

2014 Doosan Infracore Integrated Report

Innovation  
Center  
(Czech Dobris)

Global R&D  
Center  
(Korea Incheon)

## TEAM

D O O S A N

Acceleration  
Center  
(USA Bismarck)



# ABOUT THIS REPORT

## Reporting Period and Scope

Doosan Infracore's integrated report covers the company's activities in the 2014 calendar year. This report includes a Table of the Company's Major CSR Performance Accomplishments for the past three years in the Appendix. This report largely deals with the accomplishments of the company's worksites in Korea along with the performance of the company's subsidiaries and worksites in China and the USA. Information on its global partners' performance is also covered by this report when necessary. Doosan Infracore continues to expand the reporting scope of this annual report.

## Reporting Principles

This report faithfully follows the GRI's G4 Guidelines (Core and AA1000 APS (2008)) with reference to the <IR> Framework of the International Integrated Reporting Council (IIRC). This report has applied International Financial Reporting Standards (IFRS) for financial statements. It has used AA1000 Stakeholder Engagement Standards (AA1000SES).

## External Assurance

This report has been assured by Ernst & Young Han Young, an independent assurance service provider, which assures the propriety and integrity of the reporting processes as well as the accuracy and credibility of the contents in the report. Its Assurance Report is attached in the Appendix.

## Additional Information and Feedback

For additional information, please visit the company's website (www.doosaninfracore.com) or contact us at the address on the previous page.



The Integrated Report 2014 contains the key strategies and activities of Doosan Infracore that concentrates on 'the enhancement of its fundamental competitiveness' under the spirit of its corporate slogan 'Building your tomorrow today.'

The cover of the Integrated Report 2014 depicts the devotion of Doosan Infracore to the remarkable enhancement of its R&D capacity for the development of globally competitive state-of-the-art products as evidenced by the completion of its new cutting-edge R&D facilities in its major business bases (Korea, North America and Europe) in 2014.

## Disclaimer on Predicted Information

This report contains details of some future activities, events and situations based on the company's plans and estimations of future financial outcomes, which may turn out to be inaccurate in the event of changes in the global business landscape, despite the fact that the plans and estimations draw upon the best information available at the time of completion of this report, with due consideration given to future business environments as well as the company's elaborate business strategies. Therefore, Doosan Infracore would like to remind its stakeholders that this report contains some predictions that may be affected significantly due to the risks, uncertainties and other factors involved in the company's global operations.

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# CORPORATE OVERVIEW

2014 Doosan Infracore Integrated Report

01 DOOSAN GROUP

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05 COMPANY PROFILE

## Doosan: The oldest yet fastest growing company in Korea!

### Doosan's ambitious dream began 119 years ago

With 119 years of history, Doosan is the oldest enterprise in Korea. It is also the company with the greatest potential, having undergone continuous changes and achieving significant growth throughout the years. The 118-year history of Doosan began in 1896 with the opening of "Park Seung-jik Store," the first modern store in Korea which opened in Baeogae (Jongno 4-ga), Seoul. By pursuing continuous growth, Doosan quickly emerged as one of the country's strongest consumer goods companies specializing in beer and beverages, in particular. Following the successful vertical and horizontal systematization of its alcoholic beverage business, Doosan recorded a massive 80% market share in the business during the 1970s and 1980s in Korea. During this time, Doosan always topped the list not only of alcoholic beverage businesses but also of many other types of consumer goods.

### Shifting to Infrastructure Support Business

Doosan was faced with difficult challenges during the mid-90s due to market saturation and emerging of cut-throat competition in the domestic market. During this time, Doosan realized that it needed a total makeover based on "selection and concentration" and decided to sell its beer division, the OB (Oriental Brewery), and integrate its multiple subsidiaries under the Doosan Corporation. Such pioneering initiatives and preparations for future changes enabled Doosan to consolidate its position and become even stronger, weathering numerous national and international crises including the Asian financial crisis of 1997-98. At the dawn of the new millennium, Doosan embarked on massive transformation to become a global company, developing new growth engines and overhauling its business portfolio altogether. Through a series of successful mergers and acquisitions, Doosan completely transformed itself from a consumer goods company to an ISB (Infrastructure Support Business) provider, specializing in power generation, seawater desalination, construction & engineering, heavy machinery & construction equipment, energy, and production facilities.

### A Solid Profile and Capabilities as Global Corporation

In the 2000s, Doosan made momentous inroads into the world market: In 2006, it acquired Babcock of the U.K., which possessed coal-fired boiler technology, one of the core capabilities required by companies in the heavy industries, and enhanced its competitiveness in the relevant business areas. In 2007, it acquired Bobcat marking the largest M&A deal ever made overseas by a Korean company to date, enabling Doosan to significantly expand its lineup of construction equipment and further strengthen its global competitiveness in the sector. As a result, Doosan is now ranked at the top in seawater desalination and power generation facilities in the world. Doosan has also developed 19 products that won the status of "World Class Korean Products". It has secured global competitiveness in its major business areas. Doosan has also proven its global leadership in organizational operations. It hired people based on merits irrespective of races and nationalities. It put foreign executives in the positions of top management. The proportion of foreign employees has reached 50%. In addition, Doosan has implemented up-to-date work procedures throughout its global network so that it can compete with any global business conglomerate.

### Doosan's Growth Engine

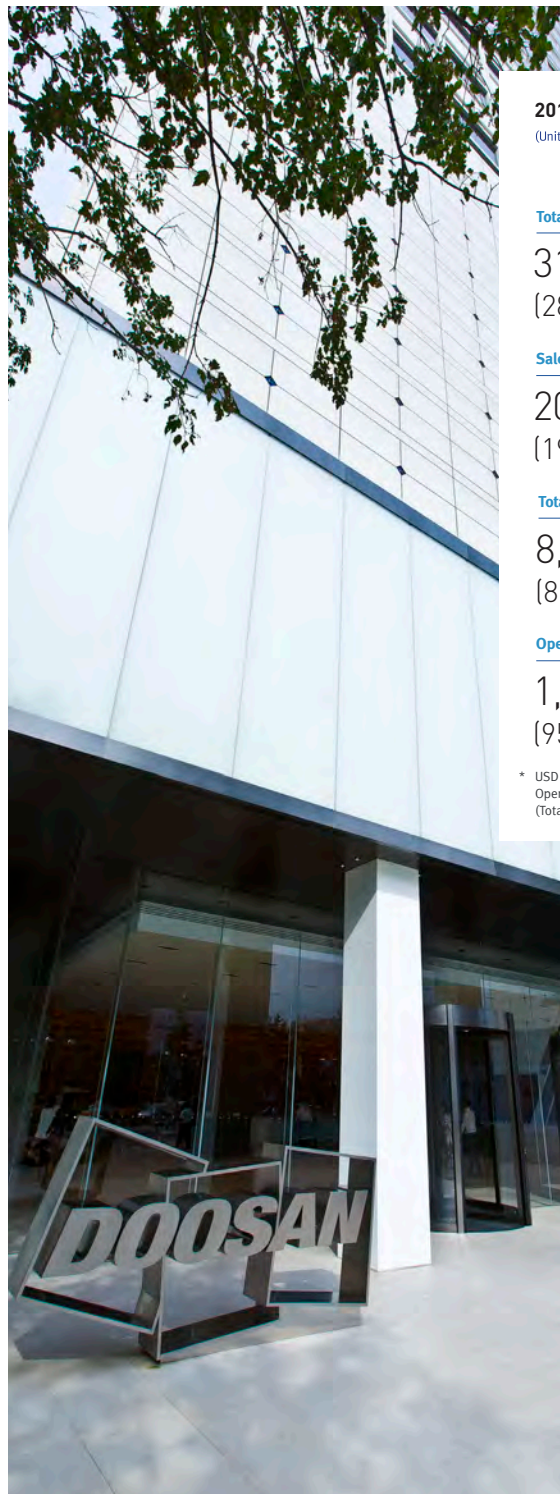
Behind the success of Doosan is its unwavering "trust in people." This was something our founder firmly believed in, who often had said, "investment in people makes the foundation for business." This belief is well summed up in our 2G Strategy (Growth of People, Growth of Business). The 2G strategy has been the driver of our past successes and will guide us through our journey toward prosperity in the global stage. At the heart of the 2G Strategy is the virtuous circle of "growth of people laying the foundation for the growth of the company, and the latter leading back to the former." With its trust in its employees and its continuous investment in human capital, Doosan was able to go through bold restructuring and innovative portfolio transformation successfully.

### The Future of Doosan

Doosan hopes to become a "Proud Global Doosan", with firm belief and trust in people. "Proud Global Doosan" means becoming a company that every stakeholder is proud of. Our stakeholders include not only the employees and employers of Doosan, but also our customers, shareholders and the communities around us. Our vision is to become a company that everyone involved with can be proud of. To bring better life to mankind, for everyone who works for us and for whom we work for, Doosan continues to walk forward, doing our best every step of the way.

## Doo(斗) San(山)

Doosan means "The little grains of sand that, all together, add up to make a mighty mountain." It means great achievements can be made only when everyone involved joins forces. The name represents Doosan's will to never stop walking until its goals are achieved, making history every step of the way.



## 2014 Financial Highlights

(Unit: KRW billion (USD million))

### Total Assets

31,369.3  
(28,538)

### Sales

20,468.2  
(19,434)

### Total Equity

8,902.3  
(8,099)

### Operating Income

1,008.1  
(957)

\* USD 1.00 = KRW 1,053.22 (Sales, Operating Income) / KRW 1,099.20 (Total Equity, Total Asset)

## Affiliates

### ISB(Infrastructure Support Business)

Doosan Infracore
Doosan Heavy Industries & Construction
Doosan Engineering & Construction
Doosan Engine
Doosan DST

### Doosan Corporation

Doosan Corporation Electro-Materials
Doosan Corporation Mottrol
Doosan Corporation Glonet
Doosan Corporation Industrial Vehicle
Doosan Corporation Fuel Cell
Doosan Corporation Information & Communications

### CSB(Consumer & Service Business)

Doosan Capital
Oricom
Neoplux
Doosan Feed & Livestock
Doosan Tower
Doosan Bears
Doosan Cuvex
Doosan Magazine

### Auxiliary Organizations

Doosan Yonkang Foundation
Doosan Art Center
DLI-Yonkangwon



# THE DOOSAN WAY

The Doosan Way, Doosan's Belief and  
Philosophy for Creating  
a Proud Doosan in the World



## Doosan Credo

The Doosan Credo is a set of principles that represent Doosan's philosophies and our unique way of doing business. These principles have been the foundation of Doosan's success for the past century. The Doosan Credo is integral to every aspect of our business and people, clearly guiding our decisions and the way we do business. Through the realization of these values, Doosan accomplishes its ultimate goal. The Credo consists of Doosan's "Aspiration" and "Core Values".

## Aspiration

**Doosan's ultimate goal is the creation of a "Proud Global Doosan".**

In our Vision, each of our employees and all of our stakeholders will benefit from, and be proud of their association with, Doosan. Every employee takes great pride in being a member of Doosan. Each customer recognizes and appreciates Doosan's high-quality goods and services. Every shareholder values our fair and high levels of profit.

## Core Values

**Doosan people practice the nine core values of the Doosan Credo.**

Doosan people practice the nine core values of the Doosan Credo everywhere we operate, every day, to build a "Proud Global Doosan". These values guide the way we do business, the way we treat each other and the way we work with all of our partners. The nine core values of the Doosan Credo are as follows:

People	Inhwa	Profit
Cultivating People	World-class Technology and Innovation	Social Responsibility
Integrity and Transparency	Customers	Safety & Environment



## Doosan People

### Cultivating People

Doosan people approach others with respect and consideration. In turn, we view our people as individuals, not simply a means to achieve corporate performance. As people are the center of who we are, we take genuine care in their development, making their cultivation our top long-term priority.

### Inhwa

Our people understand that individual performance is vital to team performance. Each individual pursues the common goals of the organization and voluntarily collaborates based on mutual trust. They achieve strong teamwork in the truest sense of the word, one that is firmly grounded on fairness and camaraderie. At Doosan we describe this as Inhwa.

### Limitless Aspiration

Doosan people impose no limits to their aspirations, constantly setting higher goals and standards. When we say "higher goals and standards", these goals are not about just becoming Number One. They are about setting goals high enough to allow people to feel great personal pride when they are achieved. Imposing no limits to our aspiration means our efforts and improvements to constantly raise the bar are both unceasing and voluntary. The sense of achievement from achieving our goals provides strong motivation to go beyond our individual limits, fueled by individual curiosity and passion. Our people find great personal meaning through this virtuous cycle, spontaneously and tirelessly driving their aspiration to the next level.

### Open Communication

Doosan people are completely open in communication. We have a strong trust base which allows colleagues to freely express opinions and value those of others, regardless of hierarchy. In fact, we have an obligation to provide constructive dissent when backed by clear rationale. When we make mistakes, we acknowledge them. We never hide them. People who acknowledge mistakes and keep their promises are truly worthy of trust. Such trust enables open communication.

### Tenacity & Drive

Our people possess true tenacity and the drive to make even the hardest things possible. When faced with a problem, we never give up but exhaustively research every possibility until we find the answer. But we are different in how we define tenacity. We look at the situation from numerous perspectives, never simply relying on ourselves and our existing resources. Doosan people practice "smart tenacity" utilizing every available option and means, both internal and external, from preparation to implementation, to achieve goals. At all times, we keep the concept of successful closure in mind and at the forefront of everything we do. Where necessary, and without hesitation, we actively seek out new ideas, knowledge, technologies and resources, regardless of origin. This allows us to access the best insights and talent in the market.

### Prioritization & Focus

Our people focus and prioritize on what matters most. Whatever task we are faced with, our work starts with identifying priorities. When priorities are set, we mobilize all available resources and go straight to the heart of the hardest and most important issues, solving them once and for all.

# COMPANY PROFILE

Doosan Infracore aims to become a global leader in the machinery industry, providing the entire world with products of outstanding quality that maximize customer value on the strength of its top-tier technological prowess. Doosan Infracore's goal of entering the select ranks of the world's top three machinery companies means being a company that posts the industry's top revenues and profits, faithfully performs its corporate social responsibilities, and provides the best value to all interested parties, including its shareholders, constantly. To achieve this vision, Doosan Infracore endeavors to practice the Doosan Way, establish a powerful corporate culture that unifies its multinational employees, and foster global talent. Furthermore, in order to supply excellent products that maximize customer value, Doosan Infracore is striving to enhance its capabilities to analyze market and customer needs, develop innovative technologies, secure fundamental quality competitiveness, and continue stepping up its productivity.

**Company Name:** Doosan Infracore Co., Ltd.

**Year Founded:** 1937

**CEO:** Dong Youn Sohn

**Main Business Areas:**

Production and Sales of Construction Equipment, Machine Tools, Engines

**Employees:** 14,518

**Credit Rating:** A (Corporate Bonds)

## 2013 FINANCIAL HIGHLIGHTS

(Unit: KRW million (USD million))

Total Assets	Total Equity	Sales	Operating Income
11,957,427 (10,878 )	3,288,288 (2,992)	7,688,558 (7,300)	452,994 (430)

\* USD 1.00 = KRW 1,053.22 (Sales, Operating Income) / KRW 1,099.20 (Total Equity, Total Asset)

## VISION

### 2020 Global Top-3 Machinery

Doosan Infracore's mid-to-long-term goal is to grow into a world-class machinery firm by joining the ranks of global top 3 companies in construction equipment and machine tools by 2020.



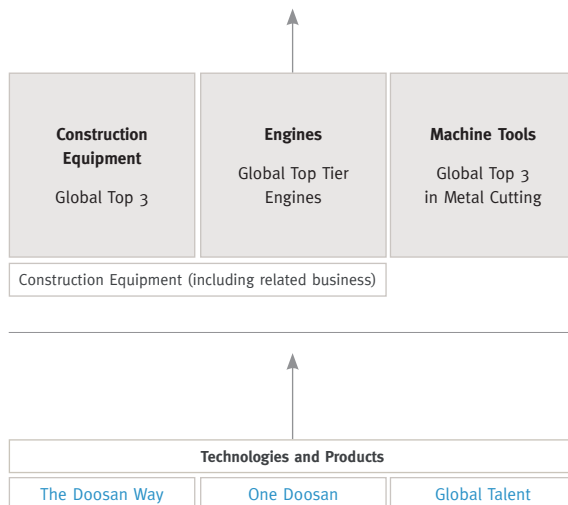
Doosan Infracore will grow to become Global Top 3 Machinery Manufacturer by 2020, by developing top-notch technologies and products based on the Doosan Way, Doosan Group's own management philosophy.

## MID-TERM

### FINANCIAL GOAL

**2018 sales: KRW 13 trillion**

Doosan Infracore will achieve the goal by implementing its mid-to-long-term strategy.



## BUSINESS OVERVIEW

Doosan Infracore is equipped with the world's highest standard of technologies and products in the machine industry including construction equipment, machine tools, and engines. The Construction Equipment BG has secured unique competitive edges in its diverse product lineup including excavators, wheel loaders, skid-steer loaders, heavy attachments, and articulated dump trucks. The BG also has acquired world-class construction equipment brands such as Bobcat, Geith and Montabert. The Machine Tools BG has launched diverse new products, including turning centers, machining centers, and multitasking turning centers among others, and is emerging as the global leader on the strength of continual R&D investments and quality innovations. The Engines BG has secured a full lineup of products such as diesel engines and gas engines that comply with various environmental regulations, and is now emerging as an indisputable world-class engine company.

## DOOSAN

Doosan is a total brand of infrastructure support business (ISB) that provides diverse products worldwide in the areas of construction equipment, machine tools and engines, including excavators, wheel loaders, ADTs and mobile power generators.



Bobcat is a world-class brand of compact equipment in diverse areas including construction, landscaping, agriculture and other industries, and provides total services encompassing everything from design and manufacturing to distribution and support.



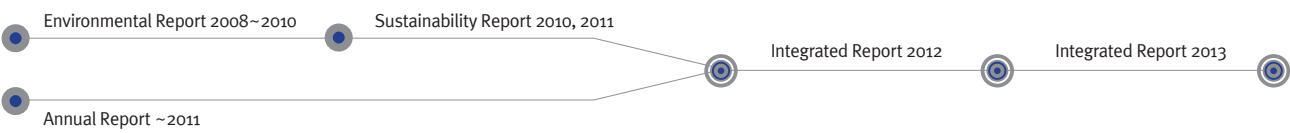
Geith, a brand of large attachment products for excavators, has earned praise and recognition from numerous customers around the world by supplying products and services renowned for their excellence and reliability for more than 50 years.



Doosan Portable Power provides a global and comprehensive range of products supporting mining, drilling, entertainment, industrial, and construction market segments. The portfolio includes market leading portable air compressors, light towers, light compaction products, and mobile generators. This business was acquired from Ingersoll Rand in 2007.



THE 3rd INTEGRATED REPORT



Reporting Purposes

This is Doosan Infracore's third Integrated Report of its annual and sustainability management reports. Instead of a simple combination of the two, however, this report is aimed to provide accurate information on the whole range of the company's financial and non-financial performance for the stakeholders and internalize corporate social responsibility (CSR) throughout all its business activities.

Report Backgrounds

Doosan Infracore began to publish an Integrated Report in 2013 in pursuit of genuine communication with its stakeholders. We did this to go beyond the level of effective communication with them through its previous environmental, sustainability and annual reports.

Reporting Organization

To create a comprehensive report on Doosan Infracore's financial and non-financial performance and social and environmental values, departments related to strategy, sales, IR, communication and so on have participated in the planning for the Integrated Report. More than 40 working level teams have worked on this report with a focus based upon business performance during the present period and into the future.

Reporting method



PRINTED MATERIAL

This report is published in Korean, English and Chinese to facilitate communication with our global stakeholders.



INTERACTIVE PDF

This report is also published in an interactive PDF including a shortcut feature to related pages in this report or web pages containing related information for effective communication. You can download the PDF file or check for additional information at Doosan Infracore's website (www.doosaninfracore.com).

Icon used on this report



CROSS-REFERENCE

Links to pages containing related information or detailed contents in the report



WEB

Links to websites containing additional or related information



VIDEOS

Links to videos that facilitate understanding of relevant topics

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Turn the wing page, and you will find a pocket book about Doosan Group and Doosan Infracore.

GLOBAL  
MEGATREND!

RISK  
OR  
OPPORTUNITY?





1. TECHNOLOGY DIFFUSION

- RISK & OPPORTUNITY  
Today, technologies are developing faster than at any other time in history, as well as being diffused around the world at an unprecedented speed. The most significant challenge faced by product manufacturers in the current era is that posed by increasingly shorter product lifespans and innovation cycles. As a consequence, R&D capabilities have emerged as the most important determinant for a corporation's competitiveness. In an increasingly globalized business environment, building R&D hubs around the world to respond to the needs of markets and customers immediately enables a company to enhance its R&D capabilities in an unprecedented way.
- OUR RESPONSE STRATEGY  
Doosan Infracore has completed the establishment of its global R&D network encompassing first-rate R&D facilities in Korea, China, the USA and the Czech Republic in a bid to increase its fundamental competitiveness from a long-term perspective.

5. ENVIRONMENTAL CRISIS

- RISK & OPPORTUNITY  
By 2030, the global temperature may rise by 0.5~1.5 °C due to climate change. Many countries across the world are making diverse efforts to reduce their GHG emissions, a contributor to climate change. The new emission regulations are a particular cost risk for businesses. However, such restrictions also constitute an opportunity for those companies that are well equipped with environmentally friendly technologies and products to succeed early in markets.
- OUR RESPONSE STRATEGY  
Doosan Infracore has taken measures to reduce its GHG emissions at its global business sites while launching eco-friendly technologies and products that have undergone remarkable improvements in terms of fuel efficiency and which also meet the stricter requirements of the latest environmental regulations.



2. GLOBAL RECESSION

- RISK & OPPORTUNITY  
The world economy has yet to recover from the protracted recession that has continued for the last few years. Businesses have experienced serious difficulties in achieving profitable growth under such circumstances. Most notably, the slower economic growth of China, one of the biggest markets in the world, is impacting a large number of companies around the world. However, for those businesses that prepare themselves for the post-recession period, the current downturn could serve as an opportunity to secure competitive advantages by making new investments one step ahead of their competitors.
- OUR RESPONSE STRATEGY  
Doosan Infracore has developed new technologies and products capable of meeting the ongoing changes in technologies, markets and customer needs ahead of its rivals to prepare itself for the anticipated worldwide economic recovery.

3. SALES CHANNEL DIVERSIFICATION

- RISK & OPPORTUNITY  
The competitiveness of a company's sales channel, which is its direct contact point with customers, is considered equally as important as its product competitiveness. A global company operating around the world, in particular, could suffer inefficiency in the operation of its sales channel, including its dealers, in the wake of corporate restructuring or business expansion, among other factors. Therefore, ensuring the efficient operation of its sales channel is a shortcut to boosting customer satisfaction and enhancing business competitiveness simultaneously.
- OUR RESPONSE STRATEGY  
To enhance the competitiveness of its dealers around the world, Doosan Infracore runs partnership programs customized for the characteristics of the communities the dealers serve.

4. FUNDAMENTALS OF ORGANIZATIONAL BEHAVIOR

- RISK & OPPORTUNITY  
Intangible elements such as corporate culture and knowledge are considered crucial for the enhancement of corporate value and the improvement of workforce productivity. Consequently, global businesses are focusing on the development and management of their intangible assets by upgrading their modes of operation and building an in-house collective intelligence system. Businesses can continue to achieve sustainable growth if they enhance and utilize such intangible assets effectively on the basis of their unique management methods.
- OUR RESPONSE STRATEGY  
As a powerful Team Doosan, Doosan Infracore has reformed its way of working and built advanced scientific systems and processes throughout its operations, with its leaders leading the effort by example.



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# BUILDING YOUR TOMORROW TODAY



# CEO MESSAGE

It is my great honor and pleasure to meet the stakeholders of Doosan Infracore through this integrated report. As you are well aware, Doosan Infracore has the longest corporate history of any machine manufacturing company in Korea. As a global business, it is now pursuing its goal of becoming one of the top three machine manufacturing companies in the world before this decade ends. As such, I would like to take this opportunity to express my deepest gratitude to all of you for wholeheartedly supporting our efforts to enhance our strong competitive edge while continuing to achieve corporate growth despite difficult market circumstances. With this integrated report, we would like to look back on our performance in 2014, discuss our plans for the future, and assure you of our commitment to making another leap forward.



**Dong Youn Sohn**  
Chief Executive Officer  
Doosan Infracore Co., Ltd.

**Market Situation and Accomplishments in 2014** ———  
**Enhancement of Financial Stability despite Challenging Business Environment** - In 2014, the North American market recorded continuous growth. However, the Chinese and emerging markets showed sluggish performance which, combined with the continuing recession in Europe and the sharp devaluation of the Japanese Yen, posed severe difficulties to global businesses. During the year, companywide annual sales dropped by 0.6% over the previous year to KRW 7,688.6 billion. Nevertheless, the operating profit increased by 22.6% over 2013 to KRW 453 billion - largely due to the growth of Bobcat Company, the turnaround of the Engine business unit, and the company's enhanced cost competitiveness as a result of its ongoing drive to lower costs. Doosan Infracore recorded KRW 24 billion in net income in 2014, and boosted its financial stability by refinancing its Bobcat Company acquisition loans, coupled with the early payoff of the Bobcat Company debt to the tune of US\$100 million.

**Successful Launch of New Products and Enhancement of R&D Capabilities** - Bobcat Company continued to grow in North America's compact construction equipment market in 2014, mainly due to a sharp rise in the sales of its flagship items and the launch of its new M Series of loaders. To meet the latest global emission regulations and different regional requirements for equipment features, Doosan Infracore successfully launched various competitive products in 2014, including the new V and C models of construction equipment, and diesel engines that meet the requirements of the Euro 6 regulation currently being driven forward by the European Commission. The company also completed state-of-the-art R&D centers in Korea, the USA, and the Czech Republic; and established a global R&D network linking its existing R&D facilities in China to these new R&D centers.

**Prospects and Plans for 2015** ———  
**Greater Focus to Be Placed on Improvements in Business Performance and Strong Competitive Edge** - The global economy is expected to continue on its path of slower growth in 2015. Under the circumstances, Doosan Infracore intends to accept this pattern of slower economic growth as the new global economic order for the time being, and will continue to make fundamental reforms in its management structures so it can create differentiated values for its stakeholders in any type of business environment. To that end, it will spare no efforts to enhance its strong competitive edge under the following strategies. First, the company will concentrate on raising its competitiveness in technologies and products to the highest level in the world, because it firmly believes that innovative technologies and powerful products are the main driver of corporate growth as well as a precondition for it. The company will focus its companywide resources on the enhancement of its R&D capabilities to ensure that its employees' extraordinary passion and innovative ideas lead to the development of the best technologies and products in the world. Second, the company will strive to expand and diversify its buyer base in 2015 in a drive to turn around its sales and profits, which have stagnated over the last few years. In addition, the company will increase the sales of its most lucrative products such as large excavators, wheel loaders, articulated dump trucks, top-tier machine tools and generator engines, while further intensifying its marketing efforts for not only China and the USA, but also for emerging markets including Southeast Asia. Doosan Infracore will also push hard for the development

of new technologies, the discovery of new business opportunities, and the securing of future-leading technologies and their commercialization. Third, the company will make great strides in its customer-centered business management by reflecting the voices of its customers in the whole spectrum of its business management more effectively. To become a lifetime partner for its customers, the company will offer them innovative convergence in its products and services, including total solutions that enable them to concentrate on their main areas of business. Lastly, the company will work harder to make advanced processes and systems, accelerate its decision-making processes, and enhance its capacity to implement its decisions. The company's employees will try to work in a more effective and focused manner on the basis of open communication and rational thinking, and management decisions will continue to be made according to rules and processes. To accelerate its decision-making speed and enhance its implementation capabilities, the company will continue with its organizational restructuring to enable it to respond to issues immediately without running up against departmental barriers.

**Innovations in the Way of Working and Active Fulfillment of Its CSR** - Until 2014, the company placed greater emphasis on improving its ways of working and its corporate culture by incorporating the Doosan Way into companywide operations. However, as of 2015, the company will take one step further by promoting a change in the work unit from individuals to Team Doosan to boost its employees' work performance. According to the principles inherent to Team Doosan, employees will be encouraged to regard themselves as business owners and to pursue their business goals passionately and tenaciously, while operating as a powerful team to overcome traditional organizational inefficiency and significantly boost their productivity. Doosan Infracore will faithfully fulfill its social responsibilities as a global corporate citizen. It will build a virtuous cycle of partnership with suppliers around the world through the implementation of practical shared-growth programs. It will also engage in corporate community activities more actively to support the development of future generations and local communities. Doosan Infracore will spare no efforts to develop eco-friendly technologies and products while continuing to reduce its GHG emissions to protect the environment. The company will make great efforts to establish a safer work environment and promote systematic employee healthcare. Doosan Infracore is a highly resilient company. It has continued to grow for the last 78 years, turning numerous hardships and crises into opportunities. The entire staff of Doosan Infracore, therefore, will never succumb to any difficulties the company may be confronted with. Instead, they will always rise and move forward with greater confidence in the future of the company. All of us at Doosan Infracore will continue to treasure the Winning Spirit that inspires us to persevere until the end and work as a powerful Team Doosan by transcending our individual character differences or our organizational conflicts of interest. We will do our utmost to move closer to our vision of becoming a Global Top 3 Machine Manufacturing Company by 2020, and to our ultimate goal, the creation of a Proud Global Doosan. With your trust in the earnestness of our efforts, we will definitely turn our dream into reality. In the meantime, I look forward to your continued interest in and support for us.



# OUR STRATEGY

Doosan Infracore was founded in 1937 as Chosun Machine Works, the country's first large-scale machine manufacturing factory. Through continuous growth for the last 78 years, it is now South Korea's top machine manufacturing company equipped with world-class competitiveness. Its product lineup includes construction equipment, machine tools, engines, a variety of attachments and utility equipment. The company became a member of the Doosan family in 2005. Through selection and concentration on ISB (Infrastructure Support Business), Doosan Infracore has accelerated its growth. It has further enhanced its global competitiveness through successful M&A with world-class brands like Bobcat Company and Doosan ADT. It is now making great strides as a global industry leader with world-class competitiveness.



## Vision 2020

Doosan Infracore's vision is to become a Global Top 3 Machine Manufacturing Company by 2020, which generates the industry's highest sales and profits, faithfully carries out its social responsibilities, and continues to deliver the best value to its stakeholders, including shareholders. The company strives to strengthen its global competitiveness through the enhancement of its employees' competence, continuous operational innovations, global M&A, and creation of synergy.

## Business Areas

### Construction Equipment

Since 1977, the Construction Equipment Business Area has supplied high-quality medium and large heavy equipment to industrial sites, making contributions to the development of the global infrastructure industry. The Construction Equipment Business Area now possesses prestigious global brands such as Doosan, Bobcat Company, Doosan ADT, Doosan Portable Power and Geith. Its current product lineup ranges from compact to medium and large construction equipment. It has production bases in Korea, North America, China, Europe and South America. It supplies the world's top-tier products in construction equipment and attachments, portable air compressors, lighting systems and portable power equipment.

### Machine Tools

Launched in 1976, the Machine Tools Business Area has made significant contributions to the development of the global machine tools industry through its continuous development of technologies and improvements in product quality. Most notably, it has secured the world's highest level of technological prowess in turning centers and machining centers, the business area's flagship machine tools. It is now promoting the development of high-end products, such as high-end, large machine tools, multi-tasking machine tools and high-precision machine tools. The Machine Tools Business Area is enhancing its marketing efforts for high-end products in the medical, energy, information technology and aviation industries that are expected to achieve continuous growth for the foreseeable future.

### Engine

The Engine Business Area was launched in 1958 with the production of South Korea's first diesel engine. It has continued to expand its business portfolio. Currently, it supplies diesel and gas engines for buses and trucks, power generators and ships, as well as various industrial engines across the world. On the basis of its full product lineup that meets increasingly stringent worldwide environmental regulations, the Engine Business Area is fast emerging as the world's top-tier engine company. It is striving to enhance its global competitiveness by continuously expanding its global markets through not only the expansion of its customer base for its existing products, but also the pursuit of new business ideas and expansion of its business portfolio.

## Management Strategy

Doosan Infracore's management strategy is based on 2G (Growth of People, Growth of Business). 2G creates a virtuous circle between employees and the company: The growth of employees works as a driving force behind corporate growth, which, in turn, offers employees more opportunities for personal growth. People are indeed the source of the powerful competitiveness of Doosan Group. The conviction that long-term corporate growth can be made only through the growth of people is the core of Doosan Infracore's management strategies and beliefs.

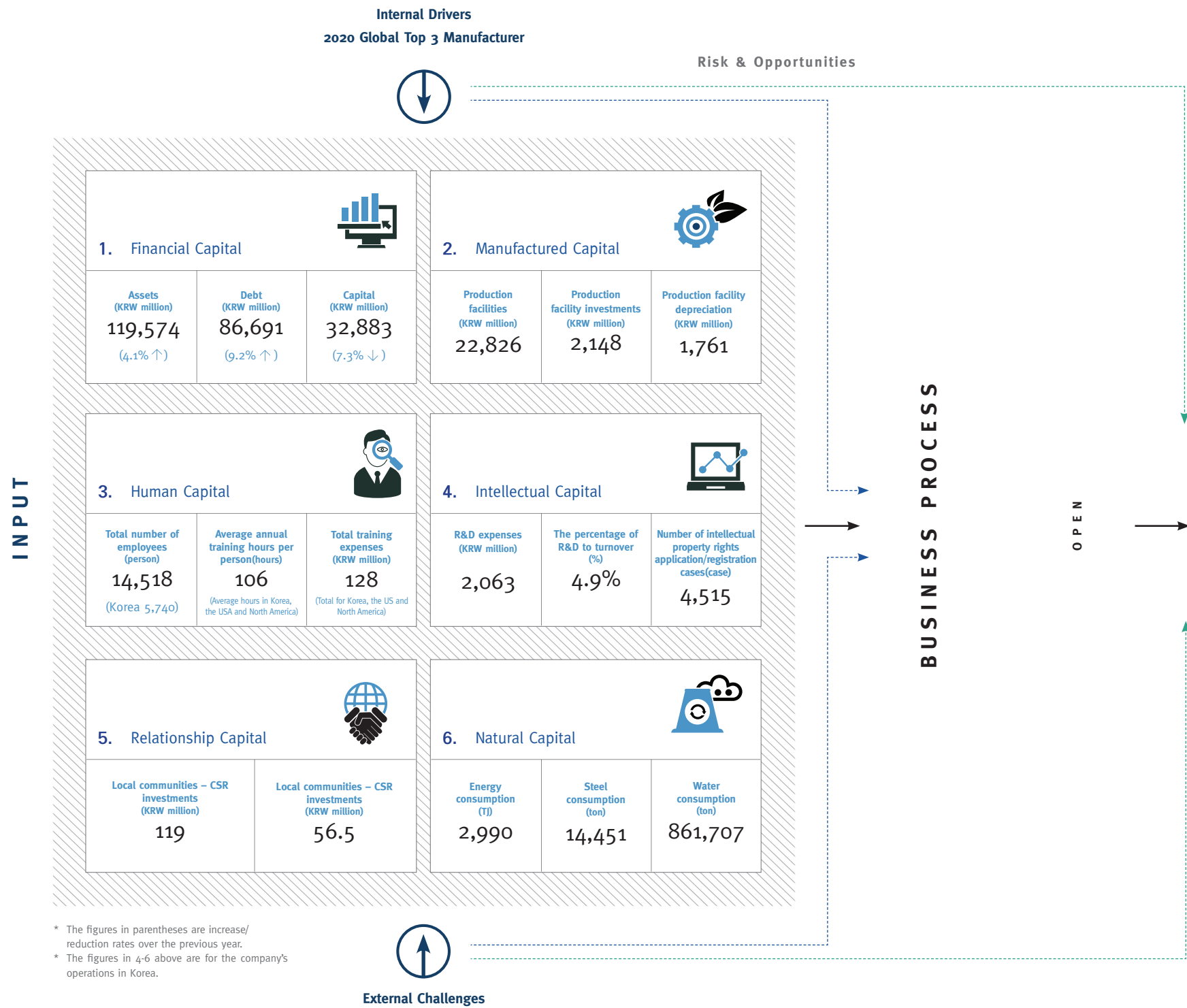
## Business Strategy

The business strategy of Doosan Infracore is composed of Top-Line Expansion, Business Structure Enhancement and Strong Competitive Edge. Top-Line Expansion is designed to expand and diversify its revenue sources through active advancement into emerging markets and enhancement of its high value-added business with the eventual goal of increasing its brand value. Business Structure Enhancement is aimed at securing robust foundations for revenue generation and improving cost structure through continuous operational innovations by each business area, while laying the foundation for sound business operations through the generation of stable revenues based on the company's introduction of a global price management system. Strong Competitive Edge is designed to enhance customer contact points through improved channel competitiveness, enhanced product competitiveness supported by the market-leading quality of the company's products and services, and upgraded work efficiency through the standardization and systemization of its core processes. Doosan Infracore will continue to strive to equip itself with business capabilities required to continue to grow in any business environment on the basis of continuous innovations, customer-centered perspectives, and advanced scientific systems and processes.

### Major Contents of Business Strategy

Top-line Expansion	Diversified revenue sources: enhanced sales in emerging markets Strengthened strategic synergy with Bobcat Company Enhanced high value business: Strengthened high-end business
Business Structure Enhancement	Enhanced foundation for revenue generation and improved cost structure through operational innovations Implementation of a global price management system
Strong Competitive Edge	Enhanced customer service at customer contact points Upgraded product portfolio and enhanced technology/quality competitiveness Enhanced process innovations More intense efforts to discover new engines of growth

DOOSAN INFRACORE'S BUSINESS MODEL



\* The figures in parentheses are increase/reduction rates over the previous year.  
\* The figures in 4-6 above are for the company's operations in Korea.

Doosan Infracore's business model includes a series of processes whereby various resources are invested for the creation of new values through a whole range of business activities aimed at achieving an organization's strategic goals and creating its short-, mid- and long-term values. It is a unique system whereby an organization can prove its differentiated capabilities to create value.

Sales (KRW million)

7,688,558 (USD 7,300 million)

2012	8,158,351
2013	7,736,830
2014	7,688,558

Operating Income (KRW million)

452,994 (USD 430 million)

2012	362,417
2013	369,500
2014	452,994

Construction Equipment Sales (KRW million)

5,699,020 (USD 5,411 million)

74.2% (ratio to DI's total sales)

2012	6,138,730
2013	5,752,278
2014	5,699,020

Machine Tools Sales (KRW million)

1,322,542 (USD 1,256 million)

17.2% (ratio to DI's total sales)

2012	1,464,716
2013	1,345,032
2014	1,322,542

Engine Sales (KRW million)

659,999 (USD 627 million)

8.6% (ratio to DI's total sales)

2012	545,495
2013	632,682
2014	659,999

\* USD 1.00 = KRW 1,053.22 (Sales, Operating Income) / KRW 1,099.20 (Total Equity, Total Asset)

1. Financial Capital

With the completion of a machine tools plant in Changwon, Korea, and R&D centers in Korea, the USA and the Czech Republic, tangible assets slightly increased over the previous year to reach KRW 2.2826 trillion and total assets increased by 4.15% to KRW 11.9574 trillion.

2. Manufactured Capital

The company's total production capacity for construction equipment, machine tools and engine business areas in 2014 was 208,952 units; and the average operating rate during the year was 73.44% with production of a total of 153,452 units.

3. Human Capital

In the survey conducted by Job Planet and Fortune Korea, the company ranked 11th (the big business sector) among The 50 Best Companies to Work For in Korea among the country's former and present employees; and it concluded its CBA 2014 negotiations without labor strikes for 4 years in a row.

4. Intellectual Capital

As a result of its R&D efforts, the company made 62 improvements in existing products and developed 83 new products with 12 cases (Korea) and 4 cases (overseas) officially registered as patents including utility and design patents.

5. Relationship Capital

A total of 3,912 Korean employees participated in corporate community involvement (CCI) activities; and the company's suppliers in Korea achieved 139 cases of technical development through the company's technical and financial assistance.

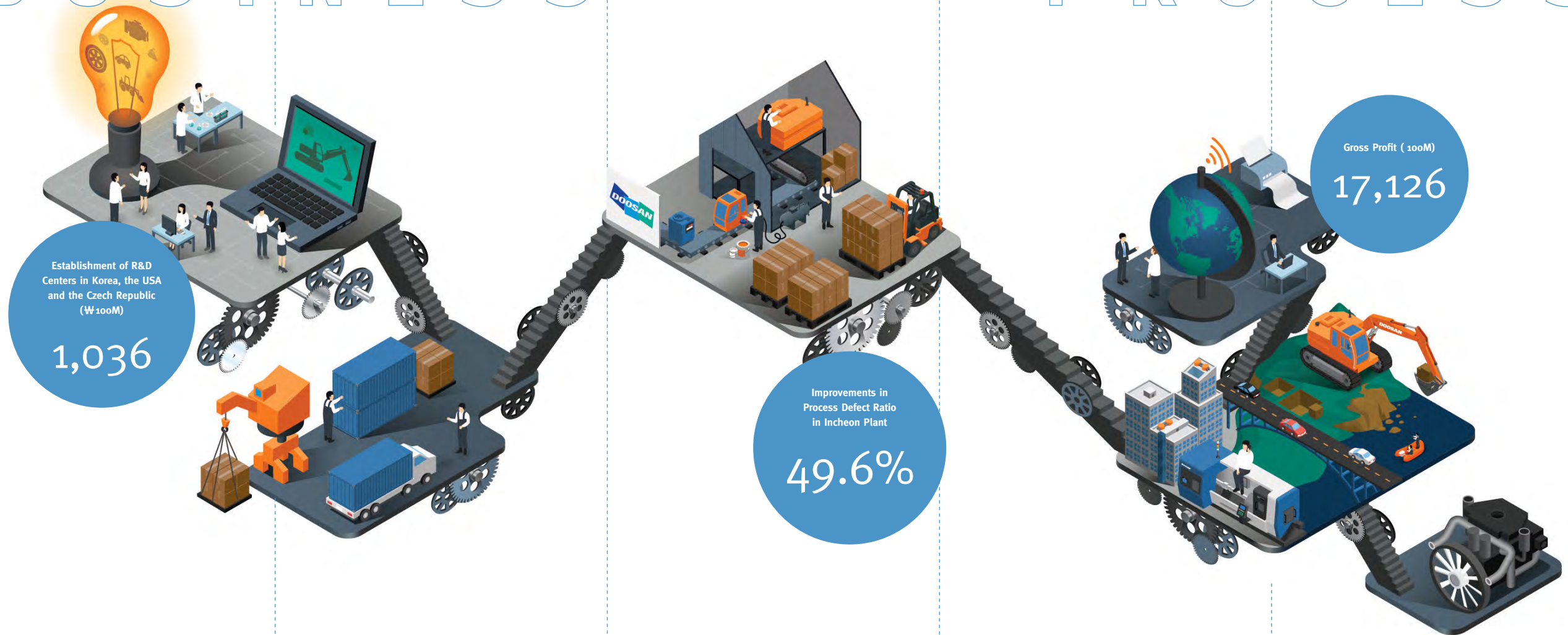
6. Natural Capital

In Korea, the company emitted GHG below the legally permissible level while saving KRW 101 million in water service charges through the establishment of a wastewater recycling system in Korea.



# BUSINESS

# PROCESSES



## 1. PRODUCT DEVELOPMENT

Establishment of global R&D facilities including the Global R&D Center in Korea, the Acceleration Center in the USA, and the Innovation Center in the Czech Republic.

- Creation of the Quality Innovation Division at the head office in Korea for quality innovation; and establishment of a global quality management system to reflect overseas customer voices in the prompt development of new products.
- Improvements in R&D efficiency through the establishment of the NPD 4.0 process and the implementation of companywide global standards.

## 2. PROCUREMENT

Creation of mutual growth with its suppliers through the Shared Growth Team which is directly supervised by the CEO; a whistle-blowing system which includes a supplier hotline; and implementation of surveys on supplier satisfaction, etc.

- Promotion of the Parts Quality Innovation 330 Campaign to improve the quality of suppliers' parts; consequently, the Incheon Plant's suppliers improved 49.6% in their process defects.
- Following the global expansion of the company's supplier CSR support system, Bobcat Company added CSR as a supplier diagnostic index, and CSR was included in the comprehensive supplier rating and evaluation system in Korea and China.

## 3. MANUFACTURING

Launch of TMS 1.5 system for developed markets; planning to launch TMS 2.0 system through internally technology in 2015.

- To minimize environmental impact, a wastewater recycling system was established in the Incheon Plant. Bobcat Company established a GHG monitoring system and a resource conservation campaign in the U.S.
- Establishment of a joint venture with PSI corporation to meet emission regulations and develop gas engines using diverse fuel sources.

## 4. SALES & SERVICE

Standardization of after-sales service and implementation of service education; launch of Eco Corner, where customers can carry out repair and maintenance work in Korea; and enhancement of after-sales service standards in China so that after-sales service is completed within 7 days of the receipt of a request.

- Launch of China-DIMF 2014; participation in major trade shows around the world; and invitations to dealers for opportunities to publicize corporate visions and products while strengthening bonds with dealers.
- Launch of used construction equipment auctions in China; and start of product technical schools in Indonesia and Myanmar.

## 5. IN-USE

Reflection of VOC (Voice of the Customer) in the new product planning stage to boost customer convenience and product efficiency.

- Extension of the warranty period for 7 core parts of construction equipment to 3 years/6,000 hours in China.
- Attachment of product safety labels showing the degree of potential safety hazard; and public notice of preventive measures against hazards.
- Enhancement of personal information security; implementation of information security education for employees, including related supplier employees; and public notice of privacy policy implemented on the Bobcat Company online store.

# PERFORMANCE REVIEW 2014

## FINANCIAL PERFORMANCE

Doosan Infracore's top priority for 2014 was the enhancement of its strong competitive edge. The company enhanced its foundation for another leap forward by expanding its R&D facilities at home and abroad and strengthening the competitiveness of its channel. It also consolidated its market dominance through the launch of new products incorporating the latest trends. It strongly promoted the internalization of Doosan Way for employees' daily work performance. It also continued to make lead investments in green innovation, among others, for sustainable growth. Despite a difficult business environment, the company managed to record increases in its operating profits and net income in 2014 through bold investments and improvements in a variety of fields, attesting to its great potential for growth.

### 1. Sales Records

Despite a global economic stagnation in 2014, the company recorded KRW 7.6886 trillion in sales - similar to the previous year's figure – largely due to the contributions of DIBH (Doosan Infracore Bobcat Holdings). Its operating income rose by 22.6% due to the continuous growth of DIBH, Engine Business Area's turnaround and the company's continuous efforts to enhance its price competitiveness, resulting in KRW 24 billion in net income.

### 2. Financial Status

As of the end of 2014, total assets slightly increased by KRW 475.9 billion to KRW 11.9574 trillion compared to 2013, largely due to increases in inventory. The debt ratio also increased compared to 2013 due to the effect of foreign exchange and increased strategic inventory. Total equity was reduced by KRW 260.7 billion compared to 2013 to KRW 3.2883 trillion in 2014.

### 3. Business Performance by Business Group

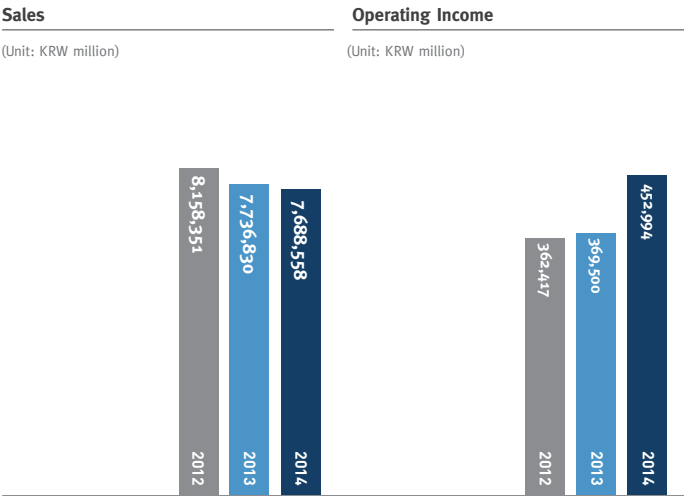
In 2014, Doosan Infracore launched R&D centers in Korea, the USA and the Czech Republic as part of its global R&D network. It successfully released various new products like V model and C model, on-highway diesel engines to meet EURO 6 emissions regulations to fulfill increasingly stringent global emission regulations and to satisfy the characteristics of different market demand patterns in various regions. The Machine Tools Business Area further enhanced its global competitiveness in 2014 by winning the Red Dot Design Awards 2014 for two years in a row and built a plant devoted to the production of large machine tools.

Sales Records	(Unit: KRW million)	2014	2013	2012
Sales		7,688,558	7,736,830	8,158,351
Cost of sales		5,975,986	6,089,338	6,478,130
Gross profit		1,712,572	1,647,492	1,680,221
Selling and administrative expenses		1,259,578	1,277,992	1,317,804
Operating income (loss)		452,994	369,500	362,417
Other non-operating income		41,492	28,786	35,902
Other non-operating expenses		105,834	69,557	82,008
Net profit (loss) before income tax benefit		(75,217)	(56,964)	(22,160)
Income tax expense		(99,189)	43,986	(415,503)
Net income (loss)		23,972	(100,950)	393,343

Financial Status	(Unit: KRW million)	2014	2013	2012
Current assets		4,019,500	3,706,206	3,861,995
Non-current assets		7,937,927	7,775,288	7,682,995
Total assets		11,957,427	11,481,494	11,544,990
Current liabilities		3,294,510	2,753,668	3,539,078
Non-current liabilities		5,374,629	5,178,805	4,997,113
Total liabilities		8,669,139	7,932,473	8,536,191
Total equity		3,288,288	3,549,021	3,008,799



2014 AUDIT REPORT  
www.doosaninfracore.com/en/ir/audit.do

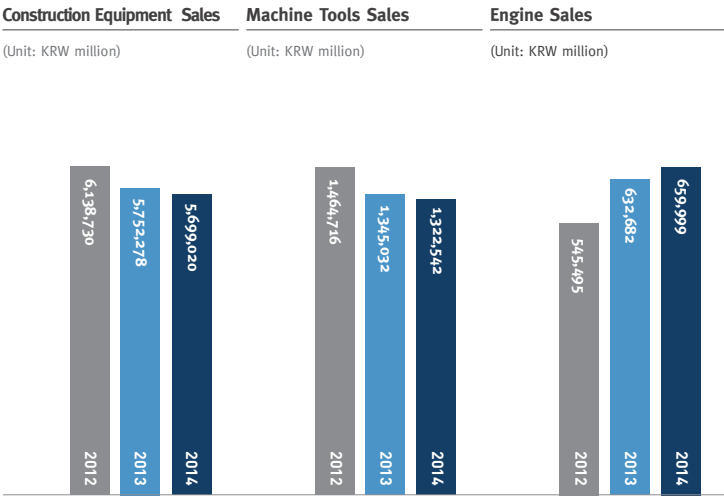


Performance by Business Area	(Unit: KRW million)	2014	2013	2012
Construction Equipment				
Sales		5,699,020	5,752,278	6,138,730
Operating profit		254,252	231,287	230,611
Machine Tools				
Sales		1,322,542	1,345,032	1,464,716
Operating profit		157,943	145,895	145,116
Engine				
Sales		659,999	632,682	545,495
Operating profit		45,734	(7,465)	(26,080)

**3-1. Construction Equipment :** Sales declined slightly to KRW 5.699 trillion in 2014. However, given the foreign exchange effect, the actual turnover was almost identical to the 2013 figure. Operating profits increased in 2014. The medium and large-sized construction equipment business continues to contribute to increases in the company's market share in North America, Europe and emerging markets mainly on the basis of its enhanced channel and sales competitiveness despite sluggish overall market conditions. In China, as the market slowdown continued in 2014, the Construction Equipment business upgraded its dealer network and enhanced customer credit management in the country in a bid to strengthen its fundamental competitiveness in preparation for market recovery. It boosted its market share in 2014. In the area of compact construction equipment, including Bobcat Company, it maintained its market leadership in SSL (Skid-Steer Loaders) and recorded a stable sales record in CTL (Compact Track Loaders) and MEX (Mini Excavators). Doosan Infracore will continue to boost its competitiveness



READING  
CHANGES,  
LEADING  
SUCCESS  
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in product performance, quality, channel, parts and services so it can achieve a stable level of sales growth year after year while striving to make improvements in its cost structure and maximize its profit margin.

**3-2. Machine Tools :** TThe Machine Tools Business Area maintained stability in its sales records in 2014 due to the steadiness of market demand in Korea, China and the USA. The annual sales for the year was KRW 1.3225 trillion, almost identical to that of 2013. Operating profits, however, increased to KRW 157.9 billion. The Machine Tools business actively engaged in the promotion of its lineup including new high-end products in a variety of large tradeshow such as SIMTOS 2014 in Korea, IMTS 2014 in the USA, and China-DIMF 2014. For the first time in the Korean machine tools industry, it won a major award at the Red Dot Design Awards 2014, one of the world's top three design awards - for two straight years - enhancing its posture as a global leader in the machine tools industry. For its key markets, which are based on the price competitiveness of its base products, the company focused on the launch of products with price competitiveness and performance. For high value-added industries, the company accelerated the development of high-end machine tools including large, multi-tasking, high-precision machine tools. It plans to enhance its marketing activities in industries with high growth potential such as medicine, energy, IT and aviation in an effort to secure a more stable revenue source.

**3-3. Engine :** The annual total sales jumped by more than 25% in 2014 and exceeded the KRW 1 trillion mark for the first time with the proportion of in-house sales rising from 5% in 2013 to 8.6% in 2014. The major reasons for the sales increase include the full-fledged supply of gas engines to the North American market, where the demand for gas engines skyrocketed due to the shale gas development boom and the expanded application of compact G2 engines in Bobcat Company's construction equipment, which meet the latest emissions regulations. Profitability rose more than expected due to the company's continued intensive efforts to cut down on costs and enhance production capabilities. The Engine business is working hard to make great strides in the development of new engines that meet the latest emissions standards together with the expansion of its engine lineup based on its mid- to long-term product development roadmap. It is also promoting improvements in its work environment and product quality through continuous investments in production facilities. The Engine business will continue to enlarge its customer base for its existing products while expanding the horizon of its global markets through the development of new business.

4. Cash Flow & Solvency

Consolidation-based cash flow from operation activities in 2014 recorded KRW 231.3 billion. Net cash outflow occurred in the amount of KRW 428.5 billion in the area of cash flow from investing activities, whereas net cash inflow due to financial activities, including the refinancing of Bobcat Company-related debts, occurred in the amount of KRW 281.4 billion. The cash and cashable assets increased by KRW 75.1 billion to around KRW 363 billion as of the end of 2014, including the relevant foreign exchange effect. In May 2014, the completed the refinancing of Bobcat Company-related debts in the amount of US\$1.7 Billion, for which the maturity began in 2015. For US\$1.3 billion, the subsidiaries succeeded in obtaining long-term loans from banks and institutional investors on the basis of their own credit rating without any additional credit enhancement from Doosan Infracore. It because of the financial institutions and institutional investors in the brand and future prospects of Bobcat Company and its affiliated groups' business. In addition, the refinancing was made at an annual interest rate of LIBOR plus 3.5%, which is lower than the market interest rate (LIBOR plus 3.65%) for a seven-year loan (maturity: 2021), enabling the company to establish a stable financial structure, thanks to the reduced burdens of debt repayment and interest payment. Following the achievement of continuous operating profits, the company repaid US\$100 million earlier than scheduled in December 2014.

5. Tax Strategy

Doosan Infracore implements its tax policies through tax management and by carrying out appropriate tax activities through ETR (Effective Tax Rate) and risk management. As is clearly indicated in its corporate financial statements and footnotes, the company implements accurate accounting procedures and practices transparent disclosure concerning matters relating to corporate tax issues. Through tax management, the company carries out its Tax Planning function, which reviews its transaction structures and prevents double taxation, and its Transfer Pricing function that aligns the company's tax policies and overseas business strategies to the “arm's length” principle. Also, through tax accounting, the company processes corporate tax-related accounts according to the DFAS (Doosan Financial Accounting Standards) and local generally accepted accounting principles, and discloses the results in its financial statements and their footnotes. Doosan Infracore faithfully fulfills all of its obligations with regard to declarations, reports, payments and cooperation on tax liability as required by tax laws and the relevant regulations through Tax Compliance and Tax Audit Defense. It also responds reasonably to the requirements of the tax authorities, and complies with all national and local tax principles in the countries where it operates its businesses.

Cash Flow	(Unit: KRW million)	2014	2013	2012
Cash flows from operating activities		231,296	481,935	(450,365)
Cash flows from investing activities		(428,522)	(595,347)	(527,064)
Cash flows from financing activities		281,367	(80,201)	811,065
Cash and cash equivalents, beginning of the year		287,838	462,494	624,032
Cash and cash equivalents, end of the year		362,953	287,838	462,494

Financial Strength	2014	2013	2012
Current ratio	122%	135%	109%
Debt ratio	236.64%	223.51%	406.84%
Liability dependency ratio	50.89%	49.16%	53.35%

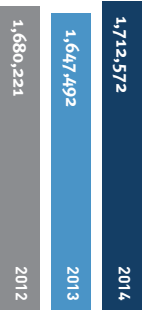
Current Ratio

(Unit: KRW million)



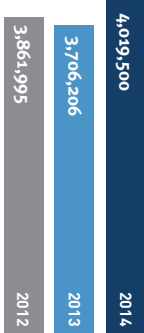
Gross Profit

(Unit: KRW million)



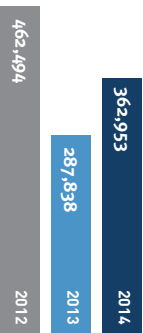
Current Assets

(Unit: KRW million)



Cash and Cash Equivalents, End of the Year

(Unit: KRW million)



6. Outlook 2015

Construction Equipment, Machine Tools and Engine – the key business areas of Doosan Infracore – are deeply affected by changes in the demand of upstream industries like construction and automotive. Therefore, the demand for the company's products are deeply connected to such factors as the overall economic situation in Korea, the government's social overhead investment policies and international economic trends. Furthermore, currency fluctuations directly impact the company's competitiveness overseas as the company's sales records are vulnerable to fluctuations of the US dollar – the USA being the company's largest market – the European Euro, and the Japanese Yen, where the largest number of the company's rivals are based. It is anticipated that the current protracted economic slowdown will soon enter an adjustment period that will last until the end of 2015 and a slow but steady economic growth period that will start at the beginning of 2016. Having accepted a slow growth pattern as a new global economic order, Doosan Infracore is striving to boost its fundamental competitiveness through which it will bring differentiated values to the company, with the year 2015 set as the final year of its Fix & Build initiative.

**6-1 Construction Equipment:** In 2015, the US construction equipment market is expected to recover from the recession; the Chinese market will not recover significantly until year's end and quantity adjustment due to a supply glut is anticipated to continue. Emerging markets are most likely to suffer delayed economic recovery largely because of sluggish investments by China and weak raw materials prices. Overall, 2015 is anticipated to see a slower growth than in 2014. The company is planning to make changes in its business structure so it can diversify revenue sources and maximize profitability even in worsening business environments. Specifically, it will strive to increase the sales of medium to large excavators and wheel loaders in China and other emerging markets while actively promoting the expansion of its compact construction equipment business. In North America, it will maintain its leadership in the compact construction equipment business, while boosting its standing in medium to large construction equipment. In addition, in preparation for the recovery of the construction equipment market, the company will do its utmost to strengthen its fundamental business competitiveness in the areas of products, technologies, quality, channels and services.



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OUR VALUES  
FOR DEALERS  
AND CUSTOMERS  
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READING  
CHANGES,  
LEADING  
SUCCESS  
22p

**6-2 Machine Tools:** Although the market for machine tools in 2015 remains unclear, the company aims to achieve faster growth than its competition through enhancing regional promotions and securing large projects. The company will also consolidate its standing as a premium brand that leads the way in quality and customer service through the 10th DIMF 2015, the company's own trade show. Also, through a number of international trade shows including Europe EMO 2015, the company will continue to promote its new products and boost its brand awareness. It will work hard to continue launching best-selling models while reducing technological gaps with global market leaders. Furthermore, it will further streamline its global dealership management system and enhance its customer support capabilities while implementing its three-year Manufacturing Competitiveness Innovation Program.

**6-3 Engine:** The Chinese diesel engine market, which is the world's largest, continues to grow. China has the largest demand for gas engine generators in line with the rising demand for compact commercial vehicles and pickup trucks. The gas engine generator market continues to grow in North America and Europe, in keeping with the expansion of shale gas and biogas markets. Thus, the company decided to establish a joint venture (Doosan PSI) with PSI, a market leader in North America in the area of gas engines. It is planning to expand its marketing of the joint venture's gas engines to Korea, Europe and emerging markets as well as in North America. The Engine business expects to reach the KRW 2 trillion annual sales mark in 2019, largely due to the full-fledged marketing of G2 engines and growth in the area of power generators following the establishment of the joint venture. It is planning to advance into the compact commercial vehicle market and the large power generator market following its completion of the development of compact and large engines.



7. Global Performance & Strategy

Doosan Infracore is a global enterprise equipped not only with 19 production facilities, 38 sales subsidiaries and numerous branch offices and 9 R&D facilities worldwide, but also with a huge sales network consisting of more than 1,200 dealers around the world. Also, the company's more than 14,500 employees are working hard to deliver to worldwide customers the world's very best products and services. For more efficient global business management, the company has divided its operations in the world into four areas, such as North America and Oceania; Europe, the Middle East and Africa; China; and Asia-Pacific and Latin America. It devises and implements business strategies for each area depending on market and customer situations.

**7-1. North America & Oceania:** The economy of North America is expected to recover largely due to successful household debt adjustments and rising real income of the population. Following the shale gas development boom, the energy industry has a positive outlook, while the manufacturing industry is showing signs of recovery. The construction equipment sector is anticipated to grow in 2015 as it did in 2014, mainly as a result of Bobcat Company's contributions. The company is planning to upgrade the product mix of its compact equipment and focus on the sales increase of large equipment. For the Machine Tools Business Area, the company will further enhance its marketing efforts in its key market, North America, in line with increasing automobile production and the continuous growth of the renewable energy industry. For the Engine business, the company will reinforce its leadership in gas engines that meet the latest emission regulations, which it has secured through the establishment of a joint venture with a global market leader in the area.

19  
Production Facilities

38  
Sales Subsidiaries and Branches

9  
R&D Facilities

1,200  
Dealers

14,518  
Employees



GLOBAL NETWORK  
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**7-2. China:** China may make slight improvements in its export performance thanks to the recovery of consumption in the USA. However, its real-estate market, which has a high degree of impact on its GDP, continues to show sluggish performance. The overall economic growth is expected to slow down. The country's continued investments in infrastructure from a mid- to long-term perspective are enhancing its growth potential in the construction equipment sector, the supply glut adjustment is expected to be completed by the end of 2015, and the pre-2013 growth pattern should recover gradually. Doosan Infracore will bring new energy to the Chinese construction equipment market through the launch of products customized to local markets and by advancing into the country's used construction equipment market. The Chinese machine tools sector shows continuous growth in demand. The company is enhancing its marketing efforts in China, particularly through China DIME.

**7-3. Europe, the Middle East & Africa:** Europe is most likely to continue to show a slow growth pattern in 2015 following a similar pattern in 2014. The weakening Euro remains a significant factor. With respect to the Construction Equipment Business, the UK and Germany, in particular, are expected to show positive changes in market conditions. The machine tools market is expected to face increasing demand for machine tools in such areas as alternative energy, large machines and medical instruments. As for the Engine Business, the demand for eco-friendly engines and large power output engines is growing in line with the implementation of EURO 6, which went into effect in September 2014. The company plans to enhance its channel competitiveness for its business groups and will continue seeking diversification of its customer base.

**7-4. Asia Pacific & Emerging Market:** Emerging markets such as Asia-Pacific, Latin America and the CIS are suffering a lackluster growth pattern due to sluggish investments by China and low raw material prices. It is estimated that the emerging markets will start to grow at an average annual growth rate of 6% beginning in 2015. The recovery of the construction equipment market is expected to be delayed. Still, the company will increase its market share in the regions mainly through increased domestic sales and expanded emerging market coverage. It will also strive to boost the company's brand through the launch of products customized for emerging markets and the running of product technology training school.

SOCIAL PERFORMANCE

1. Customers

Doosan Infracore strives to come closer to its customers through better quality and more convenient services by always thinking from their perspective and actually reflecting their opinions in the new product development planning stage. In China, the company extended the warranty period for key parts. Through customer-centered quality improvements, the company has continuously made improvements in its customer complaint ratio. To further boost customer satisfaction in Korea and China, the company continues to monitor customer satisfaction through its Happy Call system. To enhance customer satisfaction in the USA, Bobcat Company is developing its customer service training programs. Also, fully understanding the importance of personal information, Bobcat Company has upgraded its information security management standards.

2. Employees

Doosan Infracore focused on employees internalizing the Doosan Way throughout 2014. It is in the process of building its own human resources training system, including the Functional Competency (FC) system to cultivate a caring group of powerful people. It is also paying keen attention to creating an organizational culture that cherishes communication and cooperation so all Doosan people will continue creating and having successful experiences. The company also strives to offer fair and diverse opportunities. It promotes balance between work and family as a family-friendly workplace. In recognition of such efforts, Doosan Infracore ranked 11th among big businesses in Korea - with 71.27 points on a 100 point scale - in a survey designed to select The 50 Best Companies to Work For in 2014 jointly conducted by Fortune Korea and Job Planet.

3. Suppliers

Doosan Infracore runs a variety of support programs, including technical development, quality improvement, and financial assistance to enhance its suppliers' competitiveness. Through the Doosan Supplier Excellence Program (DSEP), the supplier cultivation system of Doosan Group, Doosan Infracore is implementing a long-term project designed to help grow 44 suppliers into hidden champions by 2018 in Korea. To promote suppliers' CSR involvement, the company has defined sustainability as one of its comprehensive supplier evaluation items. The company fully supports their efforts to achieve sustainability. In 2014, Doosan Infracore was awarded the President's Prize as an excellent benefit sharing company. Doosan Infracore China Investment (DICI), one of Doosan Infracore's Chinese subsidiaries, won the Exemplary Company Prize in shared growth at the 1st Shanghai CSR Awards in recognition of the company's contributions in the area.

4. Local Communities

Doosan Infracore strives to pay back the recognition of its local communities and grow with them as a responsible member of the communities. 2014 was significant to Doosan Infracore, in that it promoted corporate community involvement (CCI) designed to facilitate the growth of local communities around all of its global business sites during Global Volunteer Week and the Doosan Day of Community Service. The company will continue to promote its global CCI initiatives on the basis of its worldwide CCI guidelines while implementing CCI activities that are of practical assistance to local communities. It will continue to expand opportunities for its employees to participate in various CCI activities.

ENVIRONMENTAL PERFORMANCE

In 2014, Doosan Infracore reduced its emissions by an additional 18% below the level allowed by the Korean government as a result of the company's preemptive efforts to respond to climate change. It laid the foundation for GHG emission control in its various worksites in China and the USA. Moreover, in preparation for the emissions trading scheme that the Korean government will begin to implement in 2015, the company measures its GHG emissions on a monthly basis and promotes natural light and energy efficiency at the design stage of new office buildings and manufacturing plants to minimize its GHG emissions. As a result of such efforts, the company received an A class energy efficiency certificate and attained an excellence-class green certification for the Global R&D Center that it launched in 2014 in Korea. The Acceleration Center in the USA has obtained LEED certification, the most widely used green building rating system. Doosan Infracore also strives to minimize its impact on the environment by continually boosting its resource utilization efficiency and tightening its policies on pollutant management.

43% ↓ Initial Quality Complaint Ratio

22% ↑ Average Training Expenses per Person (Office)

252% ↑ Technical Development Support for Suppliers

36,659 tCO<sub>2</sub>e ↓ Reduction below Allowed GHG Emissions



OUR CSR  
PERFORMANCES  
54 p



THINK  
GREEN,  
MAKE  
GREEN  
42 p



# R&D IS OUR FOCUS

Strong competitive edge through bold R&D investments - To grow into a Global Top 3 Machine Manufacturing Company by 2020, Doosan Infracore has striven to boost its fundamental competitiveness that will enable it to produce the world's best products. Doosan Infracore firmly believes that the key to its strong competitive edge is upgrading its R&D capabilities, which are directly related to the development of new technologies and the improvement of product quality. That's why the company has continued to make bold investments in R&D even during difficult business situations. In 2014, the company succeeded in completing a global R&D belt connecting its R&D facilities in Korea, the USA and the Czech Republic, among others, making a significant step forward to realize its vision of becoming one of the best global enterprises just a few years from now.



# R&D CAPABILITIES WITH SPEED AND EFFICIENCY

To provide its customers and markets with new products that will be praised as the world's best, Doosan Infracore has continued to make aggressive investments in R&D. According to its plan, the company launched a Corporate R&D Division, an integrated R&D organization, in 2012. The following year, it adopted advanced R&D processes to create more efficient R&D activities and promote a creative organizational culture companywide. As the second stage of the plan, the company built a global R&D hub in Korea in 2014 to further enhance its competitiveness in R&D. In addition to the completion of its Global R&D Center in Korea, the company opened the Acceleration Center in the USA and the Innovation Center in the Czech Republic during the year. With the Wheel Loader R&D Center in China, it completed a Global R&D Belt in 2014. That was significant progress for the company in terms of the enhancement of its R&D competency required to secure original technologies, develop new products and improve product quality. Doosan Infracore is now equipped with strong R&D capabilities supported by the company's advanced R&D organizations, a creative culture and cutting-edge R&D infrastructure.

**ESTABLISHING A GLOBAL R&D HUB**  
**Incheon Global R&D Center, a new global R&D hub**  
Following two years of meticulous work, the Global R&D Center in Incheon, Korea, was completed in July 2014. It is now the center of the company's R&D activities. With a total budget of KRW 56 billion, the company built a 12-story and 2-basement floor building with a total floor area of more than 26,000m<sup>2</sup>. More than 1,000 engineers who used to work in three locations – Incheon, Suji and Songdo – are now under one roof. The center focuses on research on mid- to large-sized construction equipment and engines. The center is expected to create significant synergistic effects because a diverse group of people involved in R&D, such as technology strategies, designs, certification and assessment, are now working side by side at one location. The Incheon Global R&D Center is equipped with not only state-of-the-art research facilities and office space, but also town hall meeting halls and idea rooms for researchers to communicate with one another and develop creative ideas more effectively. In addition, it features a patent corridor displaying the company's major patents. Its R&D Academy classrooms and coaching rooms are fully equipped for lifelong education of researchers as the company's training hub for R&D specialists.

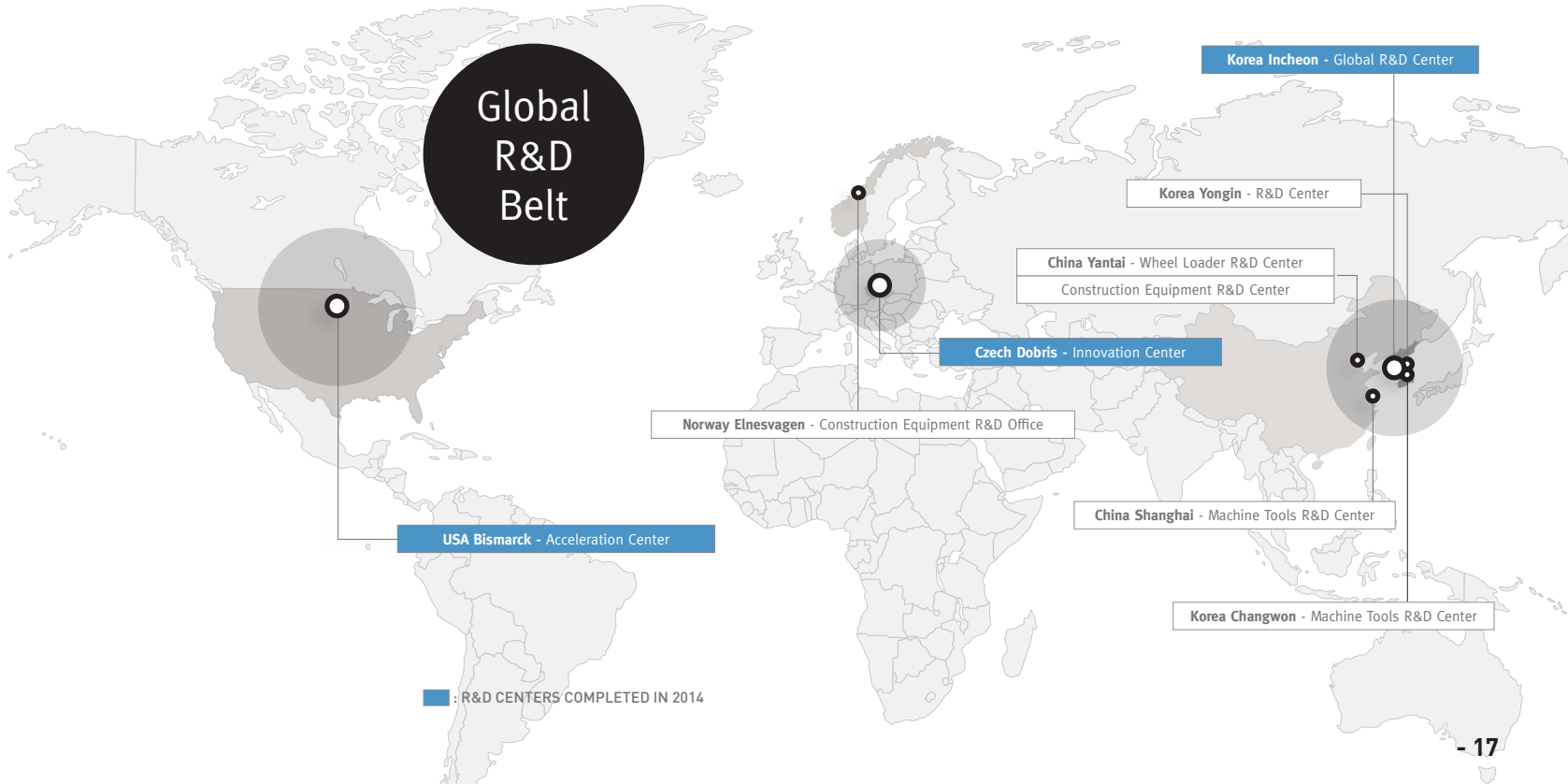
ENHANCEMENT OF  
R&D CAPABILITIES  
64p



Doosan Infracore strives to enhance its fundamental technological prowess by enhancing its R&D capabilities through the construction of cutting edge infrastructure and the promotion of a creative corporate culture.

## GLOBAL R&D CENTER IN NUMBERS

1	47	2	1,000
"Be the No.1," the slogan of Corporate R&D Division headquartered at Global R&D Center	Number of engineers with doctoral degrees	Number of external certificates obtained by the center ('A' class energy efficiency certificate and excellence-class green certification)	Maximum number of engineers that the center can accommodate





**New excavators armed with cutting edge technology:** With its cutting-edge processes, the Global R&D Center engages in R&D for the development of the world's top-tier construction equipment. As the speed of technological development picks up, shortening the period from R&D to production has become even more important. Thus, for example, the center applied advanced processes including Virtual Product Development to its development of an excavator model customized for Tier 4 Final Emission Regulations. Numerous issues could be solved in a completely digital environment. The company developed product models that meet the latest emission control standards to complete a full lineup of excavators with strong price competitiveness.

Specifically, the company's V model excavators tailored to meet the Tier 4 Final Emission Regulations has improved fuel efficiency by 6-16% compared to the previous mid- to large-sized excavators. The C model excavators have been developed particularly for the Chinese market. It fulfills the Tier 3 emission regulations ahead of the country's implementation of the standards. It is designed to withstand extremely harsh working conditions. The model is being highly praised, not only in China, but in other developing markets as well. The C model has improved fuel efficiency and performance by around 15% and 16%, respectively, compared to competitors' excavators. It is also equipped with various convenience features including a 7-inch LCD display panel designed for advanced markets, providing operators with convenience improvements that they highly appreciate. Its front, including the boom, arm and undercarriage parts, are designed to meet Chinese customers' actual operating conditions. Its major parts, including hydraulics, were originally developed for advanced markets. As a whole, the model has increased durability up to 63% compared to previous models.



**New technology that has improved operators' safety and convenience:** Doosan Infracore has worked hard to develop new technologies that make significant improvements in the safety and convenience of operators who use our equipment. The result of a VOC analysis raised the issue of the danger involved with blind spots for excavator operators. To solve the problem, the company has introduced the innovative AVM (All-Around View Monitoring) system for its 5-ton excavator. The AVM provides operators with images taken by five cameras and collected by a computer in real-time. Excavators can secure a full, 360-degree field of vision through the technology. Doosan Infracore also has a number of original technologies and diverse patents on improvements in convenience features such as VBO (Virtual Bleed-off) that optimizes engine control through an electronic hydraulic system; the automatic engine shut-off feature that switches off the engine after a certain period of work suspension; and the application of EM Bush that minimizes friction and noise through surface engineering, the latest lubrication technology.

**ACCELERATING R&D**  
**Bismarck Acceleration Center speeds up R&D markedly**  
In August 2014, Doosan Infracore launched the Acceleration Center, an R&D center specializing in the development of compact construction equipment, at the Bobcat Company facility in Bismarck, North Dakota, USA. It is fully equipped with all the systems required for the development of new products such as cutting-edge instruments, facilities, and software. Therefore, the center is capable of carrying out the whole range of product development activities including idea generation, computer simulation, pilot manufacturing and product tests within the shortest period possible with all of the resources made available at hand. Furthermore, the center has applied ergonomic systems to all its facilities in an effort to maximize research efficiency. Meeting rooms are designed to accommodate equipment so participants can carry out tests and reach decisions more easily and quickly. A large indoor test ground is also secured to test pilot products without concerns bad weather. The office space no longer has assigned seating for employees as they now use moveable office equipment. This way, they can take advantage of the space much more efficiently and collaborate freely. To help minimize noise distractions, the center broadcasts white noise through an advanced duct system.



5 cameras are installed to prevent any blind spot from the cabin.

# ALL AROUND VIEW MONITORING

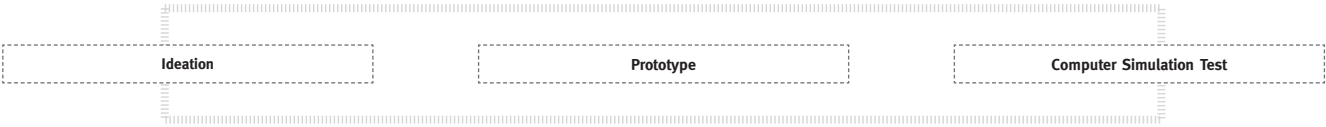


360-degree vision is provided in real time through computerized images from 5 cameras.



An indoor testing facility enables around-the-clock product tests regardless of outside weather conditions, boosting product development speed and efficiency.

# ONE-STOP R&D PROCESS



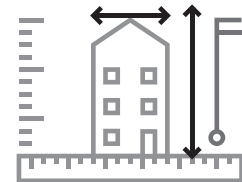


Dobris Innovation Center committed to developing products tailored to regional markets

In September 2014, Doosan Infracore inaugurated its Innovation Center at the Bobcat Company plant in Dobris, Czech Republic. It is the company's hub for the development of European-style compact construction equipment. Equipped with a large prototype testing area and abundant office space, the center engages in the planning and testing of products that reflect European regulations and regional customers' needs. Specifically, the center conducts R&D activities to develop products tailored to the markets in Europe and its neighboring regions. It is fully equipped with various functions required to undertake a whole range of tasks from market surveys to product launches - including design, product engineering, purchase, manufacturing technologies, quality, finance and product marketing. Furthermore, the center has a lab that can guarantee the performance, reliability and durability of products produced in the Dobris factory, as well as an in-house noise laboratory, climate control system, and both static and dynamic testing facilities. Also, the center is equipped with the latest manufacturing facilities that can apply new prototyping methods quickly and develop the newest manufacturing processes efficiently. The Innovation Center runs a training institute that offers more than 200 training sessions on the full lineup of construction equipment on an annual basis, offering research experts opportunities to meet customers and dealers in person.



NEW  
R&D  
CENTERS



Korea - Global R&D center

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Floor area  
**26,000**

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(Unit: *㎡*)

USA - Acceleration center

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Floor area  
**18,000**

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(Unit: *㎡*)

Czech - Innovation center

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Floor area  
**9,300**

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(Unit: *㎡*)

R&D Road Map



A new challenge toward the world's best products

The completion of a global R&D belt linking the Global R&D Center in Korea with the Acceleration Center in the USA and the Innovation Center in the Czech Republic is part of Doosan Infracore's strategy to prepare for its future through bold investments in its R&D capabilities. The Global R&D Center is focused on the development of construction equipment and engines, while the Acceleration Center specializes in R&D for compact construction equipment. Most notably, the Innovation Center has expanded the company's efforts to develop compact construction equipment in the USA to Europe and is planning to develop new products tailored to the needs of not just the continent but also the Middle East and Africa.

Through the global R&D hub connecting the R&D facilities in Korea, China, the USA and the Czech Republic, Doosan Infracore expects to overcome difficult business environments and lay the foundation for sustainable growth through shortened product life cycles and improved research efficiency. For close cooperation among its global R&D facilities, the chief executive regularly holds Global Executive Leadership Team (GELT)

meetings. Launched in 2013, the CEO and the R&D head of each research facility attend a teleconference meeting. The agenda for the teleconference includes not only product roadmaps (PRM), but also improvements in product convenience features and joint research on future-oriented technologies like artificial intelligence.

Through its global R&D facilities, Doosan Infracore will continue to step up its R&D investments in the development of advanced technologies in such areas as innovation in fuel efficiency and integration of ICTs into its products as well as in the commercialization of the technologies. The company will continue to make investments in upgrading its R&D processes and infrastructure. It will also continue to be active in hiring and fostering outstanding research experts. Based on such efforts, Doosan Infracore will launch the world's very best products and realize its vision of becoming a Global Top 3 machine manufacturer by 2020.



Doosan Infracore will enhance its fundamental product competitiveness and lead the market by launching the world's best products ahead of the competition through its global R&D belt connecting its R&D facilities in Korea, China, the USA and the Czech Republic.



INNOVATION,  
CUSTOMIZED,  
BIG DATA, SMART,  
DATA INTEGRATION,  
FUEL EFFICIENCY,  
ALTERNATIVE ENERGY  
SUPERFINE

READING CHANGES,  
LEADING SUCCESSES ———

**Read trends to lead changes** - The world is changing rapidly. It is becoming more diverse and open to new ideas, following developments in information technology, in particular. While information and new technologies drive simultaneous changes around the world, new issues such as environmental degradation and resource depletion emerge as huge challenges for humankind. However, change always includes both risks and opportunities. Doosan Infracore will continue to read trends shaping the future and lead boldly during times of change resulting in difficult business situations.





# READING CHANGES, LEADING SUCCESSSES

CHANGE	<p><b>Boost efficiency and convenience through convergence of IT and industries</b></p> <p>Rapidly developing information and communications technologies (ICT) has not only resulted in revolutions in information processing, but also provided humankind with opportunities to create new values. Recent advances in computer hardware and software are leading to new services and solutions based on the link between products and services and products and users in a scale as never seen before. Telematics has developed the convergence of ICT and the automotive industry, leading to the new concept of vehicle telematics. For one, drivers can now tap into diverse information through telematic devices installed in vehicles. Vehicle telematics are being applied to more construction equipment, too.</p>
RESPONSE	<p>Doosan TMS offers customer-centered services through IT installed in construction equipment</p>
SUCCESS	<p>Doosan Infracore offers its own TMS solutions in all of its new Doosan-branded construction equipment models released worldwide.</p>

**Accelerating engine downsizing in the automotive industry for higher fuel efficiency**

As the world experienced an era of skyrocketing oil prices between the second half of the 2000s and the beginning of the 2010s, fuel efficiency emerged as the most important factor in consumers' vehicle purchase decisions. Moreover, environmental regulations, including emissions control, have continued to get stricter around the world. The automotive industry is thus faced with huge challenges related to high mileage and low emissions. With respect to higher fuel efficiency, the simple solution is having engines generate more power with less fuel, thus reducing exhaust emissions. In fact, that is the direction the latest automotive engine technological development is heading as engine downsizing is a way to achieve two things in a single action.

For the first time in Korea, launch of the FM 200/5AX *linear* that can machine an impeller, a core component of an automotive turbo charger.

The highest market share in major global markets through continuous launch of high-end products that fulfills market demand

**Increasing use of new fuel resources to solve the issues of resource depletion and environmental degradation**

Petroleum has long been favored due to its high thermal efficiency, and it is the most widely used transportation fuel. However, it has become a serious source of environmental deterioration in addition to its inherent issue of being a limited resource. Thus, the pursuit of alternative fuel sources is being promoted not only by governments, but also by enterprises and research institutions, which also seek to find ways to use limited fuel resources more efficiently and in a more environmentally friendly way. As part of such moves, notable progress is being made in the development of new and renewable energy sources like solar power, nuclear power, wind power and shale gas. The engine industry, in particular, pays keen attention to the potential of natural gas, which has long been regarded as a byproduct of petroleum and resource extraction, as an alternative to oil and is accelerating its efforts to develop new natural gas technologies and products.

A Doosan PSI engine running on a wide variety of fuels including CNG, LPG and biogas.

The Engines Business Unit has achieved KRW 1 trillion in total sales and turned a profit.



Providing Reliable Solutions

Telematics System

TMS combines IT and construction equipment in the most ideal ways - Doosan Infracore offers customer-centered service solutions through its Telematics System (TMS), which taps into GPS (Global Position System), GIS (Geographic Information System) and wireless Internet. TMS has incorporated information technology into construction equipment. Terminals installed in equipment collect and process information on the location of excavators in operation, their operation status and the state of their major systems, such as engines and hydraulic components before sending it out through mobile devices like smartphones and tablets in real-time. On the other hand, the equipment can be remote-controlled from a distance via mobile devices. TMS offers a wide range of services, including location tracking, remote vehicle diagnosis, and accident detection. Site managers can monitor worksites in real-time wherever they are.

Having noticed the importance and potential of TMS early on, Doosan Infracore enhanced its ICT research, including the development of its own version of TMS, while establishing an ICT Planning Team in 2013. As a result, the company released its TMS 1.5 version tailored for advanced markets like North America and Europe. TMS 1.5 is installed in heavy-duty construction equipment weighing more than 14 tons. It is largely used for maintenance and repairs, including sending out alarms about the replacement of major parts. While TMS 1.0 was supplied by other companies, the new version enables Doosan Infracore-centered data management for more efficient processing of more diverse forms of information.

In 2015, Doosan Infracore plans to release its DoosanCONNECT service equipped with TMS 2.0 to carry out more diverse processing of TMS data and deliver





faster improvements. As it is run through the company's technological system, TMS 2.0 enables more stable information management and faster updates. Its numerous advantages also include enhanced data processing and display features that maximize customer convenience. The company will install TMS 2.0 in all of its Doosan-branded construction equipment weighing more than 5 tons. Thus, significant improvements are expected to be made in both design and utility. The DoosanCONNECT service will expand from China to North America and Europe.

Doosan Infracore is carefully looking at further TMS improvement directions through continuous data analysis and processing. Certainly TMS 3.0 will be applied to compact construction equipment as well. As a solution provider in the construction equipment industry, the company will continue to boost customer satisfaction through improved ICT-related services.



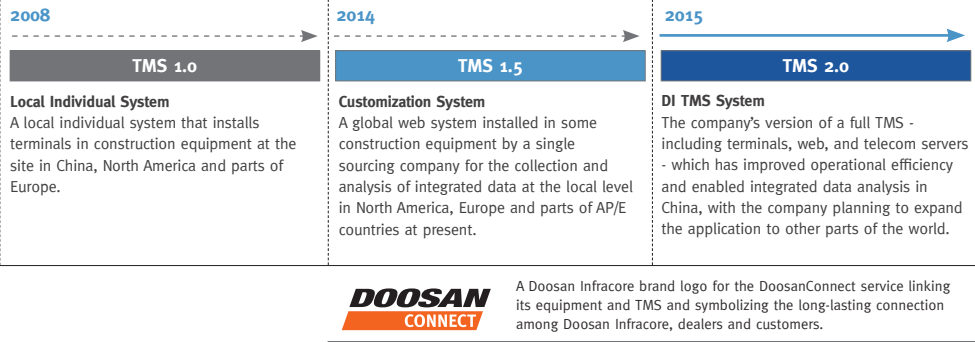
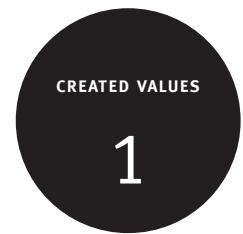
CONEXPO 2014;  
TELEMATICS  
DEMONSTRATION  
[www.youtube.com/watch?v=L\\_bT7DIdj1M](http://www.youtube.com/watch?v=L_bT7DIdj1M)

Feature of  
Doosan  
CONNECT

<b>Worksite Management</b> Manage work areas effectively through equipment location information monitoring and equipment moving range limitation, etc. 	<b>Work Efficiency Management</b> Check equipment operation hours and actual work hours and provide information on present fuel status and accumulated fuel consumption. 	<b>Preemptive Service</b> Provide alarms for any potential equipment malfunctions on the instrument panel to prevent accidents and extend equipment lifecycle. 	<b>Regular Maintenance</b> Enhance repairs and maintenance through information on the consumption and replacement of consumables like filters and oils. 
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DOOSAN INFRACORE TMS SOLUTION





Reinforce the Company's Leading Position

# High-end Machine Tools

**FM 200/5AX linear optimized for automotive engine downsizing trends** – Discussions about turbochargers are unavoidable in any conversation about the core technologies that make engine downsizing possible. A turbocharger increases an engine's power through a compressor that forces extra air into a combustion chamber. The impeller is one of the core compressor components. Despite the high price of non-Korean machine tools, only non-Korean machine tools manufacture the impeller. Because it has to operate at high temperatures and pressures, and in keeping with the latest trends for smaller engines in the automotive industry, this component must be manufactured in a smaller size. Therefore, its production has become even more demanding, requiring a very high degree of work precision.

In 2014, Doosan Infracore succeeded in the development and commercialization of the FM 200/5AX linear for the first time in Korea, which means impellers are now produced through Korean machine tools. The Doosan FM 200/5AX linear is a high-speed, high-precision vertical 5-axis machining center equipped with a linear motor. The model has already been purchased by a Korean impeller manufacturer, a first for the Korean machine tools industry. Apart from its excellence in thermal safety, the mechanical structure of the model is now made of mineral casting that excels in reducing vibration and is equipped with a bilateral symmetric gantry structure that enables it to operate efficiently even in high-temperature, high-speed situ-

ations. In addition, its super-high-speed of 40000 r/min spindle and linear motor ensure the machining center can engage in accurate and fast machining repetitively. The market acceptance of the Doosan FM 200/5AX linear speaks volumes about its customers' trust in Doosan Machine Tools on the world stage.

Doosan Machine Tools has introduced ergonomic designs seeking harmony between products and humans to further improve its customers' work efficiency and safety. In addition, maintenance and repairs have become easier as part of the company's focus on enhanced user convenience. As a result of its endeavors, Doosan Infracore Machine Tools won Red Dot Design Awards in Germany in 2014 and 2015.

Doosan Infracore will grow into a world-class brand in high-end machine tools through efforts from future-oriented perspectives to anticipating future changes on the horizon. Through endeavors from a human-centered perspective, it serves customers with its top-notch technological competency.

## Features of FM 200/5AX linear

Gantry structure for stable machining and application of mineral casting	Application of super-high-speed spindle ensuring high precision and high productivity	Realization of super-high-speed and high precision through linear motor driven linear axes
25 times ↑ Thermal safety compared to ordinary casting	40000 r/min	Maximum 2G

DOOSAN INFRACORE TMS SOLUTION



reddot award 2015 winner



Improving Profitability

# Fuel-flexible Gas Engine

Diverse alternative fuels can be used for gas engines

- Recently, the demand for gas engines has increased due to the development of shale gas in the USA, the development of biogas in Europe, commercial power generation for residences in the Middle East, and the growth of industrial power generation markets in Southeast Asia. Doosan Infracore is taking active measures to expand its presence in those markets for industrial CNG (compressed natural gas) engines used in power generators and compressors. CNG combustion hardly produces exhaust gas or particles. It also generates fewer hazardous gases like CO, NOx and O<sub>3</sub>. Its worldwide reserves are estimated to last for the next 170 years. CNG is deemed quite appropriate as an alternative to petroleum.

In 2014, Doosan Infracore set up Doosan PSI, LLC, a joint venture between Doosan Infracore and PSI (Power Solutions International), a company based in the USA that specializes in gas engines. The joint venture seeks to globally market gas engines for power generators using a great diversity of gases, including LPG, CNG, wellhead gas and biogas. Launched in 2001, PSI is equipped with outstanding technological prowess in the areas of alternative fuel engines and eco-friendly fuel engines, in particular.

Through the combination of Doosan Infracore's the engine development capabilities and PSI's flexible development/production systems, the joint venture is aimed at becoming the market leader in North


America, Europe, China and Latin America. It is expected that the company will supply the best gas engines in both quality and performance around the world. The industrial natural gas engines of Doosan PSI come in five types - 8l, 11l, 15l, 18l and 22l. The company is ready to supply eco-friendly engines that meet various countries' emission controls through its improvements and advances, including the use of diverse fuel sources and the change in combustion methods.

Adapting quickly to changes in markets and customers, Doosan Infracore's Engine Business Unit continues to increase its sales. In 2014, it reached KRW 1 trillion in annual total sales, and succeeded in turning a profit. The Engine Business Unit will continue to pay close attention to changes in market trends and customer demands. It will promote the development of new products, including 1MW-class large engines, more aggressively.

## Feature of Doosan PSI Engine


**Diversified Fuel Use**

Meet diverse customer needs through the use of diverse gas fuels such as LPG, CNG, wellhead gas, and biogas




**Diversified Product Line-up**

Secure diverse industrial gas engines for 8- to 22-liter buses, trucks, generators and shale gas drilling equipment

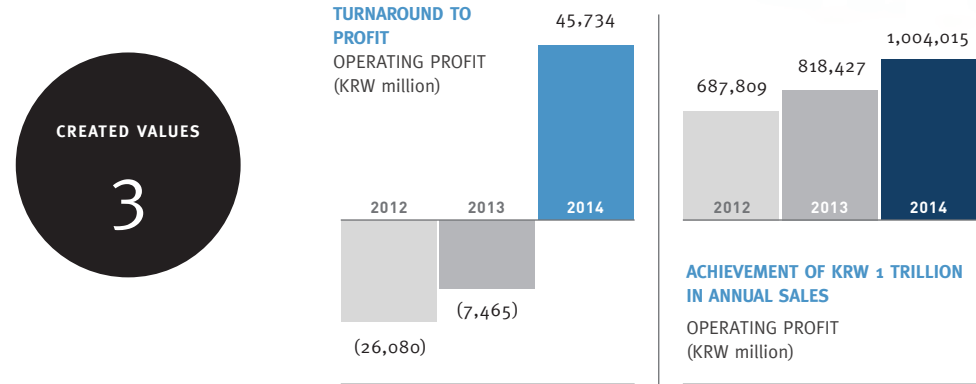
8~22l 

**Diversified Sales Channels**

Improve profitability through diverse sales channels such as direct sales, dealer sales, joint ventures and OEMs according to local characteristics around the world



DOOSAN INFRACORE TMS SOLUTION





# OUR VALUES FOR DEALERS AND CUSTOMERS

**Foster a win-win partnership with global dealers** - Dealers are the core channel between the company and its customers. Therefore, dealers' competitiveness directly translates to that of the company. Doosan Infracore carries out diverse programs to further boost its dealers' competitiveness based on the company's five values for its dealers – Excellence, Partnership, Growth, Customers and Integrity. In 2014, the company further strengthened its partnership with its dealers through improvements in its dealer management system and the establishment of the Doosan Partners Academy, an online education system customized for dealers, particularly in emerging markets.



Andrea Ghidini,  
CEO, Technomach



CREATING EXCELLENCE TOGETHER

## 24-year cooperation enables dealer to achieve great success.

"It was 24 years ago, in 1991, that TECNOMACH first met Doosan Infracore. Specifications for machine tools are extremely diverse and different, depending on industries and regions. Therefore, accurate communication with dealers well-versed in local circumstances is a critical factor for a manufacturer's success. Doosan Infracore doesn't just listen to our voices to hear our customer requirements. It strives to find solutions to issues in a proactive manner and works hard to develop and present new products. I think it was the result of our close collaboration with Doosan Infracore that our company was able to reach a market share of more than 25% in the Italian machine tools market and surpassed the 10,000 unit mark in our aggregate sales of Doosan Infracore machine tools in Italy over the years. I hope that as we always have, we will continue to trust each other and maintain a cooperative relationship between us for our shared growth for many years to come."





Walter Berry, chairman and president,  
Berry Companies, Inc.

STRENGTHENING LONG-TERM  
PARTNERSHIP

**I always feel that Bobcat Company and its dealers are ‘one’ through open communications.**

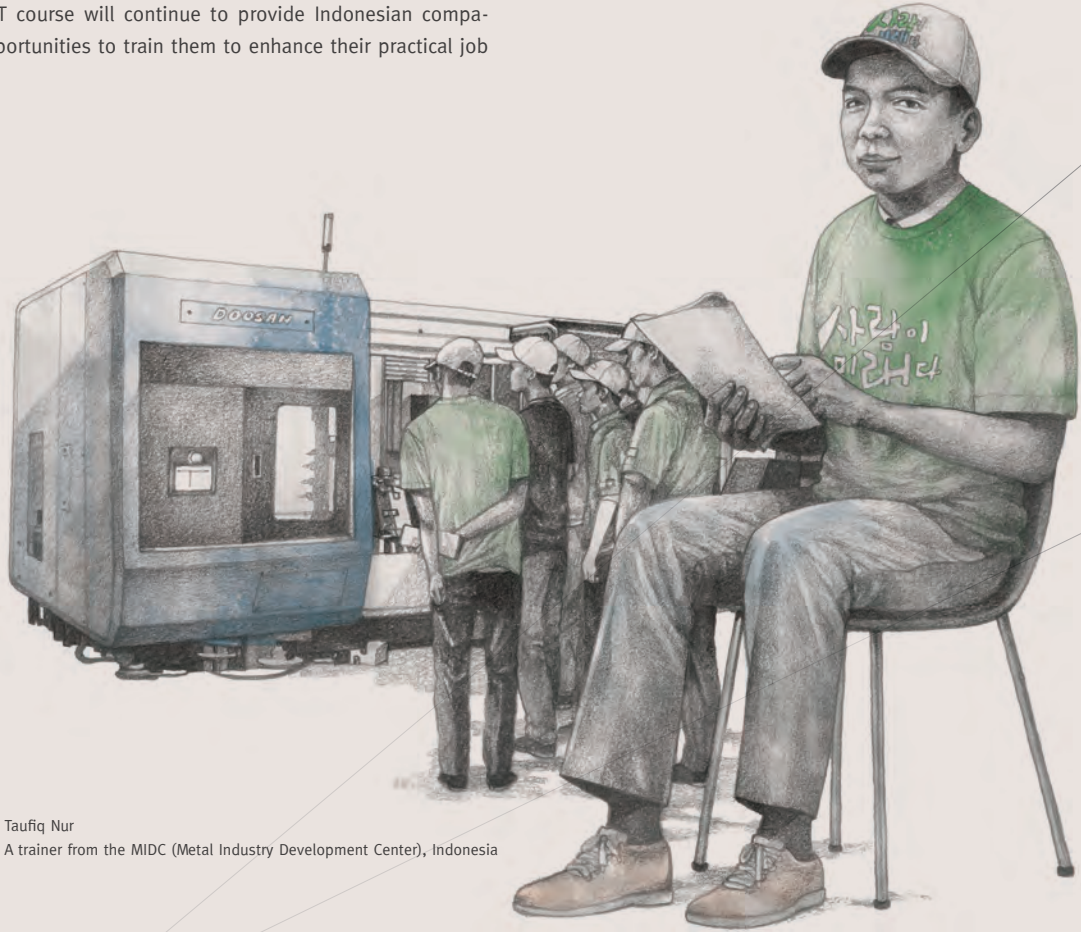
“Bobcat Company always delivers more than we expect. We say that the company will not be able to make any more improvements whenever it releases a new attachment. Bobcat Company, however, always comes back and surprises us with even better products. Despite its huge dealership network – more than 600 in North America - Bobcat Company maintains open communication with each of us, making us feel that the company and we are one. Bobcat Company hosts regular conferences with us to share not only the company’s product roadmap and information on new products, but also the company’s strategy and vision. Combined with active personal contact among dealers, the occasions further strengthen the bond between the company and its dealers. I believe Bobcat Company set the world record by producing one million units of compact equipment, more than any of its competitors, because of such strong partnership with its dealers. Witnessing Bobcat Company doing its utmost for mutual success, I feel extremely lucky to work with Bobcat Company. I am also proud to maintain a special relationship with Bobcat Company as my father did starting in the 1960s.”

DEVELOPING THE POTENTIAL FOR GROWTH



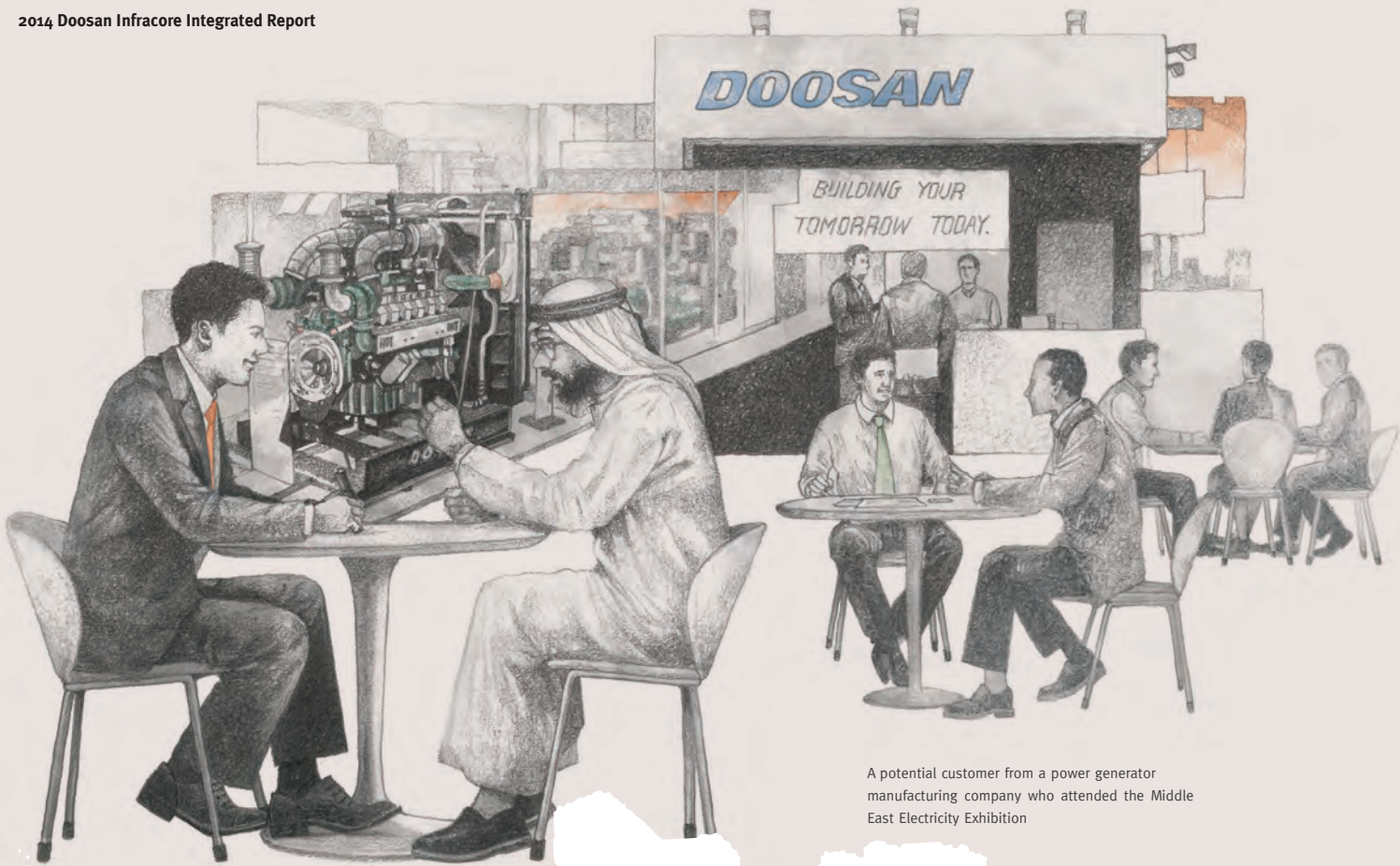
**My vocational expertise and efficiency has increased since my training at Doosan Vocational School**

“I was extremely lucky to participate in Doosan Infracore’s Machine Tools Training (TOT) course. I was fully content with the practical curriculum, which I could apply to my job right away. I am sure the training will be instrumental in my career development down the road, too. Previously, I operated machines set by others. Now I can do the job myself thanks to the education on computer programming and sophisticated precision machining at the TOT course. As the training was provided by an equipment manufacturer, I learned about diverse features of the machine tool. I hope the TOT course will continue to provide Indonesian companies and employees more opportunities to train them to enhance their practical job competence.”



Taufiq Nur  
A trainer from the MIDC (Metal Industry Development Center), Indonesia





A potential customer from a power generator manufacturing company who attended the Middle East Electricity Exhibition

CUSTOMERS' ENGAGEMENT FOR NEW OPPORTUNITIES

UNITED ARAB EMIRATES

I want a partnership beyond mere commercial relations

“Middle East Electricity, in Dubai, UAE, is the largest annual energy exhibition in the Middle East. As a power generator manufacturer, our company has continued to participate in the tradeshow to meet our present and future customers. I visited the Doosan booth and found a familiar face among Doosan Infracore Engine Business Area members there. Thanks to their kindness, I was able to carefully check the company's DP Series, a new generator engine, displayed at the exhibition booth. I also took part in a conference where I learned much more about Doosan Infracore through presentations on the company's engine lineup and new products on display at the event, as well as its corporate strategies and visions. The staff visited our company's booth and we talked a lot about our common interests, including power generator engines. I was happy to be able to enhance our personal relationship through the encounter, which I hope will lead to a solid partnership between our two companies beyond mere commercial ties between us.”

BUILDING RELATIONSHIPS WITH INTEGRITY

CHINA

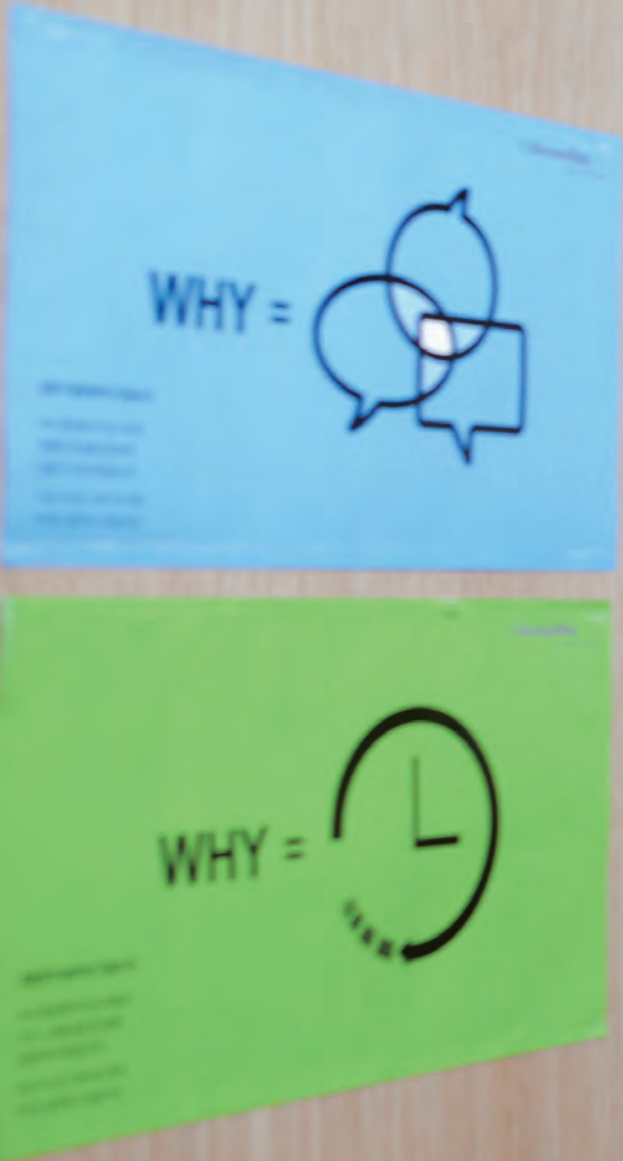
Amazed at the thoughtful consideration of the sales of my second-hand equipment

“When Doosan Infracore called me to ask if our company was willing to put its stock of second-hand heavy equipment up for auction, honestly, I was a bit suspicious. Until then, manufacturing and sales were clearly two different things. I hadn't met a manufacturer making moves for the auction of its second-hand products. Doosan Infracore told me it would be an opportunity to repair and sell the equipment. It said our company could purchase their new vehicles from the sales revenue of the auctions. I realized then they were suggesting rebuilding our relationship instead of putting an end to our relationship. We eventually agreed to the auction idea. More people participated in the auction of our heavy equipment than we had expected. A total of 47 out of 53 equipment units were sold off. I felt my final judgment was correct. I hope Doosan Infracore and our company will continue to become good partners and achieve shared growth.”



Chengxiaowei,  
an employee of Shandong Yonghong Machinery Co., Ltd.





# DOOSAN WAY TIME, ALL THE TIME

**Let's implement Doosan Way for innovation and prosperity.** - Employees of Doosan Infracore implement the Doosan Way: Doosan's aspiration and core values and its way of business management continue to bring innovation to the organization. Since 2012 when it launched the Doosan Way, Doosan Infracore has continued to implement the Doosan Way and encourage all employees to fully understand and embrace it. Doosan Infracore fosters Doosan people who fully internalize the Doosan Way throughout their daily activities, establish advanced processes and systems throughout the organization, and enhance the company's fundamental competitiveness. In 2014, Doosan Infracore focused on laying the foundation for the next generation of performance results based on the evolved Doosan Way model. The company will enhance its power to execute major tasks and improve its business performance by encouraging all its employees to function as Team Doosan from now on.



# PERFORMANCE OF DOOSAN WAY CHANGE MODELS



In 2014, employees of Doosan Infracore worked to internalize the Doosan Way. They made improvements in their way of working and the organizational culture through closer association between their work and the Doosan Way. Starting from 2015, the company plans to boost its implementation capabilities for major tasks through Team Doosan, based on the accomplishments achieved through the implementation of the evolved Doosan Way model.

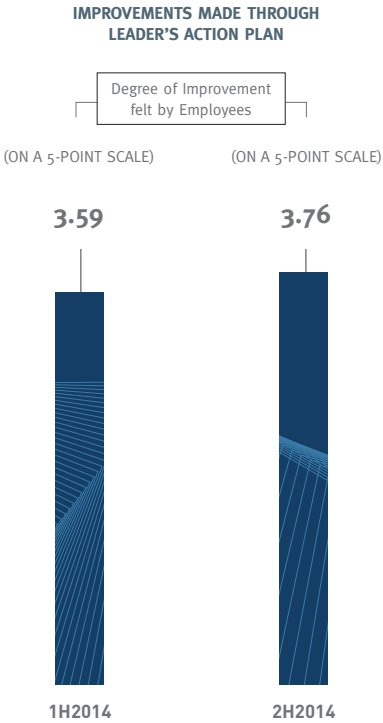


TOP  
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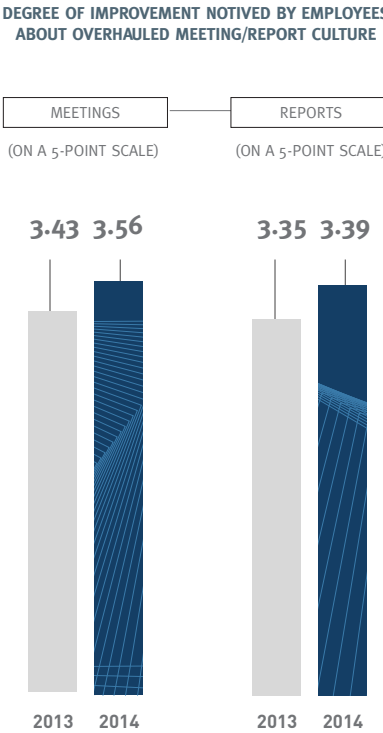
**Leaders' initiative**  
Doosan Infracore places emphasis on powerful changes that start at the top. Most notably, the company realized changes in 2014 through leaders' initiatives. Each team produced a Leader's Action Plan (LAP), charting the commitments of its executives and team leaders to practical changes. The company developed the Insights Program to educate its leadership about more effective implementation of the changes the Doosan Way dictates. The company also published an email newsletter called Executives Weekly to share leadership's initiatives, actions and changes with all employees. According to an employee survey on the effects of the LAP, employees have found their executives changing for the better. Starting in 2015, the company plans to implement the LAP among team leaders.

**Improvements in the culture of meetings and reporting**  
Another improvement Doosan Infracore achieved in 2014 included changes in the culture of meetings and reporting. Efforts to boost work efficiency through improvements in its culture of meetings and reporting included the elimination of unnecessary meetings and an increase of meeting intensity to the degree that key conclusions could be reached in meetings. Thus, each business group seeks to improve its regular meetings while intensifying its education on meeting skills. To further improve its culture of meetings and reporting, the company also launched the Why Campaign, which was designed to facilitate communication within the organization, and the One-Page Report Initiative for all employees. Unnecessary workloads are being reduced through efforts to run meetings effectively and make various reports as brief as possible. Team leader's initiatives in improving the company's culture of meetings and reporting as well as the company's diverse improvement efforts in various areas are regularly gauged through companywide surveys among employees on improvements they actually notice. Identified shortcomings are worked on immediately.

**Implementation of advanced processes and systems**  
Doosan Infracore implemented the CFP (Cross-Functional Process) in 2014, whereby major management decisions are not made by each division of its business groups, but by multiple units (functions) operating as a single team under a particular value chain to achieve common goals. The company categorized its value chain in seven core areas and selected seven major tasks to promote, with its organizations working more closely together. The seven core areas include NPD (New Product Development), SCM (Supply Chain Management), quality management including customer management, supplier management, product/parts discontinuation decisions, design modifications and response to customer parts orders. Meanwhile, as its CFP implementation is stabilized, employees' productivity will rise and their roles and responsibilities in the process will become clearer. They can also figure out whom or which department to seek cooperation with much more easily. Through such progress, potential conflicts of interest between departments are solved in advance with necessary decisions made more promptly. As a result, employees' work efficiency will rise along with their job satisfaction.



IMPROVED THE WAY WE WORK





# THINK GREEN, MAKE GREEN

**Create future values through eco-friendly activities and products** - Climate change and resource depletion are emerging as compelling challenges for the entire human species. Environmental management has become an essential part of a business entities' sustainable growth. As a responsible global corporate citizen, Doosan Infracore implements its environmental management from systematic and strategic perspectives. Each of its business sites make efforts to reduce their GHG emissions, prevent environmental pollution, and conserve energy and other resources while continuing to develop and launch eco-friendly products that fulfill environmental regulations that are under consideration in the developed world, in particular, through its cutting-edge technologies and fresh perspectives.

# LESS EMISSION & MORE EFFICIENCY



665,468kWh

Energy conservation in Wahpeton and Fargo (North Dakota, USA) sites through the use of LED lights

36,659 tCO<sub>2</sub>e

Reduced GHG emissions below the allowed level in Korea (2014)



20%

Improved fuel efficiency of D-Ecopower technology

6%

Improved fuel efficiency of Euro 6 engine (compared to Doosan Infracore's existing products)



# THINK GREEN

at workplaces around the world

## Worksites in Korea achieved more than the government's minimum requirements through voluntary initiatives

Doosan Infracore is subject to the Korean government's GHG & Energy Target Management System. The company has set the reduction below the legally allowed emission level as its goal. It has continued to achieve this target. In 2014, the GHG emission allowed by the Korean government was 191,657 tCO<sub>2</sub>e and the company's target was 189,740 tCO<sub>2</sub>e. As a result of its implementation of stringent GHG reduction programs, its emission during the year was 154,998 tCO<sub>2</sub>e or 81% of its targeted emission level. The company emitted 36,659 tCO<sub>2</sub>e less than allowed by the government in 2014. If the emissions trading scheme had been put in place in 2014, the company would have earned KRW 3.6 billion under the assumption that the purchase price was KRW 100,000 per ton.

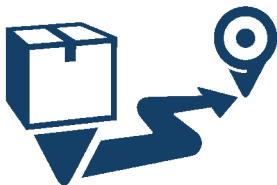
## Worksites in China turn to cleaner production

Worksites in China have set energy consumption and conservation plans at the beginning of each year, taking into account changes in energy situations due to concerns about climate change. Personnel assigned to the task of energy consumption and conservation management carefully monitor the company's utilization and conservation of electricity and fuels. They submit monthly reports on energy consumption calculated in TCE (Ton of Coal Equivalent) to relevant government authorities. The Chinese subsidiaries release information on the GHG emissions calculated in tCO<sub>2</sub>e (total carbon dioxide content) from the worksites of DICC (Doosan Infracore China Corporation) to the public through the China CSR Report each year. In 2014, they began preparing to obtain a Cleaner Production Certificate from the government. The certificate assures that its recipient has established a system whereby it reduces production of pollutants from its entire production process and produces goods in an eco-friendly manner.

800 miles



800 miles a day in reduced transport distance  
12 trucks replaced with CNG trucks



Bobcat Company in the USA reduced transport distance by 800 miles a day through improvements in its transport processes between Gwinner and Bismarck (North Dakota) in 2014. It will further reduce its GHG emission through the introduction of CNG trucks in 2015.

## Worksites in the USA boost management efficiency through TQM system

In 2014, Doosan Infracore established TQM (Total Quality Management) systems at its major worksites in the USA, including the Bismarck plant, to measure the consumption of natural gas, electricity, water and fuels while controlling its GHG emissions. The worksites disclose their GHG emissions on a monthly basis. They discuss ways to reduce emission and make improvements at the Quality Board held semiannually. The application of TQM will expand to all the worksites in the USA. They will also continue to increase their dependence on new and renewable energy. To help reduce the emission of GHG and other environmentally hazardous materials, major worksites in the USA began using LED lights in 2014. The Wahpeton office replaced 297 lights and the Fargo office replaced parking lot lights with LED lamps. They are expected to save 665,468kWh of electricity a year or US\$43,955 in utility bills. Bobcat Company made improvements in its transportation process and reduced the number of its daily transports between Gwinner and Bismarck, reducing miles driven by approximately 800 miles.



RESPONSIBLE  
STRATEGIES TO  
RESPOND TO  
CLIMATE  
CHANGE  
**76p**



IMPROVED  
ENERGY  
EFFICIENCY  
**76p**

20%



20% improvement in fuel efficiency  
12% reduction in fuel consumption

D-ECOPOWER



When D-Ecopower is applied to a 38-ton excavator, there is an improvement of up to 20% in fuel efficiency compared to traditional equipment, reducing fuel consumption by 12%.

# MAKE GREEN

with eco-friendly technology and products

## D-Ecopower, Doosan Infracore's original technology

D-Ecopower is Doosan Infracore's original technology that boosts fuel efficiency through the electronic control of hydraulic pumps. D-Ecopower began to be applied to mass-produced equipment in 2013. Through a total of nine sensors, the new technology calculates the oil quantity and power required for the operation of an excavator and controls the hydraulic pump accordingly, supplying only the necessary quantity of fuel. It boosts productivity while reducing fuel consumption to a significant degree. When D-Ecopower is applied to a 38-ton excavator, for instance, users can expect up to a 20% improvement in fuel efficiency compared to ordinary excavators, with fuel consumption lowered by 12% and operability improved by 20%.

## SPC realizes smart control from a totally new perspective

SPC (Smart Power Control) is a new technology that reduces fuel consumption and improves operation efficiency through the combination of engine rotation control technology and hydraulic pump response speed control technology. The application of the SPC technology leads to around 5% fuel conservation, which translates to KRW 4.5 million\* in fuel bills a year for a 30-ton excavator in Korea, assuming it operates eight hours a day, five days a week. Doosan Infracore applies SPC technology to all its excavator models meeting Tier 4 Final emission regulations.

\* On an assumption of 200 liters of diesel a day, 5% fuel efficiency improvement, and KRW 1,700 per liter of diesel



DEVELOPMENT OF  
GREEN  
PRODUCTS  
**65p**

5%



5% improvement in fuel efficiency  
KRW 4.5 million in saved fuel costs a year



SPC technology improves the engine rotation number and the hydraulic pump response speed. Its application improves fuel efficiency by around 5% and saves about KRW 4.5 million a year in fuel costs.

## Euro 6 Engine meets the latest environmental regulations through advanced technologies

Europe began to implement EURO 6, the latest diesel engine emission legislation of the European Commission, in September 2014 and banned the sales of vehicles that fail to meet emission standards in Europe. Doosan Infracore complied with the EURO 6 standards through improvements in engine parts, optimized fuel combustion, and improvements in aftertreatment systems for CNC engines for commercial vehicles. Most notably, the company fulfills sharply strengthened NOx regulation through the application of SCR (Selective Catalytic Reduction). Installed in the exhaust pipe, SCR reduces NOx in exhaust gases. Using Urea aqueous solution as catalyst reduction, SCR enables vehicles to reduce hazardous gases without regular cleaning. It is an eco-friendly technology that slows down the heating rate of engine oil and reduces oil consumption. Through technological development, Doosan Infracore has improved mileage by up to 6%\* compared to EURO 5 models with customers expected to save KRW 1.2 million\* in fuel bills a year.

\* On the assumption of mileage of 100,000km/year, CNG price of KRW 920/Lube, Urea price of KRW 1,635/L. The annual fuel bill includes the Urea cost.

## G2 engine meeting Tier 4 Final regulation is highly regarded worldwide

Equipped with new combustion technology, the G2 engine is a compact diesel engine that meets the most stringent emission standards without the installation of a costly diesel particulate filter (DPF). The engine is equipped with ULCC (Ultra-Low PM Combustion), Doosan Infracore's unique new combustion technology for which the company owns many intellectual property rights. ULCC reduces the generation of various hazardous materials from diesel combustion through the optimization of combustion. Even without DPF, an aftertreatment system, it fulfills Tier 4 Final standards while improving fuel efficiency.

6%



6% improvement in fuel efficiency  
KRW 1.2 million a year in fuel costs



The CNG engine for commercial vehicles complies with the EURO 6 requirements. Compared to a EURO 5 model, it improves fuel efficiency by around 6%, saving about KRW 1.2 million in fuel costs each year.

# OUR CSR PERFORMANCE

1-6



For stakeholders' convenience, this report has summarized the company's major CSR activities in 2014 in five categories, such as Customers, Employees, EHS, Suppliers and Community Service in the segment titled Our CSR Performance. Each category includes the major issues identified in an assessment, analysis of the significance, and impact of each major CSR activity in connection with previous CSR activities, and the company's future action plans for CSR activities in that category.



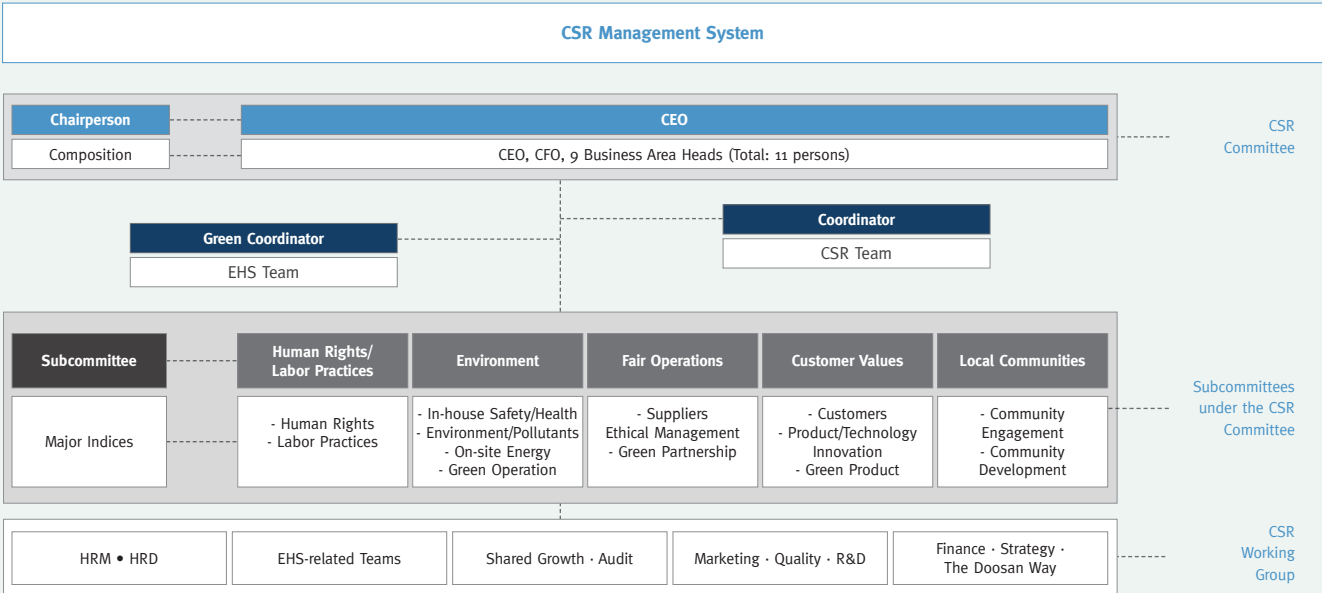
CSR MANAGEMENT SYSTEM

INTEGRATED CSR MANAGEMENT SYSTEM

Doosan Infracore consistently seeks to raise its value and that of its stakeholders through its business activities. To that end, the company focuses on enhancing communication with each of its stakeholder groups - including shareholders, investors, employees, suppliers, local communities, central and local governments, and the media - throughout the entire range of its management activities with the aim of creating new values for them. Therefore, the company pursues efficient management with balanced approaches to corporate growth and stability with the aim of continuing to raise its future corporate value on the one hand, and seeks healthy shared growth with its stakeholders through responsible CSR management as a leading global corporation on the other.

CSR Promotion System

At Doosan Infracore, all CSR activities have been coordinated by the CSR Team since 2011. The CSR Committee, as the company's top decision-making body on CSR matters, is headed by the CEO and discusses risks and business opportunities from the perspective of CSR, in addition to its monthly meetings at which diverse CSR and green management tasks are approved and adjusted. In 2014, the committee set up five subcommittees with a focus on implementing seven CSR indices to engage in more in-depth discussion about each CSR task, thereby boosting the efficiency of corporate decision- making in association with corporate management strategies.



Furthermore, green management tasks are now handled by the CSR Committee, while the EHS Team has been assigned the role of coordinating all the company's green management activities in a bid to enhance its green management. Once the CSR Committee has made decisions related to major directions, the CSR Working Group, which is composed of the team leaders of the relevant departments, draws up specific action plans and begins to discuss various implementation tasks. As a coordinator unit for the company's overall CSR strategies, the CSR Team identifies stakeholders' issues and needs, assesses the level of the company's internal CSR, formulates company-wide CSR tasks and strategies, monitors the company's CSR performance, and publishes its integrated annual reports.

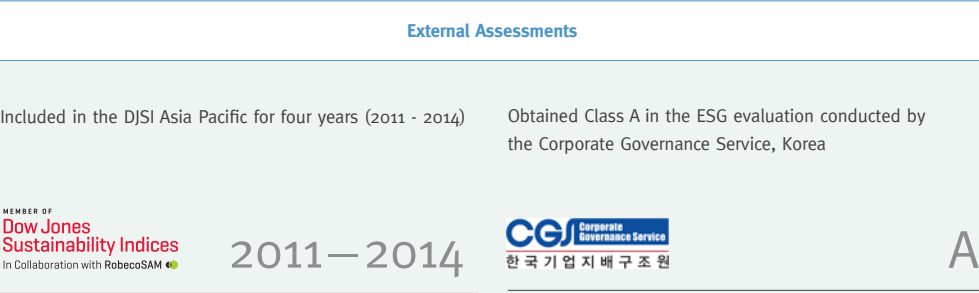
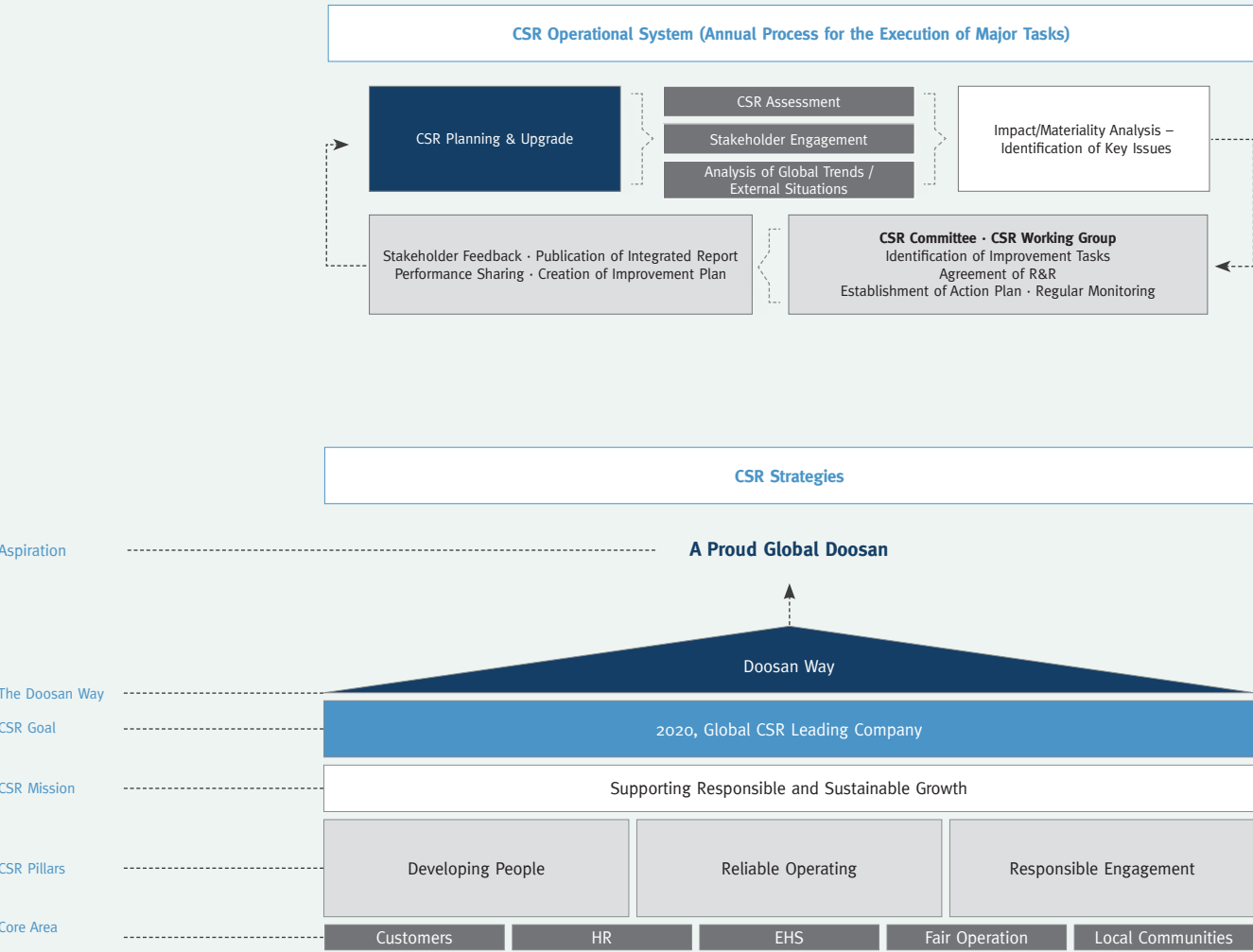
CSR Committee

Doosan Infracore operates the CSR Committee, which is composed of the CEO and other key executives, as its highest decision-making body regarding CSR: it not only establishes the company's CSR strategies and policies and examines the progress and performance of each CSR program, but also reviews the potential business risks associated with recent changes in CSR environments and seeks to derive new business opportunities from them. The committee - composed of experts from five key areas including HR, EHS, Fair Operations, Customer Values, and Local Communities - has organized one company-wide CSR support organization, the Advisory Group, to promote CSR to the greatest possible extent in keeping with Doosan Infracore's status as a leading global corporation.

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68	EMPLOYEE VALUE PROPOSITION

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80	MUTUAL GROWTH WITH OUR SUPPLIERS
85	SUPPORTING DEVELOPMENT OF LOCAL COMMUNITIES

CSR MANAGEMENT SYSTEM

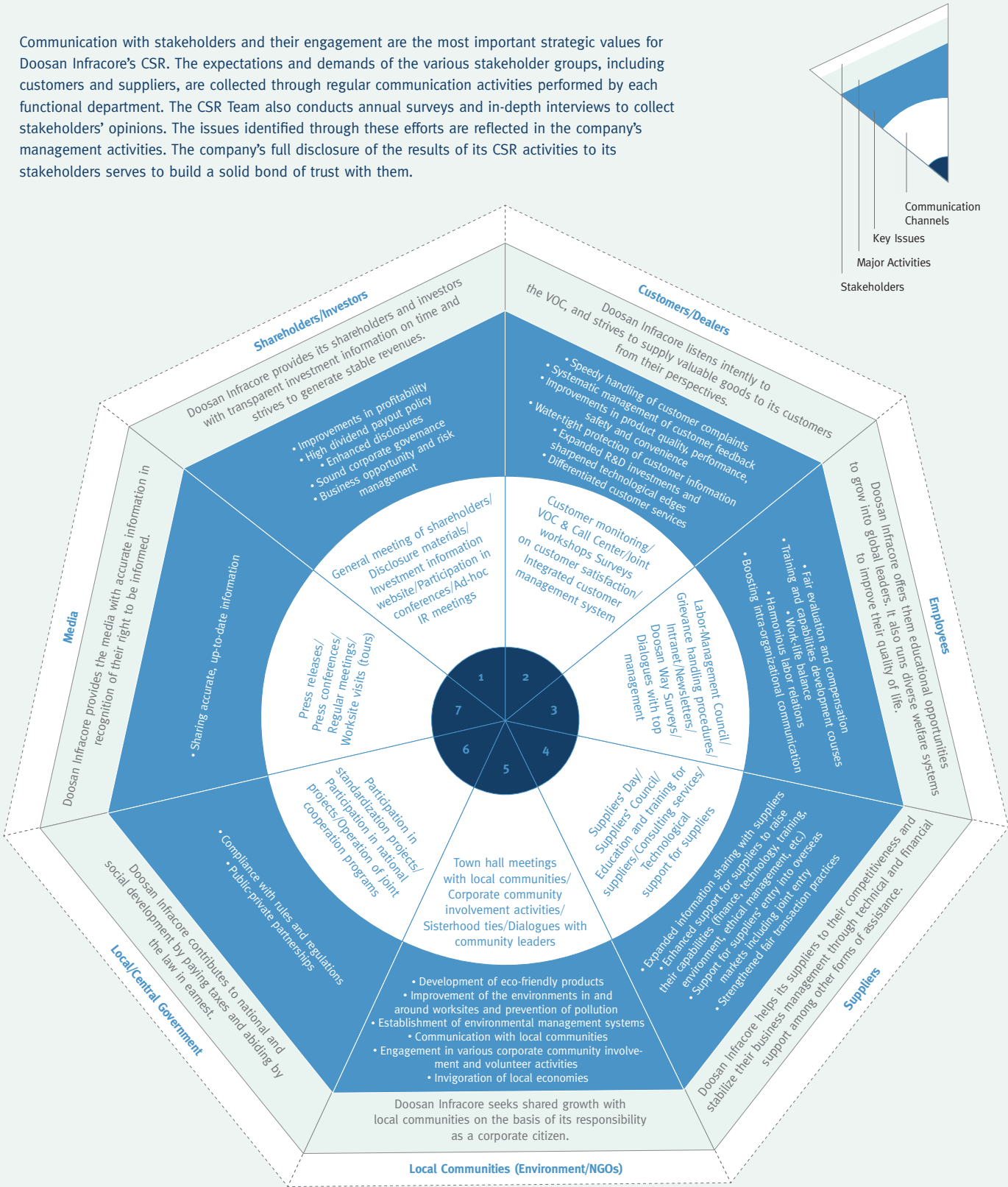


\* The Dow Jones Sustainability Indices (DJSI) are the most prestigious global sustainability benchmarks co-developed by the Dow Jones of the USA and RobecoSAM of Switzerland. They evaluate the sustainability performance of major companies on the basis of an analysis of corporate economic, environmental and social performance.

STAKEHOLDER-CENTERED CSR ACTIVITIES

STAKEHOLDER-CENTERED CSR ACTIVITIES

Communication with stakeholders and their engagement are the most important strategic values for Doosan Infracore's CSR. The expectations and demands of the various stakeholder groups, including customers and suppliers, are collected through regular communication activities performed by each functional department. The CSR Team also conducts annual surveys and in-depth interviews to collect stakeholders' opinions. The issues identified through these efforts are reflected in the company's management activities. The company's full disclosure of the results of its CSR activities to its stakeholders serves to build a solid bond of trust with them.



MATERIALITY TEST

MATERIALITY TEST

STEP 1	STEP 2	STEP 3	STEP 4
INTERNAL CSR ASSESSMENT	IDENTIFICATION OF STAKEHOLDER ISSUES	PRIORITIZATION	REVIEW AND FEEDBACK

Doosan Infracore recognizes the impact its business activities have on its stakeholders. Thus, it sets the priorities of its diverse non-financial activities through the materiality assessment processes it has established, because prioritizing issues, as well as focusing on material issues, is the key to its successful management activities. In selecting the material issues, Doosan Infracore focuses on those issues to which its diverse stakeholders pay keen attention due to their potentially high impact on its business activities. Fundamentally, the company strives to deal with its material issues from a long-term perspective, by engaging in business activities that have the potential to elevate the values of not just itself, but humanity as well.

STEP 1: INTERNAL CSR ASSESSMENT

By developing its own CSR assessment model and carrying out its own assessment, Doosan Infracore preemptively responds to global external assessments while using it to develop the CSR issues it will have to respond to in the future. The assessment framework is composed of five areas, including customer value, HR, EHS, fair operations, and local community engagement. The CSR analysis model was first applied to worksites in China in 2013, followed by Bobcat Company in the USA in 2014. The results of the assessment of the worksites in Korea, China, and the USA are reflected in this report. Each assessment takes into account the individual characteristics of the company's overseas worksites.

STEP 2: IDENTIFICATION OF STAKEHOLDER ISSUES

At this stage, Doosan Infracore compiles a list of issues based on analysis of recent CSR trends and listens to the stakeholder's insights on the selection of issues. Above all, the company identifies recent CSR issues and social concerns through analyses of the media, CSR-related international standards, guideline indicators and internal and external environments. Based on the analysis results, the company begins collecting its stakeholders' opinions.

STEP 3: PRIORITIZATION

Material issues were identified through CSR analysis and stakeholder engagement. Twenty-two issues were selected as the material issues of 2014, including eco-friendly products, energy management/climate change response, respect for human rights, and boosting supplier CSR. The CSR Committee finally chose four of them as the company's items for improvement in 2014 from the perspective of their potential impact on the company's sustainable growth and their potential to bring about improvements. Companywide focus is placed on improving CSR through collaboration among the responsible departments so the best results can be obtained in connection with the company's existing business activities.

STEP 4: REVIEW AND FEEDBACK

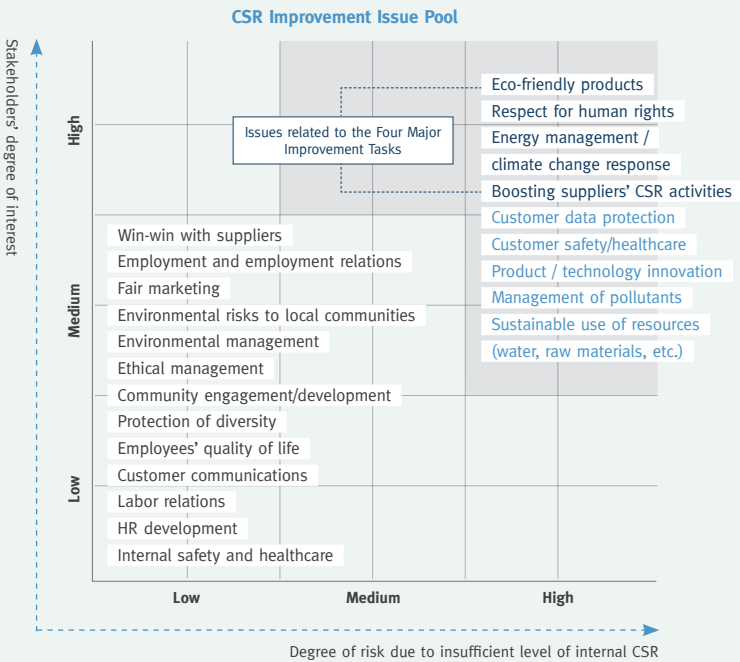
Doosan Infracore has continued to improve its management environment in a variety of ways to carry out the four improvement tasks identified by its materiality assessment and to achieve its mid- to long-term CSR strategies. We would like to share our major activities and outcomes as well as our plans with the stakeholders and receive feedback from them. The major achievements outlined in this report were verified by Doosan Infracore and an independent third party. Specifics about the verification are included in the third-party assessment report attached at pages 99-100.



MATERIALITY TEST



As the result of a materiality assessment, the company has identified a total of 22 key issues, including four major improvement tasks, as the material issues that its stakeholders pay keen interest to because of their high potential impact on the company's management in the areas of corporate economic, environmental and social performance. Doosan Infracore promotes its various management activities with the purpose of achieving value creation in the 22 key issues. It also strives to fulfill its corporate social responsibility while endeavoring to grow into a sustainable global company armed with a strong competitive edge.



Management of Four Major Improvement Tasks



Four Major Improvement Tasks

The company's four major improvement tasks are the core issues identified by a companywide CSR analysis. These issues greatly impact the company's sustainable growth, and there is a high likelihood of improvement. The selected four improvement tasks are managed under the company's mid- to long-term plan. They are also closely related to the manner in which the Doosan Group promotes its CSR activities. At its monthly meetings, the CSR Committee reviews progress made within the four improvement tasks. Doosan Infracore will expand the application of the four tasks to all its worksites, including those overseas.

	Customer Value	HR	EHS	Fair Operations
Four Improvement Tasks	Definition and Standard Establishment of Eco-friendly Products	Establishment of Human Rights Risk Management System	Establishment of Worksite Energy Efficiency Management System	Enhancement of Supplier Network CSR Management System
Related Issues	Eco-friendly Products	Respect for Human Rights	Energy Management/Response to Climate Change	Enhancement of Supplier CSR Activities
Task Significance	• Establish a roadmap for eco-friendly products and boost product and brand values through official evaluation processes.	• Prevent human rights violations and respond to violation incidents effectively through the promotion of a culture of respect for human rights and the establishment of a management system.	• Enhance the foundation for sustainable management through proactive GHG response (reduction) activities and help reduce fixed costs through the management of energy efficiency.	• Establish a supplier network CSR management system to reduce non-financial risks and seek shared growth with suppliers.
Mid/Long-term Goal	• Establishment of processes to evaluate & manage eco-friendliness • Obtain official environmental	• Prevent human rights violations through the establishment of a culture of respect for human rights and the operation of a management program	• Run an energy KPI and performance management system • Improve energy efficiency through continuous management and investments	• Set up a practical support system that can boost suppliers' fundamental competitiveness
Short-term Goal	• Carry out life-cycle assessment (LCA) for major product groups • Establish definitions and standards for eco-friendly products	• Establish human rights risk management processes and publish a related manual • Advertise human rights education courses and infrastructure • Establish a system to improve human rights of in-house minorities	• Establish a basic unit measurement and management system • Establish systems to train specialists and promote activities aimed at energy efficiency improvement • Establish mid- to long-term energy strategies and reduction plans	• Publish CSR guidelines based on consistent philosophies and distribute them to suppliers
2015 Goal	• Define eco-friendly products and technologies • Select LCA targets and carry out the assessment	• Collect human rights violation cases • Publish a manual on the establishment of a human rights risk management system	• Improve the energy consumption measurement system • Establish basic energy intensity	• Develop supplier network CSR guidelines • Improve the supplier CSR evaluation system
2016 Goal	• Establish mid- to long-term roadmap and management process for eco-friendly products	• Implement human rights education for employees	• Adopt an energy performance management system	• Develop supplier CSR support programs
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MATERIALITY TEST



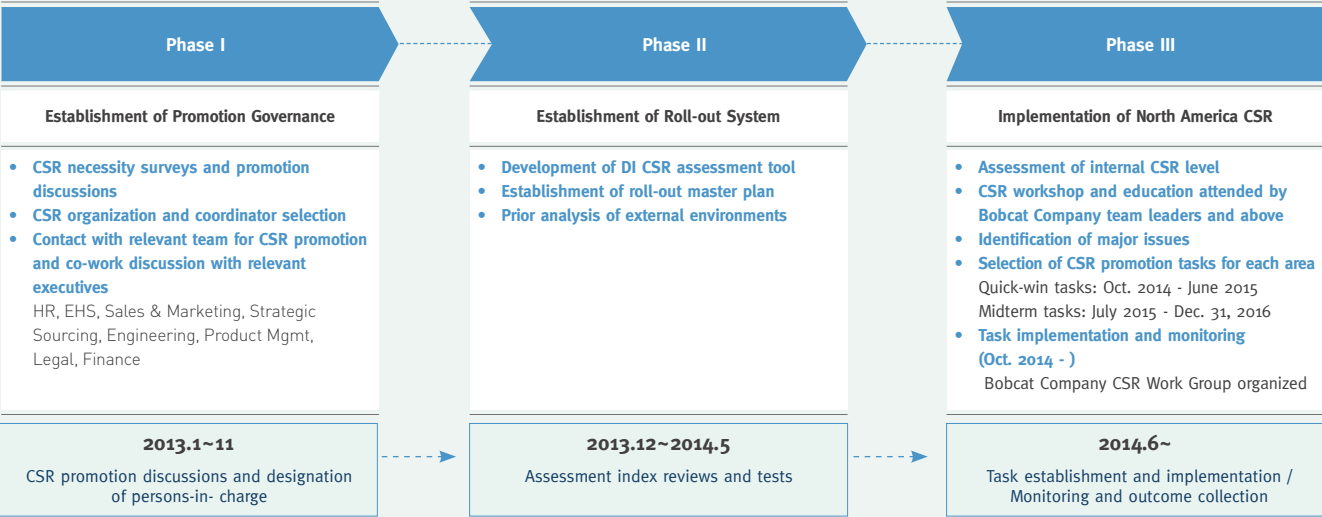
CSR Spread to Overseas Subsidiaries – Implementation of Short-term Tasks by Bobcat Company North America



CSR Roll-out by Bobcat Company North America

As a global corporate citizen, Doosan Infracore strives to spread enhanced CSR initiatives to its overseas subsidiaries and fulfill its corporate responsibilities worldwide. For shared growth with local communities, the company seeks to reflect its companywide CSR strategies in CSR activities carried out at the community level in addition to its efforts to manage its economic, social and environmental impacts on them. Doosan Infracore began expanding its CSR initiatives to overseas subsidiaries in 2011, starting with Chinese subsidiaries. In 2014, the company established Bobcat Company's CSR operating system and Bobcat Company has implemented CSR strategic plans. To make improvements in its overall CSR performance, Doosan Infracore will promote enhanced CSR activities at both global and regional levels. The following are the quick-win tasks of Bobcat Company in the USA, identified as a result of the analysis of the subsidiary's current CSR level, its stakeholders' expectations, its business leverage, and the country's relevant regulations. Bobcat Company North America plans to complete the quick-win tasks by the end of first half of 2015.

CSR improvement task identification process



CSR Area	Improvement Tasks	Major Contents	Progress
Customer Values	Enhancement of customer-centered activities	Development of education programs relating to customers satisfaction	2/3
	Protection of customer data	Disclosure of personal information policies at the Bobcat Company online store	Done
	Enhancement of product liability	Study on environmental impact of products and establishment of information provision system	1/3
		Improvements in new product development processes	Done
HR	Enhancement of employees' quality of life	Implementation of flextime	Done
		Changes in HR policies and implementation of an improved in-house communication system	Done
EHS	Enhancement of environmental policies	Establishment of environmental policies	1/2
	Management of GHG emissions and energy consumption	Establishment of GHG emissions management processes	Done
		LED lights installed at Wahpeton facility and Fargo parking facilities	Done
	Management of resources and pollutants	Improvements in in-house transport processes	3/4
Fair Operations		Promotion of in-house paper recycling	Done
	Enhancement of suppliers CSR activities'	Addition of CSR performance in the supplier audit list and survey regarding suppliers' CSR performance	Done
CCI	Systematic support for employees' community involvement	Development of performance management system	Done

ACCOUNTABLE CORPORATE GOVERNANCE

ACCOUNTABLE CORPORATE GOVERNANCE

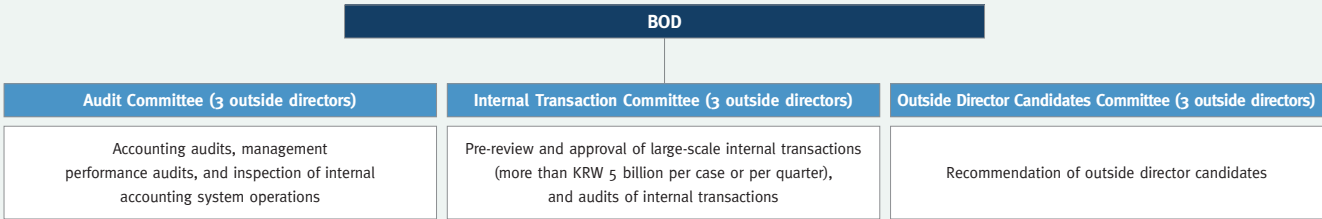
Composition of Shareholders and Equity

As one of the key affiliates of Doosan Group, Doosan Infracore runs production and sales subsidiaries in more than 140 countries. As of the end of 2014, its shares outstanding amounted to 207,455,314, and its equity capital was KRW 1.0373 trillion. The largest shareholder was Doosan Heavy Industries & Construction with a 36.4o% stake, followed by GIC (Government of Singapore investment Corporation). Its top six overseas investors were all sovereign wealth funds or national banks, indicating that the company has been maintaining a stable shareholder base with a tendency toward long-term investments. As of the end of 2014, foreign equity investment accounted for 23% of all investments in the company, attesting to foreign investors’ solid recognition of the company as an investment target equipped with a continuous growth record and outstanding potential.

Communication with Shareholders and Investors

Doosan Infracore management positively collects and incorporates the expectations and demands of shareholders, investors, customers and other stakeholders into company decisions concerning investment and other major events. It seeks to attract investments by proving its genuine corporate values in the global market in terms of growth potential, backed up by its technological competitive edge. To that end, Doosan Infracore sets up investor-friendly IR (investor relations) strategies and engages in shareholder- friendly communication. In 2014, it held four corporate orientation meetings and numerous IR meetings during securities investment conferences and NDRs in Europe, the USA, Hong Kong and Singapore as well as in Korea. Furthermore, Doosan Infracore actively encourages institutional investors to visit its worksites to obtain diverse, reliable information. Through frequent roundtable conferences between the CEO/CFO and investors, the company listens intently to investors’ opinions.

Intra-organizational Decision-making System



Protection of Minority Shareholders

Doosan Infracore operates paper ballot and electronic voting systems to protect minority shareholders’ voting rights. When sending out notices of general shareholders’ meetings, Doosan Infracore encloses paper ballots so shareholders can exercise their voting rights in absentia. Their votes are valid provided they arrive at the company one day prior to the meeting day.

Disclosure of Corporate Information

Doosan Infracore complies with all applicable legal disclosure requirements. It does its best to maintain a sound balance in its disclosure of information concerning its financial and non-financial activities through the voluntary revelation of its CP (Compliance Program) status and CSR activities.

Composition of the BOD and Decision-making Systems

Doosan Infracore raises its value and that of its shareholders by implementing accountable and transparent management practices. As the company's highest business decision-making body, the Board of Directors works on behalf of investors and oversees and approves decisions on massive investments or borrowings, consolidation or division of business entities, and other major business issues, from the perspective of long-term growth.

Status of Disclosure Activities
Disclosure of provisional statistics on sales performance
Quarterly and biannual reports and statements of affairs
Disclosures relevant to annual and special shareholders' meetings
Disclosure of changes in the shareholding structure
Disclosure of current status of conglomerates released by the Korea Fair Trade Commission
Current status of Compliance Program operations
Disclosures of CSR activities including integrated reports
Disclosure of information through company presentations

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ACCOUNTABLE CORPORATE GOVERNANCE



Composition of BOD

The BOD of Doosan Infracore consists of two internal and five outside directors as of the end of March 2015. There are three committees under the BOD: the Audit Committee, the Internal Transaction Committee, and the Outside Director Candidates Committee. Internal directors are recommended by the Board of Directors, whereas outside directors are recommended by the Outside Director Candidates Committee in consultation with the Outside Director Candidates Recommendation Consultation Committee. The company's internal and outside directors are appointed by a general shareholders’ meeting. The outside directors maintain independence from majority/major shareholders. They are selected only after careful examinations are made of their possession of the company's shares, potential conflict of interest, and careers in the company's rival companies as part of the company’s transparent governance structure and the enhancement of the BOD’s expertise.

The Outside Director Candidates Recommendation Consultation Committee, which is composed of three outsiders (Hwi-soo Lee, Ho-chul Yang and Jeong-hee Seo), recommends candidates for outside directorships (no more than twice the number of outside directors to be selected) to the Outside Director Candidates Committee according to relevant laws, the company's bylaws and BOD regulations. The committee, which is composed entirely of outside directors, selects three outside director candidates to be approved at a general shareholders’ meeting. The BOD makes the final decision on the approval request for internal directors while the Outside Director Candidates Committee does so for outside directors, although the BOD makes an official request for the approval of all the directors at a general shareholders’ meeting in due course.

Composition of BOD				
(As of the end of March 2015)				
Category	Name	Current Position / Role in the BOD	2014 BOD Attendance	Remarks
Internal	Dongyoun Sohn	President and CEO of Doosan Infracore Co., Ltd /Chairman of the Board		Appointed on 03/27/2015
Directors	O-gyoo Lee	President and Representative Director of Doosan Infracore Co., Ltd, Finance & Administration Division	100%	
Outside	Tae-shin Kwon	President of the Korea Economic Research Institute, chair of the Audit Committee, member of the Internal Transaction Committee, member of the Outside Director Candidates Committee	83%	
	Seung-soo Han	Special envoy of Secretary-General of UN, member of the Outside Director Candidates Committee		Appointed on 03/27/2015
	Jeung-hyun Yoon	President of Yoon Economic Research Institute, member of the Internal Transaction Committee		Appointed on 03/27/2015
	Byongwon Bahk	Chairman of the Korea Employers Federation, chair of the Outside Director Candidates Committee, member of the Audit Committee		Appointed on 03/27/2015
	Daeki Kim	Outside director of SK Innovation, chair of the Internal Transaction Committee, member of the member of the Audit Committee		Appointed on 03/27/2015

※ Outside directors Jaehoon Lee and Sairee Yoon retired from their posts on March 27, 2015 upon the expiration of the term of office.  
※ CEO Yongsung Kim of Doosan Infracore resigned on February 8, 2015.

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ACCOUNTABLE CORPORATE GOVERNANCE



BOD Activities 2014

In 2014, six board meetings were held. Deliberation and resolutions were made on 31 agenda items, including reports on management performance such as CSR activities as follows.

BOD Committee Operations

The BOD runs the following three committees: the Audit Committee, which is tasked with overseeing the transparency and independence of all auditing processes; the Internal Transaction Committee, which is responsible for promoting transparency in corporate management by establishing a framework for compliance with fair trade regulations; and the Outside Director Candidates Committee, which makes recommendations concerning outside director appointments at a general shareholders’ meeting. The committees are entirely composed of outside directors.

Activities of the Audit Committee

The three outside directors of the Audit Committee supervise the company's accounting and business practices. As regards accounting, the committee reviews accounting-related documents, including financial statements, and the accounting firm's audit procedures and results. If necessary, it requests the accounting firm to conduct an additional examination of the company's accounting records and related documents, and checks the results.

It also receives reports about the internal accounting management system from the internal accounting manager and reviews the information. As for business practices, the committee members can attend BOD meetings and other important meetings, and, if necessary, receive updates on management and business operations from internal directors, and request additional reviews and documentation as required for proper auditing. The Audit Committee reports its independent evaluation results along with its major activities at general shareholders’ meetings. The chief executive officer discloses the information to the public. The members of the committee receive only remuneration as directors. They receive no other types of compensation in order to secure their independence from management and majority shareholders.

BOD Evaluation and Remuneration

The remuneration of both internal and outside directors is determined within the limits for directors approved at a general shareholders’ meeting. The company also implements a performance salary system that links executive compensation with business performance. Accordingly, directors are given a basic salary corresponding to their pay grade as well as a performance bonus based on the organization’s management results. In 2014, a total of KRW 211 million was paid to outside directors.

BOD Activities		
Date	Agenda Items	Attendance (Full Attendance)
Feb. 4, 2014	Approval of the 2013 Financial Statements and Business Report, and 6 other items.	4(4)
Feb. 28, 2014	Approval of the Audit Report 2013 and the the restructuring of a corporation, and 8 other items.	3(4)
Apr. 24, 2014	2013 CP Operations Status and 2014 CO Operations Plan, and 3 other items.	3(3)
July 29, 2014	Management Performance Report for 1H of 2013, and 2 other items.	3(3)
Oct. 28, 2014	Report on Business Results for Q3 2013, and 2 other items.	2(3)
Dec. 16, 2014	Delegation of the authority to issue bonds to the executive director, and 4 other items.	2(3)

Activities of the Audit Committee		
Date	Agenda Items	Attendance (Full Attendance)
Feb. 4, 2014	2013 Accounting Settlement Audit Report, and 4 other items.	3(3)
Feb. 28, 2014	Approval of 2013 Audit Report, and 2 other items.	3(3)
Apr. 24, 2014	Report on the Review of Accounting Settlement for 1Q 2014.	3(3)
July 29, 2014	Report on the 1H2014 Internal Audit Results, and 1 other item.	3(3)
Oct. 28, 2014	Report on the Review of Accounting Settlement for 3Q 2014.	2(3)

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TRANSPARENT AND ETHICAL MANAGEMENT

TRANSPARENT AND ETHICAL MANAGEMENT

Transparent and Ethical Management Directives

Doosan Infracore applies the Code of Conduct of Doosan Group to all of its business operations. Its major activities such as ERP, e-Procurement, Internal Control and Evaluation, and Fair Trade Compliance are directly linked to the Doosan Group system. This helps ensure all business activities are conducted more transparently and with a greater level of work efficiency. In addition, the Audit Committee operates under the Board of Directors, while the Audit Team is tasked with promoting, evaluating and auditing transparent and ethical management practices.

Communicating and Promoting the Ethical Management Policy

In 2013, Doosan Infracore revised its Code of Conduct in line with the Doosan Way declared earlier that year. In 2014, it published the new Code of Conduct and expanded its application to overseas subsidiaries. In 2015, it plans to produce localized codes of conduct for Europe and China that reflect the local rules and regulations in each region and country. Following the review of its internal reporting system, Doosan Infracore will launch its global code of conduct and internal reporting system by the end of 2015. Through active promotion and onsite survey activities, among others, the company will make sure that full compliance with the code of conduct will be established as its organizational culture at all global worksites. The company has worked out detailed rules for the Code of Conduct designed to promote proactive implementation and engagement. It posts the Code of Conduct on its website along with information on how to report irregularities, to broaden the corporate consensus on ethical management. The CEO issues a letter around the time of major Korean holidays (when gifts are traditionally exchanged) to all Doosan Infracore employees and suppliers to ask for their strict compliance with the Code of Conduct. Doosan Infracore requests new employees to sign a written oath pledging their compliance with the Code of Conduct. It also requires new suppliers to submit a publicly notarized

written oath pledging not to engage in unethical business practices before allowing them to be registered with the company as suppliers. To maintain a transparent ethical management system, the company asks each employee in the relevant divisions to turn in a conflict of interest statement each year so it can fully assess employees’ conflicts of interest.

Ethical Management Training

Training on the Code of Conduct helps raise employee awareness of ethical business practices and control the ethical risks involved in their business transactions in advance. Doosan Infracore provides the training to all employees. Also, the company notifies its employees of major ethical management issues and posts them on the bulletin boards of each business site. To prevent unintended problems during daily business conduct, the company publishes a White Book that contains ethical problems discovered in regular audits or reported by employees. The book includes an analysis of the fundamental reasons for those ethical problems as well as solutions to similar problems, along with as much quantified data as possible. The company continues paying particular attention to the cases mentioned in the book. In 2015, the company plans to implement customized training on the Code of Conduct for executives, office workers (online), and technical staff. It also plans to provide collective training to executives and persons in charge of the code of conduct in the USA, the United Kingdom, Belgium, India and China during the year. Currently, the company produces online educational materials and makes them available for its overseas employees in six languages, including Korean, English, French, Czech, Chinese and Vietnamese.



※ Reasons for absence: Long-term overseas business trips and leave of absence due to illness, childbirth, etc.

TRANSPARENT AND ETHICAL MANAGEMENT



Audit and Monitoring

In line with increases in its business areas and the scope of its responsibility resulting from the growth of its overseas businesses and adoption of the IFRS, since 2012, Doosan Infracore has maintained audit teams in North America, Europe and China. The audit team in Seoul respects the subsidiaries’ responsible business management while striving to assess the actual state of their business and secure transparency in their accounting practices.

Internal Controls Evaluation System

Since 2006, Doosan Infracore has operated an internal controls evaluation system for the entire range of its business areas, including finance, sales, purchasing and production operations. The results of regular evaluations are reported to the audit committee and board meetings through the CFO and CEO in accordance with the Act on External Auditing of Corporations. In 2014, the company began applying the same internal controls evaluation system to its subsidiaries in China before expanding the it to other areas around the world.

Internal and External Reporting Systems

Doosan Infracore has internal and external reporting systems, including the Cyber Reporting Center, to facilitate the immediate reporting of any unethical acts. Items to be reported include all types of unethical acts such as bribery, unfair business transactions and corruption; violations of the Doosan Way, Doosan Infracore’s Code of Conduct and laws; and other irregularities. It has expanded its internal reporting channels, which now include DooDream, the Doosan group portal, email, telephone calls, fax messages and personal visits for both its domestic and overseas business sites. Any irregularities are strictly sanctioned. The reporter’s identity remains confidential as needed. Retaliation is strictly prohibited. Reports are acted on promptly according to applicable procedures. The company’s actions, including corrections, are provided to the reporter and shared companywide, thereby serving to further raise ethical awareness among employees.

Enhanced Fair Trade Voluntary Compliance Program

Doosan Infracore continues to enhance its fair trade voluntary compliance program (CP) by monitoring performance before and after the implementation of CP, expanding the rewards for excellent CP practices, updating the CP handbook regularly, and cultivating CP experts in each business group. In addition, the company provides CP training not just to its employees but also to the staff of its suppliers, including education on export and import regulations, in an effort to motivate all its suppliers to implement the CP themselves. Since 2012, Doosan Infracore has reported the progress of its fair trade voluntary compliance program, including biannual education on fair trade and the results of monitoring of violations of any rules and regulations to the BOD, and disclosed the results to the public.

Enhancement of Compliance Management

Doosan Infracore has established a systematic and practical compliance system and built a consensus among its employees on compliance management to implement an international level of compliance business management. Doosan Infracore was selected by the Korea Customs Service in 2013 as an AAA class (the highest class) company from among other Authorized Economic Operator (AEO) companies for the first time in the machine manufacturing industry. It was also designated as an AAA class (the highest class) company by the Korea Ministry of Trade, Industry and Energy in 2014, the first year that the ministry adopted a ranking system in its designation of strategic materials CP companies. Companies with the certifications are eligible for simpler administrative processes in export custom clearance. The national recognition of their compliance management also helps the companies enhance their corporate image in the market.

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RISK MANAGEMENT

RISK MANAGEMENT

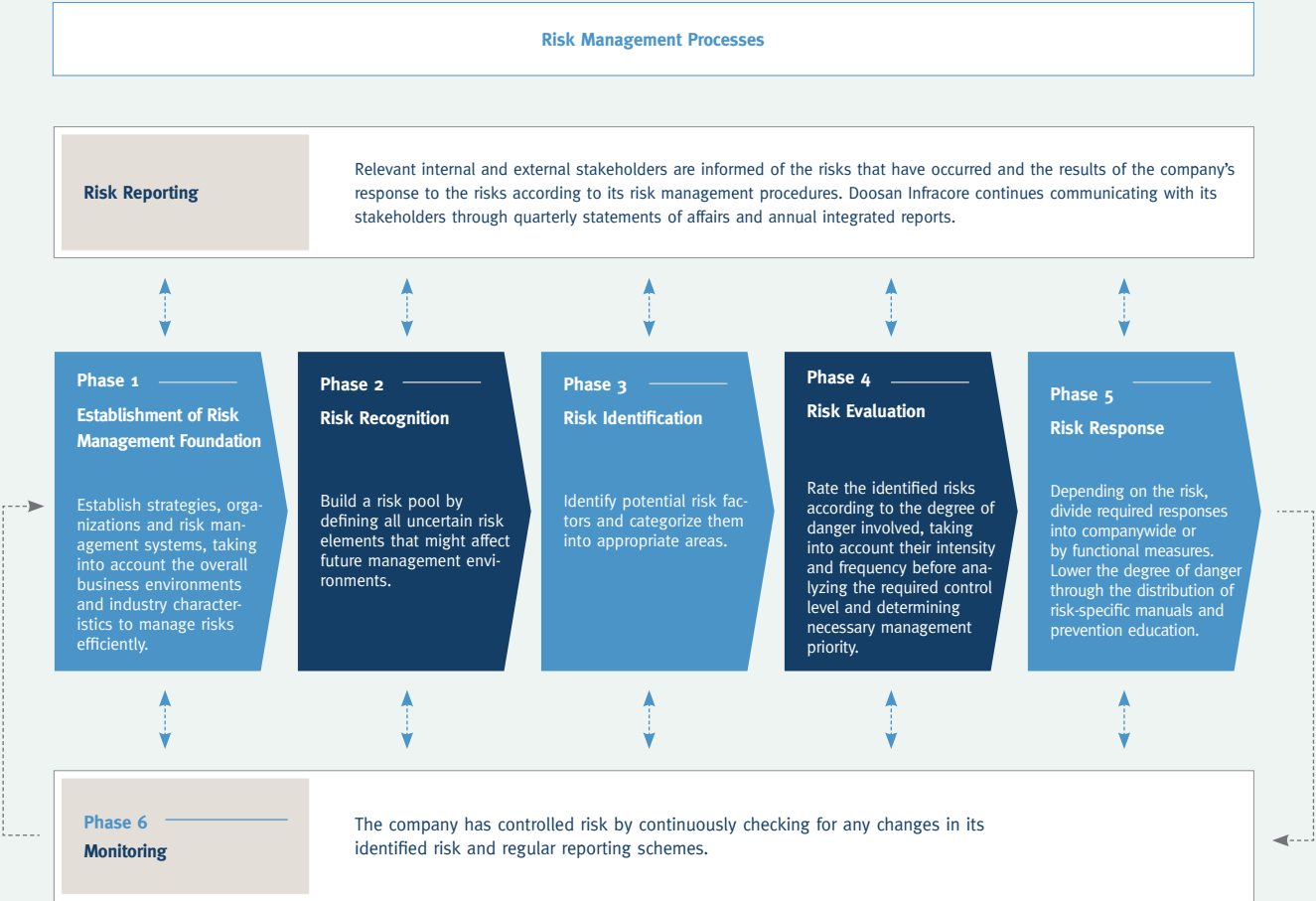
Risk Management System

Doosan Infracore operates a risk management and reporting framework to respond to various risks that could reduce the company’s value and cause economic losses. Risk factors are analyzed and managed with regard to the likelihood of their occurrence and the impact they may have on the company. It has established risk management processes by which executives and working-level employees can detect any problematic symptoms early on and take prompt remedial actions.

Risk Management Culture

To reduce its risks related to the company’s continuous business expansion in various areas, Doosan Infracore stresses risk management to its employees. The business risks involved in its financial management and operations are managed companywide through the group-wide integrated risk management system coupled with the company’s internal control, including regular monitoring

activities. Its non-business risks related to ethics, legal compliance, and reputation, are managed largely through prevention efforts, including education on ethical management. Most notably, Doosan Infracore implements mandatory annual online education about its ethical norms for all employees. This online education enhances employees’ ethical standards while urging employees in higher positions, in particular, to implement the company’s code of ethics faithfully. On its annual Doosan Way Day, the company recognizes successful cases of improvement due to the implementation of integrity and transparency, a core value advocated by the Doosan Way. Through such efforts, the company promotes the companywide implementation of its culture of ethical management and prevents potential risks from materializing.





RISK MANAGEMENT



Financial Risk Management

**Market risk:** Exchange risks occur as a result of changes in currency exchange rates, which may affect the forecasting of future deals, perceived assets and liabilities, and net investment in overseas operations. Since it is involved in numerous business activities internationally, Doosan Infracore is exposed to foreign exchange rate fluctuation risks. As such, the company's basic strategies are to reduce fluctuations in profits and losses due to changes in foreign exchange rates. Doosan Infracore carries out hedge trading through exports and imports. It partially manages its foreign exchange rate fluctuation risks with derivatives. Interest rate risks arise largely from adjustable rate loans. To preemptively deal with such risks, the company minimizes external loans with its internal reserves, reduces high interest rate loans, improves the long- and short-term borrowing structure, and monitors and responds to changes in interest rates on a regular basis. In the meantime, since its financial instruments are exposed to the risk of changes in market prices that may negatively affect the fair value of the financial instruments and the company's cash flow, the company measures risks arising from changes in prices regularly and manages key investment assets separately.

**Credit risk:** Credit risk arises from ordinary transactions or investment activities when a customer or business partner does not follow the conditions of the relevant business agreements. It may also arise from cash, cashable assets, derivatives, and deposits in banks and other financial institutions. To manage its credit risks, Doosan Infracore

regularly assesses the financial credit ratings of its business counterparts and sets credit limits for them by taking into account their financial status and track records. For credits for which default is anticipated at the end of the fiscal year, Doosan Infracore carefully assesses the risks involved and reflects the results in its consolidated financial sheets..

**Liquidity risk:** Liquidity risk largely arises from a shortage of liquidity. It materializes when a corporation fails to fulfill its obligations to pay off financial debts or to finance its normal operations. To prevent such situations, the company establishes three-month and annual financial balance plans, which allow it to minimize the influence of business, investments and financial activities on the monetary balance. The forecasts help the company secure and maintain sufficient liquidity in preparation for possible liquidity risks in the future.

**Capital risk:** Capital risk management involves the maintenance of an optimum capital structure to protect the company's capabilities and thereby enable it to continue providing its shareholders and other stakeholders with corporate profits while reducing the cost of capital. Doosan Infracore maintains its capital in alignment with its debt ratio. Specifically, it adjusts its dividend payouts to shareholders and repays capital reserves to maintain or modify the capital structure, while issuing new shares and selling assets to reduce debts.

Key Risks and Relevant Responses		
	Key risks	Responsive measures
Strategic risks	Global economic recession	Maximize short-term profitability and strengthen core competitiveness
	Stricter environmental regulations on products	Develop and apply eco-friendlier technologies
Financial risks	Market risks	Manage exchange rate fluctuations, interest rate and price risks
	Credit risks	Manage credit risks and minimize losses by implementing safeguard measures in bonds
	Liquidity risks	Establish quarterly and annual financial balance plans
	Capital risks	Reduce capital costs and manage liabilities
Operational risks	Quality risks	Establish quality management system
	Ethical management and compliance risks	Audit unethical irregularities, provide employees with ethical training
	Risks related to personal information protection and data security	Establish personal information protection guidelines, build an information management system, and provide employees with information security training courses
Environmental and natural disaster risks	Climate change risks	Build a climate change response system
	Occupational safety and employee health risks	Build a field manager-led EHS system, and manage the health and safety of employees
	Fire risks	Voluntary fire safety management (Firefighting Center)
	Natural disasters	Manage natural disaster risks and mitigate damages

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RISK MANAGEMENT



Non-Financial Risk Management

**BCM (Business Continuity Management) System establishment and drills:** In line with increasing social demand for crisis response systems, Doosan Group has established a framework known as the Business Continuity Management (BCM) system at the group level. In February 2014, Doosan Infracore formed its BCM TFT and began to work on a manual for its companywide crisis response along with action plans at the level of each of its business groups. Doosan Infracore's BCM manual is divided into a total of 20 mandatory infrastructure arrangements for each business group. The company has also developed a mobile BCM app that enables the leader of each unit to check the operation of the BCM system and the safety of his/her members in real time in the event of a crisis. In October 2014, each business group conducted a comprehensive crisis response drill in case of an earthquake and assessed its actual crisis response readiness and capabilities. Doosan Infracore plans to launch a companywide drill in 2015 to check its response capabilities for different situations. It will further develop its BCM system so all employees will be able to take part in BCM fire drills more than once a year.

BCM System		
Category	Mandatory Infrastructure	Remarks
Response organization and reporting system	1) Emergency business management team (HQ)	• Emergency Command & Control Center • Urgent operations, support for overseas operations • Worksite safety, closure, monitoring of surroundings, Help Desk operation
	2) Emergency operation team (Business Area/Worksite)	
	3) Emergency management team (Business Area/Worksite)	
	4) Situation identification and reporting	
People	5) Emergency notice, emergency communication	• Sharing equipment and information in the areas of broadcasting, satellite communication, etc. • For all employees • Shelters, guidance, post-evacuation actions • Contacts, crisis notification and action guidelines
	6) Emergency contact network	
	7) Emergency evacuation	
	8) Emergency relief	
	9) Suppliers' safety	
Asset	10) Actions on top-priority documents/assets	• Objects, contacts, action guidelines  • Core asset protection plans in addition to civil defense plans • HQ/Worksite closure procedures, check lists, contacts • Procedures for subsidiaries related to IT • Preparing a contact list for shareholders, customers, dealers and suppliers and appointing persons to contact them
	11) Disposal of documents to be discarded	
	12) Removal of dangerous materials	
	13) Basic crisis response including firefighting	
	14) Protection of core fixed assets/worksites	
	15) Closure of worksites	
	16) IT service suspension, cyber-terrorism response	
	17) Contact with key stakeholders	
	18) Urgent transportation and storage of raw and subsidiary materials	
	19) Emergency operation in the event of logistics paralysis in the Seoul metropolitan area	
Operation	20) Response to utility service suspension	

# ENHANCEMENT OF CUSTOMER VALUE AND QUALITY COMPETITIVENESS



Cold Trip, cold weather test in China

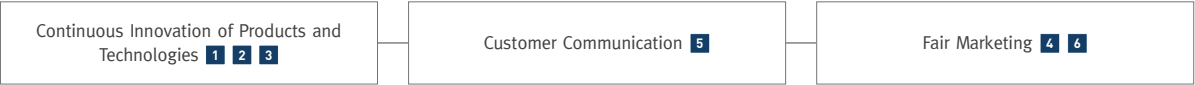
## RISK AND CHALLENGE

As the company's business grows and its business areas expand, changes in its business environments are accelerating, while related technologies continue to develop at an incredible speed. Customer demands are also expanding from good quality and reasonable prices to convenience- and value-centered consumption. Therefore, building brand values that are easily recognized by customers based on advanced technologies and excellent quality is an essential prerequisite for every company seeking to become a sustainable entity.

## OUR APPROACH

Quality management at Doosan Infracore begins with design with care and elaborate assembly. Doosan Infracore values a strong engineering culture that concentrates on fundamental competitiveness and believes that its future directions lie with the voice of the customer (VOC). It is committed to introducing products equipped with quality competitiveness through continuous R&D investments and innovations in its products and technologies from a customer perspective. It is doing its best to protect customers' personal information. It strives to promote fair marketing around the world. Doosan Infracore is taking powerful strides to join the ranks of the global top 3 machine manufacturing companies.

## PERFORMANCE CHART



issue	2014 target	2014 performance	achieve	2015 plan
1 Product/Technology Innovation	Establishment of the Integrated R&D Center	Launch of the Global R&D Center Completion of R&D centers in the USA and the Czech Republic	●	Development and launch of products responding to global restrictions
	Improvements related to complaints about initial quality and guaranteed quality	Initial quality: 43% improvement (91dptu, Korea) Guaranteed quality: 25% improvement (1,929dptu, Korea)	●	Initial quality: 85dptu (Korea) Guaranteed quality: 1600dptu (Korea)
2 Eco-friendly Products	New	Launch of new products that meet emission regulations	-	Define eco-friendly products and technologies Select LCA targets and carry out the assessment
3 Customer Safety/Health	Enhancement of emotional quality	Compliance with international safety standards and release of safety information	●	Compliance with international safety standards
			●	Improvements in the release of safety information / Launch of low-noise product C Model
4 Customer Information Protection	Protection of customer rights and interests	Devising of policy to protect Bobcat online store customer information	-	Monitoring and roll-out of private information
5 Customer Communication	Enhancement of VOC management	Customer satisfaction surveys - Korea: 93.5% - China: 95%	●	VOC-based quality innovations
6 Fair Marketing	Prevention of violations in marketing communication	No violations	●	Prevention of violations with regard to marketing communication

\* Dptu(Defects per thousand unit): The average number of defects observed in a thousand machine tools, which Doosan Infracore company uses as its customer quality satisfaction index

## FUTURE DIRECTION

- Continuous quality innovation by enhancing R&D capabilities and improving quality from a customer perspective.
- Preemptive response to environmental regulations and development of products that boost the Earth's value.
- Improvements of customer safety and convenience through the development of products from the customer's perspective.
- Enhancement of customer trust through transparent information disclosure and reinforced customer privacy protection.

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## OUR FOCUS

### ECO-FRIENDLY PRODUCTS



Definition and Standard Establishment for Eco-friendly Products : Recently, reductions in fuel consumption and contributions to the protection of air quality have become important competition factors in the construction equipment industry. Doosan Infracore has selected the enhancement of its eco-friendly products/technologies as a major implementation task and is about to establish its own standards for eco-friendly products/technologies through companywide discussions. The company will further upgrade the fuel efficiency of its products based on its proprietary technologies, enhance its product portfolio fulfilling the increasingly stringent emission regulations in many countries, and publicize its efforts in this area to customers more effectively. The commitment of Doosan Infracore to enhancing its line of eco-friendly products is a pledge to securing a sustainable future of humankind.

### 2015 TARGET

- Define eco-friendly products and technologies
- Select LCA targets and carry out the assessment

## CONTINUOUS INNOVATION OF PRODUCTS AND TECHNOLOGIES

Doosan Infracore is gearing up for another leap forward as soon as the global economy recovers by securing fundamental competitiveness on the basis of continuous technical innovation. Most notably, Doosan Infracore thoroughly checks whether the quality goal set for each product development stage has been met in an effort to enhance its product quality competitiveness. It has also improved its VOC handling processes to reflect customer opinions more quickly and accurately.

### Improvement of Quality Management Systems

Establishment of organizations devoted to quality innovation: To enhance synergy between organizations and functions required for quality innovation, Doosan Infracore has established the Quality Innovation Part under the Heavy Quality Assurance Team. The Quality Innovation Part is tasked with promoting TQM<sup>1)</sup> and analyzing TMS<sup>2)</sup> quality data to accelerate quality improvement activities from a customer perspective and to promote the improvement of quality processes.

- 1) TQM (Total Quality Management): Efforts to improve the quality of products and services through companywide quality management (Six Sigma, etc.).
- 2) TMS (Telematics System): Telematics is a blend of telecommunication and informatics. It refers to the delivery of services associated with GPS, Internet access, remote vehicle diagnostics and accident detection among others to mobile devices through telecommunications and broadcast networks via mobile devices.

Operation of QMS: To maintain its quality competitiveness as a leading global corporation, Doosan Infracore has adopted a Quality Management System (QMS) and continuously re-defined and standardized its quality-related work processes. For the automatic collection and analysis of quality data, the company has established a core business intelligence system and is expanding the scope of its application through a geographical extension of its quality issue management system. In addition, the company is running innovation academy programs to upgrade the professional competency of personnel responsible for quality issues. It has also built a management system that enables its technical staff to fully take over core technologies from their predecessors. The company implemented its QMS evaluation in Korea, China and Norway in 2014.

### Securing a Global Quality Management System

Establishment of a global quality network: To deliver customer opinions from overseas markets such as the USA and Europe to manufacturing plants in Korea more quickly and precisely, the Quality Center of the Operations Division takes the lead in monitoring diverse quality issues that arise around the world. The company also runs regular communication channels between overseas service personnel and those in charge of service and quality in Korea. Furthermore, it has expanded its hotline system - previously operational only in Korea - to its overseas markets so key quality issues can be directly reported to the CEO.

Establishment of a global standard system: Doosan Infracore is building a global standard system with the aim of improving customer trust in Doosan Infracore brands through globally standardized product quality. It is standardizing its work processes to spread a corporate culture in which its employees strive to meet global standards in their work practices and deliver Doosan Infracore products of the highest quality through integration of the production, quality and purchase processes. By 2016, it plans to complete all production-related standardization projects. The company is also engaged in the establishment of the Doosan Production System (DPS), a standard for the operation of manufacturing plants. In 2015, Doosan Infracore will develop educational materials for each module's basic concept and direction. It is scheduled to publish manuals based on success stories, too, while establishing evaluation systems. In the area of purchase, the company has already developed the Doosan Supplier Excellency Program (DSEP), a global standard designed to enhance its supplier capabilities, and begun to apply it to five companies in Korea and three in China.



Enhancement of R&D Capabilities

**Expansion of R&D bases:** In July 2014, Doosan Infracore completed the Global R&D Center in Incheon, Korea, to gather all its R&D personnel from across the country in one place to generate synergy. The company also opened the Acceleration Center in the USA in August and the Innovation Center in Dobris, Czech Republic, in September. It subsequently declared the dawn of a new global technological development era based on collaboration with overseas research organizations in the USA, China, the Czech Republic and Norway. To enhance its technological development capabilities, Doosan Infracore is increasing the ratio of core personnel involved in product development to that of global market leaders in the developed world. It has also secured robust design capabilities through the use of diverse techniques and tools.

**NPD process:** To make quality innovation at the product development stage, Doosan Infracore has built the NPD (New Product Development) 4.0 Process on the basis of regulations, safety and quality. The NPD process is designed to reflect the VOC starting from the product planning and design stages. It is promoted not only by the R&D department, but also through collaboration with other departments like the NPD quality, sales strategy and marketing teams. The process is also being applied in China and the USA. In 2014, the company promoted the sharing of the NPD process in Europe. In addition to the NPD process, the company plans to make improvements to product/technology roadmaps for the USA. The C model, launched in the Chinese market in 2014, is the brainchild of the NPD process, which promotes the reflection of customer evaluations during their trial operation of the model in the middle stage of product development, ultimately enabling it to roll out better products than competitors.

**R&D Direction:** The Corporate R&D Division is making great strides in its R&D activities aimed at securing differentiated technological capabilities and establishing advanced engineering processes. The Construction Equipment and Engine Business Areas are striving for improvements in product operability and convenience, the development of highly profitable products for the mining and forestry industries, and the development of new technologies to boost fuel efficiency of the company's products. In the area of research for machine tools, the division is focusing on the development of super-precise, super-fast and high-strength machine tools by drawing on sophisticated electronic control technologies.

Product Development Considering Customer Safety

Doosan Infracore is committed to developing products that are safer and healthier for consumers to use and which deliver excellent performance and operational efficiency throughout its entire product development process. Doosan Infracore's commitment to enhancing the emotional quality for customers is reflected in every single process of its product development.

**Compliance with international safety standards:** At the product planning stage, Doosan Infracore carefully examines various countries' technical regulations as well as international standards in such areas as GHG emissions, fire, explosion, noise, operator field of vision, vehicle rollover, electromagnetic waves, and toxic chemicals before drawing up plans to develop products and verify performance. Doosan Infracore currently reflects major key technical regulations, such as the "Rules on Safety Standards for Construction Equipment" of Korea; the Machinery Directive of Europe; OSHA (Occupational Safety and Health Administration) and MSHA (Mine Safety and Health Administration) of the USA; and the GB Standard of China in its product development plans. In China, our products are developed for the country according to European standards that emphasize operator safety and convenience. Products developed for the Korean market are adjusted to meet Chinese regulations at the production stage.

**Boosting product safety:** At the design stage, Doosan Infracore prevents problems from occurring by systematically reflecting customer demands. It endeavors to ensure high-quality products are developed by checking whether a product has been designed according to the predetermined product development goals. During the final verification stage, the company not only has product performance tested and verified by licensed external institutions, but also continues to improve product quality through additional voluntary tests, including product performance tests.



R&D is  
our Focus  
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Incheon Global R&D Center, a companywide hub for global R&D functions

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Development of eco-friendly products

Doosan Infracore is concentrating on boosting its business competency through the development of a range of next-generation products, including eco-friendly engines and high-fuel-efficiency technologies. It is also striving to enhance its fundamental competitiveness by establishing systems that cater to customer needs, while simultaneously meeting the increasingly strict environmental regulations. At present, the machines of Doosan Infracore boast high levels of fuel efficiency and work performance in their respective classes. The company is on the verge of launching next-generation machines whose durability has improved significantly. In China, the company attaches smart labeling to high-fuel-efficient engines, and is making significant improvements to fuel efficiency and total exhaust emissions.

**D-ECOPOWER:** Doosan Infracore has embarked on the mass production of its engines equipped with D-ECOPOWER, an eco-friendly high-fuel-efficiency technology. D-ECOPOWER is Doosan Infracore's creative proprietary technology that improves fuel efficiency via the electronic control of hydraulic pumps. The nine sensors installed on the system calculate the amount of oil and operational power required to operate excavators. Controlled by hydraulic pumps, the sensors supply only the required amount of fuel to the equipment during operation, thereby raising operational efficiency and reducing fuel consumption sharply. So far, D-ECOPOWER has been applied to 34- and 38-ton excavators. Compared with previous products, the model reduces fuel consumption by 12% and improves operability by 20%, thus enhancing fuel efficiency by more than 20%. Doosan Infracore plans to apply the D-ECOPOWER technology to its lineup of large excavators weighing 40 tons or above.

**C Model:** In October 2014, Doosan Infracore began mass-producing its 34-, 38-, 42- and 50-ton C model excavators, all of which are equipped with engines that meet the Tier 3 exhaust emission regulations due to take effect in China in 2016. C model excavators reduce fuel consumption by 20% due to the application of the latest eco-friendly technologies. Most notably, 38-ton excavators conserve fuel by an additional 10%. In 2015, the company plans to start the mass production of low-noise machines in response to increasingly strict noise standards.

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Continuous Quality Innovation

**Production of defect-free products:** To minimize defects at the production level, Doosan Infracore carries out various innovation activities, such as the prevention of corrosion in canning parts, improvements in the cleanliness of hydraulic parts, upgrades in the precision of cuts, and standardization of welding. The company also strives to prevent its suppliers from producing defective parts in the first place by implementing various preemptive measures such as the promotion of 3P6S\*, improvements of outgoing inspection systems, enhancement of testing power during test runs, and by making concerted efforts to improve quality at the initial marketing stage.

\* 3P6S: Activities associated with the three P's (Proper Items, Proper Quantity, Proper Place) and the six S's (Safety, Sort, Straighten, Shine, Standardize, Sustain).

**Enhancement of key parts quality:** Doosan Infracore is also concentrating on the development of key parts to supply custom-tailored products to its customers. Through continuous quality management, Doosan Infracore's worksites in Korea and China made improvements in terms of the percentage of major defective parts in 2014. In 2014, the company made concerted efforts to improve the quality of its suppliers' products. A total of 47 suppliers participated in the campaign. The Incheon Plant demonstrated a 49.6% improvement rate in its process quality over 2013. The Parts Quality Innovation 320 Campaign is a part of the quality management of products and parts received from suppliers.

**Extension of warranty periods for key parts:** For equipment sold in the Chinese markets, Doosan Infracore implements a quality warranty system valid for either 1 year/limitless or 2 years/3,000 hours. From 2014, the company extended the warranty period to 3 years/6,000 hours for seven key parts out of a sense of pride in and responsibility for the products whose quality it had improved.



Support for  
Enhancement of  
Suppliers' Product  
Competitiveness  
82p



Think Green,  
Make Green  
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Reductions in Customer Complaint Rates

		2014 Improvements	2015 Targets
Initial Quality <sup>1)</sup>	Const. equip/Korea	43%	6.6%
	Const. equip/China	18%	6.3%
Warranted Quality <sup>2)</sup>	Const. equip/Korea	25%	17.1%
	Const. equip/China	16%	15.6%

1) Initial Quality (IQ): The number of defects that have happened in operation within a certain period of initial product delivery divided by the number of units under warranty and multiplied by a factor of 1000- (The number of field defects that have occurred within a certain period time of initial product delivery / the number of units under warranty) x 1000  
2) Warranted Quality (WQ): The number of defects that have happened in operation during the product warranty period divided by the number of units under warranty and multiplied by a factor of 1000- (The number of field defects during the product warranty period / the number of units under warranty) x 1000

CUSTOMER COMMUNICATION

The Operations Division of Doosan Infracore administers the quality innovations of the company's construction equipment sector under the slogan of “Customer First, Quality First, I Act First,” in an effort to advance its organizational culture. This means the company believes the customer should be its highest value and quality its top priority throughout the entirety of its business performance. It is also a reflection of the company's strong commitment to realizing customer-centered values, the key mandate of the Doosan Way.

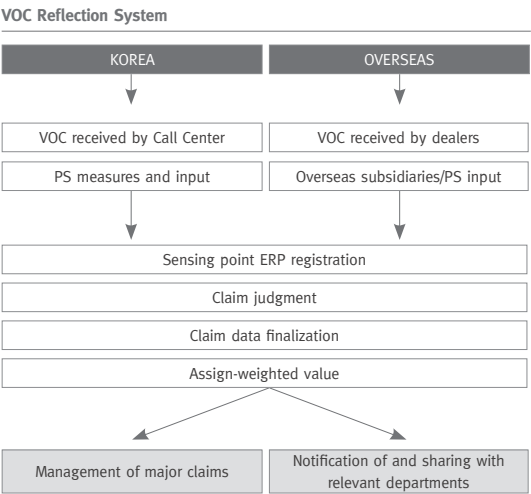
Enhancement of Customer Satisfaction

**VOC management (reflection of customer opinions):** Firm in the conviction that ‘answers lie in the VOC,’ the highly qualified technical personnel of Doosan Infracore visit its major customers at least once a quarter and listen to them carefully. The company runs the VOC Center, which resolve customers’ issues as quickly as possible in all of its business sites around the world. Specifically, it holds VOC Meetings to share the customers’ voice with its major suppliers on a regular basis, which offers the participants opportunities to carefully analyze and resolve customers’ issues as well as their outright demands for improvement. Doosan Infracore also implements the NPD process to reflect customers’ voices in the product development stage.

**Management of customer satisfaction:** The results of the company's after-sales services in Korea and China are reported to customers through the Happy Calls service, while customer satisfaction surveys are conducted about the relevant services. The company tries to maintain its customer satisfaction score above 4.5 points on a 5-point scale. The survey results are shared with the relevant departments, particularly sales and marketing. Happy Calls related to improvements in product quality and commercial values are registered as the VOC and reflected in the company's future improvement efforts. In China, the company analyzes its monthly customer satisfaction scores and decides which improvements to make. The Happy Call scores are managed as a Key Performance Indicator. In addition, Doosan Infracore implements the Doosan Cares service, through which experts provide special customers with concentrated customer service. The company carries out five preventive inspections and listens to the VOC intently during warranty periods. In the USA, Bobcat Company is currently upgrading its employee training programs to further enhance customer satisfaction. Once completed, the programs will help employees offer better customer service to customers.

LAUNCHING THE ECO CORNER

Doosan Infracore has built the Eco Corner, a space where customers who own Doosan excavators can repair their equipment by themselves at the Chungju Branch Office under the Chungbuk General Sales Subsidiary, thus offering the first such service in Korea. Customers can freely use professional tools that individuals find hard to come by, and seek technical advice about more efficient maintenance of their equipment from repair experts stationed at the branch. Furthermore, customers can buy simple parts or receive light repair services at the Eco Corner instead of traveling to maintenance centers. This increases customer satisfaction with Doosan products in the area. The Eco Corner is also expected to function as a customer contact point that brings Doosan Infracore much closer to its customers. In a bid to further expand its range of customer benefits, Doosan Infracore is planning to offer active supportive measures to sales subsidiaries that open up their own Eco Corners.



**Standardization of post-sales product management service activities:** Doosan Infracore promotes its product management activities with the aim of raising product values based on trust with customers in the mid- to long-term. To offer its customers attractive customer service, it is promoting 4-One Service (One Hour Contact, One Day Repair, One Touch Repair, One Plus Service) as well as the standardization of service activities to upgrade its basic service level and the quality of its customer service. It provides its service personnel with change management training twice a year. Doosan Infracore published guidelines on customer service and occupational safety in 2011. It selects service specialists from among service personnel with outstanding technical backgrounds through a multi-faceted evaluation process. In China, the company has set the target of service completion within seven days of service requests: More than 70% of service requests meet the target. The company has promoted service standardization since 2011 to narrow the service gap between dealers involved in customer contact services. To provide better customer service, the company has recommended that its dealers be equipped with a level of ability comparable to that specified in ISO 9000, an international quality standard, since 2014. Some dealers have obtained ISO 9001 certification.

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FAIR MARKETING

Doosan Infracore abides by the laws pertaining to sales, marketing and information security, and was not subject to any legal sanctions due to exaggerated or false claims in advertisements in 2014.

Responsible Marketing Directions

Doosan Infracore's marketing direction specifies its unique brand guidelines that serve as the criteria for its advertising, sales promotion and marketing communication activities. In addition, it has set warranty periods for its machines and accordingly repairs any defective machines as early as possible. The company has also established recall processes and service directions in this regard. To promote sustainable consumption on the part of its customers, Doosan Infracore provides information on effective eco-friendly usage, proper disposal and environmental impacts of its products to customers. In the USA, Bobcat Company is considering disclosing the environmental impacts of its products and their use.

Product Labeling for Customer Safety

With respect to various measures related to product liability and safety, Doosan Infracore stipulates the scope of functional duties and the methods of promotion throughout the entire product lifecycle from design to sales to after-sales service. To ensure the correct and safe operation and maintenance of its equipment and machine tools, Doosan Infracore provides safety labels of three levels - danger, warning, and caution - according to the severity of the risks involved. It places the key content of which customers must be aware at the beginning of its product manuals to emphasize the importance of the information. Doosan Infracore produces safety labels to be attached to construction equipment according to ISO 9244, while following ISO 6750 for the operator manuals that are supplied with its products. In China, the company includes information on potentially dangerous situations that might be caused by customer negligence along with preventive measures in its product manuals.

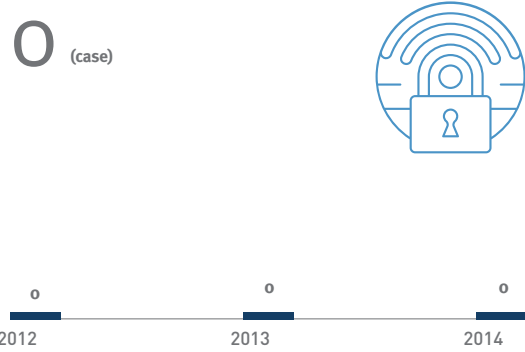
\* Doosan Infracore complies with various customer safety standards, including European Safety Standards, China Safety Standards, and The Product Liability Act of Korea. It is also implementing various preventive measures.

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Enhanced Customer Data Security

Established in 2012, the Data Security Team ensures companywide personal information security. In June 2013, Doosan Group prepared standards for employee information security management and has enforced them ever since. Encryption of personal information has been completed. Comprehensive monitoring is conducted to detect suspicious behaviors regarding the leakage or misuse of data. Doosan Infracore makes sure all employees receive training on information security, while additional systematic training and guidelines are provided to personnel who work in departments dealing with personal data. Training is also provided at delivery companies, training centers and other outsourced service providers that handle personal data. Access to the system is also subject to continuous monitoring. In China, Doosan Infracore integrated the customer information managed by each dealer and checked dealer methods of collecting customer information in 2014. Now, customer information is managed through Doosim, an information management system. Furthermore, all those in charge of customer information at dealerships and all Doosan Infracore employees underwent training on information security and management in 2014. In the USA, Bobcat Company's online store implemented a new policy regarding customer information collected and posted on the website. Doosan Infracore has never been sanctioned for a leakage of personal data or a violation of the relevant laws during the past three years.

Violation of laws related to marketing communications





EMPLOYEE VALUE PROPOSITION



The Doosan Way, Doosan's unique traits and values needed to build a Proud Global Doosan

RISK AND CHALLENGE

Generally speaking, employees mirror the culture of the companies that employ them. Thus, management efficiency increases in pleasant workplaces, and good ideas flow freely in open-minded workplaces where employees respect one another. Changes in business circumstances are accepted as new challenges by companies armed with an organizational culture that values fair HR management, the cultivation of experts, open communication, and are considerate enough to care for the welfare of employees.

OUR APPROACH

The fundamental competitiveness of Doosan Infracore begins with its people. Doosan Infracore pursues an organizational culture that promotes mutual respect and shared growth between the company and its employees on the basis of the Doosan Way. The company seeks to cultivate enterprising professional personnel who take the lead in its global operations through the implementation of its functional competencies (FC) system, which takes into account each individual's traits and capabilities. In addition, in an effort to further develop the company into an organization of high-caliber yet caring people, Doosan Infracore does its best to offer fair opportunities to all its employees, to promote family-friendly business management, and to deliver diverse welfare benefits to its employees and their family members.

PERFORMANCE CHART

Respect for Human Rights and Protection of Diversity 1 2	Employment and Employment Relations 3	Implementation of HR Management 4	Enhancement of HR Development 5	Establishment of Win-Win Labor Relations 6
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issue	2014 target	2014 performance	achieve	2015 plan
1 Respect for human rights	Establishment of an educational system for ethical management	Completion of the establishment of an educational system for ethical management	●	Collect human rights violation cases Publish a manual on the establishment of a human rights risk management system
2 Protection of diversity	Expansion of Women Council	Establishment of a plan for companywide implementation Launch of R&D Division's Women Council - Phase 2	◐	Companywide operation of Women Council
3 Improvement of employment relations	Orientation meetings for all employees about the extension of the retirement age	Implementation of retirement age extension	●	Continued implementation of retirement age extension
4 Implementation of family-friendly management	Encouragement of participation in the family-friendly system	Expanded operation of systems related to childbirth and child-rearing	●	Introduction of comprehensive system related to maternity protection
5 Enhancement of job competencies	Construction of an FC system and institutionalization of support measures	Establishment of an FC-oriented vocational training system	●	Establishment of an FC-based knowledge sharing system
6 Establishment of a win-win labor culture	Support for enhancement of fundamental worksite competitiveness	Operation of regular dialog channels	●	Enhancement of worksite competitiveness through the maintenance of win-win labor relations

FUTURE DIRECTION

Creation of a corporate culture that encourages employees to care for one another and respect diversity.

Cultivation of enterprising professional leaders who suit Doosan's new corporate status as a leading global company.

Establishment of a workplace that cherishes the work-life balance and earns the pride of its employees and their families.

Increase of opportunities for voluntary participation in management as a company that values open communication.

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OUR FOCUS

RESPECT FOR HUMAN RIGHTS



Establishment of a Human Rights Risk Management System: Corporate human rights violations are on the rise not just in Korea but across the world. Doosan Infracore has selected the establishment of a human rights risk management system as one of its major CSR tasks to fulfill its responsibilities for employees and have them internalize the Doosan Way as a responsible global corporate citizen.

2015 TARGET

Collect human rights violation cases

Publish a manual on the establishment of a human rights risk management system

RESPECT FOR HUMAN RIGHTS AND PROTECTION OF DIVERSITY

Doosan Infracore favors strong teamwork based on the principles of fairness and caring. The company strives to build a corporate culture whereby the company selects, assigns, evaluates and cultivates talent according to reasonable criteria and principles, while employees are able to present their diverse opinions freely and communicate with one another in an open and reflective manner.

Respect for Human Rights

Based on the Doosan Way, Doosan Infracore shares its Code of Conduct – which consists of Inhwa, Integrity and Transparency, Fair Competition, Focus on Our Customers, Innovation, Growth, and Community Development, Safety and the Environment - with all employees at numerous worksites around the world. The company not only urges its employees to rigorously follow the Code of Conduct as the guiding principles of their business activities, but also strongly recommends its suppliers to comply with the code. As declared in the Doosan Way and the Doosan Code of Conduct, Doosan people respect each individual's unique characteristics. They are never subject to discriminatory treatment in employment, evaluation and compensation on the grounds of gender, religion, disability, age, social status, regional background, nationality, ethnic background, physical condition, marital status, pregnancy/childbirth, family type or status, race, skin color, ideology or political convictions, sexual orientation, educational background, medical history, or any other legally protected status. The company does not tolerate inappropriate language or acts such as verbal abuse, violence or sexual harassment, which harm the company's spirit of *Inhwa*. It never treats its employees unfairly on the grounds of personal connections between executives and staff members, such as academic or regional backgrounds. Doosan Infracore carries out a CSR assessment for each of its worksites every year to find out about any child labor and/or forced labor. The 2014 assessment results showed there was no child labor or forced labor used by the company.

Protection of Employees' Diversity

Doosan Infracore considers its 14,518 employees across the world to be the driving force behind its growth and development. As of the end of 2014, the company employed 5,740 Doosan people in Korea and 8,778 overseas. Doosan's employees in Korea include 5,399 full-time employees (94.3%) and 341 temporary workers (5.7%). Doosan Infracore has continued to increase the ratio of female employees through job analysis and job assignment aimed at maximizing their capabilities and merits at work. The company plans to implement education and training for outstanding female employees, and will do its utmost to increase the proportion of female managers in keeping with the rising ratio of female employees among its new recruits year after year.

EMPLOYMENT AND EMPLOYEE RELATIONS

Doosan Infracore complies with the conventions adopted by the International Labor Organization (ILO)\*. As a member of the UN Global Compact, the company supports the Compact's 10 Principles and accordingly prohibits discrimination, child labor and forced labor, and fully supports employees' freedom of association.

\*Compliance with ILO (International Labor Organization) standards: Doosan Infracore complies with the international labor standards of the ILO, respects freedom of association, and supports the ILO's policies for ending unfair discrimination among workers, child labor, and forced/compulsory labor in all of its worksites around the world.

Improvement of Employment Relations

**Extension of the retirement age:** Due to rapid population aging, Korea is experiencing an increasing need for social stability based on the financial stability of retirees during their post-retirement lives and the provision of continuous employment opportunities for them. As such, extending the retirement age has emerged as a pressing social issue in Korea. Following an amendment of the relevant law in 2013, workers' retirement age will extend to 60 in Korea effective January 1, 2016. Doosan Infracore voluntarily extended its employees' retirement age to 60 in 2014, not just to fulfill employee requests, but also to lead the way in the country's efforts to improve worker welfare. The wage peak system goes into effect starting from the end of the quarter when employees reach the age of 58 to the end of the quarter when they turn 60. During this period, their annual pay reduces gradually, but never falls below 70% of their

peak annual wages. The company has switched the employee retirement pension plan to a defined contribution (DC) plan so employees don't suffer any loss in the calculation of their retirement pensions following the implementation of the wage peak system.

**Compliance with Labor Policies:** Doosan Infracore has signed an agreement on Guidelines on the Provision of Good Working Conditions for In-house Subcontract Workers with the Korea Ministry of Labor and Employment and the Supporters for Improvements in In-house Subcontract Workers' Working Conditions. It makes sure the relevant laws are complied with through regular scrutiny. The company also promotes fair in-house subcontract practices through its voluntary compliance with the government's guidelines on fair transactions.

Reassignment of Idle Labor

Due to the global recession, Doosan Infracore was faced with the issue of idle labor as a result of the reduced workload in some of the business groups concerned. Thus, the company implemented collective annual leaves and paid vacations or put them on Employment Maintenance Training. In addition, Doosan Infracore reassigns idle labor to another business group with a relatively heavy workload, thus enabling the employees to maintain their employment with the company while contributing to resolving other employees' grievances over heavy workloads.

Efforts to Attract High-Caliber Talent

Doosan Infracore ranks very highly among Korea's list of companies that jobseekers want to join. It offers employee compensation packages that far surpass the average pay provided by the country's quoted companies, as well as provides them with comprehensive employee benefits. The company spares no effort to hire proud and caring people. Doosan Infracore abides by all the pertinent labor-related laws, and implements discrimination-free employment.

IMPLEMENTATION OF HR MANAGEMENT

On the basis of a caring merit system, Doosan Infracore pursues the sustainable joint growth of the company and its employees. The company strives to improve working conditions to create an organizational culture in which employees recognize each other's differences and engage in their work enthusiastically. In recognition of its strong corporate culture, which is based on horizontal relations between employees and the provision of quality educational opportunities to them, Doosan Infracore was selected as one of the Top 50 Korean Companies with the Best Working Conditions in 2014. The recognition was based on an evaluation of companies by their own employees. Doosan Infracore received 3.73 in the overall evaluation in addition to 3.55 and 3.76 in the areas of work-life balance and in-house culture, respectively, indicating the company's efforts to promote free in-house communication are recognized by employees.

Fair Performance Evaluation and Compensation

The Doosan Infracore employee competency assessment is conducted in an objective and fair manner according to the concept of the ideal Doosan employee. The assessment identifies both individual strengths and areas that require further development, according to which the appropriate opportunities for growth and development are duly provided. The company's well-established personnel management system visibly reflects in its performance assessments the growth of the individual in step with the Doosan Way. Performance assessment is carried out according to the MBO (Management By Objective) methodology. Employees and their supervisors engage in a one-on-one evaluation and a feedback discussion. This approach improves the employee's acceptance of the results and makes the link between performance and pay more transparent.

Work-life Balance

Doosan Infracore maintains a flexible attitude when it comes to the adjustment of its employees' work schedules as required for them to balance their service to the company and their need for private time. To help them improve their quality of life, the company operates diverse employee benefit programs according to the circumstances of the countries it operates in, including various types of support for housing and stable living conditions, childbirth and child-rearing, and healthcare.

**Provision of Refreshment Opportunities:** In Korea, Doosan Infracore provides its employees with a two-week summer holiday in an effort to offer them opportunities to be refreshed. As a new rule, Doosan Infracore discontinues its plant operations in the third week of August. Employees can choose a week before or after the period to enjoy a two-week vacation. Managers also join the ranks of vacationers. This concentration of the employee holiday scheme in the month of August is now firmly rooted in the corporate culture of Doosan Infracore. Those who have been with the company for more than a year are also eligible for the company's Support for Employees' Exploration of Advanced Overseas Cultures and may go abroad during the vacation period. To that end, the company offers them airfare and Eurail passes. The program is recognized as providing employees with opportunities to broaden their perspectives while recharging themselves both physically and psychologically. Furthermore, it strengthens their pride in being Doosan People, while the initiative itself is unprecedented in corporate Korea.

**Implementation of Work Flex:** In the USA, Bobcat Company introduced a flexible schedule for salaried employees in early 2014. It is expected that as employees may be able to adjust their work schedules to their individual circumstances, their satisfaction will rise while their work efficiency will improve. They can change their commuting times through prior arrangements with management provided they keep to the 40-hour work week, including the core hours, i.e. from 09:00 to noon and from 13:00 to 15:00. Furthermore, they can choose to work at home or change their shift with their

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colleagues by obtaining approval from their supervisors. Thus, employees may be able to tailor their work schedules to their personal circumstances.

**Family-friendly Management Policy:** Doosan Infracore abides by the labor regulations of all the countries in which it operates. It runs a leave of absence system according to the relevant laws. More importantly, it is doing its best to enable employees to maintain a balance between career and family through the implementation of an extensive childcare leave of absence system, reductions in working hours, and the adoption of a special leave of absence employees can use to care for any of their adult family members in need.

Enhanced Communication

Doosan Infracore has established diverse communication channels to boost employees' satisfaction with their work through enhanced communication with their fellow employees. The company also actively supports employees' in-house club activities to promote fellowship as well as communication among them. It also continues to promote employees' direct communication with top management through the CEO Lunch program among other initiatives. In China, the company runs a field communication program, so HR personnel can communicate with employees. It also runs Doosan Way Time at the individual team level and a monthly Dialogue with the DICC President. In the USA, Bobcat Company posted its Human Resources policies on its intranet so employees can access crucial information more easily.

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**Grievance Settlement Process:** To resolve employee grievances, Doosan Infracore has secured diverse channels such as its employee intranet, DooDream, and an anonymity-guaranteed messenger service (via the Maskchat app). It also runs the Grievance Settlement Committee. Since 2011, the company has run the Gender Equity Center to cope with any potential cases of sexual harassment and verbal or physical violence, and takes immediate action to deal with such matters in Korea. In addition to grievance settlement, the center provides sexual harassment prevention education for all employees. Cases filed with the Grievance Settlement Committee and the Gender Equity Center are kept confidential. The company also uses the data to work out improvements by analyzing underlying causes and publishing White Papers to prevent similar problems from recurring. The company has successfully acted on all major reports filed in 2014.

**Upgrading the Culture of Meetings:** To advance and innovate its work practices, Doosan Infracore has assigned a Senior Facilitator to each department and launched the Meeting Operation Improvement Course. Furthermore, to improve the efficiency of company-wide meetings, the company has published Ground Rules for the Conduct of Meetings, which include various Do's and Don'ts. In 2014, more than 550 employees completed the Senior Facilitators course and the course on the improvement of the company's meeting culture in Korea. In addition, the company also offered training on the Write One-Page Reports initiative to all its employees, including managers and executives, to establish a culture of efficient and simple reporting within the company. The same training was also provided to employees in China as part of the company's attempts to fundamentally improve the way employees work there.

Vacation and Leave of Absence Programs for Family-friendly Management in Key Countries

	Arrangements	Contents	Eligibility	Period
Korea	Leave of absence for childcare	Leave of absence for childcare	Employees with children aged 8 or younger or second graders or lower in elementary school	Up to one year for a parent including one LOA and shorter working hours for each additional child
	Shorter working hours during childcare period	Reduction of work week to 15-30 hours	Female employees who have given birth, had an abortion or suffered stillbirth	A 90-day leave
	Pre-natal and post-natal maternity leave	Childbirth-related leave	Male employees whose wives have given birth	A 5-day leave
	Family care	Leave of absence for the purpose of family care	Employees who have a family member to care for or who are in need of personal development or infertility treatment	6 months plus 6 months
China	Maternity and childcare leaves	Leave of absence for childbirth and childcare	Childbearing female employees	6 months
	Shorter working hours	Shorter working hours for two months after childbirth	Childbearing female employees	2 months
USA	Flextime	A variable work schedule (on the basis of 40 hours a week)	All employees	During the requested period
	Family care	Leave of absence for the purpose of family care	Employees with parents in need of care	12 weeks (per parent)



Doosan  
Way Time,  
All the time  
39p



ENHANCEMENT OF HR DEVELOPMENT

Doosan people strive to contribute to organizational development and to improve their personal competencies. They cherish the philosophies of Doosan and implement them faithfully. Doosan Infracore has set an HR cultivation target of fostering global leaders who will pioneer the organization's future changes and innovations. Through a variety of educational programs, the company systematically supports employees' efforts to grow into global specialists in their respective areas, equipping them with leadership skills and instilling them with a firm belief in Doosan's values, culture and leadership.

Enhancement of Job Competency

**Functional Competency (FC) Cultivation System:** To continue enhancing employee competencies, Doosan Infracore has established an FC system that takes each individual employee's traits and capabilities into account, and has begun to implement the system in its head office. In 2014, based on the completed FC system, the company proceeded with the task of linking the system to all relevant job training programs, and revising training courses in the areas of R&D, innovation, machine tools, sales and marketing. In addition, the company published the FC Development Directory booklet so employees can devise their own study plans to develop their job competencies according to the results of their respective FC analysis. The FC system will be applied to the company's overseas subsidiaries. In China, the company has already established the FC system in the fields of R&D, production technologies and quality. Starting in 2015, the company is planning to lay the foundation for the systematic management and sharing of its diverse job-related knowledge, particularly through the upgrade and integration of its various FC-related standards and manuals.

**Cultivation of technical experts:** In accordance with its judgment that the skill levels of its technical staff are directly linked to product completeness and corporate competitiveness, Doosan Infracore has established a functional competency system for technical staff (Technical Staff FC) based on the Korean National Competency Standards (NCS). The system is tailored to the actual circumstances of the worksites involved. The NCS has standardized the knowledge, skills and attitudes required for job performance at industrial worksites. The standards are aimed at shifting the focus from academic credentials to functional competency so the country can continue producing competent workers at a national level. In 2015, Doosan Infracore will diagnose job competency at both the organizational and individual levels, publish a manual on the establishment of a human rights risk management system, redefine cultivation goals, and establish worksite-centered job training systems. Doosan Infracore also runs a technical expert system designed to cultivate great technicians and the best technical employees. The company supports employees' voluntary academic and cultural activities including efforts to obtain licenses and run study circles.

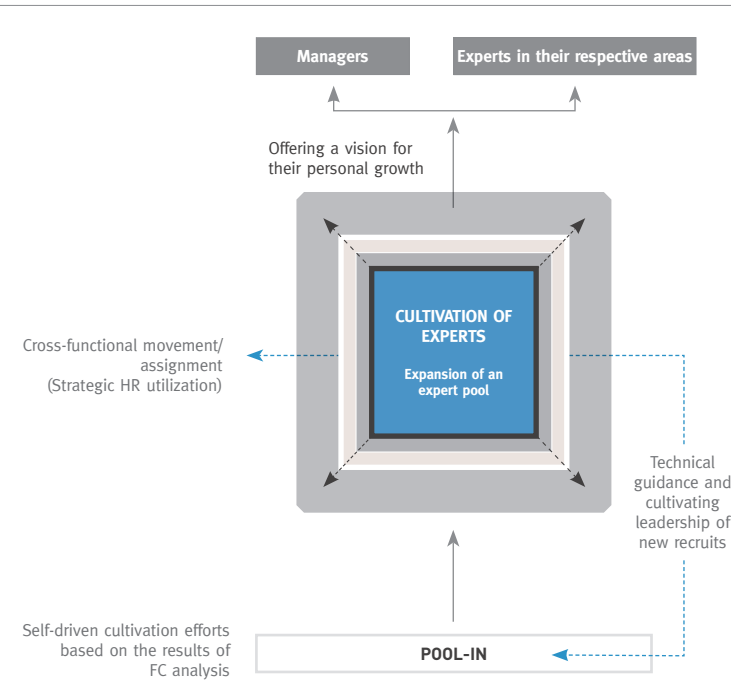
**Establishment of the EDU (e-Doosan University) System:** The EDU System, a group-wide, comprehensive e-HRD portal, helps employees study on their own. All courses in the system are accessible from any type of smart device, allowing employees

to study anywhere, anytime. In 2014, the company expanded its e-learning and online book reading courses from full-time employees to contract workers. It launched an EDU system at its Chinese subsidiary to support systematic HR development in the country. The company also plans to set up an HR Development Index Standardization Management System, which will allow the company to effectively monitor all HRD-related activities.

**Introduction of the Learning Credit System:** Doosan Infracore introduced the Learning Credit System, an academic credit system for office workers, in 2013, and is now planning to introduce the system in China later this year. The most outstanding feature of the system is that it allows employees to devise their own study plans and follow them at their own pace. The educational program is composed of Leadership Credits designed to enhance leadership competency and Professional Credits aimed at boosting job proficiency. The trainees grow into Doosan people equipped with both expertise and leadership.

**Voluntary Sharing of Performance Results:** Employees voluntarily share the knowledge they have acquired at worksites over the years with one another and discuss better ways of approaching various issues. Such a trend is taking root. In the case of office workers, experts in various fields run collective intelligence programs to share their valuable experience and knowledge. In the case of technical employees, The Best of the Best Performance Share Fair enabled participants to view the advancement and sophistication of the company's work processes at a glance, while the Intra-Plant Meeting to Share Practices enabled those engaged in the same manufacturing processes at different plants to discuss their respective experiences and proposals for improvement.

Functional Competency System



Doosan  
Way Time,  
All the time  
39p

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Cultivating Global Talent

**Enhancement of leadership:** Firm in the conviction that the future of an organization depends on the commitment of its leaders, Doosan Infracore strives to cultivate global leaders who will pioneer future changes and innovations at the company. The company has developed leadership training programs designed to educate Doosan people of different ranks about the leadership skills they need and help them apply the information. The training is being expanded in stages.

**Global Comprehensive Education:** Doosan Infracore has developed a network between the head office HRD and its overseas subsidiaries' HRDs to share key training courses through regular Global HRD Council meetings. In 2015, the company plans to launch the Global Standard Induction Program, which integrates new employee training programs offered in various regions. The training focuses on enabling employees to function as global Doosan people.

**Education on the Global Work Environment:** Doosan Infracore is implementing Cross-Cultural Training, a job training program designed to help Doosan employees assigned to overseas posts to more seamlessly adapt to local work environments, including the study of local languages, culture and business practices. Furthermore, the company has produced a training program called Proud Doosan Infracore in the World. The program will introduce the company's lines of business and products along with its visions and philosophies for its overseas employees in China, the USA and Europe, among others. It will help enhance their comprehension of the company and boost their loyalty toward it. At present, the Korean and Chinese versions are being upgraded. The English-language version for employees in the USA and Europe, in particular, will soon follow.

ESTABLISHMENT OF WIN-WIN LABOR RELATIONS

The labor and management of Doosan Infracore maintain win-win labor relations based on mutual trust and respect. In Korea, they have completed all wage and collective bargaining agreements without any labor union strikes for four straight years. They have also joined forces to engage in various industrial safety activities to reduce occupational accident rates. Through diverse corporate community involvement activities, they have also fulfilled their respective corporate community

HONORING THE KOREAN MASTER HAND

In 2014, Gihwan Hong of Doosan Infracore was selected as the Korean Master Hand by the Human Resources Development Service of Korea. The title of Korean Master Hand is awarded by the Ministry of Labor and Employment to honor a technician who has worked in a designated field for more than 15 years and earned recognition for having the highest level skills in that area in accordance with Article 11 of The Skilled Technique Encouragement Act. It is essentially a certificate proving that its holder is the country's best technician in a given area. Mr. Hong is the first Korean Master Hand that Doosan Infracore has produced. He has been involved in machining for more than 30 years, and has filed 18 patent applications in the area during that period. Among his other contributions is the machining of a key part (the head) for the company's EURO-4 diesel engine, which enabled the company to shorten the development period of the new product and make improvements to the overall quality of the mass-produced model. He has also worked hard to train his successors. In March 2014, after seven years of preparation, he published a book titled The Latest Machining Techniques. The publication includes the entire body of practical knowledge he has amassed over three decades. In addition, he has given numerous lectures on career directions to secondary school students. After work, he coaches the company's technical employees who compete at national skill competitions. As a result of his efforts, Doosan Infracore won a gold medal and a bronze medal in the area of numerical control lathe at the 45th National Skill Competition. Doosan Infracore is highly appreciative of his personal contributions. It will spare no efforts to produce more Korean Master Hands.

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involvement. In recognition of such accomplishments in the area of win-win labor relations, the chairman of the labor union of Doosan Infracore won the Gold Tower Order of Industrial Service Merit in Governmental Recognition of Win-Win Labor Cooperation in 2014.

Cooperative Labor Relations

Since the launch of the win-win labor union in 2012, the company has implemented major win-win cooperation programs such as the declaration of no more strikes for good, the quickest conclusion of collective bargaining through the assignment of the right to set a wage increase for management and improvements in the personnel system for employees in technology positions. Labor and management have enhanced their communication via a number of regular dialogue channels. In addition, despite the difficult situations at home and abroad, including a global recession and changes in labor policies, Doosan Infracore has consistently maintained win-win labor relations as proven by the conclusion of strike-free wage and collective bargaining agreements for four straight years, which, in turn, has further enhanced win-win relations between management and labor.

Most notably, the labor and management of Doosan Infracore has reached an agreement to expand the scope of the ordinary wage, a confrontational labor issue across the country, through in-depth discussions during the company's collective bargaining negotiations. To further enhance the benefit of ordinary wage expansion, Doosan Infracore has introduced a monthly salary system for all employees to ensure no one is left behind in its guarantee of a stable life for its employees.

In China, the company's labor union, which is subject to the regulations of the Labor Union Act, is represented by eight union officials who are elected annually by union members. The labor union and management hold monthly meetings to discuss major changes or matters related to wages. They have collaborated to launch environmental clean-up drives in their local communities every month, for which the labor union has been recognized as an outstanding labor union by the government. In the USA, a labor union has been organized at the plant in Gwinner, North Dakota. Through regular labor-management meetings and the delegation of expanded autonomy to the union, Doosan Infracore is building advanced labor relations.



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Way Time,  
All the time  
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# ESTABLISHMENT OF THE INTEGRATED EHS SYSTEM



Establishment of an integrated EHS management system

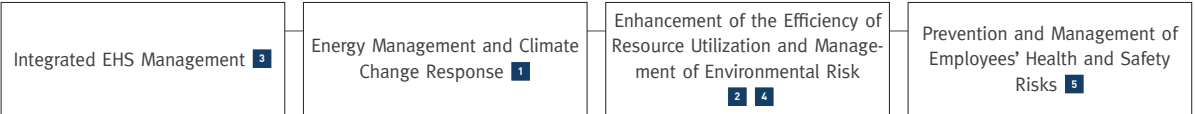
## RISK AND CHALLENGE

Environmental protection is no longer a matter of choice: It is an essential prerequisite for sustainable management. Society as a whole advocates corporate responsibility toward the environment, asking companies to disclose more specific information on their environmental management efforts. Thus, companies are challenged to regard environmental protection as another management infrastructure issue and to work toward boosting the value of the Earth. They are also required to make their environmental management more efficient and healthy through improvements to employees' health.

## OUR APPROACH

Doosan Infracore considers EHS (Environment, Health and Safety) to be crucial. It has established a companywide integrated EHS management system. As a global corporate citizen, Doosan Infracore acknowledges the severity of climate change and the importance of taking responsive measures. It strives to minimize negative impacts on its stakeholders throughout its business processes. It also implements global policies and diverse programs designed to create safe worksites and promote employee health and safety.

## PERFORMANCE CHART



issue	2014 target	2014 performance	achieve	2015 plan
1 Energy Management / Climate Change Response	Laying the foundation for the implementation of emissions trading	Implementation of mid- to long-term climate change response strategies and carbon reduction roadmap	●	Analyze GHG emissions at global worksites Improve the energy consumption measurement system Establish basic energy units
2 Management of Environmental Pollutants	Emissions within 40% of the legally permitted level	Implementation of the 2 <sup>nd</sup> soil recovery project Emissions within 40% of the legally permitted level	●	Enhance environmental impact monitoring on a continuous basis
3 Environmental Management	Global worksite EHS rating Korea: 80 points Others: 70 points	Global worksite EHS rating Korea: 80.1 points Others: 56 points	●	Global worksite EHS rating Korea: 83 points Others: 75 points
4 Reduction of Environmental Risks for Local Communities	New	Environment-related complaints reduced by 58%	◐	Reduce environmental complaints and enforce compliance with environmental standards
5 In-house Safety/Healthcare Management	To operate stress management programs	Opening of two counseling centers	●	Achieve 23% utilization of counseling centers Establish smoke-free workplaces companywide

## FUTURE DIRECTION

Construction of an integrated global management system through global EHS evaluation.

Establishment of a responsible climate change response system through continuous control of GHG emissions.

Improvement of the efficiency of the utilization of limited resources and minimization of environmental impacts on local communities.

Growth and evolution into a healthy and safe company by improving worksite risk management and enhancing employee healthcare.

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## OUR FOCUS

ENERGY MANAGEMENT/  
RESPONSE TO CLIMATE  
CHANGE



**Establishment of Worksite Energy Efficiency Management System:** As a global leader in the machine manufacturing industry, Doosan Infracore joins worldwide efforts to reduce GHG emissions while focusing on improving its worksite energy efficiency to effectively respond to widely fluctuating industrial energy prices. Worksite energy efficiency management is a mid- to long-term task requiring the company's continuous investment from a long-term perspective as well as employees' active participation in improvement efforts. Doosan will continue to strive to upgrade its worksite energy efficiency as part of its commitment to boosting its fundamental business competitiveness at the global level.

### 2015 TARGET

Improve the energy consumption measurement system

Establish basic energy units

## INTEGRATED EHS MANAGEMENT

Doosan Infracore's implementation of responsible EHS management is a core issue under the direct control of its CEO. The company implements EHS management at all its worksites through companywide EHS organizations, including the Environmental Management Team and EHS experts. All of the company's worksites in Korea and China, as well as the Gwinner plant in the USA, have obtained certification for their health, safety and environment management systems (ISO 14001). They are now promoting more effective and active EHS management through the establishment of an integrated EHS management systems.

### Construction of an Integrated Global Management System

**EHS self-evaluation:** To upgrade its EHS management to the level of a global industrial leader, Doosan Infracore carries out its own EHS evaluations of its workplaces around the world in accordance with the DSRS\* evaluation criteria. The results indicate that at the four plants in Korea, including the Incheon plant, workers identify work risks and manage them appropriately, and the company's suppliers also demonstrate an exemplary level of EHS awareness. The plants in China and Europe showed keen interest in EHS at a level just one step lower, namely, the Proactive Level, and exclusive EHS departments offered them the appropriate technical and administrative guidance services. Doosan Infracore now plans to expand the annual internal evaluation to North America.

\* DSRS (Doosan EHS Rating System): The EHS evaluation system was developed by Doosan Group to evaluate the EHS level of each worksite quantitatively and to encourage them to make improvements on a continuous basis. Doosan Group has adjusted the DSRS applied by global industrial leaders to its own circumstances.

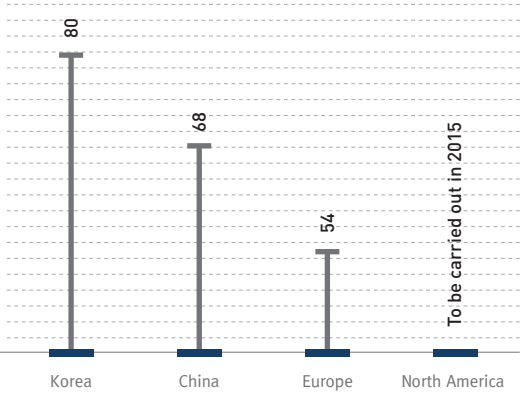
**Global EHS Governance:** Doosan Infracore has built up global EHS governance to share its EHS policies with all worksites around the world. It aims to implement the core values of the Doosan Way, including the realization of safe and clean worksites. According to the global EHS governance, each region forms its own EHS Council while the head office organizes a companywide committee, and every subsidiary constructs its own EHS evaluation system by which it can operate through standardized processes and systems. Doosan Infracore will cope with global environmen-

tal issues, such as climate change and REACH (Registration, Evaluation, Authorization and restriction of CChemicals), under a companywide approach and set up cooperative systems with its subsidiaries to manage environmental risks more efficiently. In the USA, Bobcat Company disclosed its localized EHS policies at the end of 2014, shared the information with all employees through a notice issued by the head of the subsidiary, and posted it on the employee intranet as well as at its plants.

### Results of EHS Self-Evaluation 2014

	Korea	China	Europe	North America
Score	80	68	54	To be carried
Level	Regenerative	Proactive	Proactive	out in 2015

\* DSRS Class: Regenerative (initiated by site workers, above 70 points) - Workers can identify and manage their job risks on their own with the level of EHS awareness of suppliers and workers remaining very high. All EHS management is done on site with executives and supervisors setting examples. / Proactive (initiated by site supervisors, 50-70 points) - EHS management at the site is carried out by supervisors with top management showing keen interest in improving the organization's EHS culture / Reactive (initiated by EHS organization, below 50 points) - EHS is regarded as a matter that only concerns the EHS organization. Focus is placed only on the management of legal or system certification requirements





ENERGY MANAGEMENT AND CLIMATE CHANGE RESPONSE

Fully aware of the seriousness of climate change, Doosan Infracore has devised a range of countermeasures and implemented them companywide. Due to the characteristics of the company's processes, its consumption of indirect energy sources is much higher than that of direct energy sources. Nevertheless, the company has measured the GHG emissions of each worksite in Korea and received external independent assurance of its efforts since 2004. It has also established GHG emission measurement systems for its plants in China and Bobcat Company in the USA.

Responsible Response Strategies to Climate Change

All the company's worksites in Korea have estimated its mid- to long-term GHG emissions and worked out a road-map for GHG emissions reduction in preparation for implementation of the emissions trading scheme, which is due to start in 2015 as part of its strategic response to climate change in the medium and long-term. In 2014, for the plants in the USA, Bobcat Company set up a CO<sub>2</sub> emissions monitoring system related to the quantity of consumption of natural gas, electricity, water and energy at the worksites. The company also manages its energy consumption, tons of coal equivalent (TCE) and CO<sub>2</sub> emissions in China. Doosan Infracore plans to continue conducting the diagnoses and analyses required to manage and reduce the GHG emissions of its major subsidiaries in China throughout the year. The Chinese subsidiaries will continue to expand the scope of management of their GHG emissions to include indirect emission sources (Scope 3) such as those generated by employee commuting and business trips.

Management of GHG Emissions

In Korea, Doosan Infracore's GHG emissions are managed according to the Rules on GHG and Energy Management. Energy consumption, including electricity and LNG, is measured by gauges at each plant and production line. The results are converted and analyzed automatically and sent to the GHG Monitoring System in the company's integrated EHS IT system. Owing to the characteristics of its assembly processes, indirect emissions from electricity purchases account for about 74% of its total GHG emissions, followed by those from LNG consumed for heating and painting, and those from diesel and gasoline used for product trials and vehicles. Through aggressive GHG emission reduction measures, Doosan Infracore only emitted approximately 80% of the quantity allocated by the government in 2014.

Enhancement of Energy Efficiency

Each of the company's worksites across the world sets its own energy conservation goal, identifies the necessary conservation activities, and implements them. The Global R&D Center that opened its doors in 2014 has already received the highest rating in the government's energy efficiency evaluation and the excellence class in the government's Green Certification procedures. The Incheon Plant replaced some of its metal halide lamps with high-efficiency electrode-free lamps, saving 1,750,212 kWh in electricity or KRW 206 million in energy bills per year while saving 832,625 kWh in electricity or KRW 98 million in energy bills per year by introducing new air compressors. In China, Doosan Infracore finished the replacement of low-efficiency facilities in 2013. It is now seeking to obtain certification for its clean production system. The relevant certification proves that a manufacturer is equipped with a system that reduces the emission of pollutants and produces merchandise in eco-friendly ways throughout its entire production processes, including its procurement of raw materials through suppliers. In the USA, application for LEED Certification was made in 2014 for the Acceleration Center with the certificate expected to be issued by the end of 2015. This certification proves a building has met all eco-friendly requirements in all relevant processes from design to operation. Prerequisites for application for the certification include environmental-friendliness in the design, the use of soil, water, energy and materials, and interior work. The Wahpeton and Fargo sites have replaced their lamps with high-efficiency LED lights. Meanwhile, the Gwinner plant is set to complete its lamp replacement in 2015, an initiative expected to save more than \$400,000 in electricity. To reduce its energy consumption during transport between worksites, the company streamlined the transport route between the Gwinner and Bismarck plants and reduced 800 miles in daily truck travel distance. It plans to replace 12 transport diesel trucks with CNG vehicles in the first half of 2015, which is expected to cut diesel fuel consumption by 400,000 gallons per year and reduce NOx emissions by 80%.

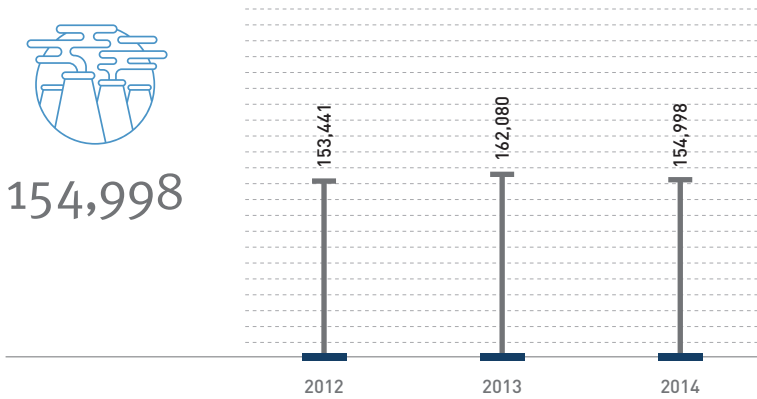


Think Green,  
Make Green  
42p



Environmental  
Performance  
13p

GHG emissions from worksites in Korea (tCO<sub>2</sub>eq)



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ENHANCEMENT OF THE EFFICIENCY OF RESOURCE UTILIZATION AND MANAGEMENT OF ENVIRONMENTAL RISK

Doosan Infracore is looking for ways to use limited resources more efficiently for the next generation. It strives to minimize the impact of its business activities on the environment and on the local communities in which it conducts its operations in particular through strict and constant management of environmental pollutants. To that end, it introduces various eco-friendly resource utilization methods while reducing its total volume of pollutants through efforts to cut emissions. Doosan Infracore manages its emission of pollutants more strictly than required by law in all relevant areas. The company's performance in emissions and resource utilization can be checked in its CSR Performance Tables.

Enhancement of the Efficiency of Resource Utilization

**Water reuse:** The Incheon Plant established a wastewater recycling system designed to reuse the effluent discharged from its wastewater treatment facility in its production processes in 2014. The wastewater reuse system is an eco-friendly resource utilization method that enables wastewater to be used as cleaning or cooling water through the installation of a UF & R/O facility\* and recycled water storage tanks. The system can even produce ultrapure water. The plant now recycles about 80% of the wastewater it used to discharge after treatment into its production processes among other uses, thereby reducing its water consumption significantly. It now pays KRW 101 million less in water bills per year. In China, the EHS department undertakes actions to improve its practices in the areas of wastewater treatment, pollutant emission control, energy conservation and water conservation. It has shared its diverse experiences with other companies through energy conservation fairs.

\* UF & R/O (Ultrafiltration & Reverse Osmosis): an integrated platform for water treatment that even separates electronic ions through water treatment technology based on microfiltration membrane systems.

**Enhancement of Recycling Rates:** For more efficient utilization of limited resources, Doosan Infracore spares no efforts to thoroughly check production facilities and maintain them in the best conditions possible and maximize conservation of resources. In Korea, the company has reduced operating costs through improvements in workspace setups and facility operations as well as the recycling of idle air-conditioners, among others. In 2014, the waste recycling ratio rose to 93%. In the USA, the Gwinner plant recycled a total of 285.76 tons (630,002 lbs.) of cardboard and 2.61 tons (5,757 lbs.) of office paper during the year through recycling campaigns. Doosan Infracore will continue to step up its recycling ratio in 2015 through the use of compressors and shredders. By the end of 2015, the company plans to reduce its waste landfill ratio by 50%.

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Management of Environmental Pollutants

**Management of odors and air pollutants:** In Korea, Doosan Infracore has enhanced its environmental management starting from its initial production processes by making continuous investments in eco-friendly facilities. Doosan Infracore has introduced odor reduction technologies being used in advanced overseas industrial plants in Germany and Japan, while improving the efficiency of its odor treatment through reduction technologies customized to the characteristics of its manufacturing processes.

**Management of hazardous chemicals and oils:** To prevent the leakage of hazardous chemicals and oil, the Incheon plant installed two additional emergency floodgate valves at its final rainwater outlet in 2014. The electronically controlled valves are designed to prevent any leakage of hazardous chemicals or oils from polluting the nearby coastline. If leakage occurs at the plant, the valves are electronically shut tight by a constantly monitoring system, thus significantly reducing the risk of an environmental disaster. All worksites in China continue to improve their practices with respect to the treatment of hazardous chemicals and offer regular education on the subject to employees and suppliers.

**Soil management:** In 2013, the Incheon plant completed the first phase of its soil remediation project, which spanned the three years between 2011 and 2013 with KRW 6 billion. Since 2014, the Incheon plant has commenced the second phase soil remediation project with a total budget of KRW 38.9 billion.

Environmental Risk Management for Local Communities

Doosan Infracore is enhancing its efforts to minimize the environmental impact of its worksite operations on local communities and making ongoing environmental improvements to create a clean living environment in and around its worksites. Considering itself a part of the communities in which it operates, the company takes preemptive actions to eliminate the causes of complaints, including foul odors, and, in partnership with environmental agencies, regularly offers SMEs technical support for their environmental management. By combining such efforts with the company's continuous exchanges with stakeholders in local communities, Doosan Infracore's worksites in Korea reduced the number of civil complaints about environmental issues by 58% compared to 2013.

PREVENTION AND MANAGEMENT OF  
EMPLOYEES' SAFETY AND HEALTH RISKS

Based on its mid- to long-term business strategy, Doosan Infracore strives to stabilize its voluntary safety culture and expand its scope of healthcare support to the families of its employees. The company also works hard for win-win situations with suppliers through the development of symbiotic relationships with them in the areas of safety and health.

Creation of a Safe and Pleasant Work Environment

**Establishment of comprehensive EHS reward system:** Doosan Infracore has implemented an EHS reward system to expand the company's safety promotion by motivating employees to get involved in EHS activities. In 2014, the company held a companywide EHS Safety Day. Employees shared their safety-themed user created content (UCC), their actions to prevent fatal accidents, and their visual safety education programs. The company rewarded employees who made exceptional contributions to these efforts.

**Safety culture stabilization and worksite hazard management:** In 2014, Doosan Infracore launched the EHS 3-3-3 Basic Rules Compliance Campaign to prevent accidents from occurring through compliance with basic safety rules. Through hazard identification activities, a total of 159 business units of Doosan Infracore obtained certification for their autonomous control and management of various safety hazards. The company reduced the number of occupational accidents recording a 25% reduction over the previous year. Every month, the company holds a meeting of the Musculo-skeletal Disorder Improvement Working Council consisting of labor union officials, worksite managers and employees in charge of EHS and production to discuss physical load risks and identify ways of making improvements. The company also arranges for medical professionals to visit its worksites regularly to improve employee health and boost morale.

INCHEON PLANT AWARDED SAFETY ZONE-CERTIFICATION®

In December 2014, the Incheon plant obtained the Safety Zone Certification, the only certificate in Korea in the field of disaster prevention, which is awarded by Safety Zone-CERTI® and supervised by the National Emergency Management Agency (NEMA). The certificate is awarded to organizations that pass the agency's evaluation of 238 items under six categories, including building design, construction and fire safety. The Incheon plant was recognized for its efforts to increase investment in its safety facilities and remove health and safety hazards from a variety of areas at the worksite. The plant was highly regarded for its efforts to motivate employees to participate in the employee-initiated safety management system and to prevent occupational accidents at the worksite. As the first of Doosan's manufacturing companies to obtain the certificate, Doosan Infracore is now seeking to obtain the certification for its Changwon and Gunsan plants as part of its safety and disaster prevention initiatives for all worksites in Korea.

EHS 3-3-3 Basic Rules	
Safety	<div>1. Wear designated personal protective equipment within work sites.</div> <div>2. Engage in machinery and facility maintenance after operation has stopped.</div> <div>3. Do not release safety measures arbitrarily.</div>
Environment	<div>1. Separate your trash according to rules before disposing of it.</div> <div>2. Never dispose of environmentally hazardous materials like chemicals and waste oil arbitrarily.</div> <div>3. Emit pollutants only when prevention facilities are in operation</div>
Firefighting	<div>1. Never smoke on the premises.*</div> <div>2. Obtain permission before engaging in any work that may generate flames.</div> <div>3. Do not leave things in front of firefighting facilities.</div> <div>* Smoking is prohibited on Doosan premises as of Jan. 1, 2015.</div>

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**Enhancement of Employee Health Management**  
**Enhanced management of employee safety, health and healthcare:** In Korea, Doosan Infracore designated all of its worksites in the country as smoke-free places as of January 1, 2015. It has provided CPR education to more than 16,000 people, including employees and their family members. It has installed 12 automated external defibrillators (AED) at worksites across the country. Furthermore, it has had all employees vaccinated against hepatitis A and also pays the cost of seasonable influenza vaccines for its employees and their family members.

Doosan Infracore contracted with International SOS, a leading global medical and travel security services company, in 2012, and has since provided comprehensive overseas safety management services to Doosan employees based or traveling overseas. All Doosan people across the world are entitled to medical services, emergency relief from war, natural disaster or accident, and information on travel security from the company in foreign countries where they are stationed or traveling.

In addition, the company pays for employees to undergo mandatory vaccination for six designated diseases, including yellow fever, cholera, malaria, typhoid, hepatitis A and tetanus, when they go on business trips to countries where there is a high risk of epidemics.

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**Operation of stress management programs:** To promote employees' mental health, Doosan Infracore implements job stress management programs, including the special management of high-risk groups of employees. In Korea, the company enhanced the mental healthcare program it began to offer on a regular basis in 2007, and launched DooHug, its in-house psychological counseling center, in 2014. During the same year, the company also ran the Healing Program, a small-scale stress management program, for those teams exhibiting a higher level of stress as a result of its job stress surveys. The in-house counseling center recorded an average operation rate of 76% throughout 2014. The company's stress management program received 4.3-4.5 on a scale of 0 to 5 from the employees who actually used the program. To encourage more employees to use DooHug in 2015, the company plans to launch mobile publicity, introduce a trial run of the counseling service, and share employee writings about the service. It is also preparing to launch customized stress management education based on the results of an analysis of the services conducted in 2014.

In China, the company manages employee stress through the EAP (Employees Assistance Program). In addition, the company is planning to expand the counseling service beginning in 2015 to include not just Korean employees stationed in China, but also their accompanying family members to help them relieve stress caused by rapid changes in their work and life environments.



Psychological Counseling Center designed to offer employees an in-house psychological counseling program DooHug



MUTUAL GROWTH WITH OUR SUPPLIERS



Suppliers' Day 2014

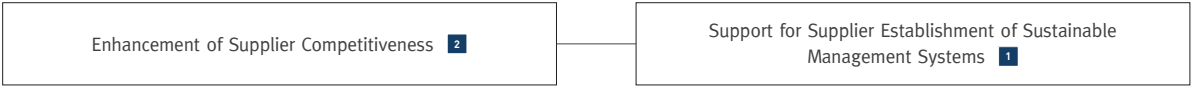
RISK AND CHALLENGE

As a company grows and its management environment becomes increasingly complex, the competitiveness of its network becomes as important as its growth. When it views its multiple suppliers in business relations simply from the standpoint of business profits, not only does its social relationship suffer, but also innovations in its products and services become harder to achieve. Conversely, if it accepts suppliers as sustainable growth partners and joins forces with them to boost their respective social values, the company not only achieves growth for itself and its suppliers, but contributes to the growth of the industry as well.

OUR APPROACH

Under the belief that shared growth with suppliers is the ultimate source of its competitiveness, Doosan Infracore strives to build a virtuous circle partnership with all of them by enhancing their competency through systematic collaboration in technology, quality assurance and management practices. In addition, the company strives to build a culture of horizontal cooperation with suppliers while helping them to implement sustainable management practices, and, to that end, helps them diagnose and evaluate the status of their sustainable management efforts and supports their efficient adoption and expansion of their own sustainable management systems.

PERFORMANCE CHART



issue	2014 target	2014 performance	achieve	2015 plan
1 Enhanced Supplier CSR	Reflection of Bobcat Company supplier CSR in evaluation	Upgraded evaluation items	●	Develop supplier network CSR guidelines Improve supplier CSR evaluation system
2 Shared Growth with Suppliers	Enhancement of suppliers' product competitiveness - Localized development of parts (12 cases) - Joint development of new machine models (30 cases)	Support for technical development (85 cases) - Localized development of parts (8 cases) - Joint development of new machine models (46 cases)	● ● ●	Enhancement of suppliers' product competitiveness - Localized development of parts (12 suppliers, 14 cases) - Joint development of new machine models (26 suppliers, 38 cases)

FUTURE DIRECTION

Formation of win-win partnerships through the establishment of horizontal business relationships.

Strengthening of suppliers' competitiveness through diverse forms of technical and financial support.

Expansion of the foundation for sustainable growth by helping suppliers implement sustainable management.

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OUR FOCUS

ENHANCEMENT OF SUPPLIER CSR ACTIVITIES



Enhancement of Supplier Network CSR Management System: The number of global enterprises expanding their CSR obligations to their value chain is on the rise. Furthermore, the international community expects global corporations to take their suppliers' CSR obligations as seriously as their own. Therefore, the management of its supplier network CSR activities has emerged as a material issue that affects not only the prestige of Doosan Infracore, but also its competitiveness as a business entity. Doosan Infracore has thus selected the enhancement of its supplier network CSR management system as one of its major improvement tasks, expecting the enhancement to help with its business outcomes and more importantly fulfill all that is expected of the company by its stakeholders and society in general.

2015 TARGET

Develop supplier network CSR guidelines

Improve the supplier CSR evaluation system

ENHANCING SUPPLIER COMPETITIVENESS

Doosan Infracore helps its suppliers to lay secure foundations for sustainable management and tap into future-oriented markets. In recognition of the company's contributions to helping its suppliers make practical improvements, Doosan Infracore was ranked the highest in the 2013 Evaluation of the Implementation of the Fair Trade and Shared Growth Agreement, and was designated as an exemplary company in its transactions with suppliers. In 2014, the company was rated excellent by the Korea Commission for Corporate Partnership in the shared growth index evaluation, and was also selected as an excellent company in benefit sharing, an achievement which also earned it the Presidential Award.

Creation of a Shared Growth Culture

Exclusive organization and performance reflection: Doosan Infracore has established a virtuous circle type of partnership with suppliers under the leadership of its Shared Growth Team, which reports directly to the CEO. In Korea and China, the company reflects the shared growth performance of the relevant executives in their MBO (Management By Objectives) performance appraisal. It also considers suppliers' shared growth performance when planning purchases from them for the following year to motivate their participation.

Establishment of a horizontal transaction culture: To establish a fair trade and horizontal transaction culture within the organization, Doosan Infracore set guidelines and disclosed them on the company website. The guidelines are based on the Standard Subcontract for the Machinery Industry published by the Korea Fair Trade Commission. All procedures related to the selection of suppliers and executed contracts with them are made in a fair and transparent way through the ERP system. The company holds monthly meetings of the Internal Review Council, which reviews the company's execution of its contracts, its suppliers, and the pricing decision processes involved. Doosan Infracore violated none of the laws related to fair trade and the execution of subcontracts in 2014.

Operation of the internal reporting system: To enhance its capacity to implement and practice ethical management with its suppliers, Doosan Infracore posts information on unfair transactions involving its employees or suppliers on the company website. It has also established an internal reporting system, including the Cyber Report Center. Most notably, Doosan Infracore runs the Unfair Transaction Activity Report Center and the Supplier Hotline (both online and via an exclusive telephone line) for reports on or inquiries about irregularities committed by its employees or suppliers. In 2014, all of the reported cases were acted on and the necessary improvements were made.

PRESIDENTIAL AWARD FOR EXCELLENCE IN THE BENEFIT SHARING

The benefit sharing system refers to an agreement between mid- to large-sized businesses and their suppliers to engage in joint efforts to reduce costs and distribute the results thereof according to a prior agreement. It is a representative implementation model that is essential to the creation of a cooperation-based corporate ecology. In 2014, Doosan Infracore was selected as a representative benefit-sharing company in the category of management system improvements and was recognized as an excellent benefit-sharing business with the Presidential Award. Specifically, the company was recognized for its achievement in establishing an online system that enabled the standardization of its benefit sharing processes. Through the company's benefit sharing system, Doosan Infracore's suppliers can make suggestions about quality improvements or design changes among other matters online freely. When suggestions are reflected in its products, the benefits are shared evenly between Doosan and the supplier concerned. As of 2014, Doosan Infracore promoted a total of 40 benefit sharing projects. To encourage suppliers to become involved in the system, the company offers associated educational programs and incentive packages. In addition, it spreads success stories through the Dissipation Council and the Study Group. By improving its suppliers' ability to share their benefits, Doosan Infracore also helps its suppliers expand the application of its benefit sharing scheme to second- and third-tier suppliers.

Enhancement of Communication with Suppliers

**Operation of communication channels:** Doosan Infracore gathers supplier opinions through regular Shared Growth Council meetings. The CEO and the heads of its Business Areas visit the company's suppliers on a regular basis to listen to their voices and find solutions to their problems. In Korea, the company has also instituted Suppliers' Day to share its annual business plan with suppliers, and the outstanding shared growth experiences of its most successful suppliers with other suppliers. It also awards suppliers that have recorded outstanding achievements in business performance by pursuing innovative measures. It has also set up various other communication channels with them, including pledge ceremonies, meetings, workshops, and the Supplier Quality Council. In China, the company holds biannual meetings between its executives and supplier representatives to share the purpose of shared growth and refresh their commitment to the cause.

**Surveys on supplier satisfaction:** Doosan Infracore conducts annual surveys on supplier satisfaction to evaluate the efficiency of supplier support measures and identify future directions for improvement. In Korea, the survey measures supplier satisfaction with the company's support for shared growth, its fair trade practices, its culture of horizontal transactions, and the degree of their understanding of the company's shared growth policies. Out of the maximum score of 5, the survey results showed scores of 4.21 in 2014, indicating suppliers are highly satisfied with the company's practices. In China, Doosan Infracore conducts an annual survey of suppliers and shares the results with the relevant supplier departments and personnel. Feedback is delivered to the company via systematic arrangements.

Support for Enhancement of Suppliers' Product Competitiveness

**Support for technical development and quality improvements:** In Korea and China, Doosan Infracore is moving forward with parts quality innovation activities for its major suppliers whose production processes have produced defective parts or which have incurred customer complaints. In 2014, the company launched the Parts Quality Innovation 320 Activities program to provide concentrated support to-suppliers twice a year, with the target of making a 20% improvement within three months. In China, Doosan Infracore

began to implement Production Basics Compliance activities designed to evaluate suppliers' basic production capabilities in April 2014, and issued certificates to 30 suppliers that met the company's standards. Doosan Infracore boosts the quality of its parts by enhancing its suppliers' competency: the company supports the 3P6S activities of 13 suppliers, and also runs the Canning Firm Innovation Activities Council with 13 suppliers.

Supplier Competitiveness Enhancement Support Center:

To enhance suppliers' competitiveness and stabilize their management, Doosan Infracore helps them establish a reasonable inventory and delivery management system. An exclusive team of 50 in-house experts and technical engineers continuously visit suppliers for a period of six to 12 months. Specifically, the support team has provided technical support in the areas of welding, material manufacturing, and non-destructive inspection in addition to its support for supplier innovation in the fields of 3P6S, Lean, DTC, Single PPM\*, quality guidance and problem solving, with the aim of improving the suppliers' manufacturing competitiveness. By implementing such a wide range of support measures, Doosan Infracore expects to improve the quality of its suppliers' parts by more than 60% by the end of 2015 compared with 2013.

\* 3P6S: Three 'P's (Proper Items, Proper Quantity, Proper Place) and six 'S's (Safety, Sort, Straighten, Shine, Standardize, Sustain) activities  
\* Lean: Activities designed to minimize inventories and innovate work processes, thus reducing costs and enhancing productivity.  
\* DTC: Design To Cost  
\* Single PPM (Parts per Million): A quality innovation campaign designed to achieve the quality management goal of reducing the ratio of faulty products to under 10 per 1 million products.

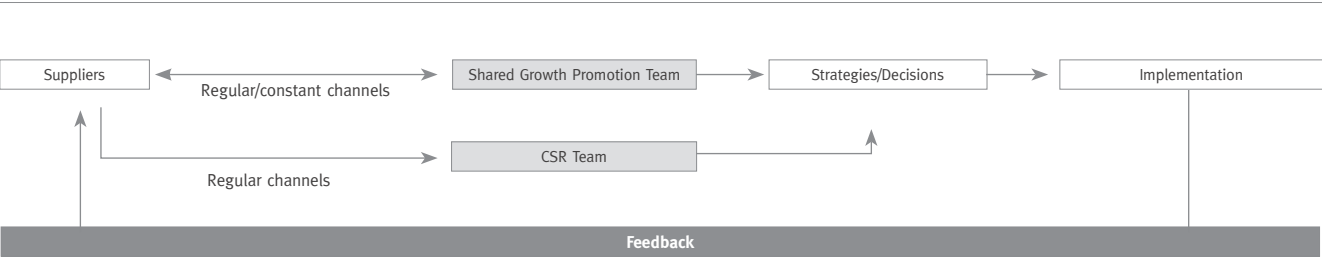
Supplier Communication Activities (Korea)

	2013	2014
Suppliers' Day	161 suppliers in attendance	143 suppliers in attendance
CEO's Supplier Visits	5 times	Twice
Supplier Satisfaction Points (on a five-point scale)	4.20	4.21



Continuous Quality  
Innovation  
65p

The Process to Collect Supplier Opinions and Reflect Them in Management Activities (Korea)



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**DSEP Operation:** DSEP (Doosan Supplier Excellence Program) refers to Doosan Infracore's unique customized supplier cultivation system. The company has set a goal of cultivating 44 suppliers into leading suppliers by 2018 through the application of the DSEP. In 2014, it selected six suppliers as beneficiaries of the program. Doosan Infracore applies the DSEP to the suppliers' vulnerable areas as a result of its diagnosis of the firms' current standing in key areas such as manufacturing technologies, plant operations and quality assurance. It plans to dispatch internal experts in the relevant fields to suppliers so they can improve their competency continuously. In China, Doosan Infracore is implementing the DSEP for three local suppliers, and has selected 30 outstanding suppliers to which it will provide support.

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**Financial support:** In Korea, Doosan Infracore provides four types of financial support to suppliers: direct support, indirect support, mixed support, and special support. In particular, under the mixed support program, the company raises and operates a special fund for shared growth to support suppliers at low interest rates. In 2014, the company expanded the size of the fund to KRW 103 billion, with KRW 58 billion loaned out. To further stabilize supplier operations, the company offered them KRW 5.65 billion in facility investment funds. It is also diversifying the sources of its financial support for suppliers by making network loans and family corporate loans available to them, and by investing in the Machinery Industry Shared Growth Promotion Foundation. In Korea, Doosan Infracore increased its cash payment percentage to 43.7% to enable suppliers to secure financial liquidity.

Support for an interest-free installment payment scheme for machine tools:

To enhance the quality competitiveness of its suppliers and reduce the initial burden on their machine tool improvement costs, Doosan Infracore offers them an interest-free installment payment benefit of up to 24 months to facilitate their purchase of machine tools. In 2014, the company provided KRW 10.2 billion in no-interest payment loans on machine tools to 56 suppliers. It is estimated that the suppliers will save a total of KRW 455 million in interest payments each year (based on an annual interest rate of 4.45%) from the arrangement.

2014 Supplier Financial Support (Korea)

Direct Support	Facility investment funds	KRW 5.65 bil. for nine suppliers
Mixed Support	Shared growth special funds	KRW 103 bil. raised KRW 58 bil. loaned
Special Support	Machinery Industry Shared Growth Promotion Foundation	KRW 400 mil.
	Industrial Innovation Campaign 3.0	KRW 300 mil.

EXEMPLARY COMPANY PRIZE IN SHARED GROWTH CATEGORY OF SHANGHAI CSR AWARDS



In 2014, Doosan Infracore's Chinese subsidiary received the Inaugural Shanghai Exemplary CSR Company Grand Prize from the Consulate General of Korea in Shanghai, China, in recognition of its efforts to promote shared growth with its local suppliers in the country. The Shanghai Exemplary CSR Company Grand Prize was launched by the Consulate General of Korea to motivate Korean companies operating in China to fulfill their social responsibilities. Doosan Infracore was awarded the inaugural grand prize for its efforts to develop the competency of its suppliers' employees through SD (Supplier Development) Academy and vocational schools. The company audits continuous endeavors to improve communication with suppliers through regular meetings and collection of VOS (Voice of Suppliers).



SUPPORT FOR SUPPLIER ESTABLISHMENT OF SUSTAINABLE MANAGEMENT SYSTEMS

Doosan Infracore supports suppliers to implement corporate values, such as ethical management, fair trade, human rights and environmental protection, efforts suppliers recognize as necessary but cannot act on easily because of their size and/or their lack of the relevant infrastructure. Doosan Infracore is expanding the scope of its support for the establishment of sustainable management systems by its suppliers to include second- and third-tier suppliers. It plans to continue sharing its core values with them and motivate them to secure the ability to operate the system on their own as early as possible.

Evaluation of Supplier Sustainable Management

At all worksites in Korea and China, Doosan Infracore reflects supplier candidates' performance in employee training, labor management, environmental management and regulatory compliance in its evaluation of the candidates prior to supplier registration. In North America, Bobcat Company includes performance in the fields of human rights and child labor in the evaluation of its suppliers. Doosan Infracore has continued to expand the scope of its supplier evaluations. It ultimately conducted a comprehensive ranking evaluation, including an evaluation of sustainable management, of 99% of its contracts with suppliers in terms of the amount of transactions made in Korea in 2014. In China, Doosan Infracore carries out a comprehensive ranking evaluation of its suppliers once a year. In the USA, Bobcat Company carried out surveys on CSR activities among its suppliers in the second half of 2014. It is considering a CSR education program for its suppliers on the basis of the survey results in 2015.

Spread of Ethical Management

To establish a fair trade culture among suppliers, Doosan Infracore supports their adoption of CP and compliance with the Subcontracting Act. In 2014, seven additional suppliers declared their adoption of CP. Doosan Infracore also encourages its primary suppliers to sign the shared growth agreement with the company's secondary suppliers, thus promoting fair trade and shared growth. In addition, Doosan Infracore requests all suppliers to sign the ethical supplier management pledge upon initial registration. It also offers its suppliers CP education to reduce its own subcontracting risks and promote a fair trade culture companywide.

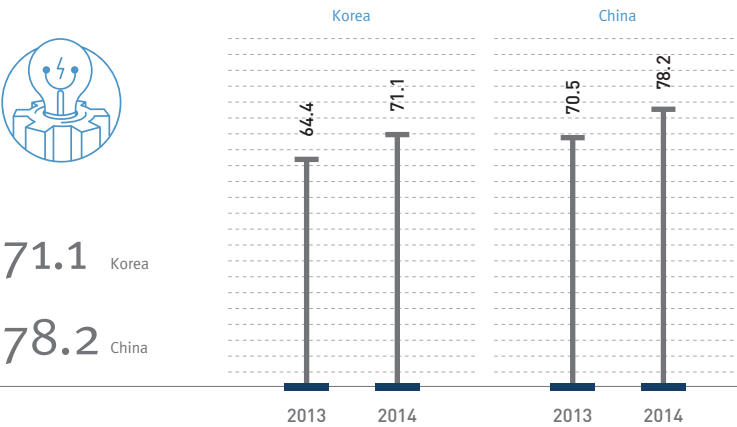
Protection of Supplier Worksites and Employees

Doosan Infracore has led the way in promoting the protection of the human rights of its suppliers' workers and improvements in their working conditions through the establishment of the Working Condition Protection Guidelines for In-house Subcontractor Workers. Moreover, the company offers its supplier workers customized healthcare consulting and management programs.

Doosan Infracore is also implementing diverse support systems to ensure the safety of its suppliers' worksite operations. In Korea, it has joined with its suppliers to participate in the Safety and Healthcare Win-Win Cooperation Program promoted by the Ministry of Employment and Labor since 2012. Company representatives paid a visit to a total of 51 suppliers in 2014 through its win-win cooperative program, conducted evaluations in the areas of environmental protection, safety, and firefighting, and offered relevant education and training. The company assisted 12 suppliers in their acquisition of certification by a public agency as an excellent worksite in risk assessment. For suppliers operating in Korea, Doosan Infracore regularly publishes newsletters containing information on worksite safety. The Incheon and Gunsan plants in Korea were awarded the highest class (class A) by the Ministry of Employment and Labor for their engagement programs in 2014. The Incheon plant has won the recognition for three straight years since 2012. In China, the company taps into its EHS checklist to diagnose and manage supplier safety and healthcare status on a monthly basis. In 2014, it selected four major suppliers and conducted an in-depth diagnosis of their performance in environmental protection, healthcare, and safety, and is monitoring the progress of recommended improvements.

Percentage of Excellent Suppliers in General Ranking Evaluation (%)

	2013 RESULTS	2014 RESULTS	2015 TARGET
Korea	64.4	71.1	10%+ improvement over 2014
China	70.5	78.2	



SUPPORTING DEVELOPMENT OF LOCAL COMMUNITIES



Doosan Day of Community Service

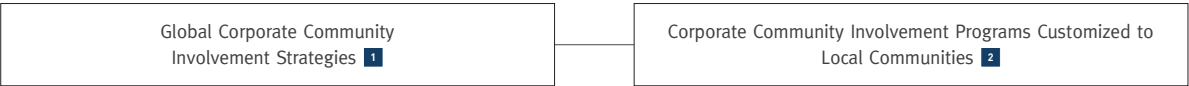
RISK AND CHALLENGE

Corporate community involvement (CCI) is an area of activity that can reveal a company's CSR efforts in the most universal way. However, when CCI activities are launched as a one-off event in clear pursuit of commercial benefits or in an insincere fashion, such efforts can have a toxic effect on a company's sustainable growth. Therefore, to achieve continuous development in the area of CCI, the company seeks to expand its CCI opportunities inside and outside its premises while focusing on activities that are helpful to local communities.

OUR APPROACH

Doosan Infracore has established global strategies for CCI in line with the principles that Doosan Group applies to its promotion of CCI. As such, it engages in CCI activities customized to the needs of local communities under the premise of support for local communities' growth, employee engagement, and integrity.

PERFORMANCE CHART



issue	2014 target	2014 performance	achieve	2015 plan
1 Establishment of global CCI strategies	Establishment of CCI guidelines for overseas worksites	Establishment and distribution of global CCI guidelines (North America/China)	●	Expansion of roll-out regions (EMEA, etc.)
2 CCI Programs Customized to Local Communities	Development of fund businesses Provision of two workshops for working level employees	Implementation of corporate community involvement activities according to local needs (Seoul, Incheon, Gunsan)	●	Regional expansion of implementation Enhancement of competency of employees in charge of local involvement

FUTURE DIRECTION

- Construction of a global CCI system by establishing integrated CCI guidelines applicable to overseas worksites.
- Expansion of employees' CCI opportunities by enhancing intra-company communities.
- Implementation of CCI activities that are of practical help to recipients, taking into account the traits of worksites and local communities.
- Development of CCI programs that align to the business and reflect social demands.

GLOBAL CORPORATE  
COMMUNITY INVOLVEMENT (CCI) STRATEGIES

Based on continuous communication with employees and its experience with diverse forms of CCI initiatives, Doosan Infracore has developed a solid consensus within the organization on the promotion of corporate social responsibility as a core value of the Doosan Way. In 2014, the company established a strategic global CCI model and system to apply to all its worksites around the world. In addition to CCI programs being promoted at the corporate level, each worksite and business group of Doosan Infracore has a number of volunteer groups initiated and run by employees. The company's diverse support programs encourage employees to increase their engagement in CCI initiatives.

**Establishment of Global CCI Strategies**  
**Directions of CCI promotion:** For more systematic implementation of its CCI activities, the company has focused its CCI efforts on the following three areas: (1) support for the growth of future generations; (2) promotion of CCI initiatives associated with its lines of business; and (3) support for the growth of local communities. Each worksite also promotes its own CCI initiatives customized to their local communities.

**CCI education and awards for employee CCI participation:** The company's training courses for new recruits, including career employees, include mandatory CCI education programs covering the direction of Doosan's CCI initiatives, Doosan's major CCI activities, and guidance on how to engage in and build consensus on the necessity of CSR activities. In addition, Doosan Infracore has built a CCI information system within its work portal and runs an award system, including the companywide CCI Award under the CSR Award. In the USA, Bobcat Company is developing a CCI performance management system and an award system for employees who achieve an outstanding record in CCI activities.

**Salary donation and voluntary clubs:** Approximately 90% of employees in Korea participate in one or both of two campaigns - Donate small change from your salary and open a donation account - to raise company CCI funds. Also, workers at each worksite around the country have organized voluntary groups and demonstrated a commitment to their neighbors. At each worksite, Doosan Infracore employees and supplier employers regularly join forces to engage in volunteer services. The company provides an annual average of KRW 1 million to each volunteer group to help them perform social services on a continuous basis.

CCI PROGRAMS CUSTOMIZED TO  
LOCAL COMMUNITIES

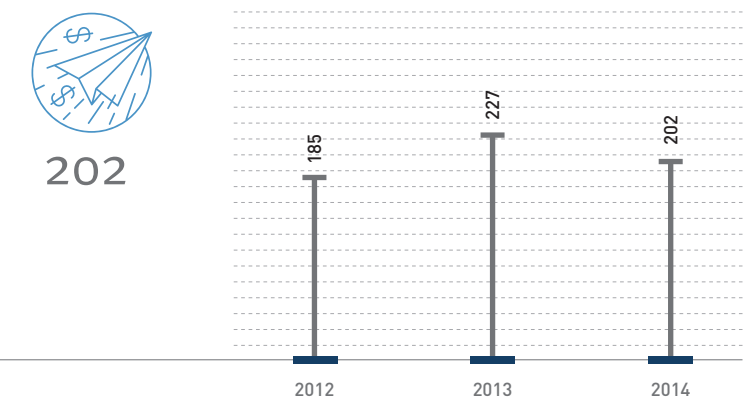
Doosan Infracore believes a business must be a responsible member of the local communities in which it operates and that the communities must be able to grow together with the business. Doosan Infracore is promoting CCI programs customized to its local communities on the basis of its universal CCI strategies while seeking to implement CCI activities that will support the growth of future generations and use the company's capabilities.

**Enhancement of Each Business Group's CCI Executive Ability**  
To build a culture of mutual prosperity with local communities, Doosan Infracore is promoting a diverse set of CCI activities suited to the characteristics of the neighborhoods surrounding the worksites. Also, the company holds working level workshops with relevant authorities, including its partner agencies and local welfare centers, more than twice a year to identify and implement CCI programs required by local communities. Through continuous communication and collaboration with relevant worksites, divisions at the corporate headquarters and government agencies, the company continues to enhance its implementation ability. The company promotes CCI for each worksite with the resources of the Employee Fund and deposits in the Community Chest to bring practical improvements to local communities through employees' active engagement. When selecting beneficiaries, Doosan Infracore asks related public agencies, including welfare offices based in local communities, for recommendations in an effort to boost transparency and efficiency in the process, with the focus placed on enhancing local communities' competence.

2014 Employee Participation in CCI Fund Raising

Description	No. of employees	Participation ratio
Participants in CCI fund raising	4,807	86%

Amount of Employee CCI Contribution (excludes employer's matching contributions) Unit: KRW 1mil.



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The Seoul Office is focused on providing mid- to long-term support for low-income housing in the Dongdaemun Gate area. It is also proceeding with improvements in living conditions, including replacing conventional wallpaper with insulated paper, as well as programs designed to improve residents' welfare with a budget of around KRW 90 million for three years starting in 2014. At the Incheon plant, employees and their family members have joined forces to improve the company's corporate image in the area by painting murals on old walls and cleaning up neighborhoods. The plant aims to earn the recognition of local residents as a responsible local corporate citizen that gives back through various activities reflecting their particular welfare needs. At the Gunsan plant, employees support regional childcare centers by donating their talents so children there can experience learn about culture, as the industrial area lacks cultural facilities for children. Employees are happy to have the chance to share their talents with children. In 2014, technical employees of the plant checked the safety of the childcare centers and carried out necessary repair work. They also opened a safety camp for children to help them prevent accidents. They donated heating and cooling systems to the childcare centers, too. At the Changwon Plant, all employees participated in a blood donation campaign. In partnership with the regional resident center, they also volunteered to serve free lunch to people in need in its community on the last Friday of each month. Starting in 2015, the plant plans to sign a support agreement for eight local childcare centers and offer them assistance with both commodities and volunteer services. DICC in China took part in an environmental protection event called "I Love Yantai" in April 2014. Hosted by the Korean Chamber of Commerce in Yantai, the campaign was designed to increase exchanges between Chinese citizens and Korean expatriates in the city through various activities.

**Support for the Next Generation**  
Doosan Infracore's support for the next generation is aimed at helping children build a brighter, more hopeful tomorrow by offering them opportunities to study, experience diverse cultural programs, and chart their future with confidence.

**Dream School and Dream School Plus:** The Dream School is a project designed to help young people find their dreams by developing positive perspectives of their future and their chosen occupation. The Dream School is run for first and second graders at middle schools who are recommended by 11 agencies in four regions (Seoul, Incheon, Changwon and Gunsan) in Korea. Doosan Infracore employees volunteer

Participants in Dream School

Term	Period	No. of Mentees		No. of Mentees
		Dream School	Follow-up Program	
1	2012.1~2013.1	120	-	87
2	2013.1~2014.1	122	104	122
3	2014.1~2015.1	104	145	81
Total		346	249	290

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to serve as mentors and work as advisors and emotional supporters of the young for one year. Since 2012, a total of 346 students and 290 Doosan Infracore employees participated in various activities, including professional mentoring programs, dream camps, occupational experiences and interviews, and school visitations. In the process, students discover specific goals in life.

A study on the results of Dream School 2014 showed both the students and their mentors achieved positive progress. Doosan Infracore is planning to run Dream School Plus for the 2012-2014 graduates of Dream School. According to the current plan, Dream School Plus will consist of two classes: Dream +1 for 80 middle school students, and Dream +2 for 40 high school students. The mentors will focus on helping students find the right career paths while engaging in activities designed for their personal growth. Based on their own self-development plans, the students will engage in diverse community activities under the guidance of professional youth coaches. In addition, the Dream Camp will be held on an annual basis. Three variations of the Support System Enhancement Program, including education on patrons, will also be held. Furthermore, the Dream EXPO is scheduled for the end of 2015, during which presentations summing up the annual activities will be made.

**Doosan Hope Elementary Schools in China:** Under the slogan of "We will build a beautiful China together," Doosan Infracore China Corporation (DICC) is carrying out Project Hope, which consists of building elementary schools in less developed areas of China. Since 2001, the company has donated some 10.25 million RMB (about KRW 1.79 billion) to impoverished areas, and built 34 Hope Elementary Schools, bringing hope to children in need all around the country. Since 2007, DICC has run the Doosan Hope Travel Summer Camp every summer and implemented the honorary school principal system. The summer camp, which enables students to enjoy cultural experiences while having fun, is participated in by teachers and students of Doosan Hope Elementary Schools around the country. Under the honorary school principal system, Doosan Infracore dealers are appointed as honorary school principals who deal with customers. Doosan Infracore donates 1,000 RMB for each piece of equipment sold by the principals at various events, including the Technical Exchange Fair.



Support through the Company's Work Capabilities

Doosan Infracore also makes the best use of its business resources for its CCI activities, including its expertise in mechanical engineering and its lineup of heavy equipment and machine tools. The company plans to promote its CCI with a goal of helping its CCI service recipients stand on their own through its products and training centers.

**Support for construction equipment operation courses:** To help youth who are qualified to leave child welfare institutions become financially independent, Doosan Infracore plans to offer education on the operation of construction equipment and help them obtain licenses through its Construction Equipment Education Center in Ansan, Korea. In preparation for the education, the company launched a three-month trial education course on the operation of construction equipment, including excavators and forklifts, in 2014. Starting in 2015, the company plans to run the education program as one of its regular annual CCI activities. Through the official course, the company will help trainees obtain construction equipment operation licenses for excavators and forklifts, and provide those who complete the course with a bankbook for their congratulatory money and training allowance as a way to celebrate their first steps toward becoming adult members of society.

**Junior Technical School:** A talent donation-based CCI activity, the Junior Technical School, which consists largely of company researchers specializing in natural sciences and engineering, supports elementary school students in making hands-on kits together and learning about scientific principles. Launched in 2008, the group conducted its 2014 program for child patients at Seoul National University Bundang Hospital and its program for elementary school students in the Changyong social welfare facility near the Incheon plant.

**Equipment and model donation:** Doosan Infracore donates its in-house test engines and models made in the process of product development to local communities as educational materials. In 2014, the company donated a mock-up SMX, the company's next-generation multitasking machine tool, to the Changwon Science Center to enable young students to observe the principles and structure of a machine tool firsthand. The 1:5 scale mock-up was built at the product development stage to exactly the same specifications as the full-size SMX tool.



Mural painting participated by employees and their family (Incheon)  
Dream School, a program designed to help youth realize their dreams  
Repair service for public childcare centers in communities in the form of talent donation (Gunsan)

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DOOSAN DAY OF COMMUNITY SERVICE



In June 2014, Doosan Infracore launched Global Volunteer Week, during which its employees around the world engaged in CCI activities together. It also expanded the implementation of Dream Community Day from Korea to North America and China. On October 24, 2014, the company further developed the event into the Doosan Day of Community Service, on which all worksites around the world engaged in CCI activities to create opportunities for Doosan and local communities to become one through win-win cooperation.



During the Global Volunteer Week held in the first half of the year, employees in Korea took part in CCI activities under the theme Nest of Love. They visited welfare facilities in the neighborhoods of the company worksites, delivered gifts, and helped clean. In the USA, employees from various locations such as Fargo, Suwanee and Gwinner cleaned up zoos and parks and repaired local residents' homes on the Doosan Day of Caring. Employees in China engaged in environmental beautification activities, including the cleaning up of streams and eco parks around their worksites. Meanwhile, employees in the Beijing branch office cleaned nearby apartment complexes, delivered rice and other daily necessities, taught Korean songs to children, and made accessories with people with disabilities living in the complexes. The proceeds raised from the sale of accessories were donated to a welfare organization specializing in caring for the disabled.



On the Doosan Day of Community Service launched in the second half of 2014, more than 10,000 employees of Doosan Group around the world engaged in CCI activities in their respective local communities. At Doosan Infracore, 5,264 employees from 26 worksites in nine countries took part in volunteer services in 138 locations. Employees of the Seoul office donated their lunch tickets to buy and deliver daily necessities to the residents of low-income housing in Changsin-dong near Doosan Tower. At the Changwon plant, employees engaged in the cleanup of Namsancheon Stream and its surroundings designated as the company's responsibility under the One Company One Stream cleanup campaign. In addition, employees at the Incheon, Gunsan and Changwon plants and Seoul office made kimchi (a traditional fermented side dish made of vegetables with a variety of seasonings) and delivered kimchi they prepared themselves to local communities.



In the USA, meanwhile, a variety of activities involving food took place. Employees at the Bismarck office prepared lunch boxes to deliver to the underprivileged and cleaned up nearby highway sections. Employees at the Fargo office donated food. Doosan Infracore in Europe also participated in the event in earnest by donating food to the Food Bank in various regions. Employees in Ireland cleaned up a local stream. DISA employees in Brazil participated in a blood donation campaign, and also visited an orphanage to improve the facility through painting and cleaning work. In China, DISD employees formed groups and engaged in the cleanup of the Muping River, offered farmers a helping hand, and served in a nursing home. Overall, participants in the Doosan Day of Community Service said they felt proud of having rendered invaluable service to their communities, and became much closer to both their colleagues at work and residents of the communities. Doosan Group and all its subsidiaries are planning to hold Doosan Days of Community Service twice a year with the aim of helping local communities and achieving harmony in those communities.



1. Bobcat North America – Delivery of food through local welfare facilities
2. Bobcat Gwinner, the USA – Repair and maintenance for local welfare facilities
3. Bobcat Bismarck, the USA – Highway cleanup service
4. Czech Bobcat Dobris – Raising funds to purchase wheelchairs
5. Incheon, Korea – Making kimchi
6. DISC & DICG, China – Services at nursing homes

APPENDIX

91p. Consolidated Financial Statements    95p. CSR Facts & Figures    99p. Independent Auditors' Report  
100p. Report on the Assessment of Internal Accounting Control System (IACS)  
101p. Independent Assurance Report    103p. Global Network

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2014 and 2013

(Unit: KRW)

Description	FY2014	FY2013
ASSETS		
CURRENT ASSETS:	4,019,500,373,301	3,706,205,672,474
Cash and cash equivalents	362,952,767,457	287,837,894,710
Short-term financial instruments	536,439,120,645	476,689,896,477
Short-term investment securities	7,440,999,728	10,615,626
Trade and other receivables, less allowance for doubtful accounts	1,238,907,952,584	1,332,548,957,307
Derivative assets	12,104,816,893	42,058,214,557
Inventories	1,705,076,985,802	1,489,497,127,395
Assets held for sale	0	440,866,076
Other current assets	156,577,730,192	77,122,100,326
NON-CURRENT ASSETS:	7,937,927,053,907	7,775,287,867,964
Long-term financial instruments	2,011,500,000	2,011,500,000
Long-term investment securities	87,816,767,174	9,187,861,752
Long-term trade and other receivables, less allowance for doubtful accounts	10,600,551,073	3,509,019,686
Non-current derivative assets	100,821,253	1,776,066,413
Property, plant and equipment, net	2,282,571,856,345	2,256,581,320,986
Intangible assets, net	4,632,573,417,301	4,739,850,232,360
Investment property, net	27,374,497,403	28,306,350,354
Investments in joint ventures and associates	121,446,546,400	154,127,200,055
Deferred income tax assets	660,480,812,191	463,420,422,875
Other non-current assets	112,950,284,767	116,517,893,483
TOTAL ASSETS	11,957,427,427,208	11,481,493,540,438
LIABILITIES		
CURRENT LIABILITIES:	3,294,509,951,392	2,753,667,942,752
Trade and other payables	1,218,877,369,478	1,119,257,063,688
Short-term borrowings	1,153,808,869,334	730,370,021,070
Current portion of bonds	69,931,995,390	426,872,492,128
Current portion of long-term borrowings	393,318,014,512	84,927,848,154
Income taxes payable	29,233,399,624	33,732,288,923
Derivative liabilities	20,280,675,491	1,111,137,066
Provisions	176,710,494,285	148,532,912,250
Other current liabilities	232,349,133,278	208,864,179,473
NON-CURRENT LIABILITIES :	5,374,629,216,635	5,178,805,345,405
Other non-current payables	14,203,961,914	20,695,021,176
Bonds	1,899,812,149,246	1,764,755,744,200
Long-term borrowings	2,568,608,228,983	2,637,741,509,672
Retirement benefit obligation	617,054,600,475	564,414,857,221
Non-current derivative liabilities	477,494,787	0
Deferred income tax liabilities	6,150,128,883	8,002,730,726
Non-current provisions	3,354,817,136	5,549,688,773
Other non-current liabilities	264,967,835,211	177,645,793,637
Total Liabilities	8,669,139,168,027	7,932,473,288,157
EQUITY		
Equity attributable to owners of the parent	2,799,138,578,792	2,986,855,517,363
Capital stock	1,037,276,570,000	1,037,276,570,000
Capital surplus	240,200,109,681	237,381,189,581
Capital securities	508,259,603,649	508,259,603,649
Other equity items	(31,315,390,978)	(26,387,480,016)
Accumulated other comprehensive loss	(251,078,990,355)	(83,127,632,799)
Retained earnings	1,295,796,676,795	1,313,453,266,948
Non-controlling interests	489,149,680,389	562,164,734,918
Total Equity	3,288,288,259,181	3,549,020,252,281
TOTAL LIABILITIES AND EQUITY	11,957,427,427,208	11,481,493,540,438



CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, 2014 and 2013 (Unit: KRW)

Description	FY2014	FY2013
SALES	7,688,557,930,487	7,736,830,293,865
COST OF SALES	5,975,985,523,020	6,089,337,802,977
GROSS PROFIT	1,712,572,407,467	1,647,492,490,888
Selling and administrative expenses	1,259,577,970,223	1,277,992,100,880
OPERATING INCOME(LOSS)	452,994,437,244	369,500,390,008
Finance income	150,956,006,505	173,794,728,373
Finance expense	580,078,979,842	532,454,814,457
Other non-operating income	41,492,170,772	28,786,137,744
Other non-operating expense	105,834,151,522	69,556,686,922
Share of profit(loss) of joint ventures and associates	(34,746,279,417)	(8,014,965,285)
Gain(loss) on disposal of investment in joint ventures and associates	0	0
Impairment loss of investment in associates	0	(19,018,488,883)
Income(expense) from continuing operations before income tax expense	(75,216,796,260)	(56,963,699,422)
INCOME TAX BENEFIT(EXPENSE)	(99,189,007,741)	43,986,238,851
Income(loss) from continuing operations	23,972,211,481	(100,949,938,273)
Income(loss) from discontinued operations	0	0
NET INCOME(LOSS)	23,972,211,481	(100,949,938,273)
Attributable to: Owners of the parent	41,965,483,233	(101,756,286,055)
Non-controlling interests	(17,993,271,752)	806,347,782
EARNINGS(LOSS) PER SHARE		
Basic earnings(loss) per share from continuing operations	202	(596)
Diluted earnings(loss) per share from continuing operations	202	(596)
Basic earnings(loss) per share	202	(596)
Diluted earnings(loss) per share	202	(596)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2014 and 2013 (Unit: KRW)

Description	FY2014	FY2013
NET INCOME(LOSS)	23,972,211,481	(100,949,938,273)
Items not reclassified subsequently to profit or loss	(48,930,588,527)	308,303,135,286
Re-measurements of net defined benefit liabilities	(48,738,698,530)	142,313,920,280
Revaluation of property, plant and equipment	(191,889,997)	165,989,215,006
Items reclassified subsequently to profit or loss	(204,653,329,462)	(69,441,653,532)
Gain(loss) on valuation of available-for-sale financial assets	(891,617,273)	(23,922,052)
Increase(decrease) in equity of associates	390,346,555	(720,654,126)
Gain(loss) on translation of foreign operations	(161,995,289,277)	(48,571,548,795)
Gain(loss) on valuation of cash flow hedge derivatives	(42,156,769,467)	(20,125,528,559)
TOTAL COMPREHENSIVE INCOME(LOSS)	(229,611,706,508)	137,911,543,481
Owners of the parent	(168,389,447,709)	122,039,587,370
Non-controlling interests	(61,222,258,799)	15,871,956,111

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2014 and 2013 (Unit: KRW)

Description	Capital stock	Capital surplus	Capital securities	Other equity items	Accumulated other comprehensive income(loss)	Retained earnings (deficit)	Non-controlling interests	Total
Balance at January 1, 2013	843,290,170,000	14,254,797,512	508,259,603,649	(30,403,879,853)	(177,960,866,635)	1,299,786,309,414	551,573,179,966	3,008,799,314,053
Cumulative effects of change in accounting policy	-	-	-	-	-	-	-	-
Balance at January 1, 2013, after adjustment	843,290,170,000	14,254,797,512	508,259,603,649	(30,403,879,853)	(177,960,866,635)	1,299,786,309,414	551,573,179,966	3,008,799,314,053
CHANGES IN EQUITY								
Net income(loss)	-	-	-	-	-	(101,756,286,055)	806,347,782	(100,949,938,273)
Remeasurements of net defined benefit liabilities	-	-	-	-	-	128,656,116,582	13,657,803,698	142,313,920,280
Revaluation and disposal of property, plant and equipment	-	-	-	-	164,526,295,394	306,523,007	1,156,396,605	165,989,215,006
Gain(loss) on valuation of available-for-sale financial assets	-	-	-	-	(23,922,052)	-	-	(23,922,052)
Increase(decrease) in equity of associates	-	-	-	-	(720,654,126)	-	-	(720,654,126)
Gain(loss) on translation of foreign operations	-	-	-	-	(48,822,956,821)	-	251,408,026	(48,571,548,795)
Gain(loss) on valuation of derivatives	-	-	-	-	(20,125,528,559)	-	-	(20,125,528,559)
Capital increase	193,986,400,000	219,628,416,169	-	-	-	-	-	413,614,816,169
Extinguishment of share options	-	3,497,975,900	-	(3,497,975,900)	-	-	-	-
Share-based payment	-	-	-	2,233,974,578	-	-	-	2,233,974,578
Issuance of capital securities	-	-	-	-	-	-	-	-
Conversion of convertible preferred stock	-	-	-	-	-	-	-	-
Capital increase with consideration in subsidiaries	-	-	-	(2,448,078,041)	-	-	2,448,078,041	-
Partial disposal of investment in subsidiary	-	-	-	-	-	-	-	-
Business transfer amongst consolidated entities	-	-	-	7,728,479,200	-	-	(7,728,479,200)	-
Net effect of changes in accounting policy	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	(13,539,396,000)	-	(13,539,396,000)
Others	-	-	-	-	-	-	-	-
Balance at December 31, 2013	1,037,276,570,000	237,381,189,581	508,259,603,649	(26,387,480,016)	(83,127,632,799)	1,313,453,266,948	562,164,734,918	3,549,020,252,281
Balance at January 1, 2014	1,037,276,570,000	237,381,189,581	508,259,603,649	(26,387,480,016)	(83,127,632,799)	1,313,453,266,948	562,164,734,918	3,549,020,252,281
Cumulative effects of change in accounting policy	-	-	-	-	-	-	-	-
Balance at January 1, 2014, after adjustment	1,037,276,570,000	237,381,189,581	508,259,603,649	(26,387,480,016)	(83,127,632,799)	1,313,453,266,948	562,164,734,918	3,549,020,252,281
CHANGES IN EQUITY								
Net income (loss)	-	-	-	-	-	41,965,483,233	(17,993,271,752)	23,972,211,481
Remeasurements of net defined benefit liabilities	-	-	-	-	-	(42,403,573,386)	(6,335,125,144)	(48,738,698,530)
Revaluation and disposal of property, plant and equipment	-	-	-	-	(86,389,693)	-	(105,500,304)	(191,889,997)
Gain(loss) on valuation of available-for-sale	-	-	-	-	(891,617,273)	-	-	(891,617,273)
Increase(decrease) in equity of associates	-	-	-	-	390,346,555	-	-	390,346,555
Gain(loss) on translation of foreign operations	-	-	-	-	(125,206,927,678)	-	(36,788,361,599)	(161,995,289,277)
Gain(loss) on valuation of derivatives	-	-	-	-	(42,156,769,467)	-	-	(42,156,769,467)
Capital transactions with shareholders	-	-	-	-	-	-	-	-
Extinguishment of share options	-	2,818,920,100	-	(2,818,920,100)	-	-	-	-
Share-based payment	-	-	-	2,061,052,408	-	-	-	2,061,052,408
Issuance of capital securities	-	-	-	-	-	-	-	-
Conversion of convertible preferred stock	-	-	-	-	-	-	-	-
Capital increase with consideration in subsidiaries	-	-	-	(154,722,560)	-	-	154,722,560	-
Partial disposal of investment in subsidiary	-	-	-	-	-	-	-	-
Capital securities dividends	-	-	-	-	-	(17,218,500,000)	-	(17,218,500,000)
Consideration in subsidiaries dividends	-	-	-	-	-	-	(11,199,500,000)	(11,199,500,000)
Additional acquisition of investment in subsidiaries	-	-	-	(4,015,320,710)	-	-	(748,018,290)	(4,763,339,000)
Others	-	-	-	-	-	-	-	-
Balance at December 31, 2013	1,037,276,570,000	240,200,109,681	508,259,603,649	(31,315,390,978)	(251,078,990,355)	1,295,796,676,795	489,149,680,389	3,288,288,259,181

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2014 and 2013 (Unit: KRW)

Description	FY2014	FY2013
CASH FLOWS FROM OPERATING ACTIVITIES	231,295,747,377	481,934,725,495
Cash generated from operations	555,151,322,498	760,438,890,834
Net income (loss)	23,972,211,481	(100,949,938,273)
Adjustments	631,606,364,813	737,408,867,508
Changes in operating assets and liabilities	(100,427,253,796)	123,979,961,599
Interest received	19,973,052,924	21,276,076,828
Interest paid	(287,634,670,235)	(285,422,726,836)
Dividends received	358,725,586	1,027,636,796
Income tax paid	(56,552,683,396)	(15,385,152,127)
CASH FLOWS FROM INVESTING ACTIVITIES	(428,522,453,573)	(595,347,429,015)
Cash inflows from investing activities	11,351,584,591	26,729,701,200
Disposal of long-term financial instruments	328,177,201	173,836,508
Decrease in loans	0	23,940,469,187
Disposal of property, plant and equipment	7,744,237,289	2,615,395,505
Disposal of intangible assets	1,792,441,522	0
Disposal of investment properties	1,486,728,579	0
Cash outflows for investing activities	(439,874,038,164)	(622,077,130,215)
Increase in short-term financial assets	52,165,520,823	254,395,216,473
Acquisition of investment in joint ventures and associates	0	35,000,000,000
Increase in long-term financial instruments	0	0
Acquisition of long-term investment securities	86,515,394,647	24,258,582
Increase in loans	2,871,717,946	0
Acquisition of property, plant and equipment	214,804,217,376	239,329,631,970
Acquisition of intangible assets	83,517,187,372	93,328,023,190
CASH FLOWS FROM FINANCING ACTIVITIES	281,366,726,641	(80,201,261,384)
Cash inflows from financing activities	2,745,612,014,169	1,391,885,962,919
Increase of borrowings	2,526,270,552,169	357,841,063,250
Issuance of bonds	219,341,462,000	620,430,083,500
Capital increase	0	413,614,816,169
Exercise of share option	0	0
Issuance of capital securities	0	0
Cash outflows for financing activities	(2,464,245,287,528)	(1,472,087,224,303)
Repayment of borrowings	1,969,400,189,912	974,225,224,303
Repayment of bonds	461,663,758,616	480,000,000,000
Dividends	17,218,500,000	17,862,000,000
Consideration in subsidiaries dividends	11,199,500,000	
Additional acquisition of investment in subsidiaries	4,763,339,000	
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	(9,025,147,698)	18,957,567,185
Net increase(decrease) in cash and cash equivalents	75,114,872,747	(174,656,397,719)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	287,837,894,710	462,494,292,429
CASH AND CASH EQUIVALENTS, END OF THE YEAR	362,952,767,457	287,837,894,710

CSR FACTS & FIGURES

\* The following data were based on the company HQ in Korea.

category 1	category 2	2012	2013	2014	note
ECONOMIC					
Economic growth:	Consolidated	Sales	8,158,351	7,736,830	7,688,558
business results (KRW million)		Operating income	362,417	369,500	452,994
		Net income	393,343	(100,950)	23,972
	Non-consolidated	Sales	4,243,619	3,827,352	4,196,729
		Operating income	53,691	(19,514)	94,336
		Net income	(121,315)	(120,358)	47,005
Financial soundness:	Consolidated	Total assets	11,544,990	11,481,494	11,957,427
asset status (KRW million)		Total liabilities	8,536,191	7,932,473	8,669,139
		Total equity	3,008,799	3,549,021	3,288,288
	Non-consolidated	Total assets	6,763,982	6,905,923	7,209,203
		Total liabilities	4,620,963	4,331,045	4,643,677
		Total equity	2,143,019	2,574,878	2,565,526
	Credit rating	A	A	A-	Provided by Korea Investors Service
Governance structure (%)	Board Directors participation rate (outside directors)	94	80	85	
Customer satisfaction (No. of breaches)	Customer information security breaches	0	0	0	Based on the company HQ.
Ethical management (%)	Completion ratio of ethics education	99.4	99.3	99.5	Once per year/person
	Ratio of worksites carrying out corrup-tion risk analysis	100	100	100	Number of worksites carrying out corruption risk analysis / Number of total worksites

EMPLOYEES					
Total no. of employees	Total (Korea)	5,764	5,655	5,956	Excluding dispatched employees (E-HR based on December 31, 2014)
(No. of people)	Total (Global)	15,206	14,309	14,167	Korea 5,740 + Overseas 8,778
By job	Office	3,570	3,436	3,605	
(No. of people)	Technical	2,194	2,219	2,351	
By employment type	Non-regular	191	140	341	Contracted jobs <sup>1)</sup>
(No. of people, %)	Ratio of non-regular	3.3	2.5	5.7	Non-regular / Total (Korea)*100
Diversity	Disabled	121	121	118	Based on E-HR; national disabled classification (levels 1~6)
(No. of people)	National merit recipients	145	141	158	Based on E-HR; national merit recipients (merit no. or approved people)
	Elderly	233	278	643	Elderly: 55 and over (based on total-Korea)
	Males	5,289	5,176	5,470	
	Females	475	479	486	
Annual employee turnover rate (%)	Total (Korea)	1.6	1.3	1.9	Monthly employee turnover / monthly total no. of employees*100
Turnover by age (%)	20's	0.6	0.3	0.4	Turnover by age = number of turnover <sup>1)</sup> employees by age /
	30's	0.8	0.7	0.9	monthly average of employeesx100
	40's	0.1	0.2	0.2	
	over 50's	0.0	0.1	0.2	
Average annual training hours per person (hours)	Office	175	154	179	The 2013 data calculated offline only.
	Technical	31	31	42	The new data include online figures, too.
Average training expenses per person (KRW 1,000)	Office	5,127	2,490	3,049	The 2012~2013 training expenses revised on the basis of ERP-based comanywide education and training expenses
	Technical	289	221	298	
No. of employees on parental leave	Males	158	171	197	Employees who started their paternity leave in 2014
(No. of people)	Females	24	38	37	Employees who started their maternity leave in 2014
Return to work rate following maternity leave (%)	Females	100	100	100	Maternity leave ending in 2014
Employees on childcare leave	Females	8	30	35	Employes who started their childcare leave in 2014
(No. of people)					
Return to work rate following childcare leave (%)	Females	60	99	97	Number of employees who have left the company right after childcare leaves / Total humber of employees on childcare leaves (2014 )
Union membership rate (%)		82.5	82.2	81.9	Technical employees at production units (1,723 subscribed out of 2,104 employees)
Sexual harassment education (No. of people)		5,466	4,880	5,370	

1) Contracted jobs: Commissioned jobs, commissioned technical jobs, outside directors, advisors, consultants, and externally commissioned jobs)  
2) No. of turnover: Number of employees who have left for employment in other companies or personal reasons (except for retirement or contract termination)



category 1	category 2		2012	2013	2014	note
SOCIETY						
Financial support for suppliers (No. of suppliers, KRW 100 million, %, No. of payments)	No. of financial recipients		128	180	145	
	Financial amount provided (excluding indirect support)		457	1,052	777.5	
	Ratio of cash settlement cases		41.6	41.0	43.7	
	No. of price payments	Three times monthly	Three times monthly	Three times monthly		
Technical development support for suppliers (No. of companies / No. of cases)	No. of technical development cases supported		95	55	59	
	No. of technical protection cases supported		21	22	21	
Education support for suppliers (No. of people)			3,519	3,290	722	
Competitiveness enhancement support for suppliers (Man-Day, No. of people)			3,111	-	-	2013 performance totaling criteria was changed
			-	47	124	
Provision of casting molds to strengthen suppliers' capacity of developing parts (No. of companies, KRW 100 million)			589	592	488	
			235	277	280	
EHS support for suppliers (No. of companies)			76	61	74	
CP adoption support for suppliers (No. of companies)			12	10	7	Suppliers who declared to introduce CP
Employee participation in corporate community involvement activities (No. of people)			4,275	5,322	3,912	
Corporate community involvement investments (KRW 100 million, %)			149	135	119	
			0.35	0.35	0.15	CSR investments/sales
Employee participation in "Salary Fraction Donation" campaign (No. of people, %)	No. of participants		4,895	5,000	4,807	Excluding temporary overseas dispatch, etc.
	Percentage of participants		(89.7)	(88)	(86)	
Annual fund raised by Salary Fraction Donation campaign (KRW 1,000)			182,327	226,573	201,916	
ENVIRONMENTAL						
Environmental investments and operating costs (KRW 100 million)			200	196	102	
ISO 14001 (EMS) certification (No. of workplaces)	Korea		3	3	6	Incheon, Gunsan, Changwon Namsan, Changwon Daewon, Changwon Seongju, Ansan
Energy usage volume (Including direct and indirect usage) (TJ)	Companywide, Korea	Total	2,978	3,121	2,990	
		LNG	382	380	355	
		Power	2,396	2,489	2,397	
		Diesel	179	220	213	
		Others (LPG, kerosene, etc.)	21	32	31	
Fuel usage volume (ton, Basic unit: ton/KRW million)	Incheon	Steel plate	20,131	21,687	14,451	
		Steel plate basic unit	0.005	0.006	0.003	Basic unit calculated based on yearly sales
		Scrap metal	44,500	43,200	39,518	
		Scrap metal basic unit	0.010	0.011	0.009	Basic unit calculated based on yearly sales
		Sand (molding sand)	32,000	34,200	29,080	All molding sand is recycled
		Sand basic unit	0.008	0.009	0.007	
Water usage volume (ton, Basic unit: ton/KRW million)	Companywide, Korea	Water	786,341	865,325	861,707	Previous data revised following the expansion of reporting scope to Incheon, Changwon and Gunsan plants in 2014
		Water basic unit	0.185	0.226	0.205	
Total volume of reused or recycled water (ton, Basic unit: ton/KRW million)	Incheon		800	800	800	
Greenhouse gas emissions (including indirect and direct emissions) (tonCO <sub>2</sub> eq, Basic unit: tonCO <sub>2</sub> eq/KRW million)	Companywide, Korea	Total	153,441	161,626	154,998	
		Scope 1	37,065	40,757	38,594	
		Scope 2	116,376	120,876	116,414	
		Basic unit	0.027	0.032	0.028	
	Incheon	Total	106,373	112,485	106,536	
		Scope 1	22,885	25,338	23,910	
		Scope 2	83,488	87,147	82,626	
		Changwon	Total	19,198	18,892	19,202
	Scope 1		3,352	3,062	3,010	
		Scope 2	15,846	15,828	16,193	

\* Inchoen: 665,930 tons, Changwon: 135,814 tons, Gunsan: 59,963 tons

CSR FACTS & FIGURES

category 1	category 2	category 3	2012	2013	2014	note
ENVIRONMENTAL						
Greenhouse gas emissions (including indirect and direct emissions) (tonCO <sub>2</sub> eq, Basic unit: tonCO <sub>2</sub> eq/KRW million)	Gunsan	Total	16,606	18,701	18,134	Total emissions from other worksites on the basis of the company's 2014 GHG emissions statement (including Ansan, Suji, Seoul, rented office buildings, sales branches, etc.)
		Scope 1	8,320	10,048	9,572	
		Scope 2	8,286	8,652	8,562	
	Others	Total			11,126	
		Scope 1			2,101	
		Scope 2			9,032	
Wastewater volume (ton)	Companywide, Korea	-	114,933	103,461	92,213	Data for 2012 modified
	Incheon	-	95,420	84,630	71,732	
	Changwon	-	11,843	11,108	12,420	
	Gunsan	-	7,670	7,723	8,061	
Water pollutant emissions volume (mg/L)	Incheon	BOD	2.5	6.6	2.9	Legal limit: 120mg/L. Company limit: 48mg/L
		COD	10.2	11.2	13.9	Legal limit: 130mg/L. Company limit: 52mg/L
		Suspended solids	2.0	4.5	1.3	Legal limit: 120mg/L. Company limit: 48mg/L
	Changwon	BOD	-	-	-	Legal limit: 130mg/L. Company limit: 52mg/L
		COD	5.6	5.7	7.0	Legal limit: 130mg/L. Company limit: 52mg/L
		Suspended solids	2	0.5	2.6	Legal limit: 130mg/L. Company limit: 52mg/L
	Gunsan	BOD	90	113	141	Legal limit: 400mg/L, Company limit: 160mg/L
		COD	110	112	132	Legal limit: 400mg/L, Company limit: 160mg/L
		Suspended solids	18	10	8	Legal limit: 200mg/L, Company limit: 80mg/L
	Air pollutants (ppm, Dust: mg/m <sup>3</sup> )	Incheon	NOx	2.5	0.8	3.9
SOx			0	6.6	7.3	Legal limit 400ppm, Company limit 160ppm
VOCs			11.7/26.0	6.4/14.1	15.1/14.2	Legal limit 40/200ppm, Company limit 32/160ppm
		2.6/2.6	4.2/3.5	4.2/3.8	Legal limit 20/50mg/m <sup>3</sup> , Company limit 8/20mg/m <sup>3</sup>	
Changwon		VOCs	25	18	23	Legal limit: 200ppm, Company limit: 160ppm
		(No NOx, SOx)	5	4	5	Legal limit: 50mg/m <sup>3</sup> , Company limit: 20mg/m <sup>3</sup>
Gunsan		NOx	0.14	0.13	0.04	Legal limit: 200ppm, Company limit: 80ppm
		SOx	1.15	1.58	0.20	Legal limit: 400ppm, Company limit: 160ppm
		VOCs	2.73	4.45	4.02	Legal limit: 40ppm, Company limit: 32ppm
			2.43	1.76	2.11	Legal limit: 50mg/m <sup>3</sup> , Company limit: 20mg/m <sup>3</sup>
Ozone depleting substances	Incheon	CFC, HCFC, CH Br, R-22	-	-	-	No ozone depleting susbtances
	Changwon	CFC, HCFC, CH Br, R-22	-	-	-	
	Gunsan	CFC, HCFC, CH Br, R-22	-	-	-	
Waste emissions and recycling rate (ton, Recycling rate: %)	Companywide, Korea	Total volume of waste	54,932	52,911	44,661	
		Recycled volume	-	47,452	41,542	
		Recycling rate	-	90%	93%	
	Incheon	General waste	49,872	48,014	39,705	
		Specified waste	2,637	2,801	2,440	
		Recycling rate	88	91	95	
	Changwon	General waste	1,077	753	943	
		Specified waste	496	478	511	
		Recycling rate	56	56	59	
	Gunsan	General waste	669	649	822	
		Specified waste	181	216	239	
	Recycling rate	71	60	61		
Industrial accident rate	Companywide		0.28	0.39	0.40	Based on treatment approvals

INDEPENDENT AUDITORS’ REPORT

English Translation of Independent Auditor’s Report Originally Issued in Korean on March 19, 2015.

To the Shareholders and the Board of Directors of Doosan Infracore Co., Ltd.:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Doosan Infracore Co., Ltd. and subsidiaries (the “Company”), which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, respectively, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in shareholders’ equity and consolidated statements of cash flows, all expressed in Korean Won, for the years ended December 31, 2014 and 2013, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Consolidated Financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean International Financial Reporting Standards (“K-IFRS”) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an audit opinion on these financial statements based on our audits. We conducted our audits in accordance with Korean Standards on Auditing (“KSAs”). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the fi-

nancial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2014, and 2013, respectively, and its financial performance operations and its cash flows for the years then ended in accordance with K-IFRS.

Others

We conducted our audit of consolidated financial statements of the Company as of December 31, 2013 in accordance with the former KSAs, known as auditing standards generally accepted in Korea.

CEO,  
Deloitte Anjin LLC  
Jaesul Lee

March 19, 2015

Deloitte Anjin LLC

This report is effective as of March 19, 2015, the auditor’s report date. Certain subsequent events or circumstances may have occurred between the auditor’s report date and the time the auditor’s report is read. Such events or circumstances could significantly affect the accompanying consolidated financial statements and may result in modification to the auditor’s report.

INDEPENDENT ASSURANCE REPORT

To the management of Doosan Infracore

At request of Doosan Infracore (the “Company”), we have reviewed the information presented in the 2014 integrated report (the “Report”). The management of the Company is responsible for preparing the Report. Our responsibility is to carry out a limited assurance engagement on the Report and to provide opinions on it based on our review.

PROCEDURES PERFORMED

We conducted our engagement in accordance with ISAE 3000<sup>1</sup> and the requirements of a Type 2 assurance engagement as defined by AA1000AS(2008)<sup>2</sup>.

We performed the following procedures to form our conclusion on the Report:

- Reviewed the Company’s stakeholder engagement and materiality assessment process.
- Reviewed media sources addressing CSR issues during the Reporting period that are relevant to the Company.
- Analyzed latest CSR reports published by industry peers.
- Interviewed a selection of people in charge to understand the current status of CSR performance and the Reporting process during the Reporting period.
- Reviewed selected data regarding the Company’s CSR performance, supporting evidence for assertions, and information from corporate-wide systems.
- Reviewed The Company’s process for collecting and consolidating CSR performance data.
- Reviewed whether financial performance data has been extracted properly from the Company’s audited financial statements.

LEVEL OF ASSURANCE

We undertook a limited assurance engagement in accordance with ISAE 3000. The nature, timing and the extent of procedures for gathering sufficient, appropriate evidence are deliberately limited relative to a reasonable assurance engagement. Consequently, the limited assurance of ISAE 3000 is in accordance with the moderate level as defined by AA1000AS(2008).

THE LIMITATIONS OF OUR REVIEW

We excluded GHG (Greenhouse Gas) emissions in our limited assurance engagement. And, we did not review environmental and social performance data prior to 2012. However, we reviewed financial performance data based on the Company’s 2014 audited financial statements.

OUR CONCLUSIONS

The result of our review is outlined below.

INCLUSIVITY

Has the Company engaged with stakeholders across the business to develop and implement its approach to CSR?

- We are not aware of any key stakeholder groups that have been excluded from the stakeholder engagement process outlined in the Report.
- We are not aware of any matters that would lead us to conclude that the Company has not applied the inclusivity principle in developing its approach to CSR.

MATERIALITY

Has the Company provided a balanced representation of material issues concerning its CSR performance?

- We are not aware of any material aspects concerning the Company’s CSR performance which have been excluded from the Report.
- Nothing has come to our attention that causes us to believe that the Company’s management has not applied its processes for determining material issues to be included in the Report.

1 International Standard on Assurance Engagement (Revised) : Assurance Engagements other than Audits or Reviews of Historical Financial Information from International Auditing and Assurance Standards Board  
2 AA1000AS(2008) : The second edition of the AA1000 Assurance Standard from AccountAbility



INDEPENDENT ASSURANCE REPORT

RESPONSIVENESS

Has the Company responded to the stakeholder concerns?

- We are not aware of any matters that would lead us to conclude that the Company has not applied the responsiveness principle in considering the matters to be reported.

COMPLETENESS AND ACCURACY OF PERFORMANCE INFORMATION

How complete and accurate is the economic, social, and environmental performance data in the Report?

- We are not aware of any that have been excluded from the economic, social, and environmental performance data.
- Nothing has come to our attention that causes us to believe that the data relating to the above topics has not been collated properly from the Company's reporting processes.

How plausible are the statements and claims within the Report?

- We are not aware of any misstatements of information or explanation used to support statements and claims on the Company's CSR activities presented in the Report.

OBSERVATIONS AND AREAS FOR IMPROVEMENT

Without prejudice against our conclusions presented above, we believe the following matters require attention in order to improve the Company's CSR reporting.

- The Company's reporting scope is not limited to domestic operations but is gradually expanding towards U.S. and China worksites, where the Company's main overseas operations are located. Therefore, in order to maintain data consistency, the Company must focus on establishing a consistent company-wide standard for calculating and collecting overseas data.
- To become a global leader in CSR, the Company must establish both mid-term and long-term goals for its CSR performances and clearly disclose its progress. Moreover, the Company must report actual performance against the objectives in a consistent manner

so that stakeholders can easily identify annual trend of the Company's performances.

- To better respond to stakeholders in the U.S. and China, the Company must establish and manage locally relevant indicators that may effectively reflect distinctiveness of social context and business environments of the Company's overseas worksites.

INDEPENDENCE

We comply with the Ethical Standard issued by IFAC (International Federation of Accountants).

OUR ASSURANCE TEAM

The assurance engagement was performed by the engagement team with a long history of experience and expertise in CSR area.

JIN-SUG SUH  
REGIONAL MANAGING PARTNER  
EY HAN YOUNG  
SEOUL, KOREA  
JULY 2015

徐珍錫

GLOBAL NETWORK



UN Global Compact - 10 Principles

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and  
Principle 2: Should make sure they are not complicit in human rights abuses

Labor Standards

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.  
Principle 4: The elimination of all forms of forced and compulsory labour;  
Principle 5: The effective abolition of child labour; and  
Principle 6: The elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;  
Principle 8: Undertake initiatives to promote greater environmental responsibility; and  
Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery

Doosan Infracore supports UNGC - Ten Principles.



The 2014 Doosan Infracore Integrated Report uses FSC™ (Forest Stewardship Council®)-certified paper, bearing the logo carried only by products made using timber from environmentally developed and managed forests. The report was printed at a FSC-certified print shop using soy oil ink which drastically reduces the emissions of air pollutants.

Status of Business Locations in Korea

Seoul Office	Doosan Tower, 275 Jangchungdan-ro, Jung-gu, Seoul	82-2-3398-8114
Incheon Plant	489 Injung-ro, Dong-gu, Incheon	82-32-211-1114
Changwon Namsan Plant	40 Jeongdong-ro 162beon-gil, Seongsan-gu, Changwon-si, Gyeongsangnam-do	82-55-280-4114
Changwon Daewon Plant	101 Samdong-ro, Uichang-gu, Changwon-si, Gyeongsangnam-do	82-55-280-4114
Changwon Seongju Plant	19, Changwon-daero 1144beon-gil, Seongsan-gu, Changwon-si, Gyeongsangnam-do	82-55-280-4114
Gunsan Plant	185 Dongjangsan-ro, Gunsan-si, Jeollabuk-do	82-63-447-3043
Ansan Parts Service Center	48 Yongdam-ro, Sangnok-gu, Ansan-si, Gyeonggi-do	82-31-400-2114

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