

The company's newly-revamped website (www.doosaninfracore.com) was officially launched on July 16, 2010, serving as the new online gateway to Doosan Infracore's operations around the world. All of our websites—including the homepage, business areas, independent brand websites, and so on--were reconfigured to make them more customer-oriented while better publicizing the company, its businesses, and its products. We also enhanced user accessibility by improving linkages among all doosan Infracore website. By establishing a web-site "Governing Office" under the aegis of the Strategic Planning Office. Its goal is to oversee the implementation of the company's online communications strategies. A "governor" has been selected for each business area, and he or she is responsible for establishing, implementing, and monitoring web strategies so that systematic communications operations based on a web life cycle will became a reality.

## Safeguarding Customer Information

Doosan Infracore has established a "Doosan Information Security Policy" to prevent the leakage of confidential customer information. It also protects our various information assets from both internal and external threats, to enhance our competitiveness. Guaranteeing the safety and security of private customer information is one of our most important goals.

We have established a department dedicated to overseeing the security of all our online customer information data. One of its primary functions is to perform real-time checks to determine which people are allowed to access customer information, and to see if any changes have been made. Thanks to pre-emptive efforts preventing leakage of our customers' personal and private information, we have not had a single complaint from a customer regarding the loss of confidential data over the past three years.

Doosan Infracore Website

## "Quick and Efficient After-Sales Service is One of Doosan Infracore's Greatest Strengths"

INTERVIEW

Doosan Infracore's products boast superior performance relative to their price. Their fuel-consumption efficiency is especially outstanding. Engineers who have operated the company's equipment uniformly praise its ease of operation, comfort, and convenience. Despite this, I believe that the company's quick and efficient after-sales service is its greatest strength, placing it miles ahead of its competitors.

One of the most difficult things in the excavator business is the lack of experienced operators. Training an operator costs a lot of money! That's why we really appreciated being able to send two of our operators to be trained at the company's Ansan Training Center.

A company's competitiveness rests on its customers' overall satisfaction with its products and services. In addition to having high-quality products, Doosan Infracore is renowned for listening to its customers, asking itself what they want, and making immediate improvements.

I'd like to see the company be more proactive in developing products whose durability and fuel-consumption and low-carbon features are even better than they are now. The same thing applies to their after-sales service. In terms of equipment operations, after-sales service is extremely important. Since the initial quality of Korean machinery products is very high, its durability and the speed with which repairs are made have become the key drivers for customers deciding which products to buy in the future. If Doosan Infracore shows that it's committed to making improvements in the areas I've outlined, I'm convinced that the competitiveness of its products will grow even more.

I'd also like to see the company implement more programs to keep it in touch with its customers. This includes inviting customers to tour its plants, better product information and presentations, and listening to customer grievances.

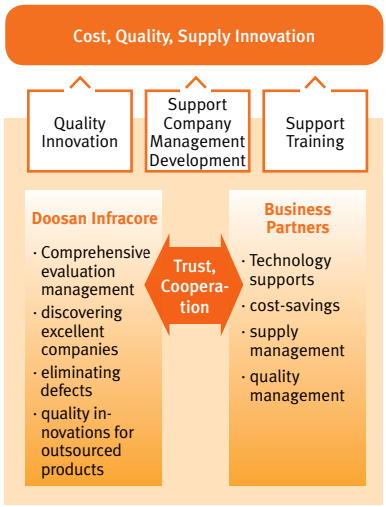
**Ilsuk Park**_CEO of Doorea Construction Development

# Mutually Beneficial Growth with Business Partners

## Supporting our Business Partners

Doosan Infracore believes that trust and a willingness to work together with its business partners for mutual benefit are the foundation of sustainable growth for itself and its stakeholders. In addition, we are committed to a program of full and frank communications with our business partners as the best means of ensuring shared competitiveness.

**Partner Support Policy**




### "Virtuous Circle Partnership System"

To strengthen our global competitiveness and ensure we enjoy the fruits of mutual growth, we have established with our business partners a "virtuous circle partnership system." Although we used to limit the use of our technologies and business systems to our own needs, we have now integrated with our partner companies into a single operation. We did this to strengthen the relationship between our business partners and us even more.

### Competitiveness-Sharing Program

Doosan Infracore shares with its competencies in such areas as technologys, product quality, management, and operating systems. We also provide them support to strengthen their competitiveness in terms of parts development, education and training, and infrastructure development.

**Strengthening On-Site Management and Support for Mutual Growth**

In November 2010, Doosan Infracore formed a competitiveness-reinforcement support team consisting of both in-house and external experts. Since then, we have been carrying out support activities by business group in such areas as enhancing productivity, reducing inventories, and improving quality. In April of this year, in keeping with our belief that our business partners' growth is the same as our own, our CEO, Kim Yong Sung, visited two companies in Ansan and Incheon, helping to cement the development of a virtuous-circle partnership system to enhance mutual growth. Mr. Kim was able to see the results of our competitiveness-support activities in action, and expressed his thanks to both organizations for their highly successful efforts to increase their volume of production. In addition, he found time to hear about the difficulties they were facing and entertain their requests for further support. The heads of the company's other business groups also visit their partner companies regularly.

### Support for Strengthening Competitiveness

As a further step to help our business partners bolster their competitiveness, we have established a competitiveness reinforcement support team comprised of in-house experts and technology advisors, that operates under the aegis of our CEO. The team conducts weekly TQM innovation support activities, provides instruction in ways to enhance product quality, implements a program called "3-Chisels 5S-Basis Lean", and helps our partner companies improve their cost competitiveness.

### Support for Parts Development

Doosan Infracore's activities to support parts development in 2010 included providing KRW 21.9 billion worth of moulds and related equipment to 349 companies. We assisted in the development of Korean-made parts by helping four companies on five separate occasions. We are currently involved in two cases involving the domestic production of machine Tools, and another one involving the development of new products.
We also participated in new product development projects that were conditional on our purchase of the products created. In addition to contributing to the stability of our business partners, this program enhances the quality of the parts they manufacture.


Operation of Competitiveness-Reinforcement Team for Business Partners

### Support for Education

Augmenting our business partners' competencies, we offer a series of job-and task-related training in liaison with Korean universities. This includes offering twenty courses for 192 people from 151 companies in 2010. To make it possible for first-and second-tier partner companies to conduct business among themselves in the spirit of fair trade, we provided training to 192 people from 151 partner companies.

### Support for Infrastructure

Doosan Infracore plans to participate in the founding of the "Machine Industry Mutual Growth Promotion Foundation," and will provide it with annual funding worth KRW 400 million. We will also enhance the competitiveness of second- and third-level business partners through development activities.


Mutual Growth Promotion Program for Machine Industry Established

### Support for Joint Entry into Overseas Markets

Doosan Infracore is providing support in such areas as securing orders and dealing with customer complaints to thirty of its business partners that initially entered the Chinese market. We are assisting companies that entered Chinese and Brazilian with us by supporting them with a "soft-landing" program. This includes creating a healthier environment for investments, sharing business information, and supporting the development of effective management practices and technology.

### Financial Supports

Contributing to the financial well-being and stable management of its business partners, Doosan Infracore has created a "coexistence" fund, providing KRW 36.5 billion to twelve companies. In addition, we have provided KRW 55.5 billion in network loans to ninety-seven enterprises, KRW 5.5 billion to thirteen family-owned businesses, and KRW 13.1 billion to twenty-six companies under our coexistence-guarantee program. We plan to expand our support in this area if and when new demands arise.

## Fair Trade

Fair trade is a basic principle of successful and sustainable corporate activities. By faithfully carrying out its responsibilities as a caring and concerned corporate citizen, Doosan Infracore is gaining recognition as a trustworthy, "win-win" partner.

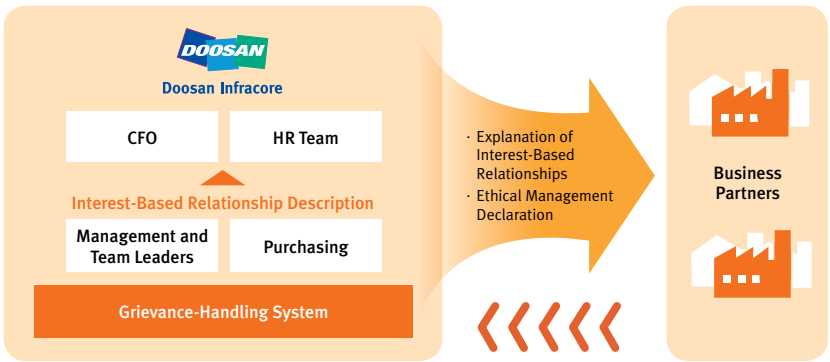
**Business Partners Hotline**

As part of its program to strengthen communications with its business partners, Doosan Infracore established a "Partners Hotline" on November 1, 2010. In addition to lodging grievances relating to various transactions, its users can make enquiries, ask for advice and counseling, and offer proposals concerning our mutual-growth program.


## Fair Contract System

While Doosan Infracore's Code of Ethics includes a commitment to fair and open trade between itself and its business partners. We have implemented a "fair contract system" to enhance mutually beneficial relationships with our business partners. It includes clearer contracts between the parties, increased transparency, and healthier overall relationships with our business partners. We have also established a series of fair contract bidding guidelines. Companies that violate them may face a number of penalties, including losing their right to bid on contracts, cancellation of contracts, and trade suspensions. To avoid these penalties, our business partners must submit a "Memorandum of Understanding concerning Fair Contracts." In it they must promise not to engage in unfair trading activities, accept bribes, and engage in other illicit or immoral activities.
Doosan Infracore also operates an in-house fair trade reporting system to prevent unfair trading practices from taking place. It includes a hotline, a help-line, and an ethics management website on its homepage. In addition, reports may be made by email, by phone, or by ordinary mail. We have not had any violations of our rules and regulations concerning unfair trading practices over the past three years.

**Ethical Management Process for Transactions with Companies with Conflicts of Interest**




## INTERVIEW

### "Doosan Infracore's On-Site Consulting Program Was a Big Help"

**Kisoo Park**_CEO of Taehwa Precision industry

The expression "mutual growth" isn't unfamiliar to us. When we first started out with our innovation activities, we were mired in red tape for several years, Making overly-aggressive investments, managers who were just going through the motions, and a desire to maintain Korea's traditional management system. As a result, we had a desperate need for change. Doosan Infracore's on-site consulting program proved to be a big help to us. It still is.
In the past, there was a lot of inventory associated with processing, cutting, painting, and assembling iron plates. When Doosan Infracore started providing us with technology consulting assistance, our inventory management processes improved markedly. Instead of relying on a manager's "feel" for what was needed, we could now work with clear and accurate processes and data. This allowed us to reduce our parts purchases, and made all of us better managers. Our employees' ability to prepare data and give presentations at meetings and seminars was also improved. In fact, everyone's competencies were enhanced.
Doosan Infracore also supported us by determining other areas in which we were lacking and needed help, such as finances and technology. They helped us there too. As a result, we were able to firm up our presence in both Korea and China.
I hope that this support will continue and won't just be temporary. If the opportunity is provided, we will participate in other programs for change and innovation. In fact, my employees seem to want them even more than I do. I'm firmly convinced that if Doosan Infracore and its partner companies continue to develop mutually beneficial relationships with one heart and one mind, there will be many great days ahead for all of us.

# Community Engagement



## Social Contributions Activities

Doosan Infracore's social contributions activities are intended to help local communities. To this end, local sensibilities and needs are reflected after being collected through various channels. Based on the results, we implement our social contributions programs. All of them are linked to the nature of the businesses we are in.

### Social Contributions Programs and Activities

Operating from our philosophy of utilizing machine technology for the benefit of humanity, we have defined three core areas of our social contributions activities: rescue, support, and sharing. We deploy these programs throughout the world, delivering happiness and hope to people who are impoverished and marginalized.

#### Rescue Activities

Taking advantage of the nature of our businesses, we lead in recovery efforts at disaster areas around the world.

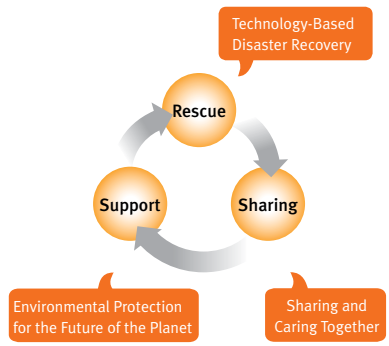
#### Support Activities

In order to conserve and protect the world's environment, Doosan Infracore carries out a wide variety of environmental protection and preservation activities, such as developing environmentally friendly products and reducing the amount of pollutants it discharges at its plants.

#### Sharing Activities

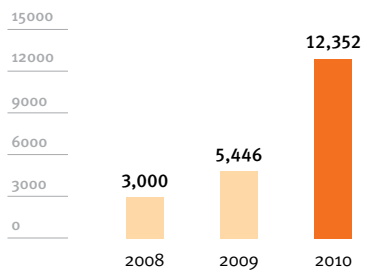
Doosan Infracore shares a variety of support activities to improve the quality of life of the socially marginalized. This includes running a "science classroom" for children in Korea, enabling them to understand basic scientific principles by observing the company's products. This program allows us to make a contribution to local communities and nurture talents for the future.

**Social Contributions System**



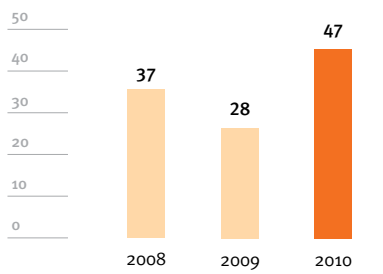

**Budget for Social Contributions Activities**

(Unit: Millions of KRW)




**Social Contributions Program**

(Unit: Cases)




**"Junior Engineering Technology Classroom"**

The "Junior Engineering Technology Classroom" is a program in which employees from Doosan Infracore's Research Institute volunteer at local elementary schools, teaching science in entertaining and useful ways based on their job and on-site experience. Its purpose is to instill a positive attitude towards science in elementary school students, as well as allow them to increase their understanding of science and technology. A science teacher at an elementary school to which a Research Institute employees had paid a visit said, "The kids are quite fond of the class, and participate in it actively. It gives them a good opportunity to broaden their horizons in the areas of science and engineering."

### FUN-FUN Job and Cultural Experience

Doosan Infracore invited underprivileged children living near its Incheon Plant to KIDZANIA, a job experience theme park for children, and held an event called "FUN-FUN Job Experience." The cost of the event was paid by our employees saving funds from the last few digits of their salaries.

### One Company–One Village Helping Relationship

To help achieve a better economic balance between urban and rural communities, Doosan Infracore formed a helping relationship with Yongdooreh Village in the province of Kyunggi-do, and is carrying out a variety of support activities there. They include supporting health examinations for its residents, helping to grow sweet potatoes, and running a fresh-air marketplace. We also work with the village to provide rice for poor people living in the district.

### Sharing Things with Love

At the end of each year, Doosan Infracore's Gunsan Plant, together with its Fruits of Love Volunteers, visits low-income households and those headed by a grandmother or grandfather, delivering basic life necessities.

### Grand Love-Sharing Festival

Doosan Infracore's Incheon Plant held its "Tenth Love-Sharing Grand Festival with Doosan Infracore." Participants included the head of the labor union and in-house volunteers. They spent their time working with foster children, the physically-challenged, and sole-support seniors.

### Soup Kitchen

Employees at the company's Incheon, Changwon, and Gunsan plants made donations to help provide sole-support seniors with free meals.

## Environmental Protection Activities for Local Communities

We have established a wide range of environmental beautification and protection programs to ensure that local communities near our facilities can enjoy a clean and healthy environment. For example, employees at our Incheon Plant help to clean the Hwasoo and Mansuk docks near the factory every year.

## Helping the Physically-Challenged

Doosan Infracore's Changwon Plant makes annual donations to the Kyungnam Physically Challenged Association. Its employees also run in a marathon with the physically-challenged. If both partners complete the run together, they become "one." Employees at the Gunsan Plant help the physically-challenged go hiking in the mountains, act as volunteer hiking guides for tourists, and participate in environmental beautification activities.

## Children's Environmental Camp

Doosan Infracore hosted a children's environmental camp called "Green Builders, Protector of Forests." Attended by seventy elementary school children, its goal was to help children see themselves as future environmental leaders through environmental education, experience, and sharing. In addition to enhancing their ability to understand the importance of the environment, it allowed them to put what they had learned into practice.

## Saving Last Few Digits of Salaries

Since October 2010, Doosan Infracore's employees have been saving the last few digits of their salaries to help the less fortunate and the elderly. The funds are also being used in cultural experience programs for children from low-income households in events that are sponsored by local governments, such as "Free Meals" and "Making Kimchi."

Children's Environmental Camp


Environment Beautification

Spending Time with the Physically-Challenged

# Appendix

- Independent Certification Report
- GRI G3 Index
- Explanation of Key Terms
- Membership Status in Associations and Organizations
- Reader's Opinion

# Independent Assurance Statement

## Scope and objectives

Doosan Infracore commissioned Two Tomorrows (Asia) Limited to undertake independent assurance of the Doosan Infracore Sustainability Report 2010.

**The assurance process was conducted in accordance with AA1000AS (2008). We were engaged to provide Type 2 assurance, which covers:**

- evaluation of adherence to the AA1000APS (2008) principles of inclusivity, materiality and responsiveness (the Principles) and;
- the reliability of specified sustainability performance information.

**Our review of sustainability performance information covered collection and consolidation processes for key data and claims in the report. The following information was outside the scope of our assurance engagement:**

- Reporting on non-Korean operations and suppliers, although we did consider global management systems which include overseas operations;
- Financial information in the report;
- Information provided on the Doosan Infracore website that is not included in the hardcopy 2010 Sustainability Report.

We used the Global Reporting Initiative's (GRI) Quality of Information Principles as guiding principles for the evaluation of performance information.

**Responsibilities of the directors of Doosan Infracore and of the assurance providers**

The directors of Doosan Infracore have sole responsibility for the preparation of the Report. In performing our assurance work, our responsibility is to the management of Doosan Infracore. However our statement represents our independent opinion and is intended to inform all of Doosan Infracore's stakeholders. We adopt a balanced approach towards all of Doosan Infracore's stakeholders.

This is the first year we have provided sustainability assurance for Doosan Infracore. Two Tomorrows has not been involved in the preparation of the report, nor do we have any other contracts with the company. Our team comprised of MinGu Jun, project leader, as well as Todd Cort and InMog Yang. This assurance statement was prepared by the team in English, and reviewed and signed off by Todd Cort, CEO, Two Tomorrows (North America) Inc. Further information, including individual competencies relating to the team can be found at: www.twotomorrows.com

## Basis of our opinion

Our work was designed to gather evidence with the objective of providing moderate assurance as defined in AA1000AS (2008). We undertook the following activities:

- Review of Doosan Infracore's process for identifying and assessing material issues;
- Benchmark research based on the previous year's environmental report to compare the issues commonly seen as significant by peers with those identified through Doosan Infracore materiality process;
- Interviews with the executive management team as well as with the managers responsible for oversight of non-financial issues. Interviewees were suggested by Two Tomorrows and agreed with Doosan Infracore;
- Review of selected evidence to support issues raised during discussions with managers;
- Site visits to the Seoul office, Incheon and Changwon manufacturing sites to review procedures and systems for preparing site level sustainability data and the implementation of the sustainability strategy. The sites were chosen by Doosan Infracore and agreed by Two Tomorrows;
- Sampling review of supporting evidence for key claims in the report;
- Review of the processes for gathering and consolidating data and sample checking of consolidated data sets. Sampling was based on prioritised data for the most material issues;
- Review and feedback on drafts of the Report and, where necessary, changes were made by Doosan Infracore.

## Findings

On the basis of the work undertaken, nothing came to our attention to suggest that the Report does not properly describe Doosan Infracore's adherence to the Principles. In terms of data accuracy – we are not aware of any data errors that would materially affect the claims made in the Report. Nothing came to our attention to suggest that data have not been properly collated from the operational level.

## Observations

Without affecting our assurance opinion we also provide the following observations.

While Doosan Infracore is in its initial stage for implementing suitability management, good governance for Environment, Health and Safety (EHS) management has already been established within the company including the formation of the EHS Committee, target setting and management of performance for key EHS issues through the EHS teams.

We recommend that Doosan Infracore extend its current governance on EHS management to broader sustainability issues. This could be accomplished through broader stakeholder engagement and assessment of a wider range of issues through the materiality process. Doosan might also consider establishing a high level decision making body to ensure management of the material social issues identified through the processes. Ideally Doosan Infracore should ensure proper oversight of the company's key environmental and social issues by assigning explicit review responsibility by the board of directors or its subcommittee(s).

Improvements to the sustainability governance structure will support the proactive identification and management of key sustainability risks and opportunities related to achieving its vision of 'ISB Global Top 3 in Machinery' and support the balanced implementation of related strategies.

**Inclusivity concerns the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.**

- We recommend that Doosan Infracore formalise its stakeholder engagement processes to promote consistency in identification and engagement mechanisms for key stakeholder groups. This would allow for greater understanding of expectations and feedback.
- We recommend that Doosan Infracore implement a formal mechanism to gather stakeholder feedback at the top decision making level such as the board of director or executive management team to enhance corporate level engagement. Holding a regular

of stakeholder panel for the EHS Committee could be a priority effort.

- There is an opportunity for Doosan Infracore to establish a formal system of client and supplier engagement focused on new product development, technology and operational innovation linked to environmental and social needs. A formal engagement strategy might focus on reviewing current activities of operational and quality innovation with suppliers and clients to identify new opportunities.

**Material issues are those which are necessary for stakeholders to make informed judgments concerning Doosan Infracore and its impacts.**

- Based on the work undertaken, we are not aware of any issues that are of high materiality for its Korean operations that Doosan Infracore has not recognised within its report. However, we recommend additional discussion in next year's Report on employee diversity, product responsibility and responsible supply chain management.
- The first Doosan Infracore materiality process was conducted by an external agency and needs to be adapted and embedded into the company to ensure that the process becomes a robust foundation for the sustainability strategy. We recommend that Doosan Infracore establishes and implements formal documented materiality procedures, which cover methods, assumptions, materiality threshold criteria, reporting and review procedures at the top management level. Additionally we recommend that further efforts be made to link the process with corporate risk management processes and to make the materiality process more transparent and understandable to stakeholders.
- While the results of the materiality assessment are reported, the disclosure could be improved by showing the relative priority of each issue. In the future, Doosan could use the priority issues to structure the Report.

**Responsiveness concerns the extent to which an organisation responds to stakeholder issues**

- Nothing has come to our attention to suggest that the report does not adequately describe Doosan Infracore' Korean operations responsiveness to stakeholder issues.
- The Report demonstrates a strong commitment to 'Implementing environmental management strategy considering environmental value throughout the value chain'. However, the focus of the implementation is on environmental performance of the operations such as energy, resource use, water and air emissions. We recommend that Doosan Infracore expands the discussion to include environmental performance along the entire value chain including suppliers, logistics, marketing and end of life of the products to ensure it meets the company commitment.
- Doosan Infracore is supporting its suppliers through various programs ranging from quality and productivity improvement, components development to financial support and economic stability. We recommend that supplier engagement be extended to support improvement of the suppliers' EHS performance. A robust responsible supply chain management program that enables Doosan Infracore to review EHS and social aspects such as human rights in purchasing decisions is an important step to improving sustainability management of the company's global operations.
- Key performance indicators are disclosed in the beginning of the economic, environmental and social section of the report. We recommend that these performance indicators be clearly linked to the key material issues from materiality process. Ideally, as Doosan Infracore develops its sustainability program, the company will set quantitative and qualitative targets for each performance indicator.
- Supporting recovery operations at earthquake sites is a good example of social contribution using Doosan Infracore's key products and competence. We recommend that Doosan Infracore, as a global company, also investigate opportunities to support the development of infrastructure to address global poverty, hunger, disease and education in line with international efforts such as the UN Millennium Development Goal.

## Performance Information

- Nothing came to our attention to suggest that the consolidated data presented within the Report and associated claims are not fairly stated.
- The Report sometimes references past Doosan Infracore performance, and other times compares against peer performance. The Report can achieve better consistency by defining the scope and criteria for performance comparison, and, where an exception exists, providing further explanation.
- A key priority for Doosan Infracore moving forward will be the development of more quantitative targets for sustainability and reporting performance against these targets.

Two Tomorrows (Asia) Limited
Seoul Korea
25th April 11

**Jason Perks** Director

**MinGu Jun** Project Leader

**Todd Cort** Principal Consultant

**InMog Yang** Senior Associate

**Two Tomorrows (Asia) Limited** Trading as Two Tomorrows was formed from the merger of csrnetwork and Sd3 in January 2009, Two Tomorrows is an international consultancy that helps companies to perform better and create value by doing business in a sustainable way. www.twotomorrows.com

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# GRI G3 Guideline Index

● Reported ◐ Partically reported ○ N/A ◇ Not reported

| Indicators | | ISO 26000 | PAGE | Reporting Status |
|---|---|---|---|---|
| **Ⅰ. Strategy and Analysis** | | | | |
| 1.1 | Statement from most senior decision-maker in organization | 6.2 | 4~5 | ● |
| 1.2 | Description of key impacts, risks, and opportunities | 6.2 | 4~5 | ● |
| **Ⅱ. Organizational Profile** | | | | |
| 2.1 | Name of organization | | 8~9 | ● |
| 2.2 | Primary brands, products, and/or services | | 12 | ● |
| 2.3 | Operational structure | 6.2 | 8~11 | ● |
| 2.4 | Location of organization's headquarters | | 8~9 | ● |
| 2.5 | Location of overseas branch offices and sites | | 8~9 | ● |
| 2.6 | Nature of ownership and legal form | | 8~9 | ● |
| 2.7 | Markets served | | 8~9 | ● |
| 2.8 | Scale of the reporting organization | | 8~11 | ● |
| 2.9 | Significant changes during reporting period regarding size, structure, or owneship | | 2 | ● |
| 2.10 | Awards received in reporting period | | 10 | ● |
| **Ⅲ. Report Parameters** | | | | |
| 3.1 | Reporting period (e.g., fiscal/calendar year) for information provided | | 2 | ● |
| 3.2 | Date of most recent previous report (if any) | | 2 | ● |
| 3.3 | Reporting cycle (annual, biennial, etc.) | | 2 | ● |
| 3.4 | Contact point for questions regarding the report or its contents | | 2 | ● |
| 3.5 | Process for defining report content | | 2 | ● |
| 3.6 | Boundaries of report | | 2 | ● |
| 3.7 | State any specific limitations on the scope or boundary of report | | 2 | ● |
| 3.8 | Basis for reporting on comparability from period to period and/or between organizations | | 2 | ● |
| 3.9 | Data measurement techniques and bases of calculations for data, including performance index | | 2 | ● |
| 3.10 | Explanation of the effects of & reasons for any re-statements of information provided in earlier reports | | 2 | ● |
| 3.11 | Significant changes from previous reporting periods applied in the report | | 2 | ● |
| 3.12 | Table identifying the location of the Standard Disclosures in the report | | 73~76 | ● |
| 3.13 | Policy and current practices with regard to seeking external assurances for the report | | 2 | ● |
| **Ⅳ. Governance** | | | | |
| 4.1 | Governance of organization | 6.2 | 13~14 | ● |
| 4.2 | Indicate whether the Chair of the highest governance body is also an executive officer | 6.2 | 13~14 | ● |
| 4.3 | Number of members of highest governance body that are independent and/or non-executive members | 6.2 | 13~14 | ● |
| 4.4 | Mechanisms for shareholders and employees to provide recommendations or directions to highest governance body | 6.2 | 13~14 | ◐ |
| 4.5 | Compensation for members of highest governance body, senior managers, and executives | 6.2 | 13~14 | ● |
| 4.6 | Processes in place for highest governance body to ensure conflicts of interest are avoided | 6.2 | 13 | ◐ |
| 4.7 | Process for determining the qualifications and expertise of the members of the highest governance body | 6.2 | | ◐ |
| 4.8 | Internally developed statements of mission or values, codes of conduct, and principles | 6.2 | 23 | ● |
| 4.9 | Procedures of highest governance body for management of economic, environmental, and social performances | 6.2 | 13~14 | ◐ |
| 4.10 | Processes for evaluating highest governance body's own performance | 6.2 | 13~14 | ◐ |
| 4.11 | Whether and how the precautionary approach or principle is addressed by the organization | 6.2 | 29 | ● |

| | Indicators | ISO 26000 | PAGE | Reporting Status |
|---|---|---|---|---|
| 4.12 | Externally developed economic, environmental, and social charters, principles, or other initiatives | 6.2 | 77 | ● |
| 4.13 | Membership in associations and/or national/international advocacy organizations | 6.2 | 77 | ● |
| 4.14 | List of stakeholder groups engaged by the organization | 6.2 | 17~18 | ● |
| 4.15 | Bases for identification and selection of stakeholders with whom to engage | 6.2 | 17~18 | ● |
| 4.16 | Approaches to stakeholder engagement, including frequency of engagement by type and stakeholder group | 6.2 | 17~18 | ● |
| 4.17 | Key topics and concerns raised through stakeholder engagement, and responses to them | 6.2 | 17~18 | ● |
| **Economic Performance Indicators** | | | | |
| EC | Disclosure on Management Approach | | 20 | ● |
| EC1. | Direct economic value generated and distributed | 6.8 6.8.3 6.87 6.89 | 30 | ● |
| EC2. | Financial implications and other risks and opportunities for organization's activities due to climate change | 6.5.5 | 33~34, 42 | ● |
| EC3. | Coverage of organization's defined benefit plan obligations | | 58 | ● |
| EC4. | Significant financial assistance received from governments | | 34 | ◐ |
| EC5. | Range of ratios of standard entry-level wages compared to local minimum wage at significant locations of operation | 6.4.4 6.8 | 54 | ● |
| EC6. | Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation | 6.6.6 6.8, 6.8.5, 6.8.7 | 63~64 | ◐ |
| EC7. | Procedures for local hiring and proportion of senior management hired from within local community | 6.8 6.8.5 6.8.7 | 24 | ◐ |
| EC8. | Infrastructure investments and services provided primarily for public benefit | 6.3.9 6.8 6.8.3 6.8.4 6.8.5 6.8.6 6.8.7 6.8.9 | 30 | ● |
| EC9. | Understanding and describing significant indirect economic impacts | 6.3.9 6.6.6 6.6.7 6.7.8 6.8 6.8.5 6.8.6 6.8.7 6.8.9 | 30 | ● |
| **Environmental Performance Indicators** | | | | |
| EC | Disclosure on Management Approach | | 31 | ● |
| EN1. | Materials used by weight or volume | | 40 | ● |
| EN2. | Percentage of materials used that are recycled input materials | 6.5 6.5.4 | 40 | ● |
| EN3. | Direct energy consumption by primary energy source | 6.5 6.5.4 | 39 | ● |
| EN4. | Indirect energy consumption by primary source | 6.5 6.5.4 | 39 | ● |
| EN5. | Energy saved due to conservation and efficiency improvements | 6.5 6.5.4 | 39 | ● |
| EN6. | Reductions in energy requirements as a result of energy-efficient- or renewable energy-based products and services | 6.5 6.5.4 | 33~34 | ● |
| EN7. | Indirect energy conservation businesses and achievements | 6.5 6.5.4 | 39 | ● |
| EN8. | Total water withdrawal by source | 6.5 6.5.4 | 40 | ● |
| EN9. | Water sources significantly affected by withdrawal of water | 6.5 6.5.4 | 47 | ● |
| EN10. | Percentage and total volume of water recycled and reused | 6.5 6.5.4 | 40 | ● |
| EN11. | Location and size of land owned, leased, managed in, or adjacent to protected areas and areas of high biodiversity | 6.5 6.5.6 | - | N/A |
| EN12. | Description of significant impacts of activities, products, and services on biodiversity | 6.5 6.5.6 | - | N/A |
| EN13. | Habitats protected or restored | 6.5 6.5.6 | - | N/A |
| EN14. | Strategies, current actions, and future plans for managing impacts on biodiversity | 6.5 6.5.6 | 47 | ◐ |
| EN15. | Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk | 6.5 6.5.6 | - | N/A |
| EN16 | Total direct and indirect greenhouse gas emissions by weight | 6.5 6.5.5 | 42 | ● |
| EN17 | Other relevant indirect greenhouse gas emissions by weight | 6.5 6.5.5 | 42 | ◐ |
| EN18 | Initiatives to reduce greenhouse gas emissions and reductions achieved | 6.5 6.5.5 | 42 | ◐ |
| EN19 | Emissions of ozone-depleting substances by weight | 6.5 6.5.3 | 45 | ● |
| EN20 | NOx, SOx, and other significant air emissions by type and weight | 6.5 6.5.3 | 44 | ● |
| EN21 | Total water discharge by quality and destination | 6.5 6.5.3 | 43 | ● |
| EN22 | Total weight of waste by type and disposal method | 6.5 6.5.3 | 45 | ● |
| EN23 | Total number and volume of significant spills | 6.5 6.5.3 | 45 | ● |

● Reported ◐ Partically reported ○ N/A ◇ Not reported

| Indicators | | ISO 26000 | PAGE | Reporting Status |
|---|---|---|---|---|
| **Environmental** | | | | |
| EN24 | Weight of transported, imported, exported, or treated wastes deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII | 6.5 6.5.3 | - | N/A |
| EN25 | Name of water bodies significantly affected by the reporting organization's discharges of water and runoff | 6.5 6.5.4 6.5.6 | 43 | ◐ |
| EN26 | Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation | 6.5 6.5.4 6.6.6 6.7.5 | 33~34 | ● |
| EN27 | Percentage of products sold and their packaging materials that are reclaimed by category | 6.5 6.5.4 6.7.5 | 40 | ◐ |
| EN28 | Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations | 6.5 | 36 | ● |
| EN29 | Significant environmental impacts of transporting products and other goods and materials used for the organization's operations and transporting members of the workforce | 6.5 6.5.4 6.6.6 | 47 | ● |
| EN30 | Total environmental protection expenditures and investments by type | 6.5 | 38 | ● |
| **Labor Practices and Decent Work Performance Indicators** | | | | |
| LA | Disclosure on Management Approach | 6.2 6.4 6.3.10 | 50 | ● |
| LA1 | Total workforce by employment type, employment contract, and region | 6.4 6.4.3 | 54 | ● |
| LA2 | Total number and rate of employee turnover by age group, gender, and region | 6.4 6.4.3 | 54 | ● |
| LA3 | Benefits provided to full-time employees that are not provided to temporary or part-time employees | 6.4 6.4.3 6.4.4 | 58 | ● |
| LA4 | Percentage of employees covered by collective bargaining agreements | 6.4 6.4.3 6.4.4 6.4.5 6.3.10 | 59 | ● |
| LA5 | Minimum notice period(s) regarding significant operational changes | 6.4 6.4.3 6.4.4 6.4.5 | 59 | ● |
| LA6 | Percentage of total workforce represented in formal joint management-worker health and safety committees | 6.4 6.4.6 | 59 | ● |
| LA7 | Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities | 6.4 6.4.6 | 48 | ● |
| LA8 | Education, training, prevention, and risk-control programs to assist workforce members, their families, or community members | 6.4 6.4.6 6.8 6.8.3 6.8.4 6.8.8 | 48 | ◐ |
| LA9 | Health and safety topics covered in formal agreements with labor unions | 6.4 6.4.6 | 48 | ◐ |
| LA10 | Average hours of training per year per employee | 6.4 6.4.7 | 55 | ● |
| LA11 | Programs for skills management and lifelong learning for continued employability and managing career endings | 6.4 6.4.7 6.8.5 | 58 | ● |
| LA12 | Percentage of employees receiving regular performance and career development reviews | 6.4 6.4.7 | 56 | ● |
| LA13 | Composition of governance bodies and breakdown of employees per category by indicators of diversity | 6.3.7 6.3.10 6.4 6.4.3 | 54 | ● |
| LA14 | Ratio of basic salary of men to women by employee category | 6.3.7 6.3.10 6.4 6.4.3 6.4.4 | 54 | ● |
| **Human Rights Performance Indicators** | | | | |
| HR | Disclosure on Management Approach | 6.2 6.2 | 50 | ● |
| HR1 | Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening | 6.3 6.3.3 6.3.5 6.6.6 | | ○ |
| HR2 | Percentage of significant suppliers and contractors that have undergone screening on human rights | 6.3 6.3.3 6.3.5 6.4.3 6.6.6 | | ○ |
| HR3 | Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including percentage of employees trained | 6.3 6.3.5 | 59 | ● |
| HR4 | Total number of incidents of discrimination, and actions taken | 6.3 6.3.6 6.3.7 6.3.10 6.4.3 | 54 | ● |
| HR5 | Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk | 6.2 6.3.3 6.3.4 6.3.5 6.3.8 6.3.10 6.4.3 6.4.5 | 59 | ● |

| Indicators | | ISO 26000 | PAGE | Reporting Status |
|---|---|---|---|---|
| HR6 | Operations identified as having significant risk for incidents of child labor, and measures taken | 6.3 6.3.3 6.3.4 6.3.5 6.3.7 6.3.10 | 59 | ● |
| HR7 | Operations identified as having significant risk for incidents of forced labor, and measures taken | 6.3 6.3.3 6.3.4 6.3.5 6.3.7 6.3.10 | 59 | ● |
| *HR8 | Percentage of security personnel trained in the organization's policies or procedures concerning human rights relevant to operations | 6.3 6.3.5 6.4.3 6.6.6 | 59 | ● |
| HR9 | Total number of incidents of violations involving rights of indigenous peoples, and actions taken | 6.3 6.3.6 6.3.7 6.3.8 6.6.7 | 61 | ◐ |
| **Society Performance Indicators** | | | | |
| SO | Disclosure on Management Approach | 6.2 6.6 6.8 | 50 | ● |
| *SO1 | Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities | 6.3.9 6.8 6.8.5 6.8.7 6.6.7 | 66 | ◐ |
| SO2 | Percentage and total number of business units analyzed for risks related to corruption | 6.6 6.6.3 | 64 | ● |
| SO3 | Percentage of employees trained in organization's anti-corruption policies and procedures | 6.6 6.6.3 | 55 | ● |
| SO4 | Actions taken in response to incidents of corruption | 6.6 6.6.3 | 28 | ● |
| *SO5 | Public policy positions and participation in public policy development and lobbying | 6.6 6.6.4 6.8.3 | - | ● |
| SO6 | Total value of financial and in-kind contributions to political parties, politicians, and related institutions, by country | 6.6 6.6.4 6.8.3 | | N/A |
| SO7 | Total number of legal actions for anti-competitive behavior and monopoly practices, and outcomes | 6.6 6.6.5 6.6.7 | 65 | ● |
| SO8 | Monetary value of significant fines, and total number of non-monetary sanctions for non-compliance with laws and regulations | 6.6 6.6.7 6.8.7 | | ○ |
| **Product Responsibility Performance Indicators** | | | | |
| PR | Disclosure on Management Approach | 6.2 6.6 6.7 | 50 | ● |
| PR1 | Life cycle stages in which health and safety impacts of products and services are assessed, and percentage of significant products and services subject to such procedures | 6.3.9 6.6.6 6.7 6.7.4 6.7.5 | 48 | ◐ |
| *PR2 | Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes | 6.3.9 6.6.6 6.7 6.7.4 6.7.5 | - | ● |
| PR3 | Type of product and service information required by procedures, and percentage of products and services subject to such information requirements | 6.7 6.7.3 6.7.4 6.7.5 6.7.6 6.7.9 | 60~62 | ◐ |
| *PR4 | Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling | 6.7 6.7.3 6.7.4 6.7.5 6.7.6 6.7.9 | - | ● |
| PR5 | Practices related to customer satisfaction, including results of surveys measuring customer satisfaction | 6.7 6.7.4 6.7.5 6.7.6 6.7.8 6.7.9 | 60~62 | ◐ |
| PR6 | Programs for adherence to laws, standards, and voluntary codes related to marketing communications | 6.7 6.7.3 6.7.6 6.7.9 | 61~62 | ◐ |
| *PR7 | Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications | 6.7 6.7.3 6.7.6 6.7.9 | - | ● |
| PR8 | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data | 6.7 6.7.7 | 62 | ● |
| *PR9 | Monetary value of significant fines for noncompliance with laws and regulations concerning provision of products and services | 6.7 6.7.6 | - | ● |

*HR8: We are carrying out training on guard security, compliance with basic work tasks, and resolution of troubles at work (including human rights issues) twice a year – once in each half of the year – for security personnel. In 2010, the entire security personnel of 79 people completed the work-related training.
SO1: To prevent infringement on local residents' rights, we have installed external noise-prevention devices, and are regularly measuring and managing noise levels. In addition, by implementing an EHS (environment, health, and safety) review and approval procedure before construction or work starts, we determine potential problems that could adversely affect local communities in advance and take necessary measures if necessary.
SO5 : Since 2000, we have been participating and making proposals for government policies on construction machinery safety regulations and gas emissions regulations, among others.
PR2 : For the past three years, there hasn't been any infraction on regulations related to product health and safety.
PR4 : For the past three years, there hasn't been any infraction on laws and regulations related to product-labeling.
PR7 : For the past three years, there hasn't been any infraction on laws and regulations related to communications.
PR9 : For the past three years, there hasn't been any infraction on laws and regulations related to product and service provision.

# Explanation of Key Terms

**2S3R** 2S (Sort out; Straighten up) 3R (Right product; Right amount; Right position)

**DEBT RATIO** Debt-to-capital ratio. It's a ratio obtained by dividing total debts from balance sheets with equity.

**WHEEL WASHER** A device that washes dirt and foreign materials from wheels of vehicles that frequent construction sites.

**LIQUIDITY RATIO** Ratio of liquid assets to liquid debts.

**TOTAL BORROWINGS AND BONDS PAYABLE TO TOTAL ASSETS** A financial index that represents the portion liabilities assume in total assets (combined total of liabilities and capital) as a percentage.

**BOM(Bill of Material)** It specifies which items comprise a given product, as well as defining relationship among these items.

**BW(Business Information System)** A user-oriented information activity system and strategic corporate information tool that allows for multifaceted analyses and cumulative management of various corporate data.

**CAP(Corrective Action Process)** It means "improving on inappropriate treatment/response." It's done as part of improving quality-based competitiveness to prevent reoccurrence of quality issues and reduce costs. This is also a tool to implement defect eradication in terms of integrated operations and quality standardization that include quick response to resolve the root cause of customer's claims and prevent their reoccurrence.

**CCO(Concentration Catalytic Oxidation)** A facility that produces concentrated catalytic oxidation.

**CDP(Carbon Disclosure Project)** A project that discloses carbon-related information.

**CFC(Chlorofluorocarbon)** It is also called Freon gas that is used widely in industries for refrigerating, blowing, spraying, and cleaning, among others.

**CH3Br** A compound that damages ozone layer in the stratosphere.

**COD(Chemical Oxygen Demand)** When urban or industrial wastewater that contains organic materials flow into rivers, streams, and lakes, the water in them is polluted. This is the index that indicates the quality of polluted water. By injecting oxidizing agent into the polluted water and as the organic material is oxidized, the amount of oxygen equivalent to the amount of oxidizing agent consumed is expressed in mg/L or ppm.

**COPQ(Cost of Poor Quality)** All costs that a company needs to assume due to poor quality that didn't live up to customers' expectation.

**DJSI(Dow Jones Sustainability Indexes)** DJSI was developed in 1999 by Dow Jones of the United States, the world's foremost financial information institution, and SAM of Switzerland, a leading global investment company in sustainability evaluation. It's a global standard for sustainability management that comprehensively assesses a given company in terms of economic, social, and environmental aspects.

**DTC(Design to Cost)** A method where various departments within a given organization make a systematic effort to reduce overall product costs.

**EIS(Executive Information System)** A monitoring system providing ERP's management information to company executives through a web page (online).

**ERP(Enterprise Resource Program)** Company-wide resource management. It's an integrated information system that strengthens competitiveness of the company in question by efficiently managing human and physical assets toward enhancing productivity and reducing costs.

**HCFC (hydro-chloro fluorocarbon)** One of the materials that replaces CFC (chlorofluorocarbon), the so-called Freon gas, which used to damage ozone layer.

**GHG(Greenhouse Gas)** Gaseous components that get included in the atmosphere naturally or by men. Among the infrared radiation emitted by Earth surface, atmosphere, and clouds, it absorbs radiation for certain wavelengths and emits it. In the Kyoto Protocol, SF6, HFCs, and PFCs are also included besides carbon dioxide ($CO_2$), nitrogen dioxide ($NO_2$), and methane.

**GHS(Globally Harmonized System of Classification and Labeling of Chemicals Management System)** GHS is a method through which chemicals' harmfulness and risk are classified according to the unified classification standard worldwide. It also delivers information through warning indicators and MSDS (material safety data sheet).

**GRI(Global Reporting Initiative)** An institution for developing and disseminating sustainability report guidelines that can commonly be applied internationally. It was founded by CERES (Coalition for Environmentally Responsible Economies) in 1997 with participation by various stakeholders that include companies, research institutes, private organizations, and investment institutions. It was separated as an independent institution in 2002. GRI is an official collaborative partner of the UNDP (United Nations Environmental Program) and is also in partnership with Global Compact.

**ICR(Integrated Cost Reduction)** For costs expected from all processes and activities over the entire value chain, these costs are reduced from product-development stage and the overall value enhanced.

**IPCC(Intergovernmental Panel on Climate Change)** This is an international consultation body under the UN system, jointly founded by the WMO (World Meteorological Organization) and the United Nations Environmental Program). It was set up to evaluate global risks related to climate change and prepare international measures accordingly.

**ISB(Infrastructure Support Business)** It includes all businesses related to establishing social infrastructure and its operation. It is also a business that develops infrastructure required for public and private sectors such as various equipment, facility manufacturing, parts manufacturing, construction, civil engineering, transportation, and other related value-added services.

**ISO 14001** A system that certifies a given company's EMS (Environmental Management System) as an international standard.

**ISO 26000** International standard on social responsibility. It includes the principle of voluntary compliance to the seven social responsibilities of governance, environment, human rights, labor, organization operation, consumers, and local community. It was formulated by the ISO (International Organization for Standardization).

**KOSHA 18001** It's a process where safety management activities being conducted on each site according to related laws lead to actual disaster-prevention activities: it starts with risk management that takes into account each work process' progression and characteristics; it also involves training and inspection, as well as securing inter-relationships; and it entails continuous improvement.

**LCA(Life Cycle Assessment)** A technique that evaluates the effect products or services have on environment by quantifying the amounts of materials and energies used and discharged through the entire product or service processes.

**Lean** An operations framework and management philosophy where key performance indices such as safety, cost, quality, and meeting delivery deadlines are improved and customers' satisfaction enhanced through continuous elimination of three key elements of losses (wasteful elements, deviation from norm, and rigidity).

**MSDS(Material Safety Data Sheet)** MSDS is a standard established on about 600 chemicals classified as harmful to workers, as defined by the OSHA (Occupational Safety & Health Administration) under the U. S. Department of Labor in 1983.

**MIS(Management Information System)** A comprehensive management information system. It is an information system whose purpose is in enhancing productivity and profitability through timely and accurate provision of various information required in company management, in areas such as investment, production, sales, accounting, and human resources.

**OHSAS 18001** An international standard for management system to manage safety- and health-related issues for industrial organizations.

**PDM(Product Data Management)** This is a product information management system. It is a system that provides means to produce, modify, utilize, and maintain all pieces of information, including various data (parts and BOM [bill of materials]) and documents (drawings and reports), created throughout the entire cycle from product creation to its eventual dissipation .

**PI(Process Innovation)** Innovation activities that focus on eliminating unnecessary and irrational tasks and establish most optimal processes.

**PL(Product Liability)** It refers to the manufacturer's obligation to compensate for damages if a consumer is harmed due to lack of safety in products the manufacturer provided.

**PSM(Purchasing & Supply Management)** This is a system for managing purchasing-supply network. It is a purchasing methodology that manages the entire relevant cycle, from purchasing raw materials to sales of final products to consumers.

**R-22** one of the materials known to damage ozone layer.

**REACH(Registration, Evaluation, Authorization, restriction of Chemicals)** It is a regulation for managing new chemicals. For all phase-in substances manufactured in and imported into the EU for minimum amount of one ton per year, REACH requires that they be registered, evaluated, obtain permission, and restricted according to their manufactured / imported quantities and risks.

**Routing** Without referencing corresponding orders, it describes treatment processes required to produce materials or provide services.

**SCM(Supply Chain Management)** It is a supply chain management solution that efficiently handles processes related to product production, from parts procurement to production planning to product delivery to inventory management.

**SCR(Selective Catalytic Reduction)** A device for selective catalytic reduction.

**SS(Suspended Solids)** Materials of diameter 2mm or less that do not dissolve in water. They are also called suspended materials.

**TQM(Total Quality Management)** Company-wide quality management effort encompassing all processes, from product development to its delivery to customers.

**VOCs(Total HydroCarbon)** It is a compound made of carbon and hydrogen that mainly gets created in refining facilities and paint & thinner facilities. It refers to just about all types of countless hydrocarbons whose main ingredient is Alkane.

**WRI(World Resource Institute)** World Resource Institutes, an international organization on resources.

# Membership Status in Associations and Organizations

| No. | Association Name | No. | Association Name | No. | Association Name |
|---|---|---|---|---|---|
| 1 | The Korea International Trade Association (KITA) | 17 | The Korea Employers Federation (KEF) | 33 | The Federation of Korean Industries (FKI) |
| 2 | Korea Industrial Technology Association (KOITA) | 18 | Federation of Economic Organization | 34 | Korea Industrial Safety Association |
| 3 | The Korea Chamber of Commerce & Industry (KCCI) | 19 | Korea Construction Equipment Manufacturers Association (KOCEMA) | 35 | The Korean Society of Mechanical Engineers (KSME) |
| 4 | Process Safety Management (PSM) | 20 | Korea Industrial Safety Association (KISA) | 36 | Korea Construction Engineers Association (KOCEA) |
| 5 | Korea Association of Standards and Testing Organizations (KASTO) | 21 | Korea Machine Tool Manufacturers' Association (KOMMA) | 37 | Korea Environmental Preservation Association (KEPA) |
| 6 | Voluntary Safety Environment Association | 22 | Korea Management Association (KMA) | 38 | Korea Listed Companies Association (KLCA) |
| 7 | Korean Production and Operations Management Society (KOPOMS) | 23 | Korea Productivity Center (KPC) | 39 | Korea Association for Chief Financial Officers |
| 8 | Korea Economic Research Institute (KERI) | 24 | The National Academy of Engineering of Korea (NAEK) | 40 | CTO Club |
| 9 | The Korean Association for Industrial Technology Safety (KAITS) | 25 | SAE (Society of Automotive Engineers) International | 41 | Safety & Health Management Association |
| 10 | Korea Energy Professionals Association | 26 | Hazardous Materials Safety Management Association | 42 | Fluid Power System Society |
| 11 | Korean Institute of Directors (KIOD) | 27 | Korean Foundation for Quality (KFQ) | 43 | Korea Construction Equipment Maintenance Association (KCEMA) |
| 12 | Korean Fair Competition Federation (KFCF) | 28 | Korea Die & Mold Industry Cooperative (KODMIC) | 44 | Korea Association of Machinery Industry (KOAMI) |
| 13 | Korean Invention Promotion Association (KIPA) | 29 | Korea Fire Safety Association (KFSA) | 45 | Engineers Club of Korea |
| 14 | The Korean Society of Automotive Engineers (KSAE) | 30 | Korea Electric Engineers Association (KEEA) | 46 | Korean Society for Precision Engineering (KSPE) |
| 15 | The Korean Quality Master Association | 31 | Korea CIO Forum | 47 | Korean Association of Environmental Professionals |
| 16 | Green Energy Forum | 32 | Technology Management Executives Society | 48 | Public Relations Association of Changwon Industrial Complex |

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| Shared Service Labor Management Team | General Manager Sunwoo Kim |
| Shared Service Labor Relations Team | General Manager Manhee Lee; Deputy General Manager Seokbong Kang |

# Reader's Opinion

We would like to thank you for your interest in 2010 Doosan Infracore Sustainability Management Report.
To obtain and learn from diverse stakeholders' opinions and publish an even more satisfying report going forward, Doosan Infracore has prepared the following survey. After completing the survey, if you could send it to us via facsimile or email, we would be thankful.

**1. Which of the following groups do you belong to:**

☐ Customers ☐ Employees ☐ Partner Companies ☐ Stockholders; Investors
☐ Researcher; Educator ☐ NGO ☐ Media ☐ Government Institution
☐ Students ☐ Local Community ☐ Others( )

**2. Did this report help you in understanding Doosan Infracore's sustainability management?**

☐ Strongly Agree ☐ Agree ☐ Fair ☐ Disagree ☐ Strongly Disagree

**3. Does this report contain issues you consider important?**

☐ Strongly Agree ☐ Agree ☐ Fair ☐ Disagree ☐ Strongly Disagree

**4. Overall, are you satisfied with structure of the report and contents in it?**

☐ Very Satisfied ☐ Satisfied ☐ Fair ☐ Dissatisfied ☐ Very Dissatisfied

**5. Please feel free to describe in your own words what we can do better to publish a sustainability management report that would make you – our stakeholder – even more satisfied going forward?**

Besides what has been mentioned above, if you have additional comments or opinions, please feel free to send them to the address below via facsimile, postal mail, electronic mail, or phone, we would do our best in taking them into account faithfully.

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# Growth through Harmony

**Status of Business Locations in Korea**

| | | |
|---|---|---|
| **Seoul Office** | Doosan Tower, 18-12, Euljiro-6Ga, Jung-Gu, Seoul | 82-2-3398-8114 |
| **Incheon Plant** | 7-11, Hwasu-dong, Dong-gu, Incheon | 82-32-211-1114 |
| **Changwon Namsan Plant** | 601-3, Namsan-dong, Seongsan-gu, Changwon-si, Gyeongsangnam-do | 82-55-280-4114 |
| **Changwon Daewon Plant** | 82, Daewon-dong, Uichang-gu, Changwon-si, Gyeongsangnam-do | 82-55-270-0114 |
| **Gunsan Plant** | 1588-5, Soryong-dong, Gunsan-si, Jeollabuk-do | 82-63-447-3114 |
| **Sooji Institute of Technology** | 39-3, Seongbok-dong, Suji-gu, Yongin-si, Gyeonggi-do | 82-31-270-1330 |
| **Asan Parts Service Center** | 85-1, Palgok 2-dong, Sangnok-gu, Ansan-si, Gyeonggi-do | 82-31-400-2088 |

Dow Jones Sustainability Indexes
DJSI Korea Member 2009/10

**Date Published** June 2011
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This report was printed with soy-based ink
on eco-friendly paper

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