

**DRIVING  
CSR,  
DRIVING  
SUSTAINABLE  
MOBILITY**

HANKOOK TIRE CSR REPORT 2014/15

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# About This Report

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## Reporting Purpose

Hankook Tire's CSR Report 2014/15 aims to disclose its achievements in fulfilling Corporate Social Responsibility (CSR) in 2014, including its endeavors to create economic, social and environmental value while elaborating on its action plans and commitments for 2015. Furthermore, this report, as a communication channel with wide-ranging stakeholders of Hankook Tire, intends to provide transparent information and gather stakeholder feedback.

## Reporting Guidelines and Principles

This report was prepared based on the GRI G4 Guidelines to abide by global standards and enhance its usability by international readers, as well as satisfying Hankook Tire's internal reporting and disclosure standards. In complying with these reporting guidelines and principles, we ensure the reliability, appropriateness, and completeness of the report content, the transparency and integrity of the reporting process and the originality and uniqueness of the report itself. These principles allow for a better utilization of this report and apply to all our disclosure documents. This is our sixth CSR Report and we plan to publish such reports annually.

## Reporting Period

This report spans the period between January 1<sup>st</sup>, 2014 and December 31<sup>st</sup>, 2014. To offer more reliable information through the time-series comparison of our CSR-related track records, major sections of this report span the period from 2012 to May of 2015. In addition, this report details our 2015 action plans for each key managerial issue to help our stakeholders better understand future improvements to be made against our 2014 achievements.

## Reporting Scope

This report focuses on the accomplishments and plans of Hankook Tire Worldwide (holding company) and Hankook Tire that operates the existing tire business. Concerning Hankook Tire, this report simultaneously covers its Korean business sites at the Head Office in Seoul, plants in Daejeon and Geumsan, and the R&D Center, as well as information and data on its overseas establishments in Hungary, China and Indonesia. We will continue to extend the scope of our reporting to ensure that our endeavors and achievements in undertaking global CSR initiatives at our overseas sites are fully and comprehensively presented in our CSR reports. This report also describes some data on Hankook Tire affiliates.

## Independent Assurance Statement

To ensure the reliability of the report content, this report was assured by the Institute for Industrial Policy Studies ([www.ips.or.kr](http://www.ips.or.kr)), an independent external assurance provider who conducted a Moderate, Type 2 assurance engagement of this report in accordance with the AA1000 standards. The assurance findings are summarized and organized at the end of this report in the Independent Assurance Statement section.

## Target Audience

This report is intended for our key stakeholders (customers, employees, suppliers, local communities, and shareholders & investors) and general stakeholders (civil organizations, students, central and local governments, competitors and media).

## Interactive Reading Guide

This report is presented as an interactive PDF to help readers navigate through easily. Click the black 'Page' icon on the Table of Contents to go to relevant pages, and click the black 'C' icon to return to the Table of Contents. Click the orange icon next to URLs to go to relevant websites.

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 Go directly to relevant pages

 Return to the Table of Contents

 Link to websites

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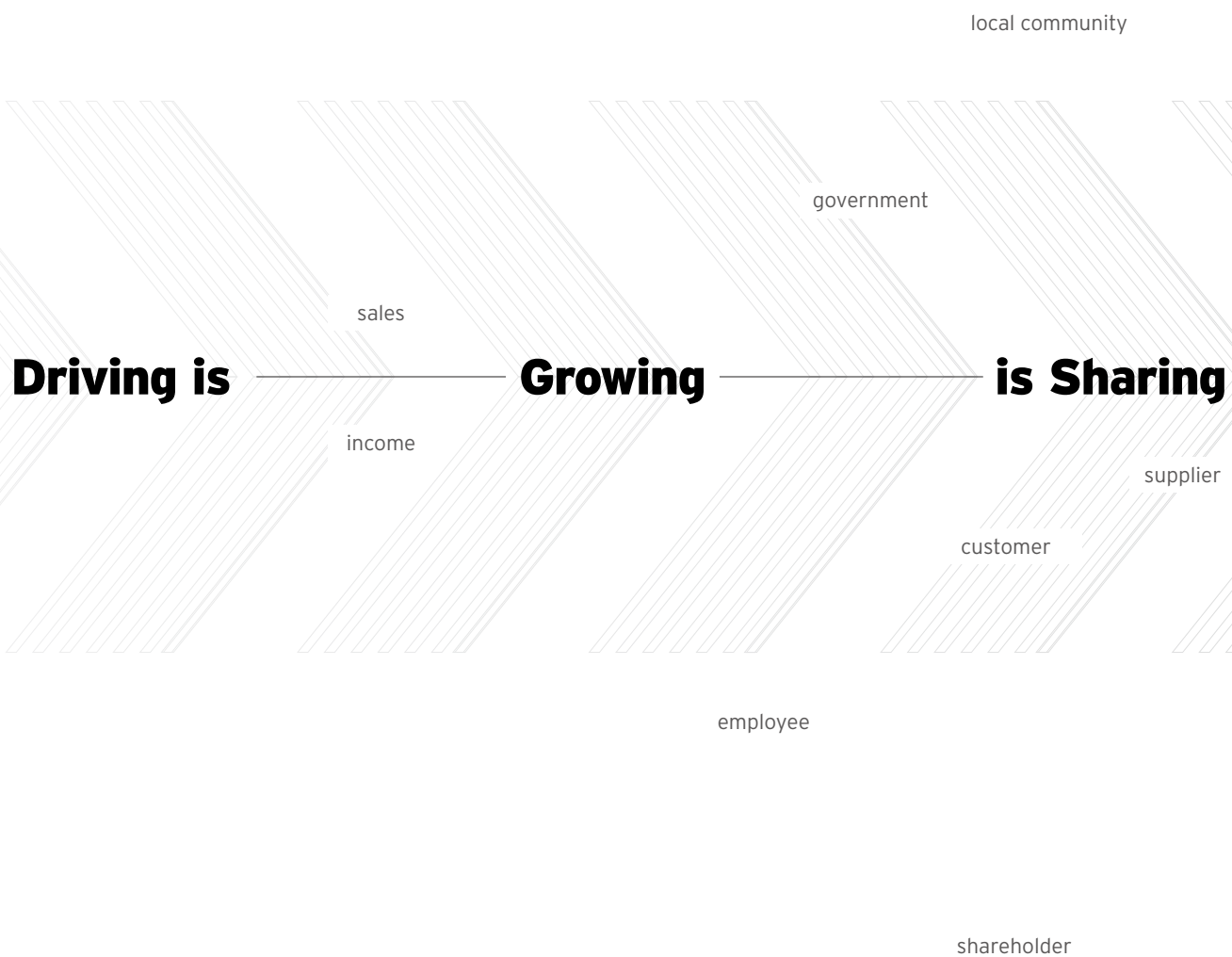
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Hankook Tire walks hand-in-hand with all of its stakeholders in pursuing sustainable growth. Both our willingness to take on challenges and our enthusiasm create an optimal corporate culture that offers broader opportunities for customers to have the best possible driving experience all around the globe. This ceaseless commitment has enhanced our brand value and fueled our growth, both in quality and volume. Today, we stand on a stronger footing and join the ranks of global top tier players.

## DRIVING CSR,





external stakeholder  
satisfaction management

employee health &  
safety management

employee value creation

moving forward 2020

**is Value Creation** — **enables** — **Sustainability**

environmental  
management

transparency &  
business ethics

## DRIVING SUSTAINABLE MOBILITY

We create value through sustainable growth and evenly share this value with all our stakeholders - customers, shareholders & investors, employees, dealers & suppliers, local communities and the environment - through our CSR initiatives. Sharing our economic, social and environmental value pays off as it helps us earn genuine trust and cooperation from our stakeholders. Our endeavors spur new growth, and our sharing brings even richer value. It is through this virtuous cycle that we at Hankook Tire reach our vision of becoming a Leading Global Tire Company that Provides Customers with Value and Pleasure.

Global Growth

Global Sales

6,680.8 billion (KRW)

Operating Profit

1,031.6 billion (KRW)

Y-O-Y Growth in the Sales of  
Ultra High Performance Tires

8.4% ↑

Sharing for Growth

Distributing Value as much as  
Global Sales

6,680.8 billion (KRW)







#### Creation of Employee Value

Creating Jobs  
(No. of new hires)

**4,298** people

Per Capita Annual  
Training Hours

**85** hours

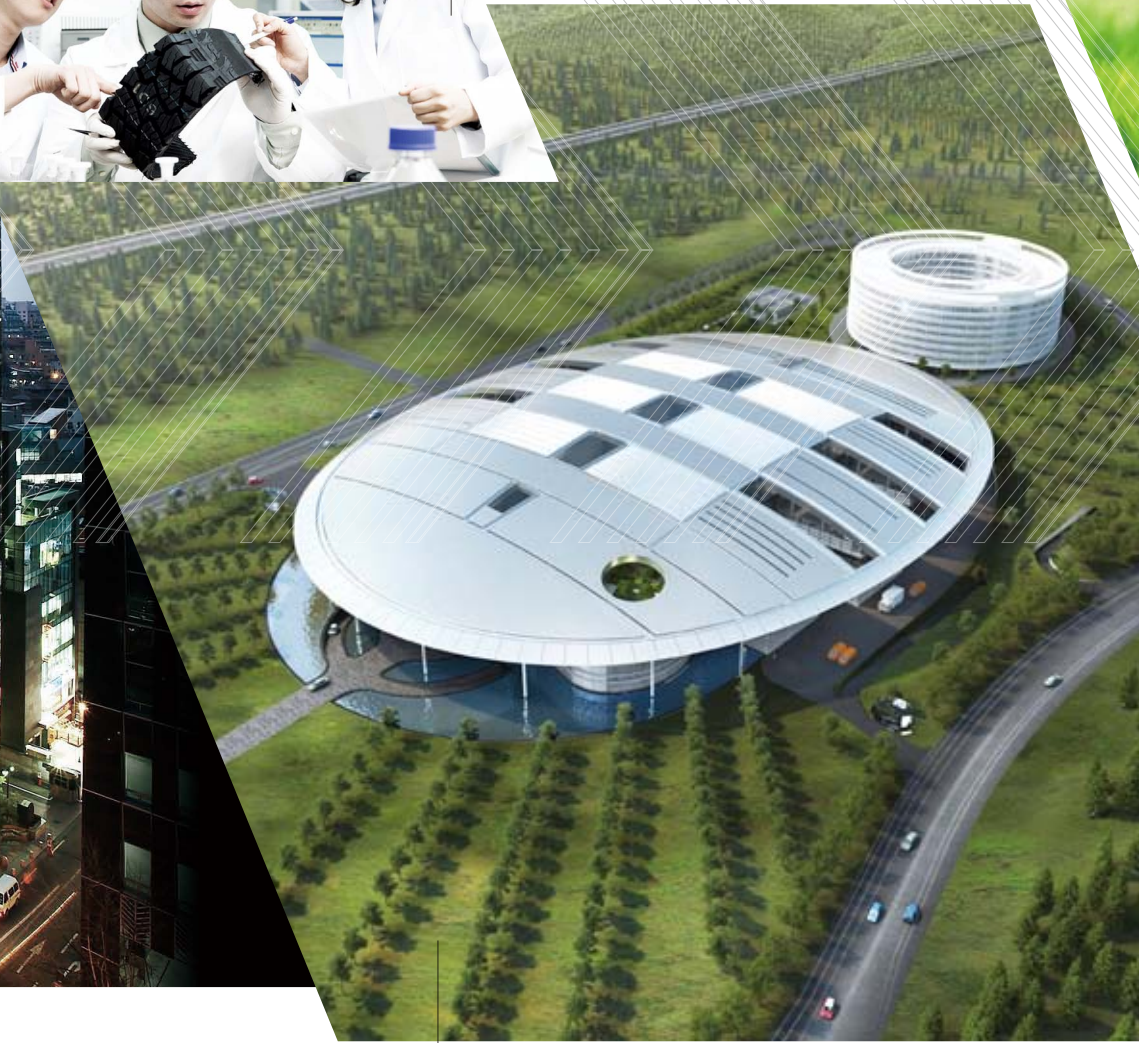
#### Employee Health & Safety

Y-o-Y Decrease in Injury  
and Illness Rates

**21.4 %** ↓

Y-o-Y Decrease in Injury  
Severity Rates

**31.8 %** ↓



#### Transparency & Business Ethics

Expanded Participation in Online  
Business Ethics Training

**7,200** employees (approximately)



Green Management

Ratio of Eco-friendly Products

44.1 %

Reduction in Energy Use

1.18 billion (KRW)

Reduction in GHG Emissions

6,075 tCO<sub>2</sub>-eq

Ratio of Recycling Waste

76.7 %



External Stakeholder Satisfaction Management

Ratio of Purchases Made for Community Development

69.7 %

Employee Volunteer Hours per Person

3.0 hours

No. of Vehicles That Received Highway Safety Checks

2,750 vehicles (approximately)



Future Strategy

Moving Forward

2020



Hankook 나눔재단 **꿈나무** SBS 와 함께하는

Dream With



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## CEO Message

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**Based on the trust and support of all our stakeholders, we vow to become a 'Leading Global Tire Company that Provides Customers with Value and Pleasure' by pursuing balanced growth between the economy, society and the environment.**

### Dear Valued Stakeholders,

First of all, let me express my heartfelt gratitude for your continued praise and support for Hankook Tire in pursuing sustainable growth. In spite of hopeful signs of economic recovery in the U.S. and other major countries, 2014 was an especially challenging year due to the weakened growth momentum in the Euro zone, Japan and China and the sustained economic downturn in Russia and Brazil. In spite of such difficult business conditions, Hankook Tire went on to post KRW 6.6808 trillion in sales and KRW 1.0316 trillion in operating profits. Such an outstanding feat could only be attributed to the deep-rooted trust that we have built over the years with all our stakeholders: shareholders, customers, employees, business partners, local communities, etc.

To help our customers enjoy the best-possible driving experience, we initiated the construction of HANKOOK TECHNODOME that will serve as a research center equipped with cutting-edge facilities and optimized research conditions, in line with our growth strategy to intensively focus on qualitative aspects on the basis of leadership in technology. Our top-notch technology was recognized by gaining OE tire fitments to high-performance sports cars of global premium car makers and by supplying third-generation run-flat tires that are the very epitome of our state-of-the-art technology. Furthermore, we initiated the construction of a Tennessee plant in the U.S. that will become our 8<sup>th</sup> manufacturing base once completed. We also invested in expanding production facilities in Hungary and China, in an aim to scale up our business and broaden our global exposure.

Aside from paving the way to evolve into a global top tier company, we are also continuously committed to the creation of social and environmental value. We keep track of major CSR issues on the basis of our integrated CSR management system, and developed our own CSR operational system in Indonesia and the ASEAN-Indian region in addition to Korea, China and Europe, in order to deploy our global CSR operational system. Such endeavors allowed us to be listed on the 'Dow Jones Sustainability Indices Asia Pacific' which provides a comprehensive view of a company's sustainability, for two years in a row. Furthermore, our capabilities and achievements in responding to climate change also allowed us to join the ranks of the 'Carbon Management Sector Winners in the Consumer Discretionary of CDP (the former Carbon Disclosure Project)'.

This report demonstrates our commitment to sharing accurate information and actively communicating with even more stakeholders. To identify the level of stakeholder interest, we widened the scope of internal/external stakeholders (employees, business partners, customers, investors, etc.) in conducting the materiality analysis, and through the outcomes of this, we have constantly reviewed our mid/long-term strategy. The newly-created section of this report 'Sustainable Value Chain' illustrates the process of value creation to help our stakeholders understand the economic, social and environmental value created through our business conduct as well as the direct/indirect benefits generated when such value is distributed.

Not being content with this present position, we will pioneer new opportunities ceaselessly to do even better, which will eventually guide us to a 'Leading Global Tire Company that Provides Customers with Value and Pleasure'. As a responsible global corporate citizen, we publicly declare our support for the '10 Principles of the UN Global Compact' and the 'UN Guiding Principles on Business and Human Rights', and promise all our stakeholders that we will do our utmost to faithfully fulfill our social responsibility.

We would like to welcome your ever-lasting encouragement in our journey to take up the challenge of pursuing sustainable development on the basis of trust from all our stakeholders.

Thank you.

June 2015  
Vice Chairman & CEO  
**Seung Hwa Suh**





Driving CSR,  
Driving Sustainable Mobility



# Company Profile



## Company Overview

Since its establishment in 1941, Hankook Tire has evolved to become the world's 7<sup>th</sup> largest tire company, exercising its leadership in technology to deliver the best-possible driving experience to customers in 180 countries around the world.

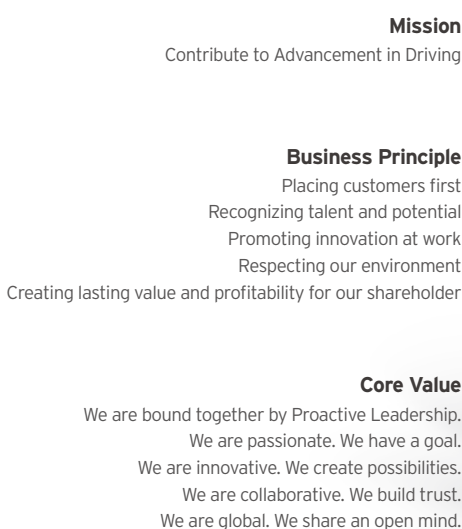
In the challenging year of 2014, we continued to invest in R&D and quality so as to grow into a 'Leading Global Tire Company that Provides Customers with Value and Pleasure'. Based on such a firm commitment, we were able to post KRW 6.6808 trillion in gross sales and KRW 1.0316 trillion in operating income. Furthermore, we faithfully fulfill our responsibility as a corporate citizen to usher in a sustainable society where people can live with harmony and contentment.

<b>Company Name</b>	Hankook Tire Co., Ltd.
<b>Global Sales</b>	KRW 6.6808 trillion
<b>Operating Income</b>	KRW 1.0316 trillion
<b>Operating Margin</b>	15.4%
<b>Total Assets</b>	KRW 8.32 trillion
<b>Total Capital</b>	KRW 4.5164 trillion
<b>Date of Establishment</b>	Sep. 3 <sup>rd</sup> , 2012*
<b>IPO (Initial Public Offering)</b>	Oct. 4 <sup>th</sup> , 2012*
<b>CEO</b>	Seung Hwa Suh
<b>Type of Business</b>	Manufacturing, reproducing, processing and selling automobile tires, tubes and components
<b>Headquarters</b>	133, Teheran-ro, Gangnam-gu, Seoul, Korea (Yeoksam-dong)
<b>Telephone</b>	+82-2-2222-1000

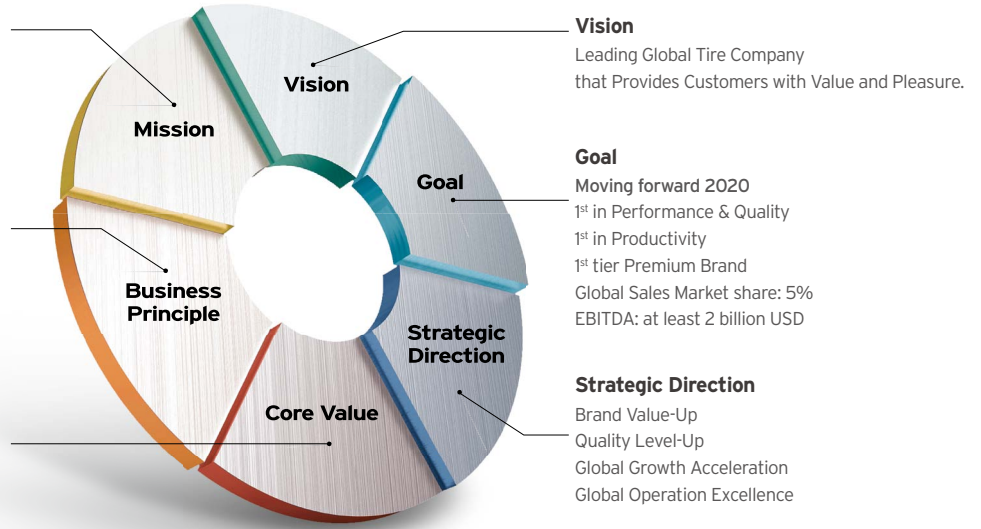
\* Established as a result of the spin-off of the tire operations of the previous Hankook Tire as of September 1<sup>st</sup>, 2012, and was listed in the securities market on October 4<sup>th</sup>, 2012

## Mission & Vision

### Mission Frame



### Vision Frame





## Global Network

We provide value and contentment to our customers with our business portfolio that delivers customer satisfaction through foremost interaction with them. A categorization approach to our global market of 5 regions helps us take a fully localized strategy that pursues balanced growth, both in advanced and emerging automobile markets.

### KOREA

Global HQ / 1 Headquarters /  
2 Plants / 26 Sales Offices /  
Main R&D Center / Academy House

### CHINA

1 Headquarters / 3 Plants /  
17 Sales Offices / China Technical  
Center (CTC)

### MIDDLE EAST & AFRICA / ASIA-PACIFIC

1 Plant / 5 Subsidiaries /  
5 Sales Offices / Japan Technical  
Office (JTO)

### EUROPE

1 Headquarters / 1 Plant /  
12 Subsidiaries / Europe Technical  
Center (ETC)

### AMERICA

1 Headquarters / 3 Subsidiaries /  
3 Sales Offices / 7 Regional Offices  
in the U.S. / America Technical  
Center (ATC)

## Brand & Product

Hankook represents all Hankook Tire brands both in Korea and overseas. We offer wide-ranging sub-category brands to match the segmentation of vehicle models and products that reach out to diverse customers across the globe.

As a trend-setter that always stays ahead of the times, we launched Kinergy (Kinetic + Energy) as our eco-friendly tire brand for the global market, as well as enfren eco, which became Korea's 1<sup>st</sup> to gain Grade 1 in rolling resistance under the tire energy consumption efficiency rating scheme. Such accomplishments demonstrate our continued commitment to developing products that reflect the latest trends.



### ventus

Ultra-high performance  
tires and racing tires

### KINERGY<sup>eco</sup>

Eco-friendly tires for  
the global market

### enfren<sup>eco</sup>

Korea's 1<sup>st</sup>  
eco-friendly tires

### Dynapro

SUV tires

### Smart

Economical tires for  
the domestic market

### vanTRA

VAN tires

### Winter i\*Pike

Winter tires (Stud)

### Winter i\*cept

Winter tires (Studless)

## Laufenn

Laufenn was created in an aim to deliver a practical and economical driving experience to drivers and was designed to meet the needs of consumers who pursue a simple yet sophisticated lifestyle. Laufenn has wide-ranging product brands of S, G, X, and I Fit.

## Aurora

Aurora, which means 'tires that know the road well', is better known among our overseas clients and carries the product brand name 'Route Master'.

## KINGSTAR

Kingstar means 'tires that best fit the road conditions', and carries the product brand name 'Road Fit'.

# Sustainable Value Chain

To transform sustainable growth into a true and tangible reality for all, we efficiently distribute the economic, social and environmental value generated throughout the entire process of our value chain. This spans from technology development and material sourcing to product manufacturing, sales, use, recycling and disposal.

Sourcing expenditure (goods and services)

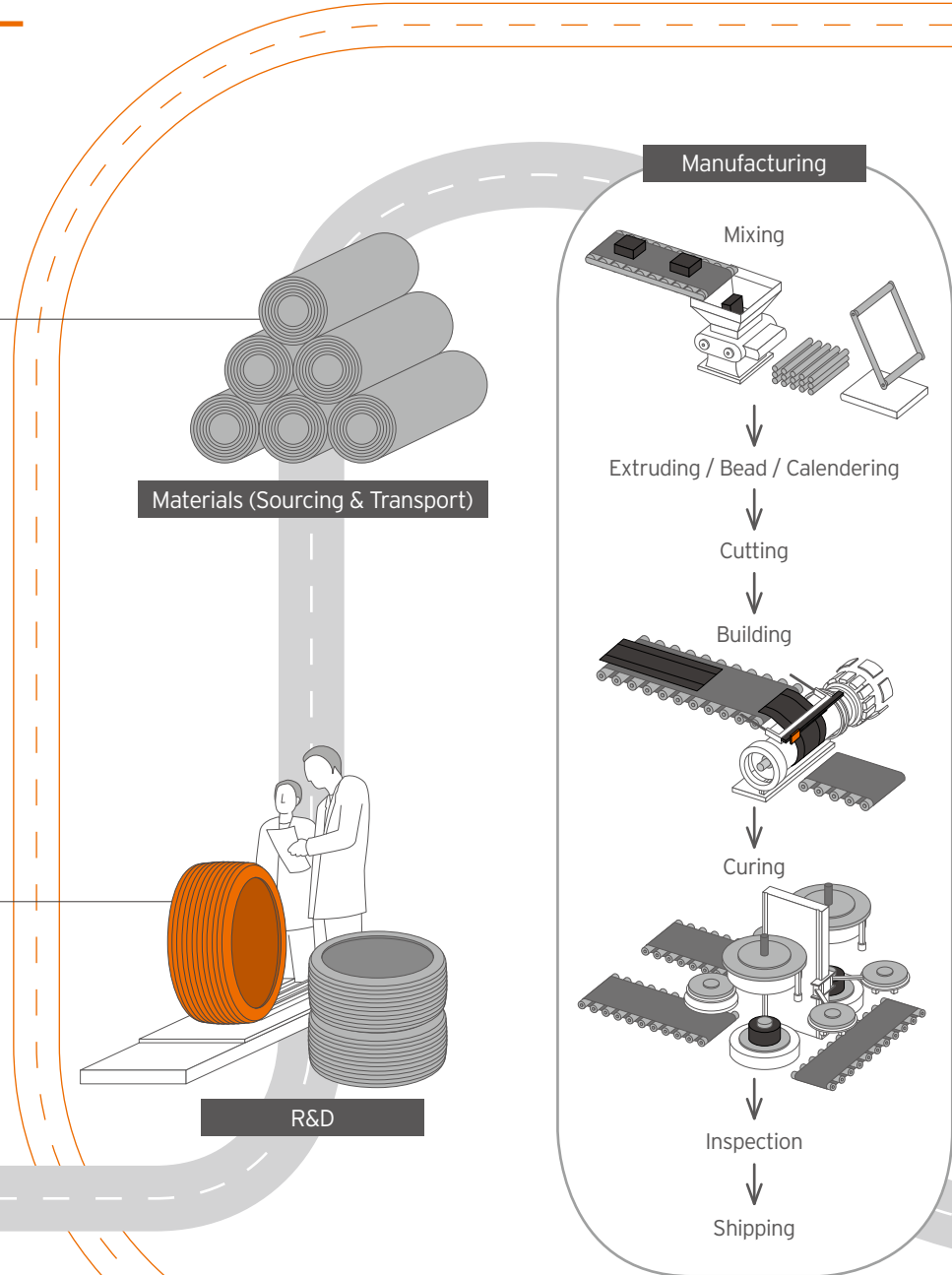
**3,572.4** billion (KRW)

- 69.7% of the purchases made for community development
- Establishing a culture of shared growth and win-win partnerships
- Strengthening purchasing ethics
- Promoting and expanding CSR with suppliers
- Expanding green purchasing

R&D expenditure

**155.3** billion (KRW)

- 2,002 patents granted in Korea and abroad
- Developing products with improved durability, safety and comfort
- 27.3% of the products received product life cycle assessment (LCA)



- Job creation (4,298 new hires)
- Average length of service - 12 years (In Korea)
- Strengthening workplace safety and employee health care
- Mutually-beneficial labor relations
- Support for the growth of employees
- Family-friendly management

- Expansion of green establishments (Geumsan Plant earned the title of Green Company)
- 0.8% y-o-y reduction in energy consumption
- 2.1% y-o-y reduction in GHG emissions
- 21.0% y-o-y increase in the recycling of treated water
- 76.7% in the ratio of recycling waste

Training expense

**1.6** billion (KRW)

Wages, welfare & benefits

**801** billion (KRW)



- Improving customer satisfaction
- Enhancing shareholder value
- Growth of local communities
- Legal compliance
- 44.1% in the ratio of eco-friendly products

Income taxes, other taxes and public utility charges

**266.2** billion (KRW)

Financial and other expenses

**91.9** billion (KRW)

Depreciation expenses

**412.9** billion (KRW)

Donation to local communities\*

**4.1** billion (KRW)

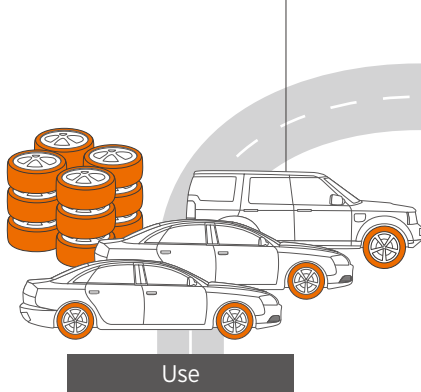
Dividends to shareholders

**49.5** billion (KRW)

Retained earnings

**649.8** billion (KRW)

\* This represents only a portion of the total corporate philanthropic expenditure since it was calculated on the basis of the consolidated financial statements disclosed in Hankook Tire's annual report



Recycling & Disposal

Contributions made to recycling in accordance with the Extended Producer Responsibility scheme

**1.9** billion (KRW)

- 31,431 retread tires sold
- 76.2% of the waste tires collected and disposed
- Expanding the retread tire business

Sales

**6,680.8**

billion (KRW)

Marketing & Sales

Use

- Approximately 4,000 worldwide stores in the retail network
- Establishing a culture of shared growth and win-win partnerships
- Providing accurate product information
- Establishing a culture of traffic safety

Packaging, transport and other expenses

**432** billion (KRW)

Other sales, general and administration expenses

**44.6** billion (KRW)

Advertising expenses

**197.6** billion (KRW)

- Economy Value
- Social Value
- Environment Value





# Integrated CSR Management System

## Declaration

Hankook Tire aims to weave CSR into the fabric of its corporate culture and into the daily operations of its employees. The integrated company-wide CSR management is based on its commitment to deliver the best values for its widely-ranged stakeholders, and to seek the sustainable development of the mobility industry.

## Management Responsibility and Governance

Our company-wide CSR initiatives are undertaken through the integrated CSR management system, which is supervised by the CSR Team in the Business Infra Division. The CSR Steering Committee, made up of nine subcommittees, assists relevant teams in sharing CSR goals and achievements through communication with the CSR Team and in further advancing our CSR operations.

## CSR Committee

Our CSR Committee consists of the CSR Strategy Committee, the CSR Steering Committee and the CSR Meeting. The CSR Steering Committee consists of nine subcommittees: it is responsible for undertaking company-wide CSR initiatives while the CSR Strategy Committee reports outcomes to the top management and discusses future improvements.

### CSR Strategy Committee

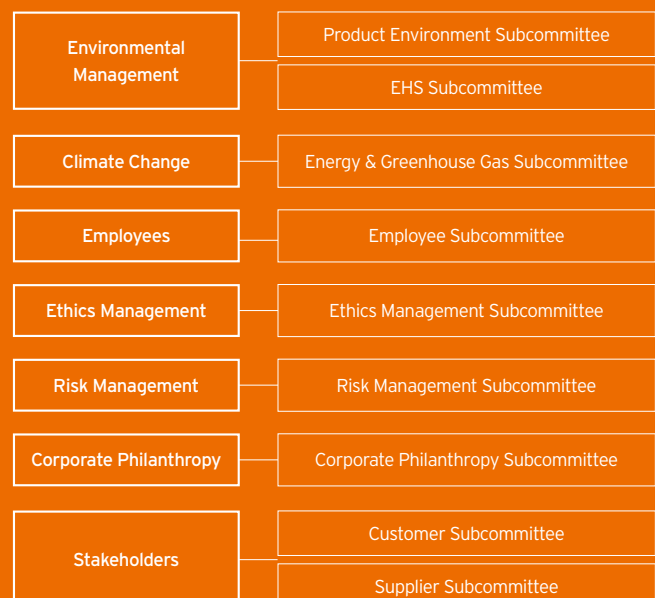


\* The CEO of Hankook Tire Worldwide also serves the role previously fulfilled by the CSO (Chief Strategy Officer).

### CSR Meeting



### CSR Steering Committee





IC-1

## CSR Committee Operation and Monitoring

To ensure that our CSR initiatives are performed in an integrated manner on a company-wide level, our CSR Strategy Committee and nine CSR Steering Subcommittees are operated under our CEO's leadership. Through regular reports and reviews, we strive to align our CSR achievements and plans.

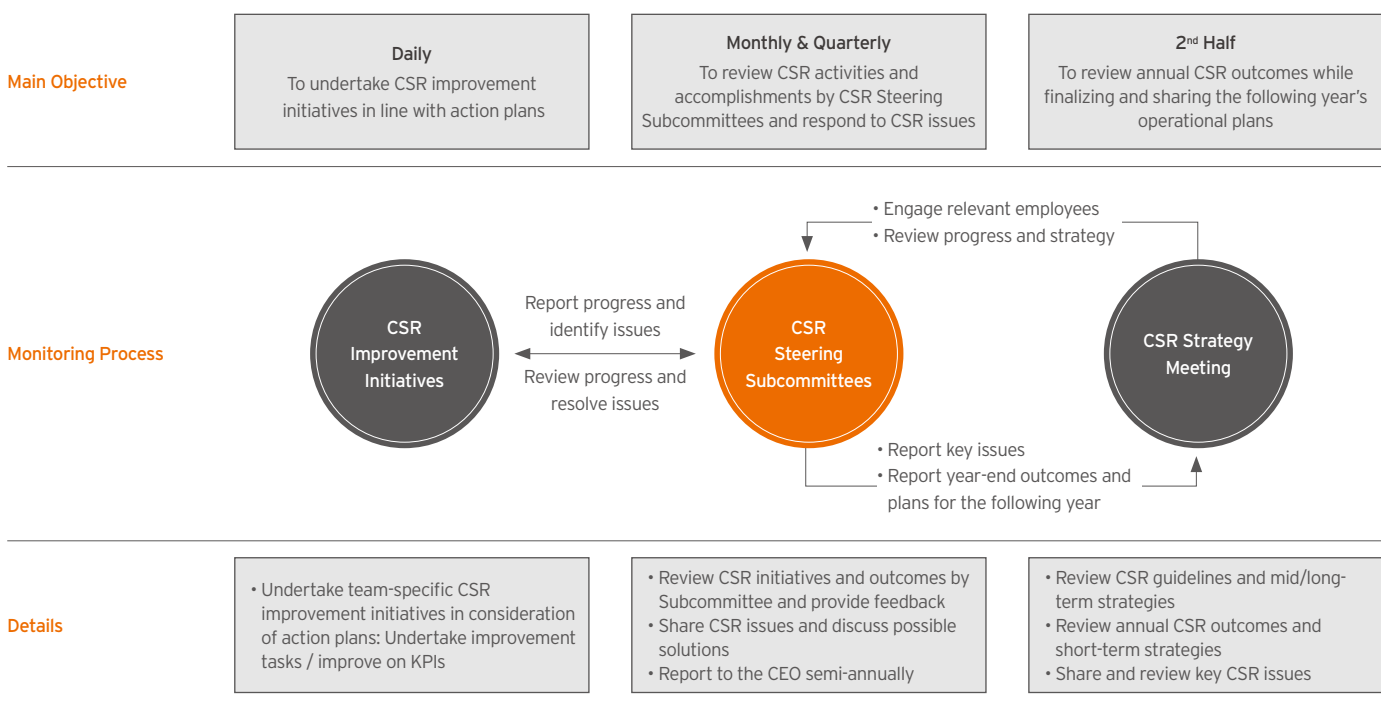
Our Subcommittees aim to seamlessly incorporate CSR initiatives into the daily operations of our employees. Every January, each relevant team is notified of adjustments made by the CSR Committee, and requested to initiate their committee operation. In February, CSR tasks for each Subcommittee are selected out of the pool of key managerial issues in consultation with the CSR Team, and action plans are established as a way to improve the efficiency of CSR Subcommittees. This is followed by quarterly performance monitoring and semi-annual reporting to the CEO. Each Subcommittee meets quarterly to allow relevant departments to share outcomes on key managerial issues and the progress details of CSR tasks. These meetings also allow us to discuss newly identified issues as well as targets and directions for the following year. The CSR Team attends every Subcommittee meeting to review

the progress made and offer advice when needed. In addition, material issues that are identified through surveys of internal/external stakeholders, evaluation outcomes made by external professional organizations, and benchmarking of industry leaders are reflected in the following year's strategic guide of each Subcommittee. As such, all matters discussed at these Subcommittee meetings are reported to the CEO and the CSR Strategy Committee at the CSR Strategy Committee meeting held in November to determine future ways to move forward.

CSR Committee - Monthly Operational Details

Time Schedule	Details	Supervision	
		CSR Team	Subcommittees
Jan.	Request CSR Committee coordination and activity guides	●	
	Notify adjustments made by the CSR Committee and request subcommittees to initiate their activity	●	
Feb.	Notify selected CSR tasks (from each supervising team in subcommittees to CSR Team)		●
	Consult on the details of CSR tasks and schedule plans	●	●
Following the Completion of Each Quarter	Summarize and notify the outcomes of CSR task activities (from each supervising team in subcommittees to CSR Team)		●
Oct.	Distribute CSR strategic guides	●	
	Set plans for the following year on the basis of CSR strategic guides		●
Nov.	Host CSR Strategy Meetings (CEO's approval granted on annual achievements made and plans for the following year)	●	●

CSR Committee - Annual Operation and Monitoring Process



IC-1.1

## Operation of the Chinese CSR Committee

Our Chinese CSR Committee is operated under the China Headquarters, and semi-annual CSR Strategy Meetings are held under the supervision of the headquarters' COO to disseminate and establish CSR in the local Chinese market.

Our China Headquarters set up its own CSR Committee in March 2012 to identify and respond to key issues in consideration of local political, economic, social and environmental conditions. A total of five CSR areas - Environment & Safety & Fire-Fighting, Employees, Corporate Philanthropy, Ethics Management and Risk Management - are under management. In 2014, its operational system was reconfigured from three subcommittees and two teams to four subcommittees and one team to improve its work efficiency. The Chinese CSR Committee hosted meetings under the supervision of the CHN)Corporate Strategy Team, as well as Chinese CSR Strategy Meetings twice in May and December to share and discuss committee-specific achievements and issues. Its 2015 plans

were set by referring to the Chinese strategic guides distributed by the Korean CSR Team. These strategic guides were prepared in order of materiality and priorities on the basis of internal/external stakeholder surveys, evaluation outcomes of external professional organizations, and the benchmarking of advanced businesses. In 2014, the headquarters published its CSR Report, which described its CSR achievements and future improvements and plans, for internal use for two consecutive years. Its goal for 2015 is to study other reports in such certification bodies as the Chinese Academy of Social Sciences and reflect international guidelines so as to publish an improved version of its CSR Report for external use in August.

Operational Organization



Operational Status

Subcommittee	Environment & Safety & Firefighting Subcommittee	Employee Subcommittee	Corporate Philanthropic Subcommittee	Ethics Management Subcommittee	Risk Management
Supervising Team	Environment & Safety Team	CHN)Human Resource Development & Operations Team	CHN)Culture & HRD Team	CHN)Corporate Management Team	CHN)Corporate Strategy Team
Participating Teams	JP) HP) CP)Environment & Safety Team, JP) HP) CP) Facility Maintenance Team, China Material Development Team	JP) HP)Human Resource Team, CP)Plant Management Team	CHN)Corporate Strategy Team, CHN)Marketing Strategy Team, CHN)Human Resource Development & Operations Team, JP) HP) CP) Environment & Safety Team	JP) HP)Human Resource Team, CP)Plant Management Team	
2014 Achievements	<ul style="list-style-type: none"> <li>Mutual on-site inspections were made among plants</li> <li>Best &amp; worst practices were shared among plants to make improvements on the shop floor</li> </ul>	<ul style="list-style-type: none"> <li>Plants discussed issues with one another regarding communication, HR systems and training while taking action to resolve these issues</li> </ul>	<ul style="list-style-type: none"> <li>Tuition support was provided and exchange with local residents increased</li> <li>Work was underway to brand specialized programs</li> </ul>	<ul style="list-style-type: none"> <li>The Ethics Management Subcommittee was created by including training teams in plants</li> <li>Training for operators was expanded.</li> </ul>	<ul style="list-style-type: none"> <li>Management for each risk property was further advanced</li> <li>The management of unexpected accidents (fire, safety, hygiene) was improved through practice manuals and on-site inspections</li> <li>Response strategy plans were set for each scenario (industry trends, trade disputes, regulatory change, power shortages)</li> </ul>
2015 Plans	<ul style="list-style-type: none"> <li>To select key improvement tasks to be jointly undertaken by all subcommittees and promote exchange to undertake these tasks (Regulations on sewage treatment and management, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>To strengthen activities to establish a Proactive Culture (concerning work attitudes and methods, etc.)</li> <li>To raise employee awareness of health care</li> </ul>	<ul style="list-style-type: none"> <li>To systematize social-giving initiatives and exchange with local residents</li> <li>To facilitate employee engagement</li> </ul>	<ul style="list-style-type: none"> <li>To develop a database of ethics management training cases</li> <li>To localize online ethics management training (e-learning flash)</li> </ul>	<ul style="list-style-type: none"> <li>To establish and manage the Risk Management Subcommittee</li> </ul>

\* JP: Jiaxing Plant, HP: Jiangsu Plant, CP: Chongqing Plant, CTC: China Technical Center

IC-1.2

## Operation of the Europe CSR Committee

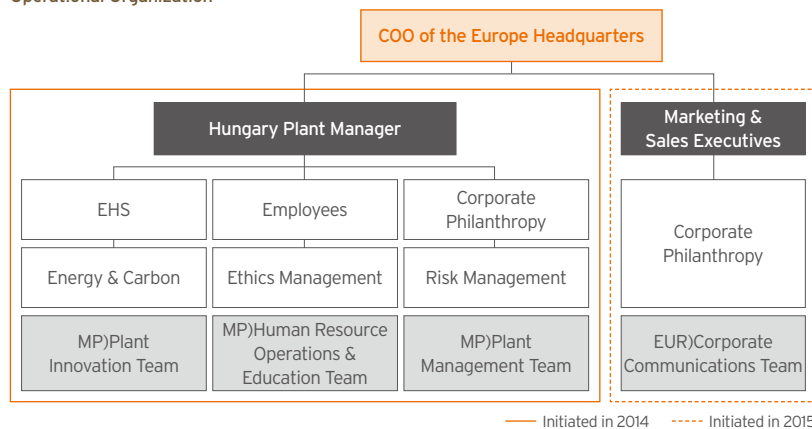
Our Europe Headquarters established its own CSR operational system which includes the Hungary Plant and marketing & sales operations in Europe, while undertaking diverse CSR initiatives in six areas in consideration of local conditions and situations.

The CSR operational system of our Europe Headquarters was established in November 2013 to advance its CSR management in an integrated manner. It consists of the six areas of EHS, Energy & Carbon, Employees, Ethics Management, Corporate Philanthropy and Risk Management. CSR initiatives are managed on a team level for each work area for their efficient operation, and CSR outcomes are reported quarterly to the Hungary Plant Manager. Furthermore, annual CSR achievements and plans for the following year are reported each year to the COO of the Europe Headquarters, who then approves the directions to undertake future CSR initiatives.

Since 2014 was the 1<sup>st</sup> year that the CSR operational system took effect following its establishment, the CSR Team at the Korean Head Office collaborated with the

headquarters in making CSR improvements. The CSR Team provided the outcomes of the on-site CSR assessments made prior to establishing the system, as well as the benchmarking of other best practices to assist our Hungary Plant in setting CSR plans and taking appropriate action. The team also reviewed progress through quarterly monitoring and discussed issues with the headquarters. Such commitment resulted in an effective CSR operation that reflected both our global common CSR strategy and the local specificities of Hungary. In 2015, corporate philanthropy of the Europe Headquarters Marketing & Sales Executives as well as the Hungary Plant will be included in the scope of management areas for more systematic CSR operations.

Operational Organization



Operational Status

Managerial Area	EHS	Energy & Carbon	Employees	Ethics Management	Corporate Philanthropy	Risk Management
Supervising Team	MP)Plant Innovation Team	MP)Plant Innovation Team	MP)Human Resource Operations & Education Team	MP)Human Resource Operations & Education Team	MP)Plant Management Team	MP)Plant Management Team
2014 Achievements	<ul style="list-style-type: none"> <li>Improvement was made based on internal evaluation outcomes</li> <li>Safety training manuals were developed and practiced</li> <li>Work Safety Committee met four times</li> </ul>	<ul style="list-style-type: none"> <li>CFRTO was installed and is under test operation</li> </ul>	<ul style="list-style-type: none"> <li>Decision was made to establish the Grievance Committee</li> <li>Hungarian regulations on the employment of the disabled were analyzed</li> <li>Mentoring and theme-based project programs were run</li> </ul>	<ul style="list-style-type: none"> <li>Disciplinary measures to address the violations of ethics management were developed</li> <li>The Code of Ethics was revised and guidebooks were distributed</li> </ul>	<ul style="list-style-type: none"> <li>The employee volunteer group was operated</li> <li>English Camp was run(Jun.)</li> <li>Open Day and hospital support programs were executed</li> </ul>	<ul style="list-style-type: none"> <li>Major key risks were identified</li> <li>Issue-specific communication channels and reporting lines were developed</li> </ul>
2015 Plans	<ul style="list-style-type: none"> <li>To operate the Work Safety Committee</li> <li>To improve on the basis of internal evaluation outcomes</li> <li>To introduce the OHSAS 18001 standards</li> <li>To conduct fire drills</li> <li>To invest in preventing fires</li> <li>To clean up areas prone to fires</li> </ul>	<ul style="list-style-type: none"> <li>To review energy consumption daily</li> <li>To invest in reducing LNG consumption</li> </ul>	<ul style="list-style-type: none"> <li>To establish and operate Grievance Committee policies</li> <li>To analyze jobs that can be performed by the disabled</li> <li>To run mentoring and theme-based project programs</li> </ul>	<ul style="list-style-type: none"> <li>To revise and promote the Code of Ethics</li> <li>To offer business ethics training to new and existing employees</li> <li>To distribute the business ethics practice pledge forms and make employees sign them</li> </ul>	<ul style="list-style-type: none"> <li>To run the employee volunteer group (engaging more employees)</li> <li>Tire donation</li> <li>Safe driving training</li> <li>Participate in and support English Camp and local festivals (engaging more employees)</li> </ul>	<ul style="list-style-type: none"> <li>To conduct SWOT analyses on plant and risk assessment</li> <li>To develop risk-specific stakeholder maps</li> <li>To analyze relevant policies and safety regulations</li> </ul>

\* MP (Magyar Plant): Hungary Plant

### IC-1.3

## Establishment of a CSR Operational System at the Indonesia Plant and in ASEAN-INDIA

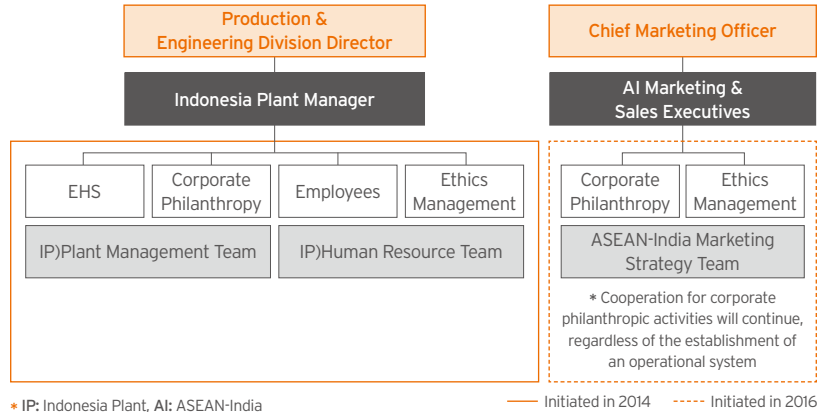
Our global CSR operational system was broadened to include the Indonesia Plant and ASEAN-INDIA Marketing & Sales operations to ensure that our CSR initiatives are undertaken systematically in consideration of local specificities and situations.

To disseminate and establish our global CSR operational system, we developed CSR operational systems in Indonesia and the ASEAN-Indian region, following Korea, China, and Europe. As a result of reflecting local specificities and conditions, our Indonesia Plant covers the four areas of EHS, Corporate Philanthropy, Employees and Ethics Management while the ASEAN-India Marketing & Sales operations address the two areas of

Corporate Philanthropy and Ethics Management. Their area-specific CSR tasks were identified on the basis of on-site CSR assessment outcomes.

Beginning with the Indonesia Plant in 2014, our CSR improvement initiatives will extend to the ASEAN-India Marketing & Sales operations in 2016, and their annual CSR achievements and plans will be presented in our next year's CSR report.

Operational Organization



### IC-2

## Reinforcement of Company-Wide Employee Training and Communication

We provide regular CSR training to all our employees to reach company-wide consensus on CSR and build more robust CSR executional capabilities.

We provided CSR training to all our employees to ensure that they are on the same page in understanding and undertaking CSR. Also, our new and experienced recruits received CSR training so that they could learn the basics on the meaning of CSR and our CSR initiatives at Hankook Tire. Furthermore, advanced training content was delivered in each CSR area as part of the job courses intended for new recruits. Such training was also offered to volunteer leaders and team managers of the 'Donggeurami Volunteering Team', a group of Hankook Tire employee volunteers, to help them better understand volunteer work and feel empowered from these activities.

Company-Wide CSR Training

Name of Training Course	Details	Target	Trainees Hours	
			(No. of persons)	
Meaning and Understanding of CSR	· CSR at Hankook Tire	New recruits	100	2 hours (1 session/Jan.)
		New recruits with previous work experience	47	7.5 hours (4 sessions/Jan., Apr., Jul., Oct.)
		Executives with previous work experience, team managers	2	4 hours (2 sessions/Feb., May)
Meaning and Understanding of CSR (Advanced Course)	· CSR planning, stakeholder communication and development · Community involvement and development · Health and safety · Understanding integrated environmental management	New recruits	50	5 hours (1 session/Feb.)
Manager Leadership Training: HK Corporate Philanthropy	· Understanding Hankook Tire's corporate philanthropic initiatives and the Donggeurami Volunteering Team	Korean team managers	144	6 hours (6 sessions/Apr.~Jul.)
Donggeurami Team Volunteer Leader Training	· Understanding the meaning of volunteer work · Operation of the volunteer group and volunteer plans	Volunteer leaders at the Head Office, sales offices, regional headquarters and logistics centers	57	3.5 hours (3 sessions/Apr., Jun., Aug.)

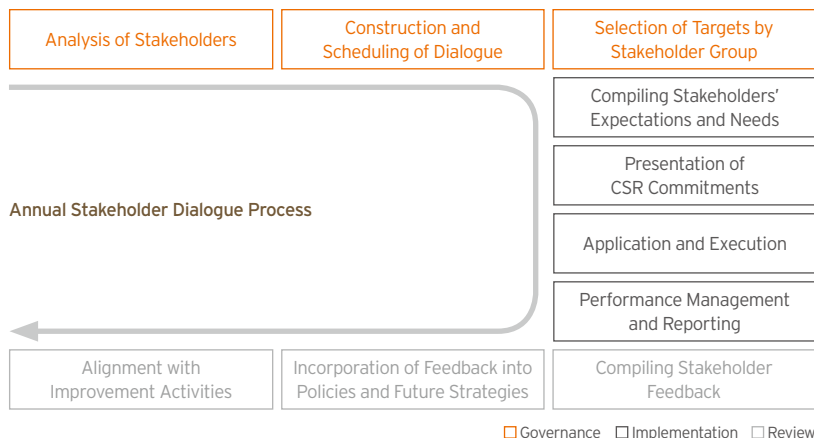
IC-3

# Stakeholder Communication and Engagement

All our employees share major issues raised by our stakeholders through wide-ranging communication channels, and ensure that their feedback is reflected into our business conduct so as to create sustainable value.

To clearly define our stakeholders, we categorized them into core stakeholders (those who are most closely related to our business conduct and directly interact with us) and general stakeholders (those who interact indirectly with potential impact) through the analysis of various stakeholders and external/internal business environments. Furthermore, we are dedicated to sharing our CSR accomplishments and plans with our stakeholders and to operating multiple communication channels to gather their candid and honest feedback.

Stakeholder Model

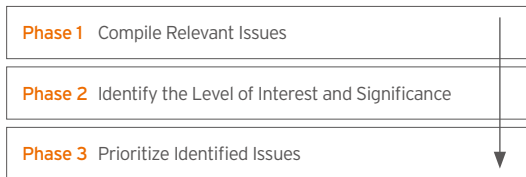


Core Stakeholder	Communication Channel	Details of Communication	Pages
Customers (General customers & dealers, car makers)	Discussion meetings with dealers, Customer satisfaction surveys, Technology exchange, Exhibitions, Sustainability assessment, etc.	<ul style="list-style-type: none"> <li>Enhancement of product quality and safety</li> <li>Extension of product responsibility, Responsible marketing</li> <li>Enhancement of consumer safety/health regarding product use, Proactive communication with customers and reflection of their feedback</li> <li>Response to sustainability assessments (in society, the environment, supply chain, etc.)</li> </ul>	60~67
Employees	Labor-management consultative meetings, Joint learning units, CEO meetings, In-house IR, HANA site, Employee idea program, Vision 2020 Concert, 'Proactive Conference (R&D communication)', etc.	<ul style="list-style-type: none"> <li>Recognition of diversity and stricter ban on discrimination</li> <li>Strengthened training that supports employee development</li> <li>Enjoyable workplace</li> <li>Facilitation of internal communication, Reinforcement of labor relations</li> <li>Improvement of labor conditions covering workplace safety, etc.</li> </ul>	38~47
Suppliers	Quality and CSR training, Regular supplier assessments, HANKOOK PARTNER's Day, Hankook Tire's purchasing portal (HePS)	<ul style="list-style-type: none"> <li>Support programs for suppliers' competitiveness (training, technological support, etc.)</li> <li>Fair trade and win-win partnerships</li> <li>Proactive communication and strengthened sharing of information</li> </ul>	48~51
Local Communities	Local resident meetings, Meetings with local government agencies and NGOs, Compiling concerns/complaints from local communities, etc.	<ul style="list-style-type: none"> <li>Minimization of environmental impact, Revitalization of local economies</li> <li>Educational and livelihood support for the under-privileged in local communities</li> <li>Corporate philanthropic initiatives as a way of making social investments, etc.</li> </ul>	52~59, 68~77
Shareholders & Investors	Board of directors meetings, Shareholder general meetings, Overseas conferences, IR events, etc.	<ul style="list-style-type: none"> <li>Maximization of business outcomes and shareholder values</li> <li>Management of organizational transparency and sustainability</li> <li>Transparency and business ethics management, Integrated risk management, etc.</li> </ul>	26~37

# Materiality Analysis

We identify issues that are material to our stakeholders and our business conduct and thus require intensive management while reporting on the status of and achievement in managing these issues. We conduct the materiality analysis in consideration of both internal and external impacts, and further clarify and address those issues that we believe to be relatively more important through the CSR Steering Wheel.

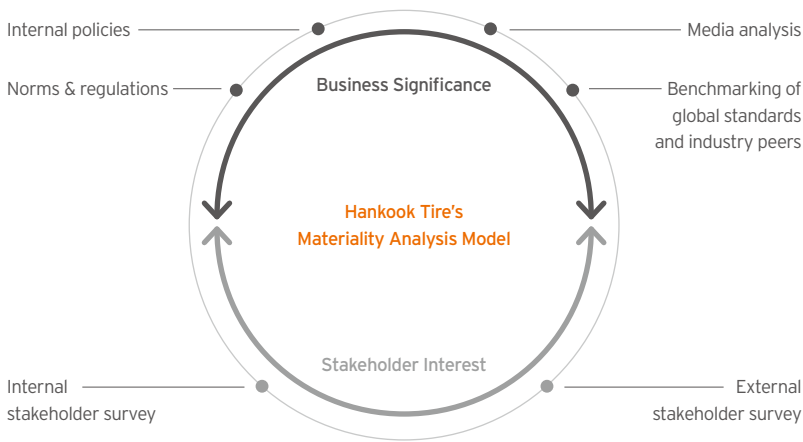
## Materiality Analysis Process



### [Phase 1] Compile Relevant Issues

To compile relevant issues, we reflected the economic, social and environmental aspects as suggested by the GRI G4 Guidelines, a global social responsibility management framework. In parallel, we identified new issues by resetting the boundary and definition of issues based on media analyses, CSR issues commonly found in the tire industry, and our key CSR managerial issues. This allowed us to create a pool of 36 issues in nine categories.

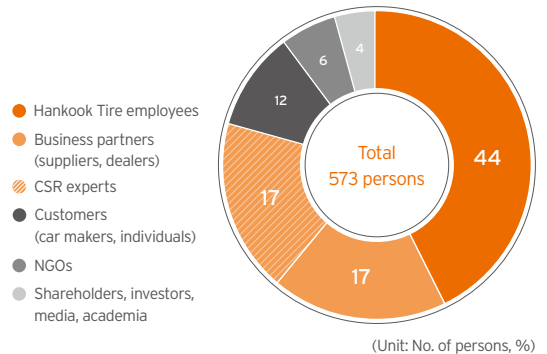
### Methods to Identify Stakeholder Interest and Business Significance



### [Phase 2] Identify the Level of Interest and Significance

Based on the 36 issues within the pool of nine categories, we identified the level of stakeholder interest and business significance. To identify the level of stakeholder interest, we surveyed our stakeholders, and doubled the number of our survey respondents from the previous year in order to improve the diversity of stakeholder feedback. In addition, we widened the scope of our internal/external stakeholders to include shareholders, investors, media, academia, customers (car makers, individuals) business partners (suppliers, dealers) and CSR experts as well as the majority of our employees. To identify business materiality in relevance to its significance, we reviewed our internal corporate policies and norms & regulations while analyzing media articles and benchmarking global standards and industry peers.

#### Survey Respondents



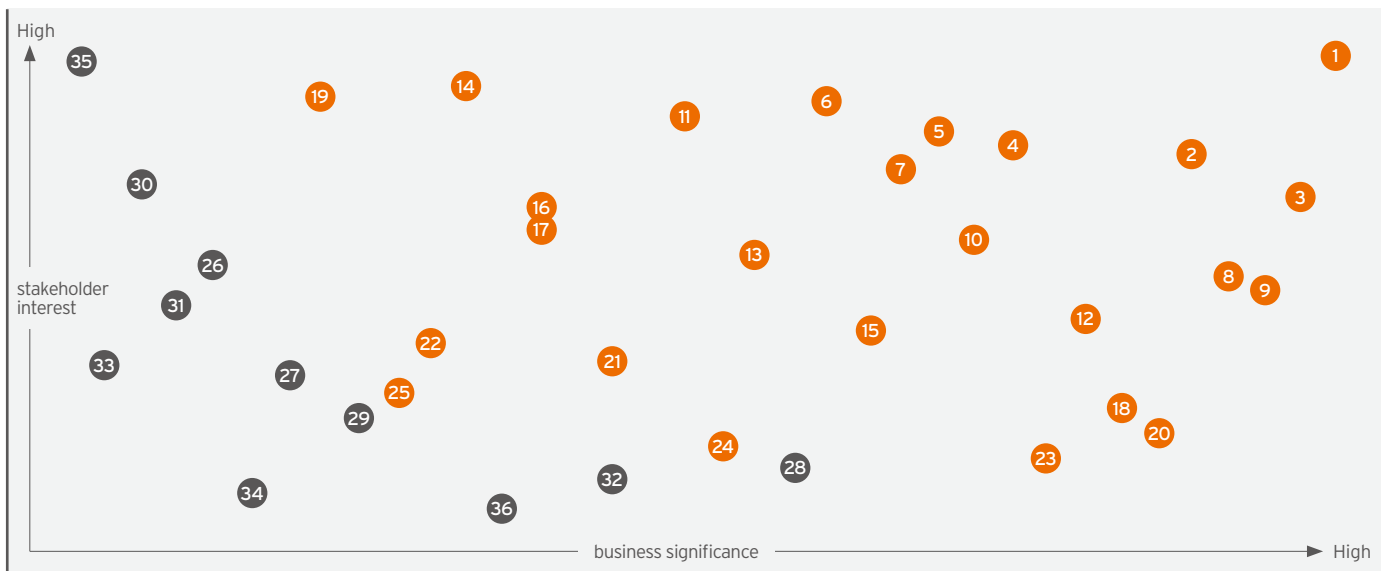
Respondents	No. of persons	Ratio
Hankook Tire employees	251	44
Business partners (suppliers, dealers)	100	17
CSR experts	96	17
Customers (car makers, individuals)	70	12
NGOs	34	6
Shareholders, investors, media, academia	22	4
<b>Total</b>	<b>573</b>	<b>100</b>

### [Phase 3] Prioritize Identified Issues

Identifying the level of stakeholder interest and business significance in Phase 2 allowed us to prioritize 36 issues in nine categories. As a result, such issues as 'Direct economic outcomes', 'Responsible corporate governance', and 'Safe and healthy workplace' ranked high in order of materiality. This report aims to provide a more detailed and transparent disclosure of the 25 issues which account for the top 70% of the total.



Matrix of Issue Materiality

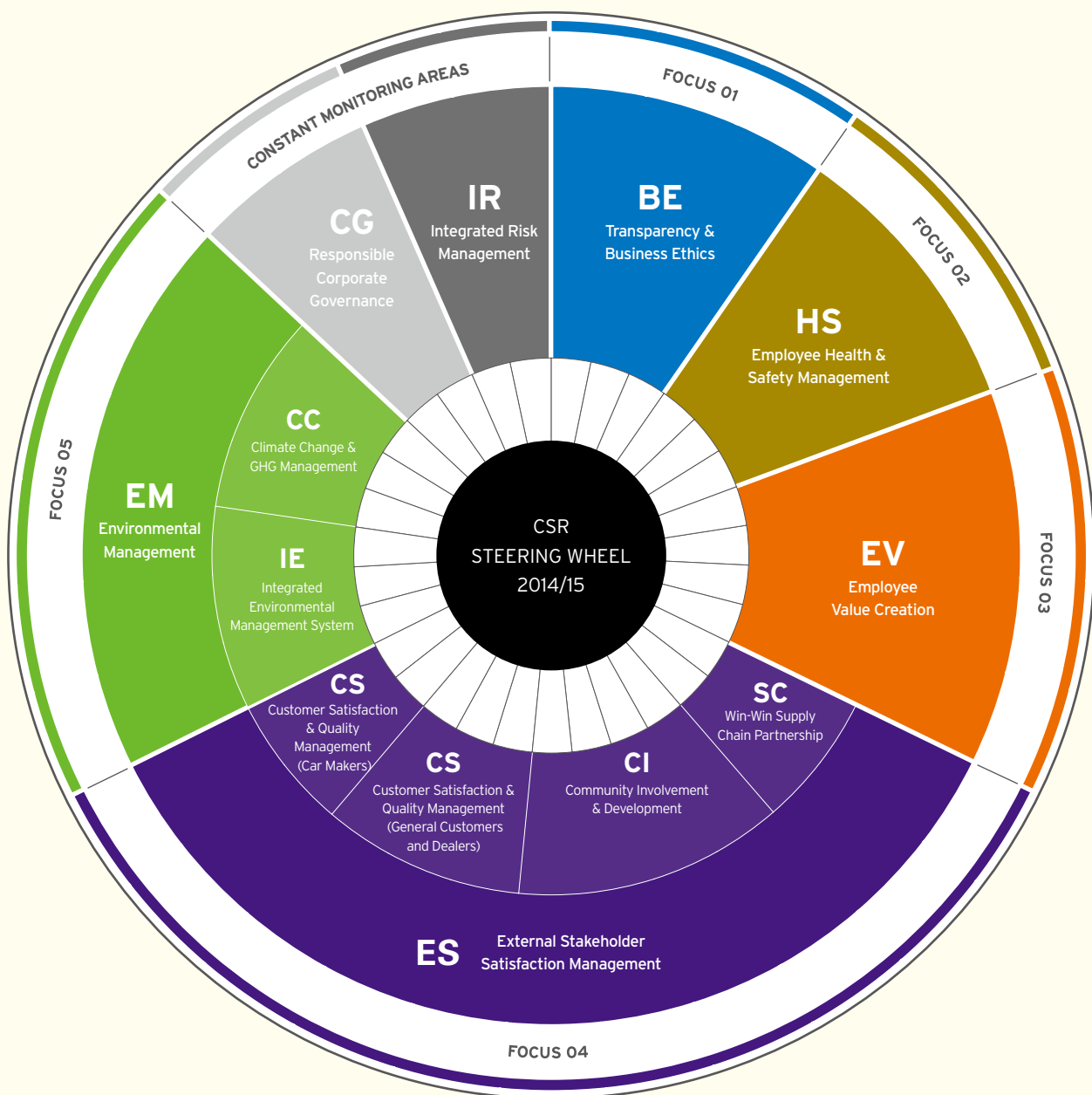


● Top 70% Issues ● Bottom 30% Issues

Category	Matrix No.	Materiality	Issue	Page
Leadership, Governance, Crisis Management	14	●	Vision and executive leadership	10~12
	2	●	Responsible corporate governance	26~27
	11	●	Communication with stakeholders	21
Creation of Economic Outcomes	6	●	Risk and crisis management	28~33
	1	●	Direct economic outcomes (sales, operating profit, etc.)	12, 14~15
	19	●	Indirect economic outcomes (creation of jobs in local communities, contribution to expanding tax revenues, etc.)	
Transparency & Business Ethics	35	●	Distribution of created values	
	5	●	Complete elimination of corruption and bribery	34~37
	17	●	Prohibition of anti-competitive and monopolistic/oligopolistic practices	
	30	●	Reception and resolution of complaints regarding unethical behavior	
Creation of Employee Values	26	●	Ethics management-education and dissemination	
	10	●	HR systems that offer equal opportunity	45~46
	9	●	Win-win labor relations that develop through open communication	44
	12	●	Educational systems that support the development of employees	46
Product Responsibility and Customer Communication	7	●	Work-Life balance	47
	3	●	Safe and healthy workplace	38~41
	8	●	Development of eco-friendly products	13, 67, 71~72
	4	●	Development of products that foster consumer safety and health	
	13	●	Provision of accurate product information (Discouragement of exaggerated advertising, environmental information, etc.)	
Shared Growth with Suppliers	16	●	Effective communication with our customers	48~67
	33	●	Personal information protection	30, 62
	25	●	Expansion of sourcing from local suppliers	48~51
	21	●	Support for suppliers in evaluating and improving CSR practices	
Respect for and Protection of Human Rights	31	●	Win-win partnership programs	
	15	●	Ban on discrimination on the grounds of religion, gender, etc. and respect for diversity	42~47, 82~83
	27	●	Prevention of (sexual) harassment	30
Green Management and Workplace	29	●	Guarantee of freedom of association and rights to collective bargaining	44
	22	●	Ban on the employment of minors and forced labor, guarantee of minimum wage, and compliance with work hour regulations	45~46
	23	●	Conservation and protection of resources (raw materials, water, etc.)	68~73
	20	●	Conservation of energy and reduction of GHG emissions	74~77
Corporate Philanthropy and Community Investment	18	●	Minimization of environmental impact throughout the entire product life cycle (collection/transport of resources, manufacturing, use, recycling, disposal)	68~73
	36	●	Biodiversity management and protection of endangered species	-
	32	●	Improvement of the corporate philanthropic system	52~59
	24	●	Focusing on core capabilities	
	28	●	Support for the growth of local communities (reinforcement of self-dependency and capacity building, employment of local talent, protection of the rights of indigenous people, etc.)	
	34	●	Facilitation of employee engagement in social contribution initiatives	

# CSR Steering Wheel 2014/15

From the platform of our integrated CSR management system, we identified five CSR Focus Areas: Transparency & Business Ethics, Employee Health and Safety Management, Employee Value Creation, External Stakeholder Satisfaction Management and Environmental Management.





Constant Monitoring Areas



CSR Focus Areas

### Constant Monitoring Areas

Code	Key Managerial Issues		Pages
<b>CG</b>	Responsible Corporate Governance	1. Development of an advanced decision-making system through the proactive gathering of stakeholder feedback 2. Professional operation of the BOD and its reinforced responsibilities	26~27
<b>IR</b>	Integrated Risk Management	1. Risk management by detailed issue 2. Crisis management system	28~33

### Focus Areas

Code	Key Managerial Issues		Pages
<b>BE</b>	<b>FOCUS 01</b> Transparency & Business Ethics	1. Training and communication on business ethics 2. Regular monitoring and evaluation 3. Dissemination of ethics management to affiliates	34~37
<b>HS</b>	<b>FOCUS 02</b> Employee Health & Safety Management	1. Establishment of a voluntary safety management system 2. Enhancement of employee health management 3. Development of a fire safety system	38~41
<b>EV</b>	<b>FOCUS 03</b> Employee Value Creation	1. Open communication-based management 2. HR systems that offer fair opportunities 3. Growth-fostering training systems 4. Work-Life balance	42~47
<b>ES</b>	<b>SC</b> <b>FOCUS 04</b> External Stakeholder Satisfaction Management	1. Supplier management and supplier relations policy 2. Establishment of purchasing ethics	48~51
	<b>CI</b> 2. Community Involvement & Development	1. Improvement of the corporate philanthropic system 2. Participation of employees 3. Focusing on core capabilities 4. Support of fostering local community	52~59
	<b>CS</b> 3. Customer Satisfaction & Quality Management (General Customers and Dealers)	1. Win-win partnership 2. Impressive customer experience 3. Customer communication	60~63
	<b>CS</b> 4. Customer Satisfaction & Quality Management (Car Makers)	1. Continuous communication 2. Reinforcement of product competency	64~67
<b>EM</b>	<b>IE</b> <b>FOCUS 05</b> Environmental Management	1. Management of the green production infrastructure 2. Product and environment 3. Management of resources	68~73
	<b>CC</b> 2. Climate Change & GHG Management	1. Energy & carbon management 2. Execution and reduction 3. Supply chain carbon management	74~77



## Constant Monitoring Areas

### Declaration

Hankook Tire set a great example in both adopting a professional management system and implementing a complete separation of ownership from management.

Hankook Tire is committed to maintaining responsible corporate governance and reasonable and transparent business conduct.

### Major Shareholders

The following table indicates the status of our major shareholders and their equity ownership as of December 31<sup>st</sup>, 2014.

(Unit: No. of shares, %)

Major Shareholders	No. of Shares	Equity Ownership
Hankook Tire Worldwide Co., Ltd.	30,962,895	25.00
Yang Rai Cho	13,007,897	10.50
Hyun Bum Cho	2,561,241	2.07
Hyun Shick Cho	799,241	0.65
<b>Total</b>	<b>47,331,274</b>	<b>38.22</b>

### BOD Composition

Our Board of Directors (BOD) consists of five directors: two internal directors and three external directors.

Category	Name	Position	Relationship with Largest Shareholder	Note
Internal Director	Seung Hwa Suh	Vice Chairman	Executive at an affiliate	BOD Chairman
	Hyun Bum Cho	President	Executive at an affiliate	-
External Director	Kun Ho Cho	Audit Committee member	N/A	-
	Choong Hwan Cho	Audit Committee member	N/A	-
	Seong Phil Hong	Audit Committee member	N/A	-

### BOD Evaluation and Remuneration

Our directors and auditors are compensated within the KRW 7 billion-per-year limit that was approved at the general shareholder meeting as stipulated by relevant corporate policies. Their management performance is measured in accordance with economic, social and environmental performance indicators to determine their total bonus pay. The average annual remuneration of our directors and auditors is approximately 12.48 times the average wage of our total employees. In 2014, bonus pay was provided to executives in Vice President positions and higher for their long-term performance between 2012 and 2014 (three years). Furthermore, the annual salary levels of all our employees are finalized through the combination of the biannual compensation survey performed by an external consulting firm and the internal rates of pay increases.

#### Remuneration of BOD Members and Auditors

(Unit: No. of persons, KRW million)

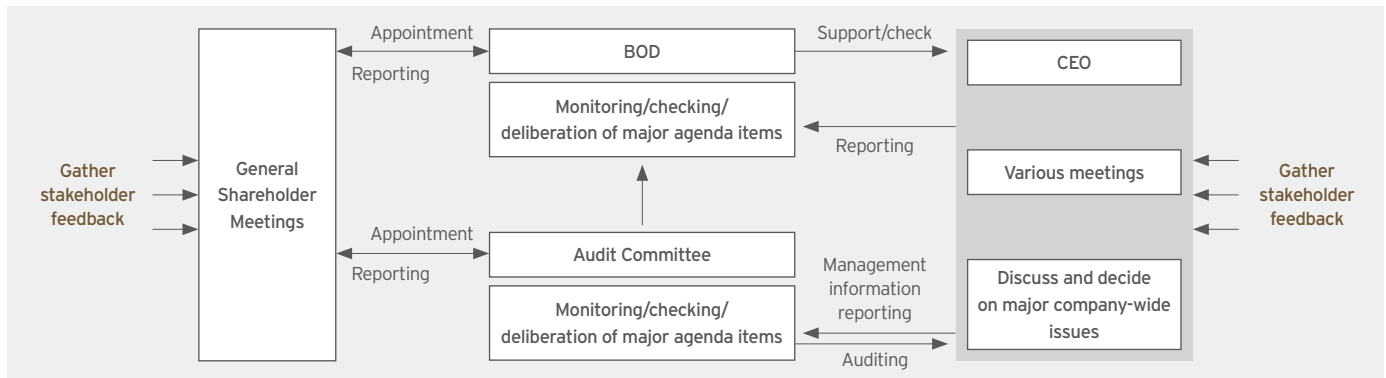
Category	No. of Persons	Total Remuneration	Average Remuneration per Person
Internal Director	2	3,696	1,848
External Director (Members of the Audit Committee)	3	108	36
<b>Total</b>	<b>5</b>	<b>3,804</b>	<b>761</b>

### Professional Operation of the BOD and Its Reinforced Responsibilities

External directors constitute the majority of our Board of Directors and their appointment strictly follows transparent and fair procedures through the External Director Nomination Committee under the BOD. We ensure that highly experienced individuals are appointed as external directors so that they may assist the company CEO in making informed decisions through expert advice and consultation, in addition to overseeing and supervising top management.

### Decision-Making at the Top Management Level

Our Board of Directors is at the core of our decision-making structure at Hankook Tire. We strive to fully gather stakeholder feedback and align it to actual outcomes by identifying necessary tasks at various meetings. We also continue to build a corporate culture that allows for seamless communication so that we can reflect stakeholder feedback in our top level management decision-making processes.



### BOD Meetings

In 2014, four regular and six ad-hoc BOD meetings were held.

BOD Meetings Held over the Past Three Years

(Unit: No. of meetings, %)

Category	Regular Meeting	Ad-hoc Meeting	Attendance of External Directors
2012	1	3	100.0
2013	4	7	93.9
2014	4	6	93.3

### Operation of the BOD Committees in 2014

The BOD oversees four committees: the Audit Committee, Management Committee, External Director Nomination Committee and the Internal Trade Committee. These committees meet both on a regular and ad-hoc basis.

Category	Composition	Key Features	Operational Status
Audit Committee	3 External Directors	<ul style="list-style-type: none"> <li>· Audit accounting and business operations</li> <li>· Investigate corporate financial assets</li> <li>· Handle matters stipulated in government regulations and the articles of incorporation as well as matters commissioned by the BOD</li> <li>· Request directors to report on business operations</li> <li>· Request for the appointment of external directors</li> </ul>	4 regular and 1 ad-hoc meetings
Management Committee	2 Internal Directors	<ul style="list-style-type: none"> <li>· Deliberate and decide on general management matters</li> <li>· Deliberate and decide on financial matters</li> </ul>	39 meetings held year-round
External Director Nomination Committee	2 Internal Directors, 3 External Directors	<ul style="list-style-type: none"> <li>· Recommend external director candidates</li> </ul>	-
Internal Trade Committee	3 External Directors	<ul style="list-style-type: none"> <li>· Approve large-scale related transactions</li> </ul>	2 meetings

# Integrated Risk Management



## Constant Monitoring Areas

### Context

Since our society is shifting at an even faster pace, we may face completely new and/or unexpected risks. We are fully aware that it is absolutely critical not only to prevent and reduce risks but also to identify internal/external risks preemptively and manage them systematically in ensuring our corporate sustainability.

### Risk & Opportunity

While we are constantly expanding in multiple directions such as manufacturing, distribution and sales, we are also exposed to both small and large risks in numerous areas. It is our belief, however, that if we minimize uncertainty through continued interest in and systematic management of such risks, we could surely produce positive improvements in our corporate sustainability.

### Declaration

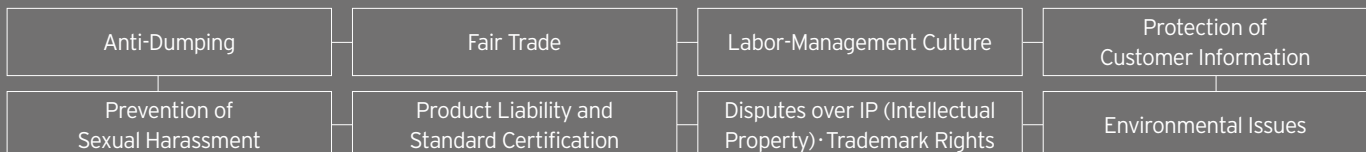
Hankook Tire prioritizes risks caused by uncertainty and advances an enterprise-wide integrated risk management that encompasses both proactive management measures and follow-up response guidelines from the compliance perspective. In doing so, any crisis can be transformed into opportunity.

### Management Responsibility and Governance

#### Risk Management Subcommittee

- Chair: Corporate Strategy & Finance Division Director
- Team in Charge: Legal Affairs Team
- Members: Audit Team, IT Strategy Team, Corporate Management Team 1, Proactive University, Technical Service Team, CSR Team

### Key Managerial Issues

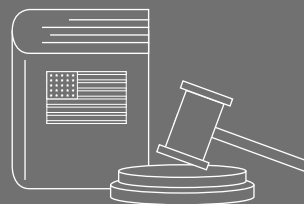


### Achievements

Sexual harassment prevention training was provided to regional overseas headquarters (six sessions in the U.S., five sessions in Europe and two sessions in China)



The regulatory guidebook to ensure our compliance with U.S. labor regulations was published and distributed across the company



A company-wide risk management system was established



### Future Plans and Outlook

Our goal is to respond to risks caused in business operations before they occur, through a sustained and systematized risk management process. In 2014 and 2015 respectively, we added diverse new issues in addition to the eight key risks to extend the scope of our risk management. We will also establish an integrated company-wide risk management system to effectively identify, analyze and respond to risks that exist both inside and outside the company.



## 2014 Achievements

● Completed ● Partially Completed ○ Not Completed

Code	Key Managerial Issues	Goals	Achievements	Completion	Pages
IR1 Risk Management by Detailed Issue	Anti-Dumping	To investigate the anti-dumping regulations and trends of major countries (in EU)	· EU's anti-dumping regulations and trends were identified and shared among responsible teams	●	30
	Fair Trade	To evaluate and respond to risks caused by transactions made among affiliates in accordance with the revised Fair Trade Law (in effect since Feb. 14, 2014)	· Hankook Tire's transactions with its affiliates emFrontier were evaluated, and required improvements were identified and addressed	●	
	Labor-Management Culture	To establish Employment · Labor Law Compliance Guidelines for the new Tennessee plant	· The regulatory guidebook to comply with U.S. labor regulations was published and distributed internally	●	
	Protection of Customer Information	To manage personal data privacy compliance risks both in Korea and abroad	· The status of customer data possession and regulatory risks at overseas regional headquarters was evaluated · Review was made on the possession and handling of customer data in Korea	●	
	Prevention of Sexual Harassment	To offer sexual harassment prevention training at the overseas regional headquarters	· Sexual harassment prevention training was offered to regional overseas headquarters: U.S. (Jun.), Europe (Jun., Sep., Oct.), China (Oct.)	●	
	Product Liability and Standard Certification	To advance the operation to respond to PL-related cases abroad	· A workshop was held to invite a U.S.-based advisory law firm to respond to PL risks in the U.S. while the work guidebook was published	●	31
	Disputes over IP (Intellectual Property) · Trademark Rights	To manage IP and trademark risks	· Risks were constantly monitored and shared among relevant teams (550 trademark applications were made in Korea and abroad, 98 registrations were renewed)	●	
	Environmental Issues	To analyze major environmental regulations in Korea and develop working-level guidelines	· Environmental regulation trends were identified and response procedures were established	●	

## 2015 Plans

Code	Key Managerial Issues*	Commitments	Key Index	Deadline	Team in Charge
IR1 Risk Management by Detailed Issue	Anti-Dumping	· To simulate the Chinese domestic/EU-export prices of Hankook Tire products manufactured in China and verify dumping risks	· Verification of dumping risks from products manufactured in China	Oct.	Legal Affairs Team
	Fair Trade	· To evaluate our compliance with the 'subcontracting regulations' concerning company-wide manufacturing subcontractor transactions and make necessary improvements	· Assessment and improvement of company-wide risks concerning subcontractor transactions		
	Labor-Management Culture	· To update and supplement the 'TP Employment · Labor Law Compliance Guideline'	· Updating and supplementation of the guideline through the analyses of the modification of U.S. labor regulations (establishment and revision) and legal precedents		
	Protection of Customer Information	· To evaluate our compliance concerning the collection of personal information(quarterly) and receive legal advice (year-round)	· Continued review of personal information management		
	Prevention of Sexual Harassment	· To develop a regular training system at the regional overseas headquarters where such training was offered in 2014 · To provide training for the Hungary and Indonesia Plants	· Regular offering of sexual harassment training across the company including overseas regional headquarters		
	Product Liability and Standard Certification	· To strengthen the management of documents related to PL lawsuits and expand PL training	· Strengthening capacity to respond to PL lawsuits		
	Disputes over IP (Intellectual Property) · Trademark Rights	· To obtain trademark rights and manage relevant disputes · To establish a trademark rights asset management system (regular asset management methods, etc.)	· Establishment of a trademark rights asset management system		
	Subsidiary Management Risk	· To manage the governance structure of subsidiaries	· Review and adjustment of the equity ownership structure at subsidiaries		

\* In 2015, Environmental Issue risks are excluded from the existing risk portfolio, and Subsidiary Management risks are added. Whenever individual issues arise, additional risks will be identified and managed accordingly.

## Risk Management by Detailed Issue

We selected eight key risks that require company-wide management and are undertaking pre-emptive responses in each of these areas. This enables us to move beyond merely managing these risks to actually creating new opportunities.

### Anti-Dumping Risk Management

**Investigate the Anti-Dumping Regulations and Trends in Major EU Countries** • In investigating the anti-dumping regulations and trends in 2014, we chose to observe the EU, the largest single market in sales volume (23.8% of the total sales) out of the top 10 countries where the greatest number of anti-dumping lawsuits is raised. We investigated the EU's anti-dumping regulation trends and identified implications, which were then reflected in our anti-dumping risk response measures. In 2015, we will conduct an anti-dumping risk assessment on the EU-export prices of our products manufactured in China and identify detailed response measures.

### Fair Trade Risk Management

**Evaluate and Respond to Risks from Contracting with Affiliates** • The revision of the 'Monopoly Regulation and Fair Trade Law' prompted the Fair Trade Commission to establish new articles that ban the provision of unjustified gains to related parties, aside from the existing fair trade law articles on unfair supportive acts, in an aim to regulate the 'excessive placing of contract orders from parent companies on their subsidiaries'. To respond to these fair trade risks, we preemptively assessed and responded to risks related to doing business with our affiliates. In 2015, we will evaluate our status in transacting with subcontractors and make necessary improvements in accordance with the 'Subcontracting Act' of the Korean government.

### Labor-Management Culture Risk Management

**Establish the TP Employment · Labor Law Compliance Guidelines** • In 2014, we developed compliance guidelines that describe the major details and necessary precautions of U.S. labor regulations in order to prepare for possible employment & labor issues and to assist with complying with these regulations in line with our construction of a plant in Tennessee, the U.S. (construction was initiated in Oct. 2014 and operation is set for 2016). Furthermore, major labor-related legislations of the U.S. were listed, and reference materi-

als were prepared that include the 'Tennessee Plant Worker Handbook' and contract forms to be signed by Tennessee Plant workers, which were provided to relevant teams along with the guidelines. In 2015, we will analyze the modifications of labor-related U.S. legislations (established and revised ones) as well as legal precedents to update the guidelines.

### Protection of Customer Information Risk Management

**Legal Risk Management on Global Customer Information Protection** • All customer data collected through our corporate website and franchise business are protected and managed in accordance with the 'Personal Information Protection Law'. In 2014, we identified the status of customer information possessed by overseas regional headquarters and evaluated their management risks. This revealed that such risks were not significant since these headquarters and subsidiaries usually do business with large customers rather than individual ones and thus rarely even possess the personal information of general customers. Furthermore, our internal audit team reexamined the status of our customer information management in Korea. Our goal for 2015 is to establish relevant procedures so that such reviews are conducted regularly.

### Prevention of Sexual Harassment Risk Management

**Offer Sexual Harassment Prevention Training at Regional Overseas Headquarters** • In 2013, we revised



<Sexual Harassment Prevention Training in the U.K. Subsidiary>

#### Sexual Harassment Prevention Training Offered in 2014

Training Area		Training Date	Training Details
America Headquarters	New Jersey Sales Office	Jun. 20 <sup>th</sup> , Jun. 23 <sup>rd</sup> ,	1) Introduction to the necessity of sexual harassment prevention in workplace as well as relevant regulations
		Jun. 24 <sup>th</sup> , Jun. 25 <sup>th</sup> ,	
		Jun. 26 <sup>th</sup> , Jun. 27 <sup>th</sup>	
Europe Headquarters	Neu-isenburg Sales Office	Jun. 13 <sup>rd</sup>	2) Definition and examples of workplace sexual harassment and disciplinary regulations to prevent such behaviors
	Italy Sales Subsidiary	Sep. 23 <sup>rd</sup>	
	Spain Sales Subsidiary	Sep. 26 <sup>th</sup>	
	United Kingdom Sales Subsidiary	Oct. 21 <sup>st</sup>	
	France Sales Subsidiary	Oct. 30 <sup>th</sup>	
China Headquarters	Shanghai Sales Office	Oct. 8 <sup>th</sup> , Oct. 9 <sup>th</sup>	3) Introduction to Hankook Tire's relevant policies

our training system to offer sexual harassment prevention training at least twice a year at our Korean sites. In 2014, we established training procedures to offer such training at our overseas regional headquarters. This allowed us to provide such training at our America, China and Europe Headquarters as well as sales subsidiaries in the U.K., Spain, France and Italy under the Europe Headquarters. Our goal for 2015 is to extend the scope of this training to include our Indonesia and Hungary Plants and to include such training as part of our regular training curriculum for our Head Office in Korea and all the regional overseas headquarters.

### Product Liability and Standard Certification Risk Management

**Advance Operation to Respond to Overseas PL Lawsuits** • Since the U.S. market poses the greatest risk in terms of product liability disputes due to its punitive damage regulations, we focused on this market in 2014 in advancing our PL lawsuit response system. In June 2014, we invited lawyers from our U.S.-based advisory law firm to a workshop to identify how we respond to PL lawsuits. To enhance our expertise, the relevant operational system was reorganized by transferring PL lawsuit handling operations from the Quality Division to the Legal Affairs Team. We also developed operation and training plans for expert witnesses who will represent Hankook Tire as witnesses during PL lawsuits, as well as for systematic advisory law firm evaluation procedures. Furthermore, work guidelines were developed to better understand the U.S. litigation system and to systematize our response operations. Once our new Tennessee Plant is completed, these guidelines will assist our employees to be assigned to the plant in developing a thorough knowledge of their operations. In 2015, we will establish procedures and divide our work to respond to any lawsuit raised against our production and sales subsidiaries in the U.S. Likewise, we will advance our response to the discovery process undertaken as part of the U.S. litigation procedures so that we are better prepared for the initiation of our Tennessee Plant operations.

### Dispute over IP (Intellectual Property) Trademark Right Risk Management

**Review the Status of Trademark Use** • Our patent rights on tire structures, ingredients and production facilities, as well as trademark rights on utility models, designs and Hankook Tire brands & sub-product brands, are registered in countries worldwide, including in Korea. In 2014, our endeavors to manage IP rights continued while any applications made of similar trademarks were monitored (biannual monitoring of the status of trademark applications made by competitors, monitoring of the application of similar trademarks in Korea and abroad) to respond to the registration

of trademarks similar to those of Hankook Tire by competitors in China or Japan. Our goal for 2015 is to establish a system to recognize and manage IP rights as intangible corporate assets.

#### Applications and Registrations of IP Rights and Trademarks

	Hankook Tire Worldwide			Hankook Tire		
	Korea	Abroad	Note	Korea	Abroad	Note
Application	Q1	8	145 Q3	0	1	Q3
	Q2	1	67 <small>Hankook SOUND absorber (90 countries)</small>	0	2	SEALGUARD
	Q3	0	229 <small>LAUFENN (23 countries)</small>	0	97	(97 countries)
	Q4	0	21 <small>LAUFENN X FIT (23 countries)</small>	0	4	
	Total	9	462	0	104	
Registration	Q1	0	5 Q3	0	1	Q3
	Q2	2	50 <small>LAUFENN (Hungary)</small>	0	0	SEALGUARD (Denmark, BES Islands)
	Q3	0	32 <small>SPORT MASTER AS ROUTE MASTER AS CROSS MASTER HT</small>	6	2	T Station LUXTUDIO (Korea)
	Q4	8	47	0	10	LUXTUDIO (Korea)
	Total	10	134	6	13	

### Environmental Issues Risk Management

**Analyze Major Korean Environmental Regulations and Establish Working-level Guidelines** • In 2014, we identified the status and trends of establishing and revising environmental regulations to develop internal procedures to be shared among relevant teams. This alerted us to the importance of managing risks that could be caused by the chemical registration and evaluation act and the chemical management act which took effect in 2015. We also selected divisions and teams that are best-positioned to respond to each of these acts. In responding to the chemical registration and evaluation act, our Quality Division, which is responding to the EU's REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) regulations, takes a supervisor role and works in conjunction with the Purchasing and R&D Divisions. Since the chemical management act governs site-specific chemical management, the Environment & Safety Team at each of our sites plays a central role in collaborating with relevant teams to ensure site-level response.

# Establishment of a Company-Wide Crisis Management System

{ CASE STUDY }

The sinking of the Sewol Ferry in April of 2014, along with numerous other national and international accidents alerted us to the need of company-wide crisis management. As such, we established the Crisis Management Headquarters in 2014 and set forth operational principles. When a fire broke out in a warehouse at our Daejeon Plant in September 2014, we were able to minimize its damage and hasten the recovery process due to the convening and operation of this newly-created Crisis Management Headquarters. In 2015, we are taking action to match up with the established improvement plans to elevate the overall level of risk management, emergency response and crisis management and to operate our company-wide crisis management system in a substantial and integrated manner.

## 1. Overview of the Crisis Management System

We defined the key components of any crisis management system as: risk management, emergency response and crisis management. Then we categorized them in line with time flow and the extent of damage. Ordinarily, we monitor risks through continued risk management. When accidents or events do occur, immediate emergency response measures are undertaken to minimize their damage. When such measures start to take effect and bring gradual recovery, we resume to our default risk management phase. If it is impossible to repair the damage and the extent of it continues to escalate, the Crisis Management Headquarters may declare an emergency and initiate crisis management to focus on repairing the damage and normalizing business conduct. In the case where it is determined that normal business conduct resumes with the passage of time, the head of the Crisis Management Headquarters lifts the emergency warning and our operations go back to normal.

**\* Risk Management:**

- Risks refer to uncertain future events that may impact the attainment of an organization's strategic, operational or financial goals. From a broader perspective, risks can be interpreted as threats to corporate sustainability.
- Risk management is to identify and evaluate these risks and to manage their possibility and countermeasures through monitoring.

**\* Emergency Response:**

Emergency responses refer to immediate response activities, including rescuing lives, preventing accidents from worsening, along with other basic-level recovery measures that are undertaken in the case of accidents or precarious events until long-term or permanent solutions take hold.

**\* Crisis Management:**

When the impact and damage from such crises are not expected to decrease in spite of emergency response, action must be taken to normalize business conduct so that an appropriate company-wide response can overcome them.

**\* Crisis Management System:**

The risk management system was created to effectively manage the risks and crises that a company could face through the organic alignment of risk management, emergency response and crisis management.

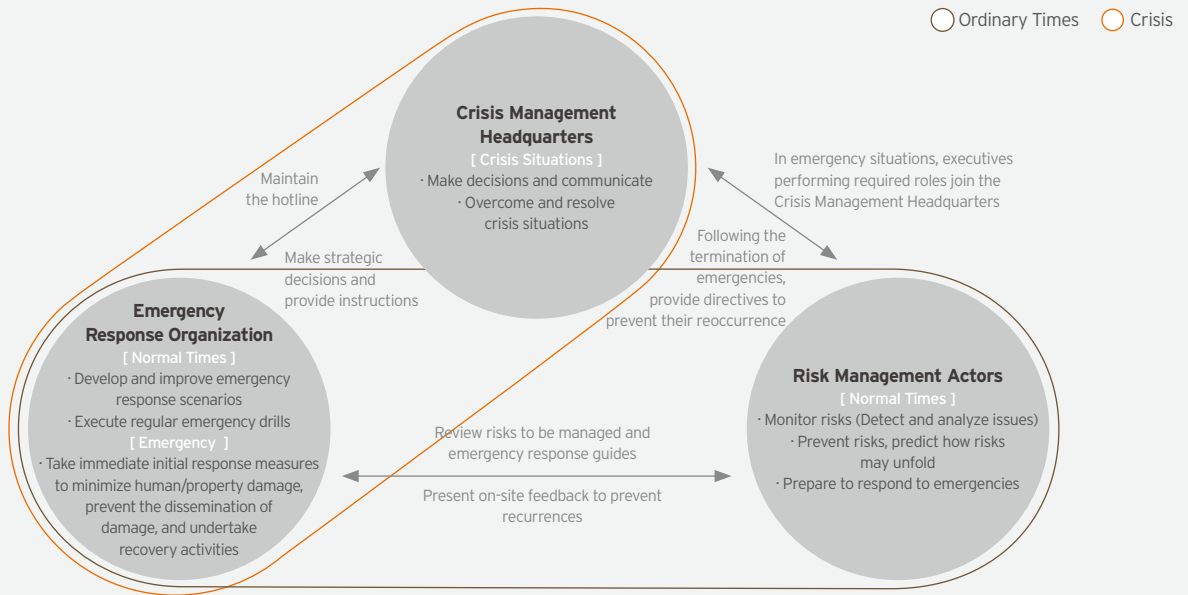
Crisis Management System



## 2. Operational Plan of the Crisis Management Headquarters

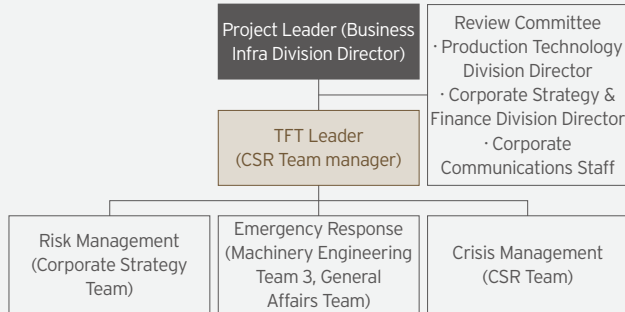
Our company-wide Crisis Management Headquarters is designed to function as a non-standing organization and serve as a control tower in times of crises to enable swift decision-making and communication. The managerial actors for each risk, site-specific emergency response organizations and the Crisis Management Headquarters are systematically operated so that they are organically aligned to offer assistance both in ordinary times and

emergencies. Ordinarily, risk management actors and emergency response organizations communicate closely with one another to prepare for emergencies. When crises occur, emergency response organizations are connected with the Crisis Management Headquarters via the hotline, and the headquarters provides strategic decision-making directions to emergency response organizations.



**3. Company-Wide Crisis Management System Improvement Plans**

As of 2015, we are operating a separate TFT organization to improve our crisis management system. Such improvement activities are undertaken for each of the crisis management areas: risk management by the Corporate Strategy Team, emergency response by the Machinery Engineering Team 3 and General Affairs Team, and crisis management by the CSR Team.

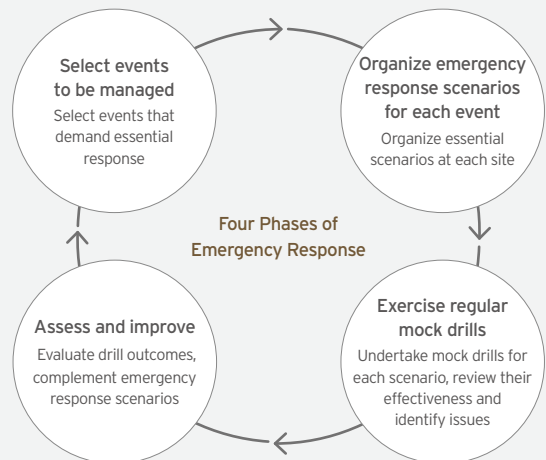


**1 Risk Management** • We comprehensively reviewed approximately 100 risk items under management to identify company-wide risks. Presently, an additional risk examination is being conducted by selecting responsible teams and staff for each job function. On April 8<sup>th</sup> and 10<sup>th</sup> of 2015, presentations were hosted in each region to raise awareness of responsible staff members on the need for risk management and to establish consistency in risk examination criteria. Once all the risks are compiled, they

<b>Identify Risks</b>	<ul style="list-style-type: none"> <li>Review existing risks under management</li> <li>Examine risks by job function</li> </ul>
<b>Classify Risks and Determine Response</b>	<ul style="list-style-type: none"> <li>Determine response through the classification of identified risks</li> <li>① Integrate risk management into the daily operations of responsible teams</li> <li>② Manage site-specific emergency response organizations</li> <li>③ Manage committees and meetings</li> </ul>
<b>Set Management Criteria</b>	<ul style="list-style-type: none"> <li>Define the roles and responsibilities of each team</li> <li>Set the cycle of monitoring</li> <li>Set plans to manage modifications</li> </ul>

will be classified to determine our response, and management criteria will be established to allow for the sustained updating of company-wide risks.

**2 Emergency Response** • Emergency response consists of the following four phases: selecting target events, organizing scenarios for each event, exercising mock drills, and making assessments and improvements. We selected 13 essential events including fires, heavy snowfalls, and toxic spills while organizing emergency response scenarios for each event in line with on-site conditions. This will be followed by the execution of drills for each actual scenario to review its effectiveness and identify issues, which will complement our emergency response scenarios.



**3 Crisis Management** • It is critical that detailed internal guidelines are established to ensure an effective and systematic crisis management system in the face of crises, and that the Crisis Management Headquarters follows the set guidelines in the real world setting. Our goal is to develop company-wide crisis management regulations and register response manuals for each major crisis situation by the end of 2015. These manuals will primarily include managerial measures that focus on our key assets (personnel, facility, IT, supply chain, etc.).



# 01

## Context

Business ethics, built on the basis of transparency, serves as the bedrock for establishing relationships with diverse stakeholders. Today more than ever, companies are faced with even higher standards for transparency and business ethics in fulfilling their social responsibility.

### Risk & Opportunity

Along with a shift in business environments comes a host of increasing global ethical risks. As companies continue to practice ethics management and create a sound organizational culture, so will their global competitive edge improve and the degree of trust from external/internal stakeholders develop.

### Declaration

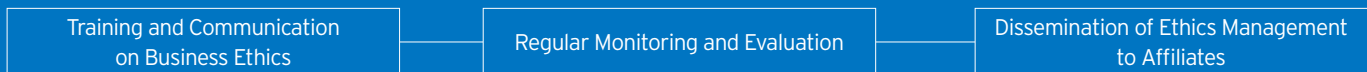
Hankook Tire's ethics management aims to assist individual employees in developing and practicing ethics awareness to gain even greater credibility with stakeholders. Our business ethics are woven into the fabric of our corporate mission/vision and serve as a fundamental prerequisite in promoting a transparent and sound corporate culture, devoid of any sort of bribery or corruptive practices.

### Management Responsibility and Governance

#### Ethics Management Subcommittee

- Chair: Audit Department Director • Team in Charge: Audit Team
- Members: Global Marketing Planning Team, Corporate Management Team 1, Purchasing Planning Team, R&D Planning Team, Global Quality Assurance Team

### Key Managerial Issues



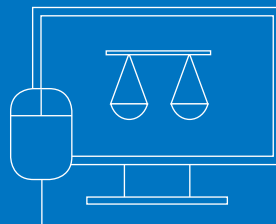
### Achievements

A Code of Ethics system was established and comprehensively revised



Hankook Tire and five of its affiliates

Participation in online business ethics training was expanded



**7,200** employees (approximately)

'Pledge of Business Ethics' was signed



All office staff were obliged to sign the pledge

### Future Plans and Outlook

We will develop detailed informant protection guidelines to facilitate whistle-blowing and establish an advanced culture of ethics management. Furthermore, our Ethics Guidebook will be updated to set clear guidelines for all our employees to easily follow. Our ethics management will broaden its scope to include our overseas regional headquarters and subsidiaries so that we can achieve a consistent standard in elevating our ethics management throughout our global operations.



## 2014 Achievements

● Completed   ● Partially Completed   ○ Not Completed

Code	Key Managerial Issues	Goals	Achievements	Completion	Pages
BE1	Training and Communication on Business Ethics	To revise the Code of Ethics	· A Code of Ethics system was established and comprehensively revised	●	36
		To post the Code of Ethics on the local websites	· The Code of Ethics for Chinese operations was revised and uploaded on the local website	●	
		To sign the 'Pledge of Business Ethics' by all employees	· For other global operations (Germany, Hungary), a global Code of Ethics will be established and then posted	●	
		To provide regular ethics management training (all office staff and operators)	· Office staff signed the Pledge of Business Ethics online	●	
		To send E-ethics Letters (monthly)	· Online business ethics training was offered to all employees (including expatriates and operators)	●	
		To launch the 'No Holiday Gift' campaign	· E-ethics Letters were sent monthly	●	
BE2	Regular Monitoring and Evaluation	To operate the RMS in Korea and China (Risk Monitoring System)	· The 'No Holiday Gift' campaign was launched on the New Year and Korean Thanksgiving holidays	●	37
		To perform self-initiated assessment on ethics management	· RMS was operated in Korea and China	●	
BE3	Dissemination of Ethics Management to Affiliates	To revise the Code of Ethics for affiliates	· Self-initiated ethics management assessment was made (evaluation indicators were renewed)	●	37
		To launch the 'No Holiday Gift' campaign	· The Code of Ethics for affiliates was comprehensively revised and its system was established	●	
		To offer ethics management training to affiliates	· The 'No Holiday Gift' campaign was launched on the New Year and Korean Thanksgiving holidays	●	
		To perform self-initiated assessment on the ethics management of affiliates	· Training plans were set, and training was initiated from Feb. 2015	●	

## 2015 Plans

Code	Key Managerial Issues	Commitments	Key Index	Deadline	Team in Charge
BE1	Training and Communication on Business Ethics	To set an informant protection system	Regulations and PR materials	Mar.	Audit Team
		To disseminate ethics management training to overseas regional headquarters and subsidiaries	Training content	May	Audit Team
		To update the Ethics Guidebook	Guidebook	Jul.	Audit Team
		To offer regular ethics management training	No. of trainees and training hours	Year-round	Audit Team, em) HQ Information Team 1, DP) KP) Human Resource Team, R&D Human Resource Team
		To send E-ethics Letters (monthly)	Details of monthly letter delivery	Monthly	Audit Team
		To launch the 'No Holiday Gift' campaign	Brochure	Feb., Sep.	Audit Team, Purchasing Planning Team
BE2	Regular Monitoring and Evaluation	To operate the RMS in Korea and China	Report	Monthly	Audit Team, CHN) Corporate Management Team
		To perform self-initiated ethics management assessment	Assessment outcome report	Oct.	Audit Team
BE3	Dissemination of Ethics Management to Affiliates	To launch the 'No Holiday Gift' campaign	Brochure	Feb., Sep.	Audit Team, Ethics Management Team at each affiliate
		To offer ethics management training to affiliates	No. of trainees and training hours	Oct.	Audit Team, Ethics Management Team at each affiliate
		To perform self-initiated ethics management assessment for affiliates	Assessment outcomes	Nov.	Audit Team, Ethics Management Team at each affiliate



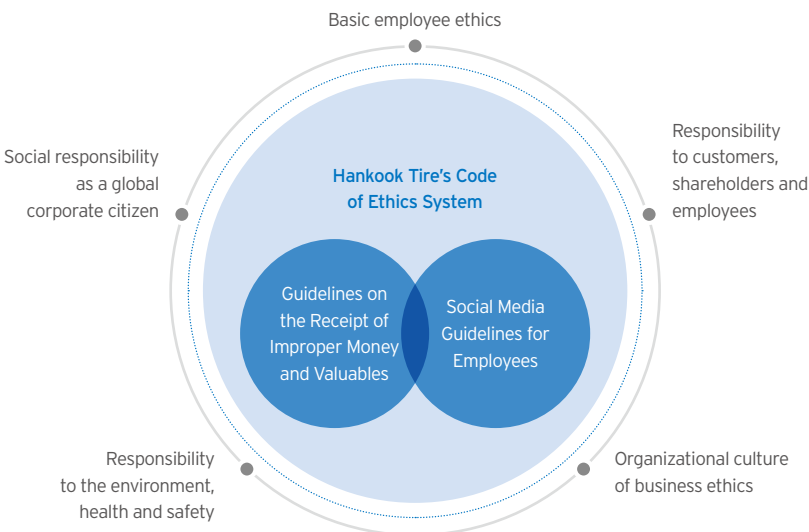
## Training and Communication on Business Ethics

We modified our Code of Ethics system and made extensive postings of the revised version of the Code of Ethics. Furthermore, we obliged our employees to sign the business ethics pledge and offered regular business ethics training sessions to help them raise their ethical awareness and reinforce their executional capability.

### Revise the Code of Ethics

In 2014, the 'Hankook Tire Code of Ethics' was comprehensively revised to reflect the latest business ethics issues (5<sup>th</sup> revision). Our Code of Ethics system was re-organized, and 'Guidelines on the Receipt of Improper Money and Valuables' and 'Social Media Guidelines for Employees' were added to the basic regulations as detailed action guidelines. The former stipulates concrete behavioral principles to establish fair and transparent business relationships with internal/external stakeholders. Meanwhile, the latter explains the rules our employees are expected to observe to prevent any risk of compromising our corporate image through the reckless use of social media. To ensure that all our employees live by the revised ethics regulations, promotional and training activities were undertaken through diverse business ethics communication channels.

Code of Ethics System and Structure



### Sign the 'Pledge of Business Ethics' by All Employees

All our office staff electronically signed to comply with the major details of the Business Ethics Pledge. In so do-

ing, Hankook employees commit to establishing a transparent and healthy corporate culture and conducting business in a fair manner. Both our existing employees and our new hires will sign this pledge, and the scope of this commitment will extend to our operators.

### Provide Regular Training on Business Ethics

We developed an online ethics management training system within our in-house intranet to offer regular training to all office staff who have access to PCs (including overseas expatriates). We also provided online group ethics management training to operators via group-specific shift meetings. Training content was designed to focus on strengthening job ethics with actual examples. Our aim was to offer regular training to instill ethics awareness to each employee, and to emphasize the importance of business ethics to reach a wider consensus on ethics management issues. In 2014, online ethics management training was attended by approximately 2,400 office staff and 4,800 operators. In addition, 270 employees received such training in diverse group training formats - mandatory job-specific training, training for those assigned for overseas expatriate positions, introductory training for new hires and training for purchasing operations that require a particularly high level of ethics awareness.

### Send E-ethics Letter (Monthly)

In 2014, our E-ethics Letter reinforced its function as a communication tool to enhance ethics management. Launched back in 2011, monthly 'E-ethics Letters' were sent to all our employees (including the CEO), to highlight business ethics trends (stronger anti-corruption initiatives, increased use of social media, etc.). Once delivered, these letters were also posted on the 'Business Ethics' section of our in-house intranet so that our employees could access them anytime they wanted. This section was also directly linked to the reporting channel to enhance its accessibility and to help employees report on relevant issues immediately.

### Launch the 'No Holiday Gift' Campaign

We strive to avoid any type of unfair transaction with internal/external stakeholders, and to prevent diverse ethical risks to establish mutually fair and transparent business relationships. We encouraged all our employees to join the 'No Holiday Gift' campaign by posting it on our in-house intranet. Likewise, we made it easy for our suppliers to report any issue by posting the campaign on our HePS (Hankook Tire e-Procurement System) with a direct link to a reporting channel and we made it clear that the reporting channel was run independently from our purchasing operation.

BE-2

## Regular Monitoring and Evaluation

We endeavor to prevent ethical risks by regularly monitoring our regulations and work processes. We also operate a host of reporting channels and conduct self-initiated ethics management surveys each year.

### Operate Reporting Channels

Our reporting channels ensure that our employees or external stakeholders can freely report any type of infringement of ethics management principles. The Cyber Audit, post-mails, e-mails, a call center and other diverse channels are available for anyone to report to, by either declaring their identity or choosing to remain anonymous. Over the past three years, 68 reports were submitted, all of which were completely handled. Out of the reports received in 2014, complaints raised by external stakeholders accounted for 42% and corruptive or illegal practices 23% of the total. If evidence is verified following the investigations into such claims, disciplinary measures are prescribed according to the severity of the issue. The 'Whistle-blowing Hotline' also allows our stakeholders to directly raise their grievances to the company CEO anonymously. Our 2015 goal is to develop and implement detailed guidelines to provide greater protection to informants.

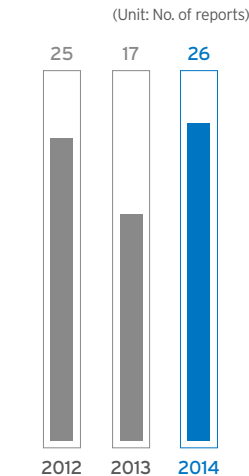
### Operate the RMS (Risk Monitoring System) in Korea and China

As our organizational segmentation and integration accelerated, our risk exposure increased accordingly. This prompted us to develop an RMS as an early warning program to conduct year-round monitoring. Our Korean RMS, since its development in June 2011, has been monitoring indicators in the five areas of HR, sales, accounting, expenditure and purchase. In 2014, logistics was added to broaden the scope of monitoring to six areas. Our Chinese RMS (established in 2012), was initially operated by the Corporate Management Team 2 at the Korean Head Office for its stabilization, advancement and monitoring. In 2014, its supervision was transferred to the Chinese Corporate Management Team. Our RMS aims to analyze risks monthly to improve on unreasonable business practices.

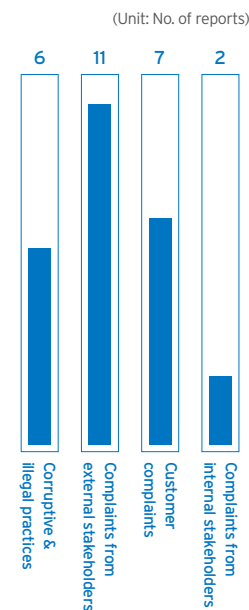
### Conduct Self-Initiated Business Ethics Evaluation

For three years following the development of evaluation indicators in 2011, we conducted annual surveys to independently assess our level of ethics management. In 2014, we renewed the indicators to improve our evaluation methods. We also increased the number of respondents from the previous year, to approximately

Reports Submitted Over the Past Three Years



Reports Submitted in 2014 by Type



700 office staff, to enhance the credibility of the survey outcomes, and surveyed them on 71 indicators in seven assessment areas. In spite of our diverse systems and programs, the 2014 evaluation outcomes revealed the existence of some vulnerable areas. These outcomes, paired with the fact that not all of the sectors were uniform in their levels of execution and performance, placed us in the 'institutionalization phase'. Furthermore, the most urgent area for improvement was the employee sector, followed by the customer sector. These assessment outcomes will enable us to further raise the bar on our business ethics standards.

BE-3

## Dissemination of Ethics Management to Affiliates

To ensure we grow hand-in-hand with our affiliates - both qualitatively and quantitatively - we operate just as many business ethics programs for our affiliates.

### Revise the Code of Ethics for Hankook Affiliates

To maintain the consistency of ethics management policies at both Hankook Tire and our affiliates (emFrontier, ATLASBX, MKT, and Daehwa Engineering & Machinery), we revised our affiliates' Code of Ethics on the basis of Hankook Tire's Code of Ethics that was amended in 2014. The revised Code of Ethics was posted on the website of each of our affiliates so that external stakeholders could view the revised content themselves.

Establishment and Revision of the Code of Ethics at Hankook Tire and Affiliates

Name of Company	Enactment	History of Establishment & Revision
Hankook Tire	Aug. 2001	Feb. 2005, Jul. 2007, Aug. 2010 Mar. 2013, Jul. 2014
emFrontier	Jul. 2007	Oct. 2011, Apr. 2013, Sep. 2014
ATLASBX	Dec. 2006	Jun. 2013, Sep. 2014
MKT	Jun. 2013	Sep. 2014
Daehwa Engineering & Machinery	Jul. 2008	Jun. 2013, Sep. 2014

### Offer Ethics Management Programs for Affiliates

All our five affiliates launched the 'No Holiday Gift' campaign during the New Year and Korean Thanksgiving holidays while performing self-initiated business ethics assessments by referring to our renewed evaluation indicators. Plans were also established for them to use the online business ethics training content that we produced in 2014 to train their employees from 2015 onwards. In 2015, all our affiliate employees (including office staff and operators) will receive such training.

# Employee Health & Safety Management



## 02

### Context

Recent safety accidents, both large and small, alert us to pay greater attention to and take greater responsibility for health, safety and fire issues on a national level. This means that it is even more critical that we, as a company, remain focused and do our utmost to protect the health of our employees and prevent them from being involved in any accident.

### Risk & Opportunity

If a company fails to ensure a safe workplace and prevent accidents, it may seriously jeopardize the greatest asset to any company: its human resources. In contrast, a company that places top priority on employee health and safety and makes continuous improvements to it will be recognized as a safe workplace and its efforts will be rewarded with improved productivity.

### Declaration

Hankook Tire stands behind the belief that the health and safety of its employees is a key CSR component and the fundamental driving force behind its sustainable growth. Thus, Hankook Tire is ever committed to a safe and enjoyable workplace for all employees. This is the underpinning of Hankook Tire's business philosophy that places employee health and safety before anything else.

### Management Responsibility and Governance

#### EHS Subcommittee

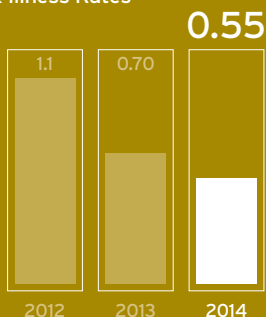
- Chair: Daejeon Plant Manager
- Team in Charge: DP) Environment & Safety Team
- Members: KP) Environment & Safety Team, Machinery Engineering Team 3, DP) KP) Facility Maintenance Team, Material Research Team 2, R&D Operations Team, CSR Team

### Key Managerial Issues



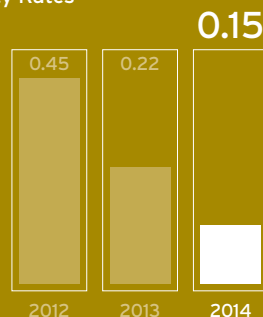
### Achievements

#### Injury & Illness Rates



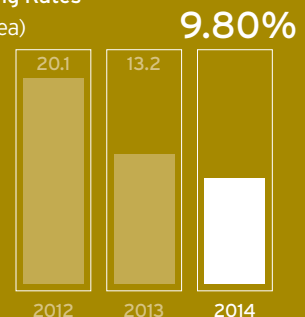
\* **Injury & Illness Rates:** An incidence rate of injuries and illnesses per 100 employees (No. of injuries and illnesses/ No. of employees) x 100  
 \* **2013 average of the manufacturing industry:** 0.78, 2013 average of the rubber product manufacturing industry: 1.12 (Source: Ministry of Employment and Labor)

#### Severity Rates



\* **Severity Rates:** Lost working days caused by injuries per 1,000 work hours (Lost working days/work hours) x 1,000  
 \* **2013 average of the manufacturing industry:** 2.22, 2013 average of the rubber product manufacturing industry 2.55 (Source: Ministry of Employment and Labor)

#### Smoking Rates (in Korea)



\* Based on our Daejeon, Geumsan Plants, Production & Engineering Division, and R&D Center  
 \* **2013 average smoking rate of Korean adults:** 24.1% (Source: Ministry of Health and Welfare, Korea Centers for Disease Control and Prevention)

\* Data from 2014 and onwards includes our Chongqing and Indonesia Plants on a company-wide level (Prior to 2014, these two plants were not figured into the total since they were still in the facility testing phase, without manufacturing tires)

### Future Plans and Outlook

We will build an integrated, strategic, and company-wide health and safety management system that extends to our suppliers. We will be fully committed to improving the work environment and risk factors by sincerely taking responsibility for delivering a safe and enjoyable workplace for all our employees, and continue to advance our employee health care programs.

**2014 Achievements**

● Completed   ◐ Partially Completed   ○ Not Completed

Code	Key Managerial Issues	Goals	Achievements	Completion	Pages
HS1	Establishment of a Voluntary Safety Management System	To strengthen response capabilities in line with tightening governmental policies and regulations (compliance assessment performed twice/year)	· Compliance assessment were performed twice in 2014	●	40
		To develop leading indicators and safety awareness assessment tools to establish standard work procedures	· Health & safety level assessment was performed · Standard safe work procedures were observed · Target Group Behavioral Observation was performed	◐*	
		To prevent risks from major occupational accidents To maintain a grade 'Grade S' or above under the Process Safety Management (PSM) system	· The Daejeon Plant successfully maintained its 'Grade S' status under the PSM system	●	
HS2	Enhancement of Employee Health Management	To strengthen customized health care (by age group and by health concern)	· Health awareness improvement activities were undertaken for employees · No. of health care recipients fell (Daejeon Plant: 11.5%point, Geumsan Plant: 5.7%point)	●	40~41
		To expand health care programs (smoking cessation training)	· Smoking rates fell (Daejeon Plant: 3.0%point, Geumsan Plant: 2.2%point) · Smoking cessation mentoring and funding programs were undertaken (Daejeon Plant: 110 employees, Geumsan Plant: 22 employees)	●	
		To improve the work environment (noise control, improvement of local ventilation facility performance, etc.)	· Improvement of local ventilation facilities was reflected in the investment budget and completed in May 2014	◐**	
		To introduce a mental health counseling program or operate a mental health counseling office	· Counseling was offered to 963 employees (Daejeon Plant: 524 cases, Geumsan Plant: 439 cases)	●	
HS3	Development of a Fire Safety System	To diagnose and improve the fire-fighting system	· The company-wide fire-fighting system was diagnosed	●	41

\* While safety awareness evaluation tools were fully developed, leading indicators are under development

\*\* The noise control initiative is presently under consultation to make investment decisions, and will be undertaken in 2015

**2015 Plans**

Code	Key Managerial Issues	Commitments	Key Index	Deadline	Team in Charge
HS1	Establishment of a Voluntary Safety Management System	To develop a safety awareness survey questionnaire and perform surveys	Level of safety awareness	Dec.	DP) KP) Environment & Safety Team
		To operate the quantitative assessment system to evaluate activities undertaken to prevent safety accidents	Operation of such system	Dec.	DP) KP) Environment & Safety Team
HS2	Enhancement of Employee Health Management	To establish musculoskeletal disease prevention programs	Establishment of such programs	Dec.	DP) KP) Environment & Safety Team
		To operate programs to address health hazard factors related to night work (gastroenteric disorders, sleep disorders, obesity)	Operation of such programs	Nov.	DP) KP) Environment & Safety Team
		To improve on potential health hazards from the work environment (micro dust, rubber hume)	Improvement rate	Oct.	DP) KP) Environment & Safety Team
HS3	Development of a Fire Safety System	To adopt global fire safety management standards	Adoption rate	Oct.	Environment & Safety Team (company-wide) , Machinery Engineering Team 3
		To improve fire-fighting facilities (invest approximately KRW 16.1 billion )	No. of improvements made (%)	Dec.	Environment & Safety Team (company-wide), Machinery Engineering Team 3
		To nurture fire-fighting staff (hire an additional eight employees to head disaster prevention, offer training to both existing and new employees)	-	Dec.	DP) KP) Environment & Safety Team

## HS-1

# Establishment of a Voluntary Safety Management System

We established a more systematic company-wide health & safety management system by strengthening our internal response capabilities and performing self-initiated safety awareness assessment with an aim to practice health & safety management and to prevent major accidents.

### Strengthen Response Capabilities in line with Tightening Governmental Policies and Regulations (Compliance Assessment Performed Twice/Year)

In 2014, Korea's national policies and occupational health & safety regulations tightened significantly to impose more stringent responsibilities on employers and strengthen occupational injury criteria. In response, we performed biannual compliance assessments at our Daejeon and Geumsan Plants in Korea to reinforce our internal response capabilities and comply with regulatory obligations. For any issues found to be substandard as a result of these assessments, improvement is made to ensure a safer work environment for our employees.

### Develop Leading Indicators and Safety Awareness Evaluation Tools to Establish Standard Work Procedures

We planned for leading indicators and conducted monthly health & safety 'level' assessments to establish work standards and enhance safety awareness at our Korean plants. Team-specific assessments were made on a total of 11 items that included safety training, safety device inspection, and Occupational Health & Safety Committee activities. We made sure that improvement was made on these identified issues. Furthermore, our Target Group Behavioral Observation\* tool was designed to assist our employees, who have less than three years of work experience and are more likely to suffer safety accidents, in preventing unsafe practices and complying with standard safety work procedures. We will follow up with diverse assessments and initiatives so we can develop a culture where employees practice self-directed safety management with fully-embedded safety awareness.

### Prevent Risks from Major Accidents to Maintain a Grade 'Grade S' or Above under the Process Safety Management (PSM)\* System

\*\* PSM Evaluation Grade:  
· P (Progressive) Excellent:  
Self-directed management  
· S (Stagnant) Good:  
Annual inspections made  
· M+(Mismanagement) Average:  
Annual inspections made and technical support offered once/year  
· M-(Mismanagement)  
Substandard: Inspections made twice/year and technical support offered once/year

\* Target Group Behavioral Observation: This represents Hankook Tire's in-house assessment tool to assist operators with less than 3 years of work experience. This tool promotes self-initiated safety management by boosting their ability to make self-directed judgments and necessary corrections in the face of potentially hazardous circumstances. Since the tool depends on observation and examination, rather than simply pinpointing problems, it helps employees not to have antipathy and builds mutual trust.

\* PSM (Process Safety Management): Hankook Tire's safety management system that systemizes normal management operations and emergency response operations in an aim to prevent major occupational accidents from fires, explosions and hazardous substance leaks, while minimizing any resulting damage.

In 2014, our Daejeon Plant was subjected to a regular compliance evaluation made of target facilities. As a result of this evaluation, the plant successfully maintained its 'Grade S'\*\* status, and completed all improvement measures on a total of 10 identified issues, including one corrective order and nine corrective instructions. To prevent any major accidents that could occur within our business establishments including fires, explosions or leaks, we will make facility investments and revise in-house regulations to further strengthen our safety management practices.

## HS-2

# Enhancement of Employee Health Management

Strengthening customized health care programs and operating a counseling office are just some of the endeavors geared to promote the health of our employees. We also continue to invest in our facilities and improve our work environment to ensure that our employees can count on safe and enjoyable working conditions.

### Strengthen Customized Health Care (by Age Group and Health Concern)

Our customized health care management programs, specific to age groups and health concerns, help our employees to better manage their individual health. Our daily habit improvement initiative assisted our employees in improving their dietary habits while expert training was offered to prevent the onset of adult disease. Furthermore, health management brochures were distributed to the employees at our Daejeon and Geumsan Plants to engage employee families in promoting the health of our employees. As a result, the number of employees who need intensive health care fell by 11.5%points at the Daejeon Plant and by 5.7%points at the Geumsan Plant, over the previous year. We will continue to undertake diverse initiatives to promote the health of our employees.

### Expand Health Care Programs (Smoking Cessation Training)

We actively implement our smoking cessation programs to improve the health of our employees. Our smoking cessation mentoring and fund programs promote the self-initiated engagement of our employees. Non-smoking area patrols were also strengthened through the three-strike-out policy that governs the

violation of non-smoking area regulations. In addition, we invited outside experts to offer three-hour smoking cessation training sessions on four occasions to 115 and 144 employees at the Daejeon and Geumsan Plants respectively. Vitamins and smoking cessation supplements were also provided to employees to help them quit smoking. All of these endeavors resulted in a 2.9%points y-o-y drop and 3.1%points y-o-y drop in smoking rates at the Daejeon and Geumsan Plants respectively.

#### **Improve the Work Environment (Noise Control, Improvement of Local Ventilation Facility Performance, etc.)**

As production increased and the performance of ventilation equipment deteriorated at our Daejeon and Geumsan Plants, this alerted us to the urgent need to improve on their ventilation performance. In 2014, we made two facility investments to improve the ventilation performance of these plants. In 2015, we will follow up with such facility investments to help control noise from the mixing process. Furthermore, we will create a safe and enjoyable work environment by establishing more stringent managerial regulations.

#### **Introduce a Mental Health Counseling Program and Operate a Mental Health Counseling Office**

In June 2014, 'Donggeurami Mind Shelter' opened at our Daejeon and Geumsan Plants to provide expert counseling services to employees. Between its opening and the end of 2014, approximately 960 cases of counseling were handled on such issues as job and personal stress, family issues and workplace issues. In addition, we extended the scope of such psychological counseling by launching outcall services and support for the children of employees. Our plan is to operate counseling offices at our R&D Center and the Head Office.

### HS-3

## Development of a Fire Safety System

We continue to invest in our facility and conduct internal/external fire-fighting diagnoses so as to build our own fire safety system. Furthermore, we provide regular/random fire drills and training to help our employees strengthen their emergency response capacity.

#### **Our Response to the 2014 Fire**

On September 30<sup>th</sup>, 2014, a fire broke out in a warehouse at our Daejeon Plant. The National Forensic Service of Korea conducted an investigation in conjunction with other relevant agencies and concluded that the fire was caused by an unidentifiable electricity-related problem, not by arson or a careless accident. The fire was first detected by the fire alarm installed in the warehouse, and our employees there reported it to the authorities. Following the immediate report made to the public fire station, our in-house fire engines and fire-fighting devices were used to extinguish the fire early on, and employees were swiftly evacuated under the direction of plant supervisors, which ensured that we did not suffer any loss of life. The precise and systematic response on the part of the fire authorities allowed us to completely extinguish the fire at around 8 a.m. the next day.

#### **Diagnose the Company-Wide Fire-Fighting System**

Between November 5<sup>th</sup> and December 10<sup>th</sup> 2014, we performed assessments with internal/external experts on potential fire risks in such buildings and facilities as our Korean/overseas plants (seven plants), Korean logistics centers (12 centers), our R&D Center, and our employee dormitories. We did this in an aim to evaluate the operation of the company-wide fire-fighting system and its management status. We set up plans to make necessary improvement by conducting comprehensive diagnoses that spanned from checking fire-fighting devices and evaluating the status of the disaster prevention system to training and emergency drills.

#### **Improve the Fire-Fighting System**

It is based on the outcomes of the fire-fighting system diagnosis that we are improving our global standards on fire safety and management as a way to build our fire response capacity. We are also conducting fire drills, which include the operational capacity evaluation of fire-fighting devices. Furthermore, managers were designated to address any blind spots within each process unit in every region, while regular patrols and clean-ups were conducted as a way to further prevent fires. We will invest approximately KRW 30.7 billion over the next three years (between 2015 and 2017), to strengthen the fire response capacity of our fire-fighting devices. Moreover, we will continue to hire additional fire-fighting experts so that we can firmly establish our fire prevention system.



# Employee Value Creation



# 03

## Context

It is the fundamental element to respect the rights and diversity of employees and support them with capacity building for the company growth as well as its employees. In various areas, especially in human resource management, it is required to pursue strategies by focusing on value creation to foster and retain global talent.

### Risk & Opportunity

If a company fails to consistently engage its employees through effective communication, it will directly place itself in jeopardy of losing its competent workforce, a key factor in business conduct that critically affects business operations. This can also negatively impact a company's corporate reputation. Thus, fair HR systems and capacity-building programs designed to nurture and retain outstanding individuals serve to fuel a company's growth.

### Declaration

Hankook Tire shares its vision through open communication and provides its employees with fair opportunities to promote a healthier and happier workplace while working together for shared growth.

## Management Responsibility and Governance

### Employee Subcommittee

- Chair: Business Infra Division Director
- Team in Charge: Human Resource Management Team
- Members: CSR Team, Proactive University, Proactive Culture Team, DP) KP) Human Resource Team, KOR) Labor Relations Innovation Team, DP) KP) Labor Relations Team, DP) Cultural Communications Team, R&D Human Resource Team, R&D Operations Team, Production & Engineering Operations Team, Global Education Center Operations Team

## Key Managerial Issues



## Achievements

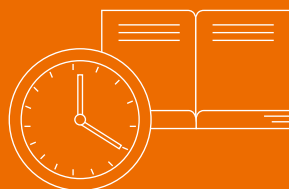
Human rights management system was established



Commitment to human rights management externally declared

Average annual training hours per person (in Korea)

85 hours



A subsidiary company for the disabled was established



Hankook Donggeurami Partners

Grievances handled

19 cases



## Future Plans and Outlook

We will increase the employment of individuals with disabilities in the short term to improve the diversity of our workforce and to advance our diversity management system in the long term. Furthermore, our human rights management system will be developed in accordance with the 'UN "Protect, Respect and Remedy" Framework for Business and Human Rights' to protect the rights of our employees and to advance human rights management.



## 2014 Achievements

● Completed   ● Partially Completed   ○ Not Completed

Code	Key Managerial Issues	Goals	Achievements	Completion	Pages
EV1	Open Communication-Based Management	To build mutually-beneficial labor relations	· Individual grievances were handled jointly by management and the union · Social contribution initiatives were undertaken jointly by management and the union	●	44~45
		To review the development of a global portal	· Plans were set to establish DWP (Digital Workplace)	●	
EV2	HR Systems that Offer Fair Opportunities	To establish Hankook Tire's human rights management system	· A human rights management system was established · The status of global human rights conditions were evaluated	●	45~46
		To identify jobs that can be performed by disabled employees	· Respective business sites strove to hire employees with disabilities · Jobs that can be performed by the disabled were identified	●	
		To improve the specialist program	· Improvement was made on its selection process and performance management system	●	
		To develop Hankook Tire's real time inquiry system	· A real-time employee time & attendance management system was built	●	
EV3	Growth-Fostering Training Systems	To strengthen the global HRD network and build infrastructure	· The HRD Committee was operated · A specialized job training system was built in China	●	46~47
		To nurture working-level experts in production	· 12 action learning-based working-level expert courses were developed and run	●	
EV4	Work-Life Balance	To gain the family-friendly company certification	· Simulations and reviews were performed to gain the certification	●	-
		To introduce flexible working hours	· A replaced absence program was pilot-run · Flexible working hours were prepared for female workers	●	
		To diversify support programs for unmarried employees	· Cultural courses and image-making courses were offered to operators, and group meetings were hosted	●	
		To offer family-friendly programs	· Family-engaging experience-based programs and field trip programs were developed and run · Annual essay and drawing contest held for employee families	●	

## 2015 Plans

Code	Key Managerial Issues	Commitments	Key Index	Deadline	Team in Charge
EV1	Open Communication-Based Management	To establish a trust-based, mutually-beneficial labor-management culture through diverse communication channels	· Details of response to changing labor conditions	Year-round	(KOR) Labor Relations Innovation Team
EV2	HR Systems that Offer Fair Opportunities	To establish a global HK human rights management system in accordance with the Ruggie Framework (including human rights declaration)	· Declaration of commitment to human rights management	May	Human Resource Management Team
		To continue to manage the global diversity of workforce (increase the recruitment of female and disabled employees and offer training on diversity)	· Ratio of disabled employees and female workers · Training on workforce diversity	Year-round	Human Resource Management Team
EV3	Growth-Fostering Training Systems	To develop CDP to help employees build capacity (reinforce the CDP of R&D workforce and design the CDP of engineers)	· Training	Oct.	Proactive University
		To roll out common training courses offered in Korea to global business sites (promote the capacity-building of locally-hired staff)	· Training	Oct.	Proactive University
EV4	Work-Life Balance	To strengthen family-friendly management	· Continuation of the program	Dec.	Human Resource Management Team
		To launch flexible working hours (mainly for female staff)	· Implementation of the program	Dec.	Human Resource Management Team

EV-1

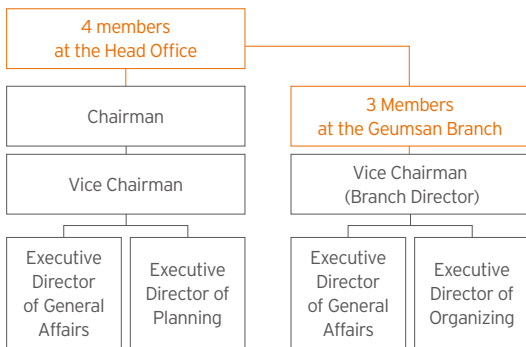
## Open Communication-Based Management

Hankook Tire's greatest competitive edge lies in its trust-based labor relations. We are building on this relationship further by taking a joint journey to discover and communicate diverse improvements to be made to maximize employee value.

### Preemptive Response to Changing Labor Conditions

We fully comply with labor regulations and all our employees are able to freely engage in labor union activities within legally permissible boundaries. The Hankook Tire Labor Union (the 'union' hereafter) is headquartered at the Daejeon Plant and operates the Geumsan Branch at the Geumsan Plant. We share information on pending issues in a detailed and transparent manner through quarterly labor-management consultative meetings and monthly site-specific labor-management consultative meetings. As of 2014, there were 4,801 unionized workers at Hankook Tire. Hankook Tire and the union are building a labor management culture that promotes consensus building through mutual compromise and negotiation as a way to resolve pending

Labor Union Organizational Chart (As of 2014)

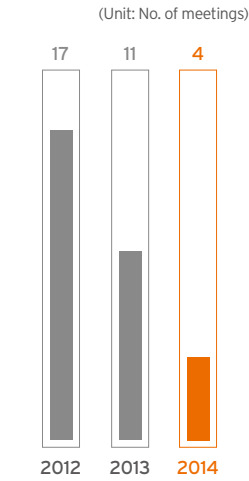


\* A total of seven union members are exempt from regular work to be fully committed to the labor union.

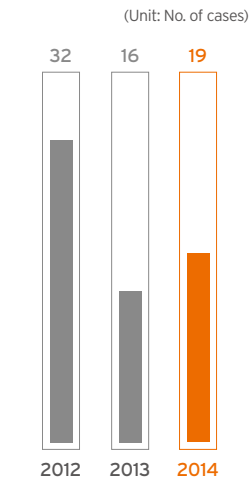
Status of the Unionized Workers (Unit: No. of persons, %)

Respondents	Site	Unionized Workers	Ratio
Labor Union	Head Office	115	2.4
Head Office	(including Sales and Logistics)		
	R&D Centers (including Production & Engineering)	258	5.4
Geumsan Branch	Daejeon Plant	2,384	49.6
	Geumsan Plant	2,044	42.6
<b>Total</b>		<b>4,801</b>	<b>100.0</b>

Outcomes of Grievance Committee Activities



Committee meetings held



Grievances handled

ing issues brought about by changing labor conditions. The collective bargaining agreement signed on the basis of this culture applies to all our employees. Since 2014, we have extended the official retirement age to 60 and initiated the peak salary program earlier than planned. Hankook Tire and the union also agreed to further rationalize the current wage system through the Committee for Improving Wage System.

### Individual Grievances Handled Jointly by Management and the Union

All our employees are free to consult with grievance counselors at their respective work sites. If such counseling services prove to be insufficient in resolving grievances, they are addressed through the Grievance Committee jointly operated by management and the labor union. In 2014, a total of four Grievance Committee meetings were held to handle 19 grievances. Furthermore, our Daejeon and Geumsan Plants run around-the-clock communication channels - 150 suggestion boxes and direct e-mail communication with plant managers - to gather candid feedback from the shop floor. In 2014, a total of 29 complaints were received and handled.

### Joint Corporate Philanthropic Initiatives

Hankook Tire and the union share the belief that the company should sincerely fulfill its social responsibility and are extending the scope of joint initiatives into corporate philanthropy. The Donggeurami Volunteering Team has been joined by a growing number of employees in increasingly diverse areas including donation, the environment, safety, and culture/arts. Unionized members exempted from work to be fully dedicated to union operations as well as previous and current union representatives are taking the lead in practicing the spirit of love and sharing by improving the living conditions for elderly people living within the vicinity of our business sites and cleaning up the environment of local communities.



<Volunteer Activity Led by the Union \_ Improving the living conditions for the elderly living alone>

### Set the Digital Workplace (DWP) Development Plan

We set a plan to develop the Digital Workplace (DWP) as an in-house intranet to help all our employees across the globe recognize their identity as a member of Hankook Tire and work efficiently. Once established, DWP will enable our employees to share our corporate business directions and goals, work efficiently without wasting time or resources, build capacity and utilize deliverables. Our plan is to enhance the value of DWP by allowing our employees to seamlessly network with one another so that they may easily bring their brilliant ideas to the table. This will allow us to deliver a wide spectrum of collaborative environments, regardless of space or time and provide meaningful information to our employees.

## EV-2

### HR Systems that Offer Fair Opportunities

It is based on the management principle that our growth is driven by the talent and capacity of our employees that we undertake fair and transparent HR policies. Specifically, our HR system is taking firm root to provide fair opportunities (according to international standards), strengthening employee human rights and increasing the employment of the disabled.

#### Establish a Hankook Tire Human Rights Management System

We strive to fulfill the social responsibility requested upon us in the field of human rights management and comply with international human rights standards. In 2015, we laid the foundation to establish our own human rights management system on the basis of the 'UN "Protect, Respect and Remedy" Framework for Business and Human Rights'. Specifically, we used HRCA\* tools to perform a self-initiated human rights assessment at our overseas regional headquarters and subsidiaries and to identify necessary improvements to be made at respective sites. Also we refined our human rights management system to ensure the continuous process flow of human rights assessment-improvement-internalization, and made a human rights declaration on May 10<sup>th</sup>, the anniversary of our foundation, to publicly pronounce our commitment to human rights management.

\* HRCA (Human Rights Compliance Assessment): A comprehensive tool developed by the Danish Institute of Human Rights to preemptively assess potential human rights infringement factors that may affect a company's stakeholders—all the way from its employees to its shareholders, business partners, etc.

### Identify Jobs That Can Be Performed by Disabled Employees

To facilitate the employment of disabled employees, we further systemized the management of our current disabled employees and developed positions that can be performed by newly-hired disabled employees. In 2014, we identified 16 job positions through job analyses, and we continue to hire disabled individuals to fill these positions. Furthermore, we are establishing a subsidiary company for the disabled to extend the scope and the number of employees with disabilities. In creating this type of business site, we can indirectly recruit people with disabilities through our subsidiary to provide stable employment to those with severe disabilities. This also ensures that we satisfy the mandatory ratio of disabled employees and fulfill our social responsibility. In 2014, we reviewed relevant regulations, benchmarked other companies and cooperated with relevant organizations to define our roadmap to establish the subsidiary. To this end, we signed an MOU with the Korea Employment Agency for the Disabled in 2014. It was based on the roadmap that we incorporated 'Hankook Donggeurami Partners' Co., Ltd. on March 2<sup>nd</sup>, 2015 to promote the employment of the disabled. The subsidiary will be officially launched in the second half of 2015.



<Signing Ceremony to Subsidiary Company for the Disabled>

#### Improve the Specialist Program in the Production & Engineering Division

We improved our specialist system to assist our Production & Engineering Division in generating technological outcomes for the future. The roles and responsibilities of specialists were re-defined by identifying elements conducive to the creation of technological outcomes from the mid/long-term perspective, and the specialist selection process and their performance management system were improved accordingly. Our plan is to incrementally introduce and implement programs to generate outcomes and nurture expert-level staff in line with our mid/long-term strategy to reinforce technology and R&D capability.

#### Develop Hankook Tire's Real Time Inquiry System

Our real-time employee time & attendance management system was designed to manage employee work

hours in a fair and transparent manner. The introduction of this system enables us to improve the efficiency of safety management at our business sites and to accurately compensate our employees through the transparent management of work hours. We will discourage excessive overtime work so that our employees can pursue a work-life balance.

**EV-3**

## Growth-Fostering Training Systems

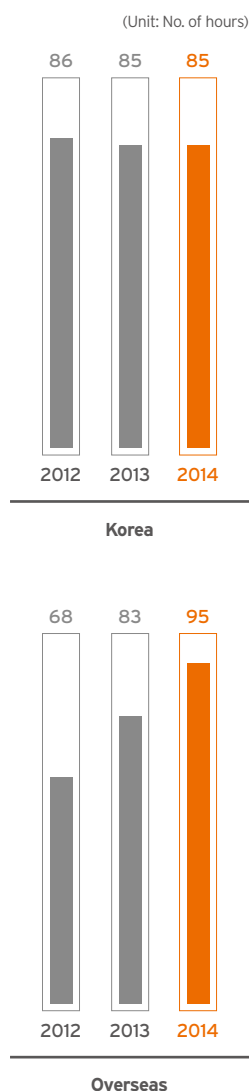
To assist our employees, the key component of our competitive edge, in building capacity and engaging in their work, we offer basic leadership training and job training that is based on capacity requirements. In addition, we are building our global HRD network to promote the growth of our employees on a global level.

### Strengthen the Global HRD Network and Build Infrastructure

**Strengthen the Global HRD Network** • To effectively assist our employees in building capacity, we allow training-related departments in respective organizations to directly run a flexible training system that reflects their own distinctive work characteristics. In 2014, the HRD Committee, a network of training-related departments, was created with an aim to improve employee capacity-building more systematically on a global level, and meetings and workshops were held on five occasions. This enabled us to establish organization-specific specialized job training systems, open a total of 104 such training courses, share best practices among organizations and provide training and standardize management processes. Furthermore, we assisted our Chinese Headquarters in improving their training system and developing their own specialized job training system, which resulted in the preparation of 159 group training courses and the launching of 92 specialized job training courses. Our global HRD network will continue to build on its achievement so that we can operate a flexible global-level training system that caters to the unique features of respective regions.

**Build Global Infrastructure** • We use our learning management system to ensure the accuracy of employee training history. In 2014, the application of this system was first extended to our China Headquarters to oper-

Average Annual Training Hours per Person



ate our global-level training system more efficiently and ensure the accurate management of training courses and training history. In so doing, we standardized the training course classification system and the operational process of the learning contract program. These standardized details will be reflected in operating training systems in our Hungarian and Indonesian plants. Furthermore, our training system that covers basics, leadership and job competency was standardized on a global level to complement the training systems of our Chinese and American headquarters with capacity-based training components and to add capacity-specific mandatory courses. This will serve as the foundation for our overseas learning contract program, through which an annual learning contract is signed and put into practice via consultations between employees and their department heads.

### Nurture Working-Level Experts in Production & Engineering

**Launch Action Learning-based Working-Level Expert Courses** • Our top priority is to pursue individual growth and organizational performance through the improved working-level capacity of our employees. In 2014, we provided practice-based training courses to nurture experts in Production & Engineering whose execution requires a deep expert knowledge as an essential element as well as a direct application of work expertise. Course tasks were identified on the basis of issues and work duties that occur on the shop floor, and 24 expert courses were opened in an action learning format that demands trainees to resolve such tasks as part of the course proceeding. While 12 of them were provided, the remaining 12 are slated for launching in 2015. Such practice-driven learning allowed our employees to effectively learn the expert knowledge required in fulfilling their job duties, and create solutions to nine shop-floor issues immediately after course completion. These solutions alone demonstrated the educational benefits of such courses. These action learning-based training courses will be expanded continually so that we can efficiently foster working-level experts in divisions other than the Production & Engineering Division.

## EV-4

## Work-Life Balance

We strive to create a workplace where all our employees attain a fair work-life balance to lead healthy and happy lives and make progress both at home and in the workplace. We believe that such endeavors will be translated into enhanced trust and engagement with the company, as well as improved health and reduced stress.

### Introduce Flexible Work Hours

To help researchers engage in their work and support the right work-life balance, we launched a new flexible work hour initiative in 2014. This program was designed to allow our employees to designate a weekday as a holiday, if inevitably they need to travel or work on their day off for business reasons. This serves as an institutional tool that enables our researchers to engage in their work when they can concentrate and take days off on days of their choice. In 2015, we will review the introduction of other types of flexible work hour programs (smart working, flexible work hours) for employees with children.

### Diversify Support Programs for Unmarried Employees

Since 2013, we have run programs that offer marriage support to our young and available employees. Specifically at our Daejeon and Geumsan Plants, their ratio has continuously risen to almost 50% and these programs contribute to a more enjoyable workplace and an improved organizational engagement. In 2014, we offered 'investment technique' training twice to assist them in laying a stable and independent financial foundation, and invited an outside expert to offer lectures on two occasions on 'passion and challenge to make your dream come true'.

### Operate Family-Friendly Programs

In 2014, we hosted diverse events to help our employees and their families better understand the company and our work environment. 'Daddy, Where Are We Going?' is an experience-based trip program for employees and their children. It was joined by 194 participants from 75 families and included trekking and cooking competition. Our 'Plant Tour for Employee Families' program, which allows employee families to tour our plants, was attended by 272 participants. This helped them see and better understand our work environment. On national holidays, local specialty products were delivered as gifts to employees from multi-cultural families, whose number is increasing in Korea.



<Trekking in a Nearby Village with Children, 'Daddy, Where Are We Going?>



<Cooking Competition with Children, 'Daddy, Where Are We Going?>



<Family Members of Employees Touring Around the Plant >



# External Stakeholder Satisfaction Management

## 1. Win-Win Supply Chain Partnership



# 04

### Context

Since the first element in the quality of products and service begins with raw materials and parts, a company's competitive edge is tremendously affected by its external business partners as well as internal factors.

### Risk & Opportunity

We are clearly aware that if our suppliers do not operate sustainably, it may heavily impact the competitive edge of our products. We believe that our commitment to improving the competitive edge of our suppliers through transparent business relationships will drive the shared growth and development of both Hankook Tire and our suppliers.

### Declaration

Hankook Tire is committed to win-win partnerships as a supporter for sustained growth and development through transparent and fair relationships with suppliers.

### Management Responsibility and Governance

#### Supplier Subcommittee

- Chair: Purchasing Division Director
- Team in Charge: Purchasing Planning Team
- Members: Purchasing Team 1, 2, 3, Raw Material Development Team, Supplier Quality Team, Engineering-related Teams

### Key Managerial Issues

Supplier Management and Supplier Relations Policy

Establishment of Purchasing Ethics

### Achievements

HANKOOK PARTNER's Day was celebrated (107 suppliers)



150 attendees

One-on-one business outcome sharing meetings with suppliers



28 suppliers

Awareness of purchasing ethics was reinforced



The Code of Purchasing Ethics was revised and company-wide training was offered

### Future Plans and Outlook

We will develop a program to evaluate the CSR practices of suppliers, all the way from the phase of selecting new suppliers. In so doing, we can assist our suppliers in improving their ESG (Environment, Society, and Governance) while providing our feedback and monitoring so that they can make continuous improvements when necessary. Furthermore, we will examine whether our suppliers have their own Code of Ethics as a way to help them establish purchasing ethics, and disseminate ethics management to those who are without such ethical norms.

## 2014 Achievements

● Completed   ● Partially Completed   ○ Not Completed

Code	Key Managerial Issues	Goals	Achievements	Completion	Pages
SC1	Supplier Management and Supplier Relations Policy	To set purchasing policies that promote the development of local communities	· The ratio of purchasing in areas where production lines are located was continuously managed	●	50~51
		To develop a CSR-related performance measurement system	· CSR-related performance measurement indicators were selected · Indicator-specific targets were set and monitored	●	
		To pursue win-win partnerships through communication channels with suppliers	· One-on-one communication with suppliers was conducted through the regular operation of related councils	●	
		To demand corrective action following evaluations and develop & implement improvement monitoring procedures	· Outcomes of supplier QC evaluation were fed back to suppliers and their follow-up management was continuously monitored	●	
SC2	Establishment of Purchasing Ethics	To establish and implement purchasing-related ethical regulations	· Company-wide regulations that include the detailed Code of Ethics relevant to purchasing operations were implemented and related training was offered	●	51

## 2015 Plans

Code	Key Managerial Issues	Commitments	Key Index	Deadline	Team in Charge
SC1	Supplier Management and Supplier Relations Policy	To set purchasing policies to help local communities develop	Monitoring	Mar.	Purchasing Planning Team
SC2	Establishment of Purchasing Ethics	To disseminate ethics management to suppliers	Review of the establishment of the Code of Ethics	Oct.	Purchasing Planning Team, Purchasing Team 1, 2, 3
SC3	Improvement of Supplier ESG	To review the evaluation methods used in selecting new suppliers	Establishment/revision of regulations	Nov.	Purchasing Planning Team
		To expand the scope of suppliers subject to CSR evaluations and review additional evaluation items	Expansion of evaluation subjects and items	Oct.	Purchasing Planning Team
		To establish a feedback process following supplier CSR evaluations and monitor improvements	Monitoring	Year-round	Purchasing Planning Team

## Stakeholder Interview

### Jai Hoon Chung, President, U1 Glotech

Firstly, I would like to express my profound gratitude for the opportunity to attend HANKOOK PARTNER's Day held by Hankook Tire in September 2014. The gathering was extremely unique in that it was the only one that had been held in the Korean rubber industry, let alone the tire industry, that had ever invited suppliers. This truly unprecedented event was a significant occasion that demonstrated Hankook Tire's commitment to win-win partnerships and shared growth with its suppliers. I am deeply grateful to know that Hankook Tire consistently goes the extra mile to look out for its suppliers. What especially impressed me about the event was that Hankook Tire shared its management strategy and future facility expansion plans as well as its future vision for actualizing such plans. As a supplier of raw materials, it's only natural that I am deeply interested in future fluctuations in the demand for our materials. This, of course, partially explains why I found the gathering particularly informative and meaningful. Once again, I'd like to thank Hankook Tire for sharing its future growth vision and plans. All in all, the event was a roaring success. However, I did regret one thing: I would hope to create a more relaxed and natural atmosphere in the future so that those who share the same table could mingle more freely. It is my sincere hope that this event will evolve into a festival for both Hankook Tire and its suppliers so as to pursue even greater shared growth.

**HANKOOK TIRE says** The 2014 HANKOOK PARTNER's Day created an invaluable opportunity for us to communicate and share our management strategy and vision with our suppliers. We will ensure that this event continues to serve as a venue for genuine shared growth by strengthening win-win partnerships with our suppliers and by expanding mutual exchange among participating suppliers.



SC-1

## Supplier Management and Relations Policy

We are analyzing and monitoring our ratio of purchasing in each region while evaluating our suppliers for the quality of their CSR practices to encourage their continual improvement. Furthermore, through a host of diverse channels, we persist in strengthening communication with suppliers.

### Set Purchasing Policies to Assist in the Development of Local Communities

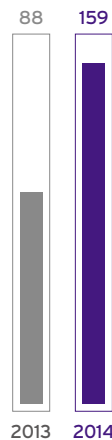
We operate seven production lines in Korea, China, Hungary and Indonesia, and we grow hand-in-hand with our suppliers based in these locations. We continue to analyze the purchasing practices of our local business sites, and in so doing, we are monitoring our contribution to the revitalization of the local economy. Such analyses revealed that Korea, China, Hungary and Indonesia, where our production lines are based, represent more than 87% of our total supplier transactions as well as approximately 70% of our total purchases. Specifically, our suppliers in Asia, which account for a significant share of our total production capacity, constitute approximately 72% of our total suppliers and for approximately 68% of our total purchases. To become a sustained contributor to the local economy, we will continue to maintain and evolve our purchasing policy.

Ratio of Purchasing by Region in 2014 (Unit: %)

Category	Country	Ratio against the Total Purchase	Ratio of Suppliers*
OECD Members	Asia		
	Korea	38.8	39.8
	Others	2.6	1.5
	Europe		
	Hungary	2.0	15.1
	Others	8.2	6.4
	North America	1.3	1.0
	Subtotal	52.9	63.8
Non-OECD Members	Asia		
	China	21.7	24.7
	Indonesia	7.2	7.9
	Others	18.2	3.6
	Subtotal	47.1	36.2
Total (OECD Members : Non-OECD Members)	Hankook Tire	53: 47	64: 36

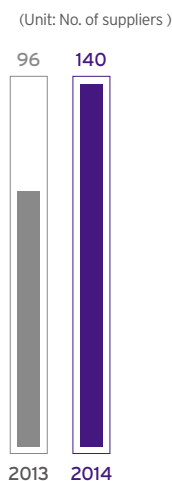
\* The location of suppliers is based on the location of production lines

Suppliers Subject to Our CSR Evaluation (Unit: No. of suppliers)



\* The scope of our suppliers subject to CSR evaluations will be expanded, along with the gradually increasing number of suppliers subject to evaluations made by credit rating agencies

Outcomes of Global QC Implementation (Unit: No. of suppliers)



\* Global suppliers of raw/subsidiary materials

### Develop a CSR-related Performance Measurement System

In 2014, our Purchasing Division selected performance measurement indicators to evaluate its level and performance of CSR management. It was against these indicators that supplier evaluations were performed on their quality, CSR practices, ISO 14001 certifications, and ESG training for the Purchasing Division staff. We plan to monitor year-on-year changes in these CSR evaluations and expand the scope of these indicators so as to elevate the level of CSR management in our Purchasing Division.

### Pursue Win-Win Partnerships through Communication Channels with Suppliers

'HANKOOK PARTNER's Day' is held bi-annually under the supervision of our top management and serves to invite our suppliers. The event was hosted on September 26<sup>th</sup>, 2014 and was attended by a total of 150 participants from 107 suppliers. It served as a venue for building mutually beneficial partnerships through sharing our management strategy and vision and facilitating communication between our top management and suppliers. In addition to 'HANKOOK PARTNER's Day', we hold regular, annual, one-on-one meetings to share business outcomes so that we can provide tailored support to our suppliers. In 2014 alone, we met with 28 suppliers to share our business results and to jointly discuss current issues. We will continue to reinforce our communication channels so that we can invite even more suppliers to such events in the upcoming years.



<HANKOOK PARTNER's Day>

### Demand Corrective Action Following Evaluations and Develop & Implement Improvement Monitoring Procedures

We conduct regular quality evaluations on our suppliers of raw/subsidiary materials every three years to ensure they are on the right track to improving their ESG practices and quality. Specifically since 2013, our Supplier Quality Team has been up and running as part of the Quality Division to strengthen these on-site supplier evaluations, and annual plans are set to perform systematic evaluations. Following evaluations, feedback is provided to the suppliers, who then prepare

and share improvement plans (including the person in charge, deadlines, necessary improvements and directions and implementation plans) based on evaluation outcomes to implement action plans accordingly. We continually monitor the improvement measures undertaken by our suppliers to assist them with their ESG initiatives and quality assurance system.

SC-2

## Establishment of Purchasing Ethics

We revised our company-wide Code of Ethics to initiate a new set of ethics regulations that including a detailed Code of Ethics for purchasing operations. These new ethical norms are disclosed in our e-procurement system to allow our suppliers to learn about them and comply with them.

### Establish and Implement Purchasing-related Ethical Regulations

In revising our Code of Ethics in 2014, we added some detailed ethics principles related to purchasing operations. Since the implementation of the previous Code of Ethics, there have been portions of unclear criteria and ambiguous details; thus, the revision aimed to improve the practical applicability of our ethical norms. The revised version of our ethics code was uploaded onto our e-procurement system to allow suppliers to

\* Code of Ethics  
[https://heps.hankooktire.com/pop\\_ethics.html](https://heps.hankooktire.com/pop_ethics.html)

understand and comply with it. Furthermore, the system's website interface was improved to enable suppliers to go directly to our online 'Whistle blowing Hotline' to report unethical practices. Company-wide training on the revised Code of Ethics was offered under the supervision of the Audit Team while separate ethics training was provided in the Purchasing Division under the supervision of the Purchasing Planning Team. The entire Purchasing Division staff received training to help them build a stronger ethics awareness on July 15<sup>th</sup>, 2014 on such topics as the concept of ethics management, Hankook Tire's Code of Ethics and its current practices.



<HePS (Hankook Tire e-Procurement System)>

#### Consent of CSR Compliance for Hankook Tire Suppliers

##### Child Labor

We do not hire anyone under the age of 17 and take special safety precautions to prevent work-related harm from occurring to those under 18.

##### Compensation

We satisfy the legal minimum wage requirements as stipulated by law in compensating employees for their work (including benefits).

##### Forced Labor

We ensure that forced labor is completely unacceptable under any circumstance and provide regular training to prevent such unfair treatment.

##### Freedom of Association and Collective Bargaining

We guarantee our employees the freedom to establish and choose membership in the labor union of their choice in order to protect their rights.

##### (Sexual) Harassment and Discrimination

We develop and implement regulations (or policies) to prevent sexual harassment and any kind of discrimination that may affect employees.

##### Health and Safety

We deliver a work environment where employees can stay healthy and work safely.

##### Work Hours

We ensure that our employees do not work beyond the maximum legally permissible work hours.

##### Community Engagement

We do not harm the interests of the local community where we are based and we contribute to the positive development of the local community.

##### Bribery and Corruption

We develop and implement regulations (or policies) to prevent our employees from giving or taking bribes. These regulations (or policies) should include relevant training, monitoring, and disciplinary and preventive measures in the case of such practices. The compliance and outcomes of these regulations (or policies) should be reported to the top management at least once per annum.

##### Environment

We strive to minimize our environmental impact (damage) caused by our business conduct (provision of products or services) and satisfy the legally allowable standards regarding the discharge of pollutants.

##### Hankook Tire's Principle for Property Rights

We respect the physical and intellectual property rights of our suppliers and others and protect and defend such rights of our own.

# External Stakeholder Satisfaction Management

## 2. Community Involvement & Development



# 04

### Context

In addition to focusing on profit, a company needs to pursue value to ensure it harmoniously coexists with its local community. Thus, it is increasingly critical that a company promotes the sustainable growth of the local communities where it operates and engages in positive and sustained communication accordingly.

### Risk & Opportunity

If a company is negligent in developing and involving its local communities, it may lose its source of social support. If a company, as a member of the global society, moves beyond merely fulfilling its economic responsibility and commits itself to resolving social issues, it will not only contribute to the development of local communities, but also serve to enhance the value of that company.

### Declaration

Hankook Tire is determined to not only serve as both a direct and indirect contributor to the economic development of the nation and local community, but also to take the lead in addressing key local issues through sustained communication with the local community. Furthermore, Hankook Tire is committed to fulfilling its roles and responsibilities as a corporate citizen, as well as creating social values by paying this value forward to society, and seeking co-existence with those who are in need of its positive contributions.

### Management Responsibility and Governance

#### Corporate Philanthropy Subcommittee

- Chair: Business Infra Division Director • Team in Charge: CSR Team
- Members: Corporate Communications Team, (DP) Cultural Communications Team, (DP) KP) Plant Management Team, Hankook Tire Welfare Foundation

### Key Managerial Issues



### Achievements

Total company-wide corporate philanthropic spending



4.84 billion (KRW)

\* Total spending = (domestic & international) Donations + (domestic & international) expenditures for corporate philanthropic purposes

No. of vehicles provided to social welfare facilities (2008~2014)



267 vehicles

Volunteer hours per employee



3.0 hours

\* Per capital volunteer hours = Total volunteer hours/No. of total employees of the concerned year (Korea, Hungary)

### Future Plans and Outlook

To reach our mid/long-term corporate philanthropic goal of 'contributing to the growth of local communities and enhancing the value of corporate brands', we will undertake social-giving initiatives on the basis of 'four strategic directions': concentrate core capacity, engage employees, support the growth of local communities, and expand company-wide execution. Specifically in 2015, we aim to focus on ways to support the growth of local communities and reinforce our support initiatives to help underprivileged women become more self-sustaining.

## 2014 Achievements

● Completed   ● Partially Completed   ○ Not Completed

Code	Key Managerial Issues*	Goals	Achievements	Completion	Pages
C11	Improvement of the Corporate Philanthropic System	To develop and practice company-wide corporate philanthropic performance indicators	· 18 organizational performance indicators and 15 business performance indicators	●	54~55
		To improve the corporate philanthropic system	· Mid/long-term targets, four strategic directions, 10 major implementation tasks and detailed implementation tasks were developed (three-year plan)	●	
		To support corporate philanthropic programs undertaken at overseas plants	· Internal/external environmental analyses were performed, successes and failures and their implications were identified, directions were set to undertake cause-related marketing in the Chinese market	●	
C12	Participation of Employees	To expand employee engagement in volunteering and donations	· Total volunteer hours: 29,330 hours / Total No. of volunteer activities: 509 / Per capita volunteer hours: 3.0 hours	●	55~57
			· 'Going to School with Excitement' campaign: KRW 19.614 million in donations made (KRW 5.615 million donated by employees)	●	
			· 'Year-End 'Matching Grant' campaign: KRW 154.157 million in donations made (KRW 9.021 million donated by employees)	●	
		· A program was introduced to donate a small portion of employees' monthly income**	○		
		To strengthen employee capacity for corporate philanthropy	· Employee awareness-building training: 13 sessions in total, completed by 328 people	●	
			· Volunteer leader capacity-building training: Three sessions, completed by 57 people	●	
C13	Focusing on Core Capabilities	To align with tire business characteristics	· Children's traffic safety maps were developed · Three major Mobility projects were undertaken (Car Sharing, Tire Sharing, and Tuieum Bus)	● ●	57~58
C14	Support of Fostering Local Community	To develop programs to support the sustainable growth of local communities and launch pilot projects	· Dream With (Child Care Center Improvement Project)	●	58~59
			· One Company One Village program	●	
			· Allkidstra Geumsan · Chubu brass band was founded	●	
			· Underprivileged women were supported in gaining self-sufficiency	●	

\* Name changes of key managerial issues: 1) Before: Establishment of a Company-wide Philanthropy System → After: Improvement of the Corporate Philanthropic System, 2) Before: Development and Brandization of Specialized Programs → After: Focusing on Core Capabilities

\*\* Introduction of a program to donate a small portion of employees' monthly income: While we intended to introduce this program in 2014, it was put on hold so that it could be introduced in unison with the introduction of a corporate philanthropic IT system in 2015.

## 2015 Plans

Code	Key Managerial Issues	Commitments	Key Index	Deadline	Team in Charge	
C11	Improvement of the Corporate Philanthropic System	To monitor and report on corporate philanthropic performance indicators	2014 (Indicator development) → 2015 (Monitoring and reporting)	Dec.	CSR Team	
		To reorganize the company-wide corporate philanthropic spending structure	Integration of the expense accounts of domestic corporate philanthropic programs			
C12	Participation of Employees	To motivate employees to engage in volunteering more actively	2014 (Alignment with HR systems) → 2015 (Development of a corporate philanthropic IT system)	Dec.	CSR Team	
		To expand the scope of target volunteers	2014 (Employees) → 2015 (Employee families)	Oct.		CSR Team, (DP) Cultural Communications Team, Other Volunteer Group-Related Teams
C13	Focusing on Core Capabilities	To develop children's traffic safety maps	Development of safety maps	Dec.	CSR Team	
		To undertake three major Mobility projects (Car Sharing, Tire Sharing, Tuieum Bus)	Project undertaking	Dec.		
C14	Support of Fostering Local Community	To undertake projects for at risk teenagers that help protect them and enable them to become more self-sufficient	New project undertaking	Dec.	Hankook Tire Welfare Foundation	
		To undertake projects to support underprivileged women in gaining self-sufficiency	Project undertaking	Dec.		CSR Team
		To establish manuals to respond to man-made/natural disasters on a corporate philanthropic level	Development of manual	Oct.		CSR Team, Hankook Tire Welfare Foundation

**Stakeholder Interview**

**Yoon Kyung Jung, Manager at the Korean Association of Safe Communities**

Our partnership with Hankook Tire dates back to 2013, when we jointly began developing 'Safe Driving, Safe Children - Traffic Safety Maps' as part of the 'Traffic Environment That Assures Children's Safety' program. Reflecting Hankook Tire's inherent business features, this program aims to prevent traffic accidents involving elementary school students, help these children improve their response capacity, and improve the traffic environment from a child's perspective. The sum of all these parts creates a safer environment for our children in the local community. This program allowed us to improve traffic hazard factors near schools in 19 areas (including Seoul and Gyeonggi), resulting in an improved child-friendly environment that allows students to walk to and from school safely. It is my sincere hope that this joint program will contribute to a culture of traffic safety, and this partnership leads to more diverse projects in the years ahead.

**HANKOOK TIRE says** Hankook Tire is determined to contribute to the sustainable growth of local communities by reflecting the characteristics of the Mobility business. 'Developing children's traffic safety maps' jointly undertaken with the association represents this commitment, and this program moves beyond providing general traffic safety education. It serves as a proactive localized educational initiative to allow children to identify traffic accident risks in their own community and help in the creation of traffic safety maps. We will communicate with our local community even more actively to develop social-giving programs that reflect the needs of local communities.

**CI-1**

**Improvement of the Corporate Philanthropic System**

We developed corporate philanthropic performance indicators and improved our corporate philanthropic system. We also researched the introduction of cause-related marketing programs that serve both the public good and our corporate goal in overseas local communities in order to expand the reach of our social-giving initiatives.

**Develop and Practice Company-wide Corporate Philanthropic Performance Indicators**

While our corporate philanthropic initiatives have primarily focused on execution and engagement, we realized the need for indicators to systematically monitor their benefits and respond to external needs to ensure the successful establishment of 'strategic corporate philanthropy'. This prompted us to develop 12 indicators to measure the outcomes of our social-giving initiatives on the basis of the LBG (London Benchmarking Group) in 2013. In 2014, we set the overarching directions in assessing our philanthropic outcomes to improve a portion of these indicators and develop new ones by benchmarking social contribution assessment methods. This allowed us to fully establish our corporate philanthropic organizations and performance indicators and go further to identify plans to utilize these indicators. Our 2015 goal is to continually monitor and report on these performance indicators.

**Improve the Corporate Philanthropic System**

To set long-term and systematic plans for our company-wide philanthropic initiatives, we improved the existing corporate philanthropic system in 2014. Impli-

cations from wide-ranging internal/external environmental analyses helped us in defining four strategic directions, and mid/long-term goals & roadmaps. This further enabled us to develop 10 major implementation tasks, 23 detailed implementation tasks and a three-year plan to lay a substantial and phased-in foundation to reach the long-term goal of company-wide philanthropic initiatives.

**Support Corporate Philanthropic Programs Undertaken by Overseas Plants**

In 2014, we initiated a study project to plan social-giving programs that engage our overseas operations to facilitate their corporate philanthropy. The overarching theme was cause-related marketing to

**Indicator Development Directions**

- 1 Construct data available for 'organizational/project assessment'
- 2 Develop measurement frames for each input/output element
- 3 Set accurate criteria in measuring cost and numerically quantify non-monetary elements
- 4 Measure corporate and social value (long-term)

**Performance Indicator Development**

**Organizational Performance Indicator**

- **Definition:** Performance indicators for Hankook Tire's entire corporate philanthropic initiatives
- **Category:** Personnel and capacity, philanthropic expenses, project continuity
- **No. of Indicators:** 18 in total
- Staff in charge of corporate philanthropy, Total in-house training hours for staff in charge of corporate philanthropy, Total expenditures, Expenses from opening facilities, In-kind donations, No. of corporate philanthropic programs, etc.

**Project Performance Indicator**

- **Definition:** Project-based input/output/impact-specific performance indicators
- **Category:** Eight projects in total
- **No. of Indicators:** 15 in total
- Common Indicator: Four indicators (Total project expenditures, Total No. of beneficiaries, Ratio of each beneficiary group, PR value)
- Specific Indicator: 15 indicators (Total volunteer hours, Per capita volunteer hours, Accumulated No. of employee volunteer members, Ratio of driver's license owners, No. of customer volunteers)

Corporate Philanthropy Value Framework

Corporate Vision

A Leading Global Tire Company that Provides Customers with Value and Pleasure

Slogan

Driving for Your Happiness

Mid/long-Term Goal

Contribute to the growth of local communities and the enhancement of corporate brand value

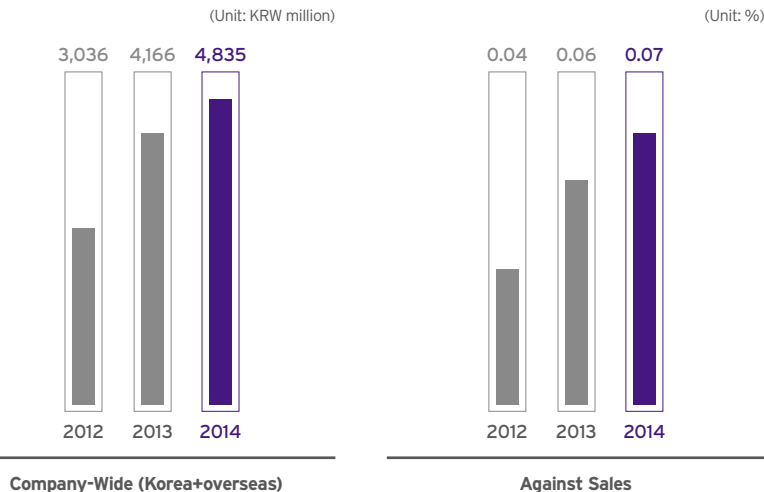
Four Strategic Directions

10 Major Implementation Tasks

1. Concentrate core capacity	1. Align with tire business characteristics 2. Use technology and capacity
2. Engage employees	3. Build employee consensus and motivate employees 4. Revitalize volunteerism 5. Revitalize donations
3. Support the growth of local communities	6. Strengthen self-sufficiency and capacity (Support the self-sufficient ecosystem) 7. Support the culture, arts and sports of local communities
4. Expand company-wide execution	8. Expand the corporate philanthropic system by region 9. Strengthen the capacity of the staff in charge of corporate philanthropy 10. Expand and support the corporate philanthropy of subsidiaries

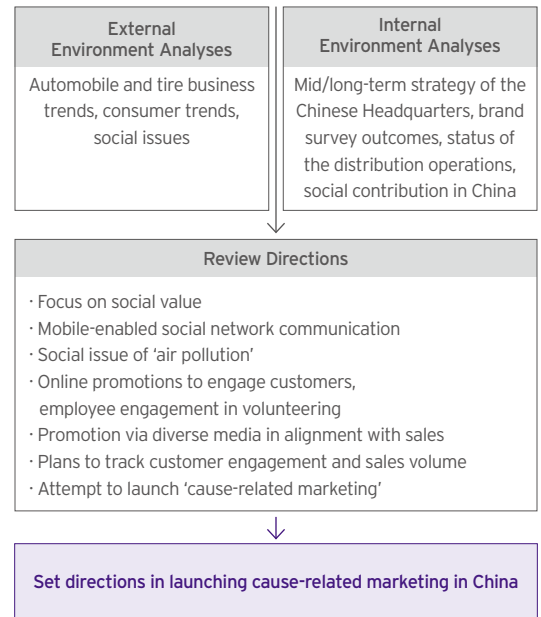
Global Corporate Philanthropic Expenditure

As a global corporate citizen, Hankook Tire takes its social responsibility seriously, and undertakes corporate philanthropy globally to pursue shared growth with the local communities where it is based. We will gradually scale up social-giving initiatives in line with the widening reach of our global corporate philanthropy.



get as close as possible to our markets and customers. We conducted internal/external environmental analyses to identify successes & failures as well as relevant implications. Our findings helped us choose China as our target country to launch such marketing initiatives. We took brand awareness, market share, market demand, and retail network levels into consideration, and we analyzed local conditions to set directions in developing social-giving programs. As needs arise for cause-related marketing in the local Chinese market, these programs will serve as the foundation to support our social-giving initiatives.

Details of the Study on Cause-related Marketing in China



CI-2

Participation of Employees

Included in our endeavors to facilitate employee volunteerism and engagement in donation activities are: the alignment of volunteering with HR systems, implementation of year-end group volunteer activities, and the launching of campaigns on the online donation website.

Expand Employee Engagement in Volunteering and Donations

**Expanded Engagement in Volunteerism** • On May 9<sup>th</sup> of 2013, we launched the 'Donggeurami Volunteering Team' to celebrate the corporate anniversary, and widened the scope of our employee volunteerism across the company. In 2014, we aligned our promotion point scheme (HR system) with volunteer hours to engage more employees and successfully establish this volunteer team. On December 12<sup>th</sup> of the same year, approximately 1,300 office staff in Korea joined year-end volunteer programs. Our goal for 2015 is to further broaden the scope of our engagement and initiate 'family volunteerism' joined by employee families as well as employees. Our employee volunteer team was also launched at our Hungarian establishment in 2013, and undertook community support programs through regular volunteer activities in 2014.



**Korea**

Category	2012	2013	2014
Total Volunteer Hours (No. of hours)	16,308	20,054	27,103
Total Volunteers (No. of persons)*	3,250	5,316	7,493
Net Participants (No. of persons)**	1,336	2,671	3,020
Volunteer Activity (No. of activities)	222	345	396

**Hungary Plant**

Category	2013	2014
Total Volunteer Hours (No. of hours)	1,600	2,227
Total Volunteers (No. of persons)*	66	104
Net Participants (No. of persons)**	58	93
Volunteer Activity (No. of activities)	10	18

**Korea and Hungary Plants**

Category	2014
Total Volunteer Hours (No. of hours)	29,330
Total Volunteers (No. of persons)*	9,626
Total Volunteer Activity (No. of activities)	509
Volunteer Hours per Employee (No. of hours)	3

\* Sum of all volunteering participants (including redundancies)  
 \*\*No. of employees engaged in volunteerism on more than one occasion

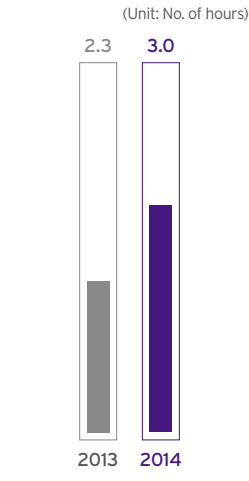
**Operation of the Online Donation Website 'Dreamfull'**

'Dreamfull' is an online donation website that we jointly operate with the Corporation Leftovers Love Sharing Community, a private non-profit organization, to help with the healthy growth of children and teens from low-income families. The website allows diverse stakeholders(employees, customers and other businesses) to conveniently make donations. As joint donation initiatives, we undertake the 'Going to School with Excitement' campaign every May and the 'Matching Grant' donation campaign at the end of every year on 'Dreamfull'. In the 4<sup>th</sup> 'Going to School with Excitement' campaign in 2014, 100 bikes were donated for children from low-income families to help them commute to school. Through the 'Matching Grant' campaign hosted between November and December each year, Hankook Tire matches the donations raised by employees and the general public. The 2014 Matching Grant campaign, launched under the slogan of 'For My Better Tomorrow', enabled children to aspire for a brighter future. We donated a total of KRW 200 million for children in 2014: KRW 150 million donated through the campaign, KRW 150 million donated by Hankook Tire and KRW 50 million raised through separate social network events held to promote children's educational programs.

**Strengthen Employee Capacity for Corporate Philanthropy**

**Employee Awareness Enhancement Training** • We provided wide-ranging social contribution training with the belief that executional capacity-building through employee training is required to facilitate employee engagement in corporate philanthropy. In 2014, such training was added to the entire Manager Leadership

**Volunteer Hours per Employee**

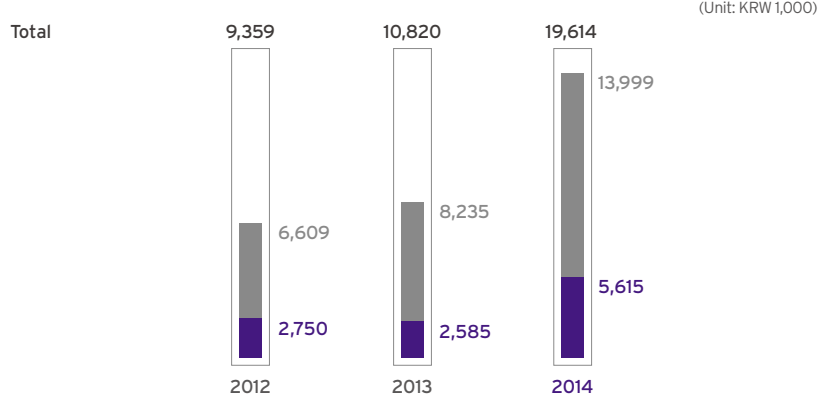


\* Per capital volunteer hours = Total volunteer hours/No. of total employees of the concerned year (Korea, Hungary)

training curriculum to help team managers improve their awareness and build consensus. In all, the training was completed by 328 employees through 13 sessions in 2014. In 2015, we will open a one-hour course entitled 'Understanding Disabilities and Human Rights Training' for the employee volunteer programs undertaken for the disabled. We plan to align such training directly with volunteerism so that our volunteer initiatives are undertaken in tandem with 'training' and 'execution'.

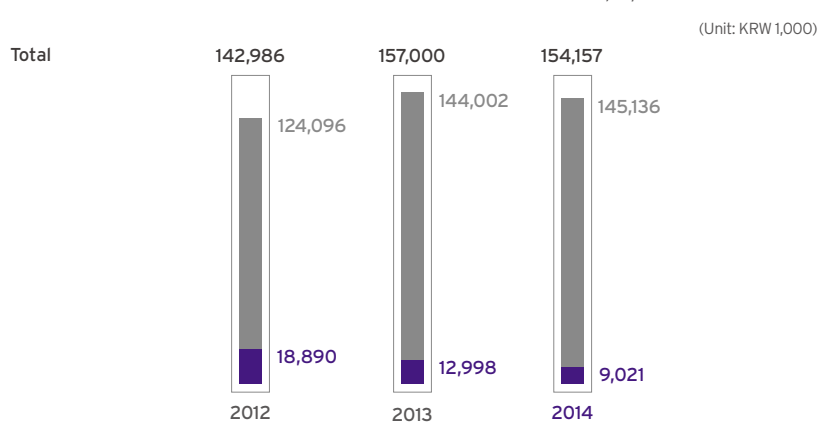
**Volunteer Leader Capacity-Building Training** • Our employee volunteer teams are supervised by 'volunteer leaders' who represent each volunteer group. Our volunteer leader capacity-building training was designed to fully deliver the meaning of volunteering to volunteer team members. In 2014, such training was newly offered to sales offices, regional headquarters and logistics centers to widen the effects of training in nation-wide sales operations. Basic-level training was

**Donation Campaign Hosted in Celebration of the Corporate Anniversary 'Going to School with Excitement'**



Year	Details of Campaign Activities
2012	50 bikes for students to commute to school(one for each of the 50 children from low-income families across the nation), one month's worth of transportation expenses for 100 children
2013	61 bikes for students to commute to school
2014	100 bikes for students to commute to school

**Year-End Matching Grant Campaign**



\* In 2014, donations made during the Matching Grant campaign dropped 2% from 2013. Meanwhile, agreed-upon donations to be made regularly surged by 474% from the previous year. Since regular donations, not ad-hoc donations, increased, this is expected to positively impact the operation of Dreamfull in the upcoming years.



completed by 57 volunteer leaders via three sessions in 2014. Our 2015 plan is to further broaden the scope of this training across the all nation-wide establishments.

### CI-3

## Focusing on Core Capabilities

To align our core capacity with corporate philanthropy, we created children's traffic safety maps and undertook three major Mobility projects that reflect the inherent features of the tire industry.

### Align with Tire Business Characteristics

**Development of Children's Traffic Safety Maps** • We are undertaking the 'Safe Driving, Safe Children' project with the 'Korean Association of Safe Communities' to develop traffic safety maps for children in order to help elementary school students (high-risk group prone to traffic accidents) improve their capacity to cope with risky situations and create a community safe from such accidents. For 10 months since October 2013, we developed such maps for 40 classrooms at 37 elementary schools in Seoul and Gyeonggi. Our survey on 1,013 children who joined this project revealed that both their awareness and behaviors improved following training in recognizing safe commute routes & traffic hazards and practicing safe behaviors. Our social-giving initiative related to children's traffic safety will continue in the upcoming years.

### Three Major Mobility Projects

**1 Car Sharing:** We have provided vehicles (compact cars) to social welfare centers since 2008 to help improve the mobility convenience for their users. The 7th car sharing event in 2014 offered 40 vehicles, and yielded a total of 267 vehicles operated across nation-

wide social welfare centers as of 2014. Our analyses of the operational reports gathered each year from our beneficiaries discovered such benefits as reduced operational expenses, easier access to narrow alleyways, and increased mobility. These benefits significantly increased the operational capacity of these centers. This initiative is constantly evolving by improving on issues identified through such reports (addition of convenient interior functionalities and safety options) and by enhancing the effect of vehicle operations through incentives (support for vehicle maintenance), and support for social welfare programs that use these vehicles.

**2 Tire Sharing:** Our tire sharing initiative is a common global corporate philanthropic program undertaken in Korea, China and Hungary. In Korea, we replace old tires and offer wheel alignment services for compact cars with Hankook tires as well as vans owned by social welfare centers for business purposes. In Korea, 1,698 tires were offered to 425 vehicles in 2014, and in China, 1,258 tires were offered to the One Foundation Rescue Union between May 2013 and December 2014. In Hungary, where such tire support began in 2012, 1,940 tires were provided in 2014 to public and small charity organizations. In so doing, we assist social welfare centers in operating vehicles safely and improving their mobility in Korea, China and Hungary.

**3 Tuieum Bus:** Our Tuieum Bus project began in 2013 to provide large-size buses to social welfare centers that face mobility challenges to help the underprivileged enjoy diverse experiences in culture, history, ecology and education. The pilot project named 'Donggeurami Bus' was undertaken in 2012 and the extremely positive response from participants urged us to officially launch this project under the name of 'Tuieum Bus' in June 2013. We broadened the scope of this project from merely offering vehicles to supporting annual theme-based programs. We also provide special buses equipped with lifts near the beach camping sites open to the disabled free-of-charge in Yangyang, Gangwon to enable these mobility-challenged individuals to enjoy their holiday. In 2014, we signed an MOU with Seoul City to use Tuieum Buses in sending volunteers to disaster-stricken areas to help with swift



<Car Sharing for Social Welfare Centers >



<Tire Sharing for Social Welfare Centers >



<Operation of the Tuieum Bus >

on-site emergency response. Including 485 provided in 2014, the total number of Tuieum Buses we have offered since 2012, amounts to 837. We will expand our Tuieum Bus support to provide the freedom of mobility to even more people.

CI-4

## Support of Fostering Local Community

In 2014, we developed and undertook diverse new programs to support the sustainable growth of local communities, ranging from support for child care center, the 'One Company One Village program', to the foundation of a children's brass band and support for underprivileged women in gaining self-sufficiency.

### Develop Programs to Support the Sustainable Growth of Local Communities and Launch Pilot Projects

#### Dream With (Child Care Center Improvement Project)

• In 2014, the Hankook Tire Welfare Foundation initiated a child care center improvement project entitled 'Dream With'. Under this project, Hankook Tire, broadcasters and universities come together to mobilize university volunteers in offering a helping hand to children at child care centers so that these undergraduates and children can grow together. The 'Dream With' project undertaken between March and November 2014, was joined by 378 undergraduates from 21 universities in 10 regions and engaged approximately 400 children from 21 centers in art, cinema, science and orchestral activities.

**One Company One Village Program** • To create a sustainable community with our local communities, we launched the 'One Company One Village' program with 'Yemiri Village' in Geumsan where our plant is based in 2014. The village was transformed with murals, painted entrance doors, village rest areas and hanging door-plates. Specifically, mural painting was undertaken with the Buri Public Health Center, in alignment with the 'Love Your Life, Happy Village Program' of the Geumsan County Public Health Center launched to reduce the onset of depression in elderly populations. This was also joined by our Donggeurami Volunteering Team and local undergraduates majoring in painting. This created a fine opportunity to increase the diversity of our corporate philanthropy by offering talent donation opportunities to local college students.

#### Foundation of the Allkidstra Geumsan-Chubu brass band

• We founded the 'Allkidstra Geumsan-Chubu brass band' in 2014 to assist culturally-underprivileged children in our local community in gaining emotional stability and growing into responsible community members through brass band activities. Selected via audition, 45 band members received lessons and an education in music theory, practiced for ensemble performances and watched musical performances. In 2015, these band members will have access to diverse activities such as official performances, regular concerts and music camps to improve their musical skills.

#### Support for Underprivileged Women in Gaining Self-Sufficiency

• Since 2014, we have been supporting underprivileged women in obtaining their driver's license in line with the Mobility concept which is inherent in our tire business and an increasing number of female drivers. In the five areas of Gangwon, Gwangju, Daejeon, Busan and Chungnam, we worked with five social welfare centers to assist women in obtaining their driver's license so that they have greater access to more job opportunities. We plan to widen the scope of this project, provide financial support to obtain licenses and expand safety and driving education programs, so that these women can continue to strengthen their capacity even after their license is obtained.

Support for Underprivileged Women in Gaining Self-Sufficiency

Community Chest of Korea	Gangwon	Gwangju	Daejeon	Busan	Chungnam
Category	Chapter	Chapter	Chapter	Chapter*	Chapter
Purpose	To assist underprivileged women in obtaining their driver's license so as to widen their pool of career options and gain independence/self-sufficiency				
Project Name	Support for Underprivileged Women in Obtaining Driver's License				
Target	Women from low-income families or multi-cultural families				
Project Period	Jan.~Aug.	Jan.~Dec.	Jan.~Dec.	Mar.~Apr.	Feb. 2014 ~Dec. 2015
Service Area	Gangwon	Gwangju	Daejeon	Busan	Chungnam
Details	1. Work Flow: Each chapter holds a public competition to select an organization to execute the project and the selected organization executes it. 2. Details of Support: Written learning aids, written test fees, performance test fees and driver's license issuance expenses, etc. (voluntary budget allocation for each chapter and executional organization)				
Executional Organization	Self-Sufficiency Center in the Gangwon	Multi-Cultural Family Support Center in Seogu, Gwangju	Multi-Cultural Family Support Center in Daejeon	Multi-Cultural Family Support Center in Saha-gu	Multi-Cultural Family Support Center in Geumsan County
Target	57 people	80 people	62 people	31 people	49 people
No. of Women Who Obtained Driver's License	36 people	80 people	35 people	27 people	45 people
Ratio of Obtaining Driver's License	63%	100%	56%	87%	92%
Budget	KRW 30 million	KRW 30 million	KRW 30 million	KRW 15 million	KRW 30 million

\* Hwajeong Welfare Center under the Busan Chapter received additional KRW 15 million from January 2015

## Hankook Tire Welfare Foundation

{ CASE STUDY }

We established the Hankook Tire Welfare Foundation in 1990 in an aim to reciprocate the value created through our business conduct and to fulfill our social responsibility. Over the past 24 years, the foundation has been consistently reaching out to those challenged with health issues, education, mobility and livelihood brought on by environmental/educational circumstances and financial status. Specifically, the foundation has been living up to the spirit of compassion and giving through the Mobility project undertaken together with Hankook Tire, community engagement projects and children & teens support projects.

### Mobility Project

**Three Major Mobility Project** • Car sharing for social welfare centers, tire sharing for social welfare centers and the 'Tuieum Bus' project are undertaken in conjunction with Hankook Tire in reflection of its inherent characteristics as a tire company.

\* For more details, please refer to CI-3 **57p**

### Community Engagement

**Support for Free Hospitals** • Over the past 24 years (since 1991), we have been a consistent supporter for free charity hospitals operated purely on donations, void of any assistance from health insurance schemes. These hospitals provide free-of-charge treatment, surgeries and prescriptions to financially-strapped, marginalized individuals who are not protected within the institutional medical welfare boundary. In 2014, we supported a total of five such hospitals (Seongga Bokji Hospital, Joseph Clinic, Raphael Clinic, Clinic for Immigrant Workers at the Sharing Love in the Global Village and Daegu Seongshim Hospital) to help such individuals suffering from disease recover their health.

**Support for Social Welfare Centers** • We support social welfare centers to help improve the living conditions and the quality of life for the disabled, the elderly, children and many other underprivileged individuals in our society. Our assistance initiatives undertaken in 2014 span from free-of-charge treatment in rural and fishing villages and treatment for mobility-challenged patients from low-income families, to soup kitchens and mobile educational support for child care centers. Furthermore, we assisted a total of 168 North Korean teenage defectors from 12 organizations in receiving programs to experience Korea's history and culture and to improve their learning capacity so that they can grow into responsible members of our society.

### Establishment of Free Hospitals in Third-World Countries

• Since 2007, we have supported the construction of free hospitals in third-world countries where the medical environment is extremely poor. Following two hospitals in Tanzania and one in Paraguay, a free hospital was completed in Indonesia in 2014, after four years of consistent support. With this, our initiative to practice the value of human dignity continues to broaden its scope.

### Support for Children and Teens

**Dream With** • We undertook the child care center improvement project entitled 'Dream With' in conjunction with Hankook Tire.

\* For more details, please refer to CI-4 **58p**

### Support for Children and Teens from Low-Income Families

• We continue to support children and teens, who due to economic and environmental factors, are unprotected and challenged in receiving an education and finding a career path. In 2014, we provided monthly living expenses to 38 children and teens from low-income families so that these young people could aspire to dream of a brighter future and develop their character under stable conditions.

**Scholarship Support** • Since our inception, we have been offering scholarships to high school and college students who face hardships in continuing their education due to financial challenges so that such students could grow closer to fulfilling their potential. In 2014, we granted scholarships to 19 high school students and four college students as well as 14 schools. Moving beyond financial support, we also provided emotional support through scholarship group activities.

2014 Achievements and 2015 Plans

(Unit: KRW 1,000)

Category	Project Details	2014 Achievements	2015 Plans
Mobility Project	Three major Mobility Projects	-	-
Community Engagement	Support for free hospitals	110,000	110,000
	Support for social welfare centers	102,792	40,000
	Construction of free hospitals in third-world countries	30,000	30,000
Support for Children and Teens	'Dream With'	200,000	250,000
	Support for children and teens from low-income families	73,363	107,000
	Scholarship	34,460	12,000
<b>Total</b>		<b>550,615</b>	<b>549,000</b>

\* The entire Mobility project expenditure of KRW 1.3 billion was sourced from Hankook Tire's budget.

# External Stakeholder Satisfaction Management



## 3. Customer Satisfaction & Quality Management (General Customers and Dealers)

# 04

### Context

'Smartsumer', 'Prosumer' and 'Cresumer' are just a few of the newly coined terms that describe new emerging types of consumers. As such, today's customers present varying and quickly-changing needs for products and services. Customers are impressed when their satisfaction exceeds their expectations, and they consequently become recurring customers.

### Risk & Opportunity

Taking a purely product-driven perspective will not guarantee success in any market. A company must set a goal to deliver a truly impressive experience accompanied by value and pleasure to customers, while also swiftly identifying customer needs through diverse VOC (Voice of Customer) communication channels. With a proactive response to such needs, qualitative growth of the company, along with quantitative business expansion, will surely be promoted.

### Declaration

Hankook Tire undertakes differentiated marketing communication initiatives to proactively meet the consumer expectations and needs. In so doing, Hankook Tire fully commits itself to delivering the highest-possible customer satisfaction and value.

### Management Responsibility and Governance

#### Customer Subcommittee

- Chair: KOR) Marketing & Sales Department Director
- Team in Charge: KOR) Technical Service Team
- Members: G.STC, KOR) Retail Marketing Team, IT Strategy Team

### Key Managerial Issues



### Achievements

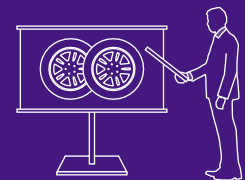
Smart Academy courses were provided  
(for 2nd generation dealers)

**21** dealers (basic courses for seven dealers, intensive courses for 14 dealers)



Sales Advisor service was offered to selected retail franchise stores between March and October of 2014 (No. of retail franchise stores where the service was offered)

**99** stores



Guidebooks on personal information protection were distributed to Hankook Tire dealers (No. of distributors where the guidebook was distributed)

**2,081** dealers



No. of vehicles that received highway safety check service

**2,750** vehicles (approximately)



### Future Plans and Outlook

We will launch safe driving campaigns to encourage our customers to drive safely while revamping our nationwide after-sales network. We will also assist our dealers in receiving technical training to provide swift and professional service to our customers. Monitoring and benchmarking best practices of our industry peers will allow us to make sustained endeavors to improve the quality of our service.

3. Customer Satisfaction &  
Quality Management  
(General Customers and Dealers)

## 2014 Achievements

● Completed   ● Partially Completed   ○ Not Completed

Code	Key Managerial Issues	Goals	Achievements	Completion	Pages
CS1	Win-Win Partnership	To integrate Smart Academy courses (basic + intensive)	· Basic course: Completed by seven people (training hours: 60) · Intensive course: Completed by 14 persons (training hour: 15 hours)	●	62
		To develop and operate programs to establish a culture of shared growth and win-win partnership	· A total of 99 retail franchise stores were chosen to receive the Sales Advisor service for a total of eight months (Mar. ~ Oct.)	●	
CS2	Impressive Customer Experience	To distribute guidebooks on customer data privacy and monitor the status of data privacy operations	· Customer data privacy guidebooks were distributed to 2,081 dealers	●	62
CS3	Customer Communication	To operate and regularly monitor the damage compensation system to respond to customer complaints	· The system was operated continuously	●	-
		To review the CCM (Customer Centered Management) Certification	· Not implemented due to change from the initial plan	○	-
		To establish and monitor highway safety inspection processes	· Vehicles that received highway safety check inspections: approximately 2,750 vehicles	●	63

## 2015 Plans

Code	Key Managerial Issues	Commitments	Key Index	Deadline	Team in Charge
CS1	Win-Win Partnership	To introduce a retail workforce pool	· Nurturing and supporting retail workforce	Oct.	G.STC
CS2	Impressive Customer Experience	To undertake three strategic SMART CARE tasks (10 major safety checks, real-name maintenance program, safe insurance scheme)	· Training to disseminate strategic tasks	Oct.	KOR) Retail Marketing Team
			· Year-round campaign · Establishment of a retail franchise store evaluation and compensation system		
CS3	Customer Communication	To launch the Drive Safely campaign	· Launching campaigns to serve the public good	Oct.	KOR) Technical Service Team
		To undertake outbound call system	· Development and implementation of an outbound call system	Oct.	KOR) Technical Service Team



## CS-1

### Win-Win Partnership

Our Smart Academy training aims to help our 2<sup>nd</sup>-generation dealers with capacity building, and our shared growth programs were operated to assist our dealers in establishing a stable sales structure. These are just a few of our proactive endeavors to promote win-win partnerships.

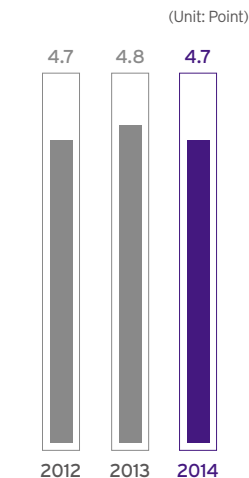
#### Integrate Smart Academy Courses

**Smart Academy Basic Course (Completed by Seven People) and Intensive Courses (Completed by 14 People)** • Our Smart Academy has been nurturing 2<sup>nd</sup> generation dealers into next-generation leaders since 2012. Smart Academy offers two types of courses: basic courses that consist of three courses of Loyalty, Management, and Sales Skill Up, as well as intensive courses that are offered to those who completed basic courses. In 2014, one class of basic courses and one class of intensive courses, produced seven and 14 graduates respectively. For each session of training, trainees take a satisfaction survey for the course and the results for the basic course (on a scale from one to five) came in at 4.7 points in 2014. Our future plan is to monitor our graduates to provide training opportunities and other incentives.

#### Develop and Operate Programs to Establish a Culture of Shared Growth and Win-Win Partnerships

**133 Project** • In 2014, we launched the 133 Project for shared growth with our dealers. The aim of this project is to mobilize one service manager to select three retail stores that hold growth potential, and assist them in increasing their sales by more than 30% from the previous year. For eight months, between March and October, a total of 99 stores received constant product and service training, and our service managers advised on the improvement of the store environment. Furthermore, mid-level manager (Bloc Leader) meetings were hosted five times to share the best practices of different business districts.

Satisfaction with Smart Academy Training (Basic Course, On a Scale from One to Five)



## CS-2

### Impressive Customer Experience

In line with the emerging social issue of security breaches of personal information, we distributed guidebooks on personal information protection to our nationwide dealers to provide accurate information and help prevent any security breaches of this sort at our stores.

#### Distribute Guidebooks on Personal Information Protection and Monitor the Status of Data Privacy Operations

**Distribution of 2,081 Copies of the Guidebook on Personal Information Protection** • The increasing penetration of the internet and smart phones has resulted in the emerging social issue of personal information protection. To prevent any breach of personal consumer data at our stores, which serve as the frontline for our interaction with customers, data privacy training was offered to a total of 157 dealers in the Seoul and central regions in 2013. In 2014, the guidebook on personal information protection was distributed to 2,081 nationwide dealers to provide accurate information on data privacy. Only three complaints were submitted to our customer satisfaction call center concerning personal information over the previous year, accounting a mere 0.02% of the total 15,904 cases handled. Once complaints were raised, relevant employees were re-briefed on personal information to prevent any further ensuing customer complaints.

CS-3

## Customer Communication

We communicate with our customers in a multitude of ways to engage them in a valuable and enjoyable experience. Specifically, we improved our highway safety check service to benefit even more customers.

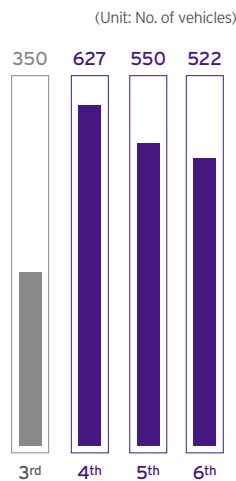
### Establish and Monitor Highway Safety Check Processes

**Safety Check Offered to Approximately 2,750 Vehicles** • We launch safety check campaigns six times a year at major highway rest areas across the nation to provide free-of-charge safety check service to anyone who visits our campaign sites. Safety check items include filling tires to the recommended air pressure, tire rotations, alignment checks, battery inspections and replenishing washer liquids. Specifically, at the fourth such event held in 2014, safety check banners were installed and traffic cones (preventing the entry of vehicles) were placed within the event zone to improve safety, and promotional activities were undertaken in the parking lot. While the first, second and third events inspected approximately 350 vehicles just as they had the previous year, the improved fourth event benefited even more vehicles: more than 500, to be exact.



<Highway Safety Check Campaign>

Highway Safety Check Recipient Vehicles



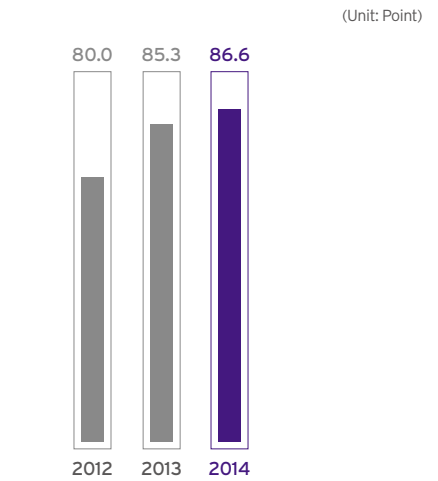
\* Based on the No. of vehicles that received safety checks at our event zone, rather than simple exterior checks

3. Customer Satisfaction & Quality Management (General Customers and Dealers)

### T'Station Customer Satisfaction Survey

**Mystery Shopping and CS Survey** • Our Mystery Shopping program and customer satisfaction surveys aim to identify the operational status of T'Stations, our retail franchise stores, as well as customer satisfaction levels. Under the Mystery Shopping program, our employees visit and examine selected stores disguised as ordinary customers and their outcomes are used to evaluate the service quality at our customer contact points. In conducting CS surveys, T'Station customers are surveyed via phone and their feedback is used to assess the service quality of T'Stations. In 2014, our customer satisfaction scored 86.6 points (against the 100 full mark), up by 1.3 points from 85.3 points in 2013.

Customer Satisfaction (On a scale from one to 100)



Year	Employee Hospitality	Facility & Equipment	Service
2013	86.0	84.8	85.0
2014	86.9	86.4	86.3

# External Stakeholder Satisfaction Management



## 4. Customer Satisfaction & Quality Management (Car Makers)

# 04

### Context

Global car makers demand that their suppliers conduct business responsibly in addition to fulfilling existing essential requirements such as quality, pricing, and delivery deadlines as part of their global cooperative relationships.

### Risk & Opportunity

Our technology development and innovation has continued over the years to satisfy the requirements suggested by car makers. To maintain and broaden our business relationship with these car makers, however, we are willing to satisfy even more stringent CSR requirements.

### Declaration

As a business partner with car makers, Hankook Tire is dedicated to maintaining a sustainable business relationship by developing technologies that meet their performance requirements and by securing an eco-friendly competitive edge in quality, based on well-managed systems that satisfy global standards.

### Management Responsibility and Governance

- General Management: Global OE Division Director
- Team in Charge: Global OE Strategy Team, Global OE Technical Team
- Cooperating Teams: OE Sales Team 1, 2, 3, OE Team in Europe, North America, Japan and China, PC Development Team, TB Development Team, OE Quality Team, Technical Centers in Europe, America, Japan and China

### Key Managerial Issues

Continuous Communication

Reinforcement of Product Competency

### Achievements

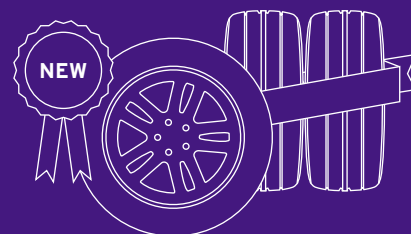
Communication with car makers



Attendance at Auto China and the IAA exhibition

\* IAA (International Automobile Ausstellung):  
Refers to an international automobile exhibition held in Germany

New technology was developed and a competitive edge in quality was secured



Increased supply of new technology-enabled tires and TBR tires

### Future Plans and Outlook

Through exhibitions, exchanges with customers, and other multi-faceted communication channels, we will rapidly develop and supply products that satisfy the optimal performance and quality requirements requested by car makers. In addition, we will proactively respond to the sustainability evaluations of car makers and take follow-up measures to build sustainable business relationships with them.

## 2014 Achievements

● Completed ● Partially Completed ○ Not Completed

Code	Key Managerial Issues	Goals	Achievements	Completion	Pages
CS4	Continuous Communication	To conduct regular B2B communication	<ul style="list-style-type: none"> <li>Sustained CRM activities were undertaken for major car makers</li> <li>Marketing communication was conducted through exhibitions: attended two major exhibitions to host media events and display OE* fitment products and their car models</li> <li>Received the Supplier Award from a car maker</li> <li>Premium brand advertising was performed: Korea (magazine), Germany (outdoor)</li> </ul>	●	66
		To satisfy the requirements of car makers	<ul style="list-style-type: none"> <li>Follow-up measures were taken after sustainability evaluations were made</li> </ul>	●	
CS5	Reinforcement of Product Competency	To proactively respond to the high-level performance requirements made by major car makers	<ul style="list-style-type: none"> <li>Run-flat tires, Sound-absorbing tires and other new technology-enabled tires were developed: Supply to BMW New Mini, Mercedes-Benz C-Class, Hyundai Genesis</li> <li>Gained OE fitments from Mercedes-Benz Truck and Volkswagen's MAN Truck &amp; Bus, Europe's largest truck brands</li> </ul>	●	67
		To sophisticate our premium OE quality management system	<ul style="list-style-type: none"> <li>Secured highest grades in quality audits conducted by premium car makers (Mercedes-Benz: Geumsan and Hungary Plants, Porsche: Hungary Plant)</li> <li>Flawless quality was achieved for premium OE fitment tires</li> <li>Premium OE quality mind training was offered (on six occasions): office staff and operators at Korean, Chinese and Hungarian Plants</li> </ul>	●	
				●	
				●	

\* OE (Original Equipment): This acronym is unique to the tire industry and indicates the supplying of tires for new vehicles

## 2015 Plans

Code	Key Managerial Issues	Commitments	Key Index	Deadline	Team in Charge
CS4	Continuous Communication	To improve mutual trust by reinforcing communication with car makers	No. of companies subject to CRM and No. of activities undertaken	Dec.	OE Sales Team, Global OE Technical Team
			The Supplier Award awarded by car makers on more than one occasion	Dec.	OE Sales Team, Global OE Technical Team, PC Development Team 1
			Strategic advertising and PR undertaken	Dec.	Global OE Strategy Team
			Marketing communication performed through attending more than two major exhibitions	Dec.	Global OE Strategy Team
		To satisfy the requirements from car makers	Follow-up measures undertaken after sustainability evaluations made	Dec.	CSR Team
CS5	Reinforcement of Product Competency	To promptly develop products that satisfy the high-level performance requirements made by major customers	Delivery of new technology-enabled OE fitment tires (sealant tires)	Dec.	OE Sales Team, Global OE Technical Team, ETC) EU Development Team 1
			Expansion of OE fitments to Japanese car makers and of TBR tires	Dec.	OE Sales Team, Global OE Technical Team, PC Development Team 1
			Green grade gained in quality audits	Dec.	OE Sales Team, Global OE Technical Team, OE Quality Team
			Zero quality issues raised	Dec.	OE Quality Team, QA
			Elevation of the quality-first mindset	Dec.	OE Quality Team, QA

## CS-4

# Continuous Communication

We undertake strategic marketing communication to form mutually-beneficial relationships with global car makers while attending international exhibitions to reinforce such relationships.

### Conduct Regular B2B Communication

**Reinforce Relationships with Car Makers through Integrated Communication** • In 2014, we launched proactive communication initiatives with customers, from strategic PR and attendance at global exhibitions to print outdoor advertising and event invitations. A total of 10 press release documents were distributed and made headlines on numerous Korean and overseas media stations, in addition to two interview articles. We placed advertisements on the BMW and Audi magazines published in Korea to build a stronger affinity with these premium brands. The outdoor advertising we performed in Germany, where the headquarters of Mercedes-Benz and Porsche are located, helped further improve our brand awareness.

**Communication through Exhibitions** • In 2014, we attended large-scale exhibitions and major regional/national exhibitions - Auto China held in Beijing, China in April and the IAA Commercial Vehicle Show held in Hanover, Germany, in September - to strengthen our communication with car makers. At Auto China, we displayed Mercedes-Benz's New S-Class equipped with our tires. At the IAA, we announced our TBR OE fitment plans for Mercedes-Benz Truck Atego and MAN trucks of Volkswagen Group, which are global commercial vehicle brands. At each of these exhibitions, we also hosted business meetings with car makers at our own booth.

**Supplier Awards Given by Car Makers** • As an OE tire supplier to Honda CR-V, one of the most popular models in North America, we were honored with the 'Excellence Award' awarded by Honda to its outstanding global parts suppliers in June 2014. Our top-notch technological prowess and quality was recognized by the evaluation made of approximately 650 global suppliers each year, and we joined the ranks of excellent suppliers in the tire segment.

**PRM Performed to Reinforce Communication with Car Makers** • Our PRM (Partner Relationship Management) programs invite car makers to our R&D Center and plants to facilitate our communication with them and help better understand each other's business. In 2014 alone, we invited Chinese car makers on 13 occasions. Car makers were allowed to tour our R&D facilities to verify our level of R&D technology, and joined workshops with research staff held to improve technology. Furthermore, they visited our plants to enhance their understanding of our systematic production base and performance verification.

### Satisfy the Requirements of Car Makers

**Respond to the Sustainability Evaluation by Car Makers and Satisfy Their Requirements** • Car makers regularly assess our sustainability management as a supplier. In 2014, we responded to the sustainability evaluations conducted by Ford, Honda, BMW and other car makers on our CSR performance in such fields as social, environmental, and supply chain. Evaluation outcomes revealed that our performance was positive and no specific corrective measures were required in any of the evaluation categories. For items that showed room for improvement, we used the CSR Strategic Guide distributed in October 2014 to set improvement directions for each relevant team and to help take improvement measures accordingly.



<Auto China>



<IAA Exhibition>



<IAA Exhibition>



## CS-5

## Reinforcement of Product Competency

It is through the development of next-generation technology and ceaseless endeavors for better quality that we expediently supply the optimal products required by car makers. In so doing, we further solidify our cooperation with car makers as their strategic partner and contribute to the development of the automobile industry.

### Proactively Respond to the High-level Performance Requirements Made by Major Car Makers

**Widened Partnerships with Japanese Car Makers** • In 2014, our cooperative relationship with Japanese car makers made a significant leap forward. We supplied a total of 2.8 million OE tires to them, and successfully sourced for eight vehicle models and 12 specifications of the three largest Japanese makers (Toyota, Nissan and Honda). We currently supply tires to Honda CR-V, and will increase our supply to their best-selling vehicles (such as Honda Accord and Toyota Camry). Likewise, we were able to further expand our OE fitments to Japanese car makers, and increase our future growth potential. Our OE fitments also gradually increased in the Asia Pacific region, mainly in North America and China.

**Expanded TBR\* OE Business and Stronger Relationships with Industry Players** • 2014 was a year that witnessed tremendous growth in our TBR tire's OE business. Our tires were supplied to a total of eight car makers for their 27 vehicle models. Specifically, new fitments were initiated for Mercedes-Benz Truck Atego and MAN trucks of Volkswagen Group, which allowed us to exceed our initial sales target by 13%.

### Endeavors to Develop and Deliver Optimal Products

We strive to reinforce our mass-production capacity for seamless product delivery, and to improve

our technological capability to develop products. For premium tires, our employees in charge of respective fields gather on a project level to undertake joint development to improve work efficiency while our R&D Center and plants meet monthly for increased synergy among all relevant teams. Such endeavors enabled us to successfully develop run-flat tires and other new technology-enabled tires. We also assisted our Chinese plants in ensuring the quality of premium OE tires: OE workshops were hosted, processes were defined and a responsible organization was created to strengthen their OE product quality.

### Sophisticate Our Premium OE Quality Management System

**Optimized Premium OE Quality** • In line with growing premium OE fitments, we developed a system to optimize our product quality. Processes were established to deliver optimal and uniform quality throughout the three stages of materials, facilities and production processes. These endeavors allowed us to earn our status as an outstanding supplier from Mercedes-Benz, BMW, Porsche and others and to continue to deliver flawless quality.

**Development and Use of Quality Manuals** • To prevent any quality issues, from development to mass production and shipment of premium OE tires, we developed quality manuals for each stage of manufacturing and use them to perform stringent verification. These manuals consist of four stages: the pilot product development process, mass production qualification & verification, response to car maker audits, and mass production & shipment. They allow us to nurture premium OE experts, reinforce quality in the development stage, and analyze company-specific requirements to respond to audits of car makers, so as to make full preparations and ensure uniform quality in the mass production stage.

**Quality Mindset Training** • As in 2013 in Hungary, we provided quality mindset training on four occasions to 58 local employees in Indonesia and China in 2014. Furthermore, quality training was offered to a total of 720 employees at our Daejeon and Geumsan Plants from April to November.

\* TBR (Truck Bus Radial) Tire:  
Tires for trucks and buses

List of New OE Fitments in 2014

Car Maker	Vehicle Model	Product Name	Product Features
BMW	4 series	Ventus S1 evo2	High-performance tire that delivers the highest-possible performance
	New MINI	Kinergy eco, Ventus Prime2	Eco-friendly brand tire, high-end high-performance tire
Mercedes-Benz	C-Class	Ventus S1 evo2	High-performance tire that delivers the highest-possible performance
	V-Class	Ventus Prime2	High-end, high-performance tire
Mercedes-Benz Truck	Atego	AH11, DH05+	Tire designed for mid/small-sized trucks
Audi	TT	Ventus S1 evo2	High-performance tire that delivers the highest-possible performance
Lincoln	Navigator	Dynapro HT	Premium all-season tire specially designed for light trucks, vans and SUVs
Volkswagen	Touareg	Ventus S1 evo2 SUV	High-performance tire to deliver highest-possible performance for SUVs
	Passat	Kinergy eco	Eco-friendly brand tire
MAN Truck & Bus	TGX, TGM, TGS, etc.	e-cube AL10, DL10, TL10	Tire designed for large trucks that run long distances
Ford	Transit, F-150	Dynapro HT	Premium all-season tire specially designed for light trucks, vans and SUVs

# Environmental Management

## 1. Integrated Environmental Management System



# 05

### Context

It is our most fundamental responsibility as a business to minimize the environmental impact caused by our business conduct and prevent any possible environmental misconduct. Environmental issues are recognized as a risk by numerous companies in spite of their sustained efforts for improvement.

### Risk & Opportunity

Growing stakeholder interest in environmental issues results in tightening environmental regulations and increasing requirements for businesses. Meeting such requirements demands that companies continue to invest in facilities and R&D, and improve their processes. Likewise, cleaner manufacturing methods will eliminate waste and enhance efficiency so that we can reduce our environmental load and benefit from reduced production costs. Furthermore, consumers' growing interest in eco-friendly products may contribute to an increase in our sales of eco-friendly products.

### Declaration

Hankook Tire is fully aware of the environmental impact that may be generated throughout its entire product life cycle—from the acquisition of tire materials, production and usage—to recycling and disposal, and it is committed to minimizing such impact at every stage of this life cycle. Hankook Tire will further focus on developing eco-friendly products to assure customers that they will contribute to a greener future by using them.

### Management Responsibility and Governance

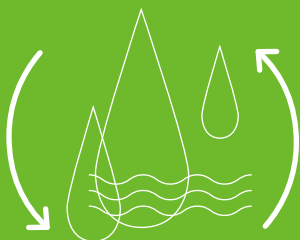
- **EHS Subcommittee** - • Chair: Daejeon Plant Manager • Team in Charge: DP) Environment & Safety Team  
• Members: KP) Environment & Safety Team, Machinery Engineering Team 3, DP) KP) Facility Maintenance Team, Material Research Team 2, R&D Operations Team, CSR Team
- **Product Environment Subcommittee** - • Chair: R&D Division Director • Team in Charge: R&D Strategy Team  
• Members: PC Development Team 3, TB Development Team 2, Research Team 3, CSR Team

### Key Managerial Issues



### Achievements

#### Ratio of recycling treated water



31.7 %

#### Ratio of eco-friendly products (based on sales)



44.1 %

#### Ratio of recycling waste



76.7 %

### Future Plans and Outlook

We will recognize our environmental impact throughout the entire product life cycle and fully commit ourselves to minimizing this impact in every stage of this life cycle. Furthermore, we will respond to global environmental regulations and pursue shared growth with local communities as a way to strengthen our green production infrastructure and establish a diverse eco-friendly product portfolio while striving further to cut back on our consumption of resources. The sum of all these parts will help us in fulfilling our responsibility as a green management leader.

## 2014 Achievements

● Completed ● Partially Completed ○ Not Completed

Code	Key Managerial Issues	Goals	Achievements	Completion	Pages
IE1	Management of the Green Production Infrastructure	To strengthen response to tightening environmental regulations	<ul style="list-style-type: none"> <li>Standards were developed and revised</li> <li>The ISO 14001 certificate was maintained</li> <li>Response was made to the integrated approval regulation</li> <li>EHS compliance evaluation was made</li> </ul>	●	70~71
		To obtain the Green Company certification	<ul style="list-style-type: none"> <li>Green Management Report was submitted</li> <li>The Green Company Certification</li> </ul>	●	
		To advance the EHS management system	<ul style="list-style-type: none"> <li>EHS IT system improvement council meetings were held</li> <li>Investment processes were improved</li> <li>EHS indicators were managed</li> </ul>	●*	
IE2	Product and Environment	To develop lightweight tires	<ul style="list-style-type: none"> <li>The application of major NT-10 items were expanded</li> </ul>	●	71~72
		To reduce tire rolling resistance	<ul style="list-style-type: none"> <li>PCR: Kinergy eco improved its performance (13% fall in rolling resistance against Optimo K415)</li> <li>TBR: e-cube MAX AL10+ improved its performance (9% fall in rolling resistance against e-cube AL10)</li> </ul>	●	
		To develop eco-friendly products	<ul style="list-style-type: none"> <li>Research was conducted on electric vehicle tire development technology</li> <li>LCA was conducted on products manufactured in China</li> <li>The Eco Design Process was established</li> </ul>	●	
IE3	Management of Resources	To expand the recycling of waste	<ul style="list-style-type: none"> <li>5R activities concerning waste were strengthened</li> </ul>	●	72~73
		To ensure preliminary management that leads to a stable TTS boiler operation	<ul style="list-style-type: none"> <li>The environmental preservation plan review report was approved (South Chungcheong Provincial Government)</li> </ul>	●	

\* Improving investment processes will be undertaken as part of our 2015 plans

## 2015 Plans

Code	Key Managerial Issues	Commitments	Key Index	Deadline	Team in Charge
IE1	Management of the Green Production Infrastructure	To strengthen response capability to tightening environmental regulations	<ul style="list-style-type: none"> <li>Improvement of the operational efficiency of odor reduction/prevention facilities</li> <li>Strengthening hazardous chemical management systems</li> <li>Installation of the latest version of water quality TMS devices</li> </ul>	Dec.	DP) KP) Environment & Safety Team
		To pursue share growth with local community residents	<ul style="list-style-type: none"> <li>Odor monitoring</li> <li>Introduction of noise-attenuation measures</li> <li>Strengthening of communication with local residents</li> </ul>	Dec.	
		To prevent environmental accidents	<ul style="list-style-type: none"> <li>Development of a water pollutants control system</li> <li>Emergency drills for environmental accidents</li> <li>Strengthening of on-site inspections of waste treatment service providers</li> </ul>	Dec.	
IE2	Product and Environment	To reduce tire rolling resistance	<ul style="list-style-type: none"> <li>Expansion of tires rated high in tire rolling resistance labeling</li> </ul>	Dec.	PC Development Team 3, TB Development Team 2
		To develop eco-friendly products	<ul style="list-style-type: none"> <li>Research on EV tire development technology</li> <li>Development of a new definition of eco-friendly products</li> <li>Renewal of the carbon footprint labeling of enfren eco</li> </ul>	Dec.	
		To develop safety-driven products	<ul style="list-style-type: none"> <li>Development of eco-friendly run-flat* tire technology</li> </ul>	Dec.	
IE3	Management of Resources	To pave the way to introduce new & renewable energy (SRF)	<ul style="list-style-type: none"> <li>Eco-friendly design and transparent disclosure of environmental information</li> <li>Pursuit of harmony with local communities</li> </ul>	Dec.	KP) Environment & Safety Team

\* Run-flat Tire: A run-flat tire is designed to resist the effects of deflation when punctured and to enable the vehicle to be driven at reduced speeds for limited distances to ensure the safety of drivers

## Management of the Green Production Infrastructure

We aim to minimize any possible environmental impact we impose on the surrounding areas where we are located by reducing the discharge of environmental pollutants and preventing environmental risks. We also ensure that any stakeholder feedback gathered through our communication channels is fully reflected in our improvement endeavors.

### Strengthen Response Capability to Tightening Environmental Regulations

#### Minimize the Discharge of Environmental Pollutants

① **Voluntary Agreement to Reduce Odor:** The voluntary agreement to reduce the generation of odor was signed by our Daejeon Plant in 2009 with the Daedeok District (where the plant is located) to resolve any odor-related complaints. Since then, the plant has been committed to reaching its target, as dictated by the agreement. During the second agreement period between 2013~2015, the reduction target is set to reduce the generation of odors by 82% against the 2008 base year, or to not exceed the 300-multiple level in odor pollution. Our endeavors to meet this target include the optimized operation and management of high-efficiency air pollution control facilities (CRCO\*, CFRTO\*\*) and the timely replacement of the expendables in such facilities, among others.

② **Install Initial Rainwater Control Facilities at the Geumsan Plant:** To ensure that pollutants on the road surface of our plants do not directly flow into nearby streams on rainy days, we installed a non-point pollution source\* reduction facility (filtration, capacity: 2,000m<sup>3</sup>/hour) in the vicinity of the carbon tank used for the mixing process, in April 2014. Following this 1st step taken to process initial rainwater, another non-point pollution source reduction facility (filtration, 2,000m<sup>3</sup>/hour) was also installed in the logistics sector as the 2nd step in August 2014, to prevent any pollution caused by initial rainwater.

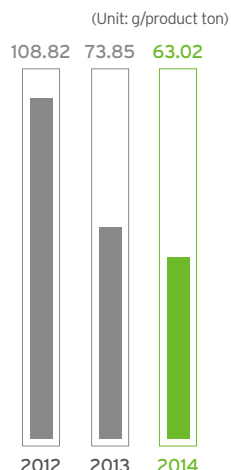
③ **Operate EHS Communication Channels at the Daejeon/Geumsan Plants:** Our Daejeon Plant hosts regular briefings to facilitate communication with local residents. These events are attended by local people, professors, environmental organizations and public officials and are held to present our previous achievements and future plans in reducing the generation of

\* CRCO (Concentrator Regenerative Catalytic Oxidizer): Odor-containing air is absorbed by the zeolite concentrator, and then the concentrated odor substances are desorbed. Then the catalytic oxidizer is used to oxidize the odors at low temperatures of near 400°C, and they are released into the air

\*\* CFRTO (Concentrator Flameless Regenerative Thermal Oxidizer): Odor-containing air is absorbed by the zeolite concentrator. The thermally desorbed odors are burnt at high temperatures (near 800°C) through RTO (regenerative thermal oxidizer) and are then released into the air

\* Non-point pollution sources: Sources of water pollution that are found at non-specified locations in urban areas, roads, mountains, and construction sites (e.g. rooftop dust)

Intensity of COD Discharge



odor and to make on-site reviews. Our Geumsan Plant has been running a field-trip program for students in the surrounding areas which allows them to tour its environmental facilities while undertaking the 'One Company One Stream' initiative to improve water quality and create rest areas along nearby streams. In 2015, our Daejeon Plant will select monitors among the local residents, who live within close proximity to the plant, as a way to operate a mobile-based odor monitoring community system.

④ **Expand the Recycling of Treated Water:** Before being discharged, the wastewater generated from the production of tires and the operation of related facilities is processed at our in-house wastewater treatment plant, which complies with our internal regulations that set even stricter than legally-allowable discharge limits. The water processed at our in-house treatment plant is then recycled to clean wet scrubbers and roads: the daily use of such treated water amounts to approximately 900 tons and 875 tons at our Daejeong and Geumsan Plants respectively. In so doing, we do our part in protecting water resources.

#### Prevent Environmental Risks

① **Develop and Use Odor Sensors:** Research is currently underway to develop sensors that measure odor quantitatively in real-time to calculate odor generation and efficiently manage environmental facilities. In 2014, such sensors were installed as part of the curing process at the Daejeon Plant and were tested to verify their durability and stability. Our 2015 plan is to install more of these sensors so that measured outcomes can be used to preemptively detect any operational abnormalities in our environmental facilities and to identify causes of any raised complaints.

② **Respond to Regulations Concerning Chemical Registration and Evaluation:** While tires are exempt from the chemical reporting and registration regulations as a solid-state finished product, the suppliers of raw materials used for tire manufacturing are obliged to respond to such stringent chemical regulations. This urged us to develop plans to ensure that the raw materials that we purchase are free from being potentially hazardous or risky. Firstly, we verified the type of raw materials that we currently purchase and that are sub-

Discharged of COD

(Unit: ton)

Category	2012	2013	2014
Daejeon Plant	4.0	3.3	3.1
Geumsan Plant	3.0	3.9	4.4
Jiangsu Plant	10.3	9.3	6.0
Jiaxing Plant	97.7	61.5	55.1
Chongqing Plant	-	4.2	1.3
Hungary Plant	3.1	2.9	3.3
Indonesia Plant	-	1.5	0.2
<b>Total</b>	<b>118.1</b>	<b>86.6</b>	<b>73.4</b>

ject to the reporting and registration regulations. Secondly, we verified whether our suppliers were aware of such regulations and developed concise methods to respond to these regulations. Lastly, we made it mandatory for suppliers to submit documentary evidence in signing raw material purchasing contracts to identify whether there were regulated substances in the materials and if so, whether they could respond to chemical registration and evaluation regulations. In so doing, we aim to minimize any impact on the health of employees on the shop floor as well as consumers.

**Obtain the Green Company Certification**

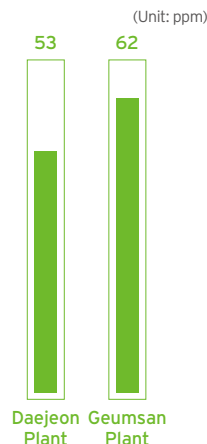
In May 2014, our Geumsan Plant became the first in the tire industry to obtain the Green Company certification for its self-initiated environmental management system. Furthermore, the plant signed an MOU to create jobs in the local community where it is located through the industry-academia-public partnership (Chungnam National University, Geum River Basin Environmental Office) so as to fulfill a leading role as a green company. The plant also offered a green company practice program (related to environmental management (air, water, waste training) for local college students.

**Advance the Integrated EHS Management System**

**Create and Operate the Council for Improving the EHS IT System** • Our EHS IT system has been up and running since the end of 2010 to improve the efficiency of our EHS operations. This system enables us to prepare diverse daily logs and manage our achievements on relevant indicators as well as the installation, closure, repair and maintenance of pollution control facilities. Yet, only a portion of the developed functionalities are presently used and the Council for Improving the EHS IT System was set in 2014 to extend its scope of application and facilitate the system. Attended by relevant teams, council meetings are held bi-monthly to consult on necessary and upcoming system improvements and to set goals to increase its utilization. This enables us to develop the appropriate environment to systematically manage our environmental operational data.

**Manage Global EHS Indicators** • Since 2012, we have been conducting quarterly monitoring on the selected global EHS indicators. In the environmental sector, such common EHS indicators were chosen for seven of our global plants - emission of air pollutants from boilers, discharge of water pollutants and the intensity of waste discharge. These are gathered quarterly so they can be reported to management. In 2015, in addition to performance management, we will set targets for respective indicators and monitor our status of attaining the set targets and relevant activities.

**NOx Emission Concentration**



LNG boilers have been recently added to the list of target facilities obliged to comply with the limit of air pollutant emissions since 2015. We have been regularly measuring air pollutant emissions since 2014 to monitor our status of regulatory compliance, and presently, our level of emissions is under the legally-allowable limit. (LNG boiler-air pollutant emission limit at the Daejeon/Geumsan Plants: NOx 150 ppm)

\* PCR (Passenger Car Radial) Tire: Comparison of 'Kinergy eco' against 'Optimo K415' (specifications: 195/55R15)

\*\* TBR (Truck Bus Radial) Tire: Comparison of 'e-cube Max AL10+' against 'e-cube AL10' (specifications: 315/80R22.5)

**IE-2**

**Product and Environment**

We endeavor to protect the environment across the entire life cycle of our products, from the acquisition of raw materials to their use and disposal. We aim to increase the ratio of eco-friendly products by 50% by 2020 from the 2014 base year.

**Develop Lightweight Tires and Reduce Their Rolling Resistance**

To improve fuel efficiency through lightweight tires and reduced rolling resistance, we continue to research platform technology on tire structure, raw materials, ingredients and production. Such research outcomes enabled us to improve our rolling resistance performance by 13%\* in PCR and 10%\*\* in TBR against existing products. Since simply reducing rolling resistance to increase fuel efficiency may degrade braking, handling and wear performance, we continue to research compounds for the optimized balance between tire-surface contact pressure and performance, in addition to product eco-friendliness. These efforts allowed us to develop 'Kinergy eco', rated A both in rolling resistance and wet grip, and to deliver tires with improved user safety performance.

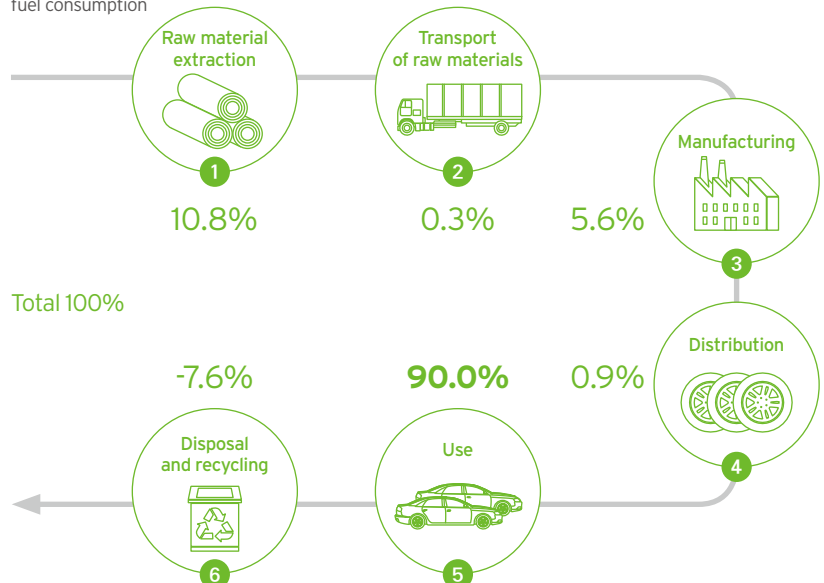
**Develop Eco-friendly Products**

**R&D on EV Tires** • We are committed to developing EV tires to respond to an increasingly growing demand for electric vehicles (EV). EV tires demand unique require-

**Ratio of Environmental Impact across the Entire Product Life Cycle**

(based on 'Optimo K415' produced at the Jiaxing Plant)

The biggest environmental impact is found in the use of products mounted on vehicles pertaining to fuel consumption





ments such as low rolling resistance and high-strength, lightweight materials. Our sustained R&D allowed us to develop EV tires with a 30% improved rolling resistance and a 2% improved load stiffness against general tires with the same load-carrying capacity.

**Product Life Cycle Assessment** • We conducted life cycle assessments (LCA) at our Geumsan Plant in 2012, our Hungary Plant in 2013, and our Jiangsu and Jiaying Plants in China in 2014. LCA aims to analyze the environmental impact in each phase of a product's life cycle, from the acquisition and transport of raw materials, manufacturing and distribution, to their use, disposal and recycling. The LCA performed on our Chinese plants in 2014 revealed that their environmental impact was bigger than that of other plants. Unlike other plants, they externally sourced steam which was produced primarily through the use of coal, and this increased their environmental footprint from its consumption. Aside from general tires, environmental impact assessments were conducted on our EV tires under development. We found that their environmental impact was less than that of the general tires due to their lower rolling resistance and the use of electricity instead of diesel or gasoline. In 2015, we will update the outcomes of the LCA conducted at our Geumsan Plant to renew the carbon labeling certification obtained by enfren eco.

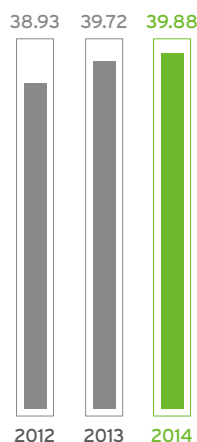
**Establish the Eco Design Process** • It is in the product design phase where most of the environmental impact throughout a product's LCA is determined (type of raw materials, performance requirements). As such, we established an 'Eco Design Process' to consider a products' eco-friendliness and reduce its environmental footprint from this initial phase. In 2013, we developed eco design tools (checklist, simplified LCA tool) and in 2014, relevant teams convened to improve on these tools and define the scope of their application. The outcome will help inform us at the hearings to be held in 2015 for developers at our research center and will be reflected in our actual development operations.

**IE-3**

**Management of Resources**

We are committed to the efficient use of resources and the expansion of recycling to prevent the depletion of limited resources. Furthermore, we meet, and even exceed, our mandatory recycling ratio so that we can sincerely fulfill our responsibility as a manufacturer.

**Intensity of Waste Treated**  
(Unit: Amount of waste treated (kg)/ product ton)



**Expand the Recycling of Waste**

**Comply with the Mandatory Tire Recycling Ratio** • In our effort to meet our Extended Producer Responsibility (EPR), we fulfill our recycling responsibility through the Korea Tire Manufacturers Association, and make contributions to the fund required for recycling. It is based on such contributions that the association collects and processes waste tires and undertakes accompanying recycling projects. While the recycling of waste tires consists of thermal consumption (72%) and material recycling (28%), cement kiln applications account for the largest share of the thermal consumption of waste tire recycling (45%). In accordance with Environment Ministry's policy, we work together with the association to facilitate the material recycling of waste tires so that this approach makes up more than 30% of the total tire recycling.

**Implement the Basel Convention** • In 2014, we reviewed our compliance with the Basel Convention on the control of the transboundary movement of hazardous waste. The convention took effect when Korea joined it in 1994. Hazardous wastes generated at our Korean business sites include PCB (Poly Chlorinated Biphenyl) and waste minerals, all of which are processed in Korea in full compliance with relevant regulations. As part of the EHS management assessment to be undertaken in 2015, we will verify that our overseas establishments comply with the convention.

**Ensure Preliminary Management for the Stable Operation of SRF Pyrolysis Facilities**

**Pave the Way to Introduce SRF Pyrolysis Facilities** • To fulfill our extended producer responsibility, we plan to install facilities to burn the carbon, oil and gas generated through the pyrolysis of waste tires as SRF (Solid Refuse Fuel) so that we can recover energy and sell by-products. As part of our efforts to introduce such facilities, eco-friendly design elements - enclosing process facilities, adopting the negative pressure technique to prevent pollutants from being released from buildings - will be adopted, and plans are currently under review about whether to install electronic signage to disclose environmental operational information (TMS: Tele Metering System) in real time.

**Amount of Waste Treated**

The closure of our Daejeon Plant's incinerator resulted in a slight increase in waste discharge: waste that had been recycled to independently produce steam at the plant is not being consigned to an external treatment service provider. Yet, our failure rate improved thanks to the stabilized operation of a new plant and there was no significant change in intensity. Our goal is to achieve a 5% intensity-based improvement in waste discharge by 2020 from the base year of 2014.

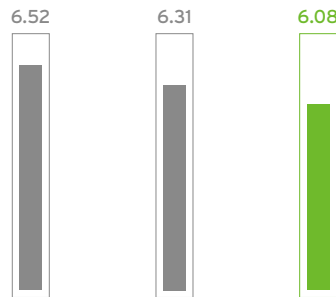
Category (Unit: ton)	2012	2013	2014
Consigned recycling	31,494	36,897	35,674
Consigned incineration	5,824	4,561	4,760
Consigned land filling	4,977	5,096	6,064
<b>Total</b>	<b>42,295</b>	<b>46,554</b>	<b>46,498</b>

\* Discrepancies between these numbers and what was presented in our previous CSR Report 2013/14 are due to the correction made in 2013 on the intensity-based formula

**Water Intake**

(Unit: Amount of water intake (m<sup>3</sup>)/product ton)

While the initiation of new plants since 2013 inevitably led to an increase in water intake, our treated water recycling ratio rose tremendously in 2014 and our overall water consumption fell. Our goal is to deliver a 10% intensity-based improvement by 2020 from the base year of 2014.



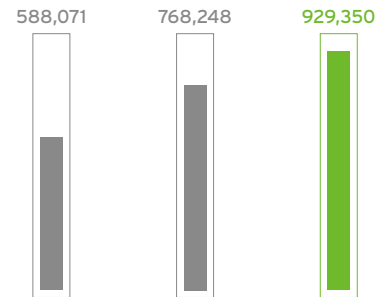
Category (Unit: m <sup>3</sup> )	2012	2013	2014
Daejeon Plant	1,666,929	1,768,189	1,605,201
Geumsan Plant	1,674,990	1,627,982	1,662,331
Jiangsu Plant	1,401,553	1,458,024	1,396,677
Jiaxing Plant	1,979,275	1,593,809	1,491,204
Chongqing Plant	-	256,774	321,351
Hungary Plant	358,793	324,965	342,075
Indonesia Plant	-	372,524	275,483
<b>Total</b>	<b>7,081,540</b>	<b>7,402,267</b>	<b>7,094,322</b>

\* Our Chongqing and Indonesia Plants initiated normal operations in 2013  
 \*\* Discrepancies between these numbers and what was presented in our previous CSR Report 2013/14 are due to the revision of the Jiaxing Plant's water consumption data in 2012.

**Recycling of Treated Water**

(Unit: m<sup>3</sup>)

The recycling of treated water rose tremendously at our Chongqing and Hungary Plants.

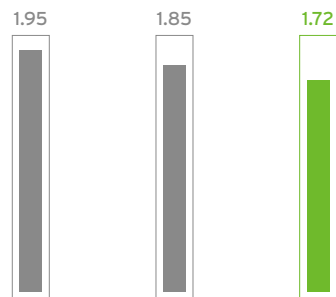


Category (Unit: m <sup>3</sup> )	2012	2013	2014
Daejeon Plant	307,466	316,021	315,278
Geumsan Plant	280,605	285,857	300,900
Jiangsu Plant	0	0	0
Jiaxing Plant	0	0	0
Chongqing Plant	-	34,000	54,274
Hungary Plant	0	0	0
Indonesia Plant	-	132,370	258,898
<b>Total</b>	<b>588,071</b>	<b>768,248</b>	<b>929,350</b>

**Discharge of Treated Water**

(Unit: Amount of water used (m<sup>3</sup>)/product ton)

We aim to recycle more treated water and achieve a 15% intensity-based improvement from the base year of 2014.

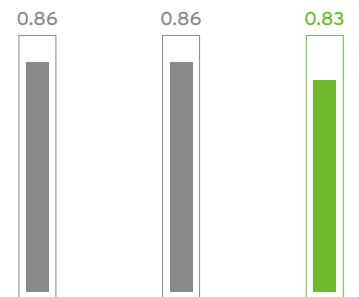


Category (Unit: m <sup>3</sup> )	2012	2013	2014
Daejeon Plant	328,644	295,399	253,185
Geumsan Plant	365,421	446,286	569,614
Jiangsu Plant	228,800	227,200	151,300
Jiaxing Plant	1,090,919	869,131	742,769
Chongqing Plant	-	167,620	168,140
Hungary Plant	104,511	96,260	110,359
Indonesia Plant	-	65,936	11,102
<b>Total</b>	<b>2,118,295</b>	<b>2,167,832</b>	<b>2,006,469</b>

**Consumption of Major Raw Materials**

(Unit: Raw materials consumed (ton)/product ton)

Tires are primarily made from rubber, carbon black, steel cords, textile cords and bead wires. As our production volume fell in 2014 from 2013, so has our consumption of raw materials.



Category (Unit: ton)	2012	2013	2014
Natural Rubber	284	313	298
Synthetic Rubber	225	239	231
Carbon Black	254	269	259
Textile-Cord	38	41	42
Steel-Cord	86	96	93
Bead Wire	43	47	47
<b>Total</b>	<b>930</b>	<b>1,005</b>	<b>970</b>

\* Discrepancies between these numbers and what was presented in our previous CSR Report 2013/14 are due to the correction of the error in the intensity-based calculation formula.

**Adoption of the Environmental Solution Following the Warehouse Fire**

{ CASE STUDY }

In September 2014, a fire broke out in the automated warehouse at our Daejeon Plant. We installed barriers in the drainage channels to prevent the wastewater that was generated from extinguishing the fire from streaming out and mobilized dredging vehicles to collect all the fire-fighting wastewater into the water-collecting tank at the in-house wastewater treatment plant. The collected wastewater was processed at the plant and transported to the sewage treatment plant within the industrial complex. At the time of the fire, the City of Daejeon sampled some of the discharged water and the outcome of its analysis revealed that the water was below the legally-allowable discharge threshold (20ppm or under in COD level of the treated water discharged on the day of the fire/legal COD threshold: 120ppm or under). Furthermore, waste collection/transport vehicles transported 2,508 tons of combustion residue generated from the fire to a legally-competent land filling facility for treatment. To reinforce our capability to respond to such emergencies (fire) and water contamination, we installed devices in February 2015 to block drainage channels from being contaminated by incoming pollutants and transport them to wastewater treatment plants through the use of underwater treatment pumps. We will also undertake far more stringent drills in accordance with possible emergency scenarios.

# Environmental Management

## 2. Climate Change & GHG Management



# 05

### Context

Along with rapid industrial development, rising temperatures due to greenhouse gas (GHG) emissions has been observed. This alerts us to a possible global-level crisis such as ecosystem disruptions and rising sea levels, among others. As such, businesses are required to take on expanded roles and responsibilities to curb global warming.

### Risk & Opportunity

As our scale of operations grows through increasing production volume as well as expansion of global production locations, this inevitably exposes us to risks in responding to environmental regulations such as emission trading schemes and in addressing depleting energy resources. We believe, however, that by fulfilling our responsibility to reduce GHG emissions through the shift to cleaner fuels and the improvement of energy efficiency, we will be able to bring such positive benefits as production cost savings.

### Declaration

Hankook Tire is fully aware that endeavors and initiatives to address climate change on the global, regional and national level constitute critical prerequisites for a sustainable future. Thus, Hankook Tire is ever committed to minimizing any impact from climate change.

### Management Responsibility and Governance

#### Energy & Greenhouse Gas Subcommittee

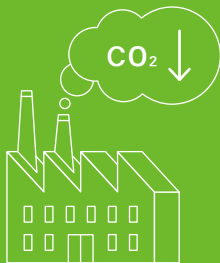
- Chair: Production & Engineering Division Director
- Team in Charge: Machinery Engineering Team 3
- Members: CSR Team, DP) KP) Energy Operations Sub Team, Global Facility Maintenance Operations Team 2, R&D Operations Team

### Key Managerial Issues



### Achievements

GHG emissions were reduced



6,075 tCO<sub>2</sub>-eq

Reduction in energy use



1,180 million (KRW)

Energy intensity target was exceeded by



1.5 %

### Future Plans and Outlook

We expect that regulations in relation to how businesses respond to climate change will tighten in the upcoming years and we may face crises due to energy supply & demand issues or increasing energy costs in business conduct. Our response to these potential difficulties is to introduce self-sustained power generation facilities and new & renewable energy sources and to adopt new energy-saving technology so that we can continue to reduce our GHG emissions and manage them across the entire supply chain.

## 2014 Achievements

● Completed ● Partially Completed ○ Not Completed

Code	Key Managerial Issues	Goals	Achievements	Completion	Pages
CC1	Energy & Carbon Management	To set mid/long-term GHG/energy targets (intensity)	· Energy management standardization was completed and regulations were set (mid/long-term targets are under development)	●	76
		To establish the e-Saver (energy management system) (Phase I)	· Phase 1 was completed at Korean plants	●	
		To respond to the allocation of allowances during the 1st planning period (2015~2017) of the Korean emissions trading scheme	· Response to the allocation of allowances was completed	●	
CC2	Execution and Reduction	To implement the 4Re initiative (Phase I)	· Renovation (adoption of highly energy-efficient devices)	●	76~77
			- Improved the efficiency of air compressors		
			- Replaced existing pumps with high-efficiency ones and control invertors		
			- Replaced lighting devices with high-efficiency ones (LED)		
			· Reuse (maximized energy recovery)	●	
			- Developed devices that raise the pressure of reused steam to recover waste heat from the curing process		
			- Replaced condensate water recovery devices		
- Inspected and replaced venting steam trap					
- Adjusted the air operation time at the terminal parts of curing pipes					
- Installed absorption chillers					
· Recycling (recreation of value from waste)	●				
- Reviewed the introduction of pyrolysis system and completed their design					
· Replace (review of alternative energy sources)	●*				
- Switched fuel from B-C oil to LNG for a boiler at the Geumsan Plant					
- Benchmarked photovoltaic power generation facilities					
CC3	Supply Chain Carbon Management	To review the validity of GHG emissions estimation methods for logistics operations (transport/delivery)	· Reviewed the status of logistics operations and estimation guidelines	●**	77

\* The initially-planned economic viability review of new &amp; renewable energy is slated for completion by 2015

\*\* The feasibility of adopting the methodology will be assessed later

## 2015 Plans

Code	Key Managerial Issues*	Commitments	Key Index	Deadline	Team in Charge	
CC1	Energy & Carbon Management	To establish the e-Saver (energy management system) (Phase II)	Energy management system	Nov.	Global Facility Maintenance Operations Team 2	
		To set criteria to calculate the cost benefits by reducing GHG emissions within the investment process	Cost-benefit	Jun.	CSR Team	
CC2	Reduction of Energy Consumption & GHG Emissions	To implement the 4Re initiative (Phase II)	· Renovation (adoption of highly energy-efficient devices)	4Re initiative	Dec. (2016 for a portion of the commitments)	
			- To improve the air pipe supply			
			- To replace lighting devices with high-efficiency ones (LED)			
			- To improve the control of the curing pumps			
			- To replace old chillers			
			· Reuse (maximized energy recovery)			
			- To install more devices that raise the pressure of reused steam to recover waste heat from the curing process			
- To install white lead removers						
- To replace old condensate water recovery devices						
· Recycling (recreation of value from waste)						
- To introduce pyrolysis system (~2016)						
· Replace (review of alternative energy sources)						
- To review the economic viability of new & renewable energy sources						
CC3	Adoption of New Technology	To develop and review the technology to convert waste heat to steam	Steam conversion technology	Oct.	Machinery Engineering Team 3	

\* Change in the 2015 key managerial issues: CC2) Execution &amp; Reduction → Reduction of Energy Consumption &amp; GHG Emissions, CC3) Supply Chain Carbon Management → Adoption of New Technology

CC-1

## Energy & Carbon Management

To manage our energy consumption more systematically, we completed Phase I of the e-Saver (energy management system) at our Korean plants to lay the basis for energy & carbon management.

### Set Mid/Long-term GHG/Energy Targets (Intensity)

When we set intensity-based global GHG & energy targets, it is required to standardize the management criteria of each plant. In 2014, we fully standardized application criteria spanning from energy management targets, conversion factors, production volume to unit and exchange rates for each of our seven plants, and developed & distributed our 'energy management regulations'. Our goal for 2015 is to develop intensity-based global GHG and energy targets in accordance with the set criteria.

### Establish the e-Saver (Energy Management System) (Phase I)

To establish a sustained and systematic energy consumption reduction infrastructure, we completed Phase 1 (fuel, electricity, water) of our e-Saver (energy management system) which enables us to constantly monitor energy consumption by process unit and facility at the Daejeon and Geumsan Plants. Tracking and managing energy consumption allowed us to save KRW 650 million in 2014. In 2015, we will complete Phase 2 (steam, N<sub>2</sub> gas, air) of our e-Saver at our Korean plants, and our Indonesian plant will be our first overseas plant to adopt this system.

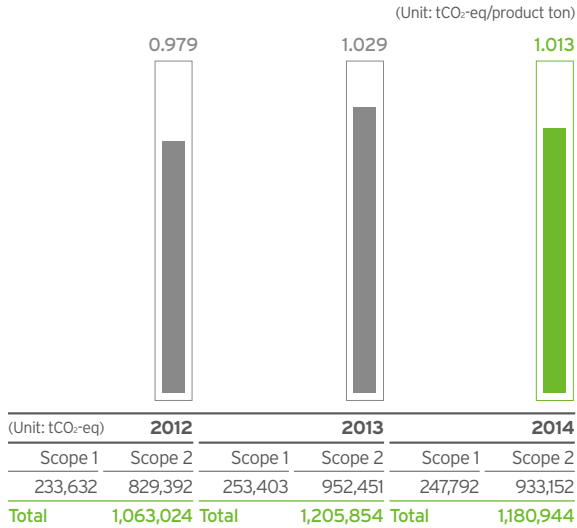
### Respond to the Allocation of Allowances during the 1st Planning Period (2015~2017) of the Korean Emission Trading Scheme

By 2014, we were subject to the Korean government's GHG & Energy Target Management System, and successfully achieved our allocated emissions target for three years in a row between 2012 and 2014, as part of our proactive response to the emissions trading scheme, even prior to its official implementation. Although the system was Korea's first ever to be implemented, we were able to sincerely fulfill our responsibility in responding to the allocation of allowances during the first planning period (2015~2017) based on our accumulated knowledge.

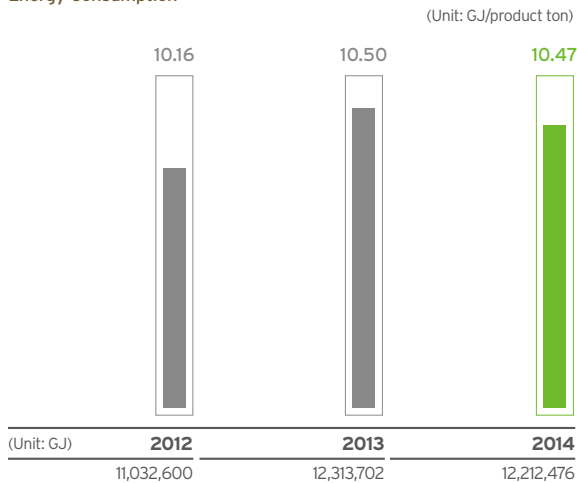
### Trajectory of GHG Emissions and Energy Consumption between 2012~2014

Our 2012 data on GHG emissions and energy consumption was compiled from two Korean and three overseas production sites while the 2013 and 2014 data came from a total of seven production sites, as two overseas plants that initiated normal operations since 2013 were added. Specifically, our Daejeon and Geumsan Plants build a reliable data through annual 3<sup>rd</sup>-party verification. Our GHG emissions and energy consumption intensity rose due to the addition of two new plants that are in the operational stabilization stage and thus show relatively low energy use efficiency. In 2014, however, a multitude of initiatives were implemented to reduce GHG emissions and energy consumption, which resulted in a slight drop in intensity.

#### GHG Emissions



#### Energy Consumption



CC-2

## Execution and Reduction

In an aim to minimize energy consumption and GHG emissions from the product manufacturing process of each plant, we implement diverse initiatives to improve facility efficiency and to recover and reuse waste heat energy.



**Implement the 4Re Initiative (Phase I)**

**Renovation (Adoption of Highly Energy-Efficient Devices)** • We opted for turbo air compressors with higher energy efficiency instead of conventional screw air compressors that were heavy power consumers. We also switched from horizontal multi-stage pumps to inverter-controllable booster-type pumps in replacing old ejector pumps for the curing process. This helped minimize the consumption of electricity for facility operations. Furthermore, we are replacing lighting devices at our plants with highly energy-efficient LED lights in a step-by-step manner. By drastically improving our power consumption efficiency, we were able to reduce approximately 1,678tCO<sub>2</sub>-eq in GHG emissions and save KRW 367 million in energy costs in 2014.

**Reuse (Maximized Energy Recovery)** • While low-pressure steam from the curing process had been simply thrown away, we used steam compressors to boost such waste steam into high-pressure steam and reuse it. We also replaced condensate water recovery devices that were too old to operate properly with new ones to reuse large quantities of heat energy. By replacing venting steam traps and adjusting the air operational time at the terminal parts of curing pipes, we were able to minimize heat energy leaks. Furthermore, conventional refrigerators were replaced with hot water driven absorption chillers to use waste heat as a power source for chillers. Such diverse initiatives implemented to recover energy enabled us to reduce approximately 1,898tCO<sub>2</sub>-eq in GHG emissions and save KRW 813 million in energy costs.

**Recycling (Recreation of Value from Waste)** • In 2016, we plan to install a new low-temperature pyrolysis system to turn waste tires into solid fuel. The carbon, oil and gas generated through such pyrolysis facilities will be used to heat boilers so as to replace fossil fuels,

and the substances generated through the pyrolysis process will be sold and supplied to other industries as raw materials. In so doing, these pyrolysis facilities will contribute to facilitating the recycling of resources as a representative eco-friendly facility.

**Replace (Review of Alternative Energy Sources)** • Since 2009, we have been switching from Bunker C oil to cleaner LNG for steam boilers at our Daejeon and Geumsan Plants. With our Geumsan Plant making this fuel switch for Boiler No. 1 in 2014, all 10 boilers at both plants are now powered by LNG. When converted on the basis of average fuel consumption over the past three years (2011~2013), the fuel switch for Geumsan Plant's Boiler No. 1 allows us to reduce approximately 2,499 tCO<sub>2</sub>-eq in GHG emissions per year. Furthermore, we are proactively reviewing the introduction of new & renewable energy sources. In 2014, we benchmarked other photovoltaic power generation facilities, and we will complete an economic feasibility review to introduce new and renewable energy by 2015.

**CC-3**

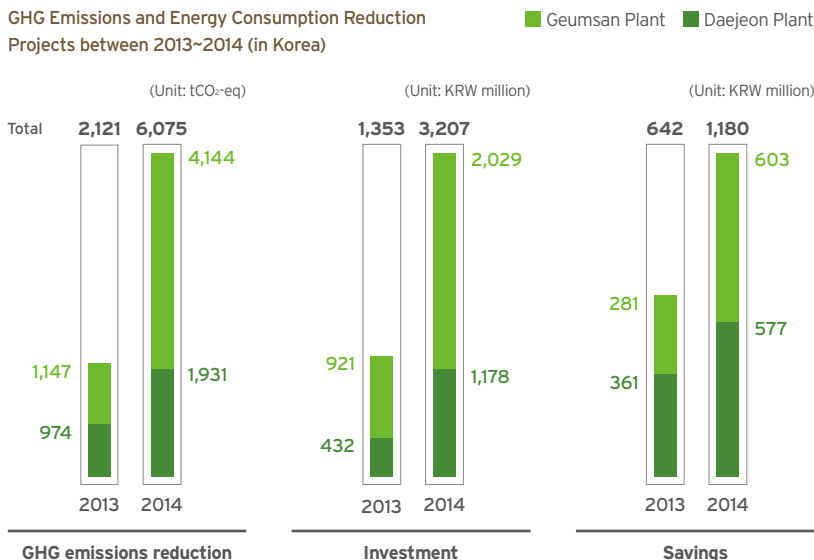
**Supply Chain Carbon Management**

To advance carbon management across our supply chain, we review methods to calculate our GHG emissions in the logistics sector and continue to examine alternative ways to reduce our carbon emissions throughout the entire product life cycle.

**Review the Validity of GHG Emissions Estimation Methods for Logistics Operations (Transport/Delivery)**

To analyze risks and opportunities concerning logistics-induced GHG emissions and to quantitatively present improvement outcomes in reducing GHG emissions, we reviewed GHG emissions estimation methods for each type of transport on the basis of the international Scope 3 (other indirect emissions) guidelines. These outcomes will inform us in setting estimation criteria and eventually in establishing our GHG inventory in the logistics sector in a phased-in manner.

GHG Emissions and Energy Consumption Reduction Projects between 2013~2014 (in Korea)



# Appendix

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# CSR Principle

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## Corporate Social Responsibility Principle

### Purpose and Intent

The CSR Principles are fundamental guidelines to redefine our corporate social responsibility and build CSR into our company culture that serves as the bedrock of our business operations. These principles are the essence of our endeavors for providing the best-possible value to our stakeholders and in fulfilling our roles and responsibilities as a corporate citizen in leading sustainable development and growth beyond the tire industry.

### Regular Review and Report

Our CSR Strategy Committee annually reviews the CSR Principles and modifies or updates detailed operational guidelines if deemed necessary through materiality analyses including stakeholder dialogue.

### Integrated CSR Management

To propel our CSR activities forward more systematically on a company-wide level, we established the integrated CSR management system in the following way. First, our CSR Strategy Committee functions as the top CSR decision-making body attended by the board of directors and top management. Second, our CSR Steering Committee is operated under an integrated management system as a working-level association comprised of executives and employees in charge of respective CSR issues. Third, our dedicated CSR Team defines CSR roles and responsibilities such as company-wide CSR planning, operations, and CSR report publication.

### Stipulation of CSR Policy

Our CSR policies, systems and issue-specific action plans must be clearly stipulated and disseminated both internally and externally so that they are executed across the board.

### Regular CSR Diagnosis and Monitoring

With our in-house CSR self-evaluation model covering relevant global standards and local regulations, we perform diagnoses and evaluations every year while the CSR Team works with the Steering Committee to constantly monitor progress and outstanding issues.

### Company-Wide CSR Training and Consensus Building

To propagate CSR policies and build consensus among employees, we set up and carry out annual enterprise-wide CSR training plans.

### Dialogue with Stakeholders and Information Disclosure

Our definition of core stakeholders includes customers, employees, suppliers, local communities, nature/ecology/climate, shareholders, and investors. We provide regular and official venues for stakeholder dialogue by building permanent communication channels and annual communication plans. Such activities are utilized successfully in setting future business and CSR initiatives. In addition, our CSR and business achievements and plans are disclosed in a transparent and thorough manner through our annual CSR Reports, corporate website, and diverse communication channels customized for different stakeholder associations.

### Integrated Risk Management

We ensure systemic management of and appropriate response to non-financial risks (e.g. SEE, which stands for Social, Environmental, and Ethical risk) as well as consistent management of financial risks. In particular, we define all CSR Focus Areas as risk issues and encourage company-wide response measures under the integrated management system of the CSR Steering Committee.

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## Environmental Policy

Our environmental guidelines aim to deliver proactive environment management practices across the entire spectrum of our business activities from production to sales and services in line with our management philosophy and vision, thereby making significant contributions towards a cleaner environment. To this end, we are determined to follow these policies

1. We recognize the environment as a critical factor in management strategy.
2. With sustained investments, process improvements and appropriate technology, we fundamentally minimize emissions of environmental pollutants and promote recycling.
3. We apply in-house environmental regulations, rules, and standards that are more stringent than what is required by law from product manufacturing to sales and services to disposal.
4. Our environmental goals and detailed targets are fixed and performed based on the pre-evaluation of our environmental impact, which enables sustained improvements.
5. We train and educate all employees on environmental issues in the confidence that they will come to recognize the impact of their respective responsibilities.
6. To ensure transparency in our environmental management, our guidelines are made available to stakeholders. Moreover, we encourage our affiliated companies to conduct business with a more eco-friendly approach.

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## Social Contribution Charter

### Our Statements

















1. We continuously propagate our social and environmental values through economic and business activities and contribute to local economies.
2. We promote superior product quality and client safety through customer-oriented management practices.
3. We do our utmost to minimize our environmental footprint throughout the entire business sector and in the communities we operate in.
4. We fully commit ourselves to supporting socially vulnerable and underprivileged populations by bestowing to society the values we generate.
5. We are pioneers in making our society healthier through promoting the welfare of our employees and providing local communities with medical support based on our human-focused management philosophy.

### Characteristics and Direction

1. We ensure that our social charity activities stand congruent with our core business practices so that our corporate action may promote social benefit.
2. We focus our company-wide capacities on our main philanthropic programs to ensure that our social contribution activities are executed with clear purpose.
3. Our philanthropic activities are performed practically in ways that can resolve concerns and problems in local communities

# Awards

(As of 2014)

Category	Award	Award / Product
Sustainability / Green Management	 MEMBER OF <b>Dow Jones Sustainability Indices</b> In Collaboration with RobecoSAM	Dow Jones Sustainability Indices · Supervised by the Korea Productivity Center · Included in the DJSI Asia Pacific for two consecutive years · Included in the DJSI Korea for four consecutive years
	 <b>CDP</b> DRIVING SUSTAINABLE ECONOMIES	CDP (the former Carbon Disclosure Project) · Supervised by CDP Korea · Received the Carbon Management Sector Winners Award
	 <b>GREEN STAR</b>	Green Star · Supervised by the Korea Management Association Registrations & Assessments (KMAR) · Awarded for seven consecutive years
Corporate Reputation / Culture	 KOREA'S Most Admired Companies	Korea's Most Admired Companies · Supervised by the Korea Management Association Consulting · Awarded for five consecutive years
Quality / Technology	 EXCELLENT QUALITY COMPETITIVENESS ENTERPRISE	Excellent Quality Competitiveness Enterprise · Supervised by the Korean Standards Association · Awarded for five consecutive years
	 <b>INNO STAR</b> 혁신상용 1위	Inno Star · Supervised by the Korea Management Association Registrations & Assessments (KMAR) · Awarded for three consecutive years
	 <b>KS-QEI</b> 한국표준품질 우수기업	Korean Standard-Quality Excellence Index (KS-QEI) (Hankook Tire/T'Station) · Supervised by the Korean Standards Association · Hankook Tire: Awarded for six consecutive years · T'Station: Awarded for one year
	 KOREA'S SERVICE QUALITY EXCELLENCE COMPANY	Korea's Service Quality Excellence Company · Supervised by the Korean Agency for Technology and Standards under the Ministry of Trade, Industry and Energy · Awarded for two consecutive years
Brand Value	 <b>1</b> KOREA BRAND POWER INDEX	Korea Brand Power Index(K-BPI) (Hankook Tire/T'Station) · Supervised by the Korea Management Association Consulting · Hankook Tire: Awarded for 12 consecutive years · T'Station: Awarded for six consecutive years
	 <b>Nbci</b> 국가브랜드 경쟁력 지수	National Brand Competitiveness Index (NBCI) · Supervised by the Korea Productivity Center · Awarded for six consecutive years
	 <b>Best Korea Brands 2014</b> International	Best Korea Brands · Supervised by Interbrand · Awarded for two consecutive years
	 <b>Highest Brand of the Year</b> 대한민국 하이스트 브랜드	Highest Brand of the Year · Supervised by Brandstock · Awarded for five consecutive years
	 <b>iF DESIGN AWARD 2014</b>	iF Design Award · Supervised by iF International Forum Design GmbH Awarded to: Kinergy 4S
Design	 <b>reddot award 2014</b> winner	Red Dot Award · Supervised by Design Zentrum Nordrhein Westfalen (Essen, Germany) Awarded to: Ventus V12 evo2
	 <b>IDEA</b> INTERNATIONAL DESIGN EXCELLENCE AWARDS '14 FINALIST	IDEA · Supervised by the Industrial Design Society of America (IDSA) Awarded to: Tiltread (Concept), eMembrane (Concept)
	 <b>GDD DESIGN AWARD 2014</b>	Good Design Award · Supervised by the Japan Institute of Design Promotion (JDP) Awarded to: Ventus S1 evo2

## Included in the DJSI (Dow Jones Sustainability Indices) Asia Pacific

For two consecutive years since 2013, we have been listed on the 'Dow Jones Sustainability Indices (DJSI) Asia Pacific', which comprehensively evaluate a company's business conduct in terms of its financial outcomes, social contribution, ethics management, and environmental management. From the 600 companies evaluated by the DJSI Asia Pacific, we ranked in the top three in the automobile parts and tire industry. We scored particularly well in response to climate change, talent management, ethics management and environmental management, which highlighted our status as a top-notch player in the Asian region.

## Selected among Carbon Management Sector Winners in the 2014 CDP Korea (the former Carbon Disclosure Project)

We scored 94 points on the carbon disclosure of CDP (the former Carbon Disclosure Project), a global project to assess an organization's response to climate change, and joined the ranks of the 'Carbon Management Sector Winners' in the Selective Consumer Discretionary Sector. We had been honored with the Carbon Management Special Awards back in 2012 and 2013, and became the 1<sup>st</sup> Korean tire company to earn the carbon management sector winner title, which firmly positioned our status as an eco-friendly leader.

# Government-led R&D Projects and Government Investments

Name of Project	Details	Supervising Team	Total R&D Period	Government Category	
				Investment (KRW)	
Development of Intelligent Tire Systems	Developing intelligent tire technology for intelligent vehicles	Test Team 2	Jun. 1, 2009~May 31, 2014	962,300,000	Participation
Development of Clean Industrial Source Technology	Developing eco-friendly tire manufacturing technology through the use of urethane uni-material	New Concept Tire Project	Jun. 1, 2010~Mar. 31, 2015	4,271,900,000	Participation
Carbon-Reducing Ketone-Based Premium Fiber and Resin	Developing polyketone fiber composite materials	Raw Material Development Team	Sep. 1, 2010~Mar. 31, 2019	517,000,000	Participation
Development of Biogas-Enabled 20kW Polymer Electrolyte Fuel Cell Systems for Buildings	Developing large-area molding separators for 20kW fuel cells	Proactive Lab	Dec. 1, 2011~Nov. 30, 2014	435,000,000	Participation
Development of Grade Y Fuel-Saving Run-Flat Tires for Passenger Vehicles	Developing grade Y fuel-saving run-flat tires for passenger vehicles	RFT Project	Dec. 1, 2011~Nov. 31, 2015	2,203,000,000	Supervision
Research Specialized in Next-Generation Military Power Systems	Developing lightweight thin separators for high-output fuel cell stacks	Proactive Lab	Jun. 5, 2012~Dec. 31, 2014	105,000,000	Commission
R&D Project to Develop High-End Automobile Parts Brands under the Economic Region-Specific Base Organization Support Project	Securing core technology for motorsports tires and developing ultra high-performance racing tires that meet F1 requirements	TOP/G Project	Sep. 1, 2013~Aug. 31, 2014	2,490,000,000	Supervision
Development of Core Platform Technology for Foam-Type Polymer Fuel Cell Stacks	Developing graphite metal-form hybrid separators	Proactive Lab	Dec. 1, 2014~Nov. 30, 2017	180,000,000	Participation

## Membership

Korea Industrial Technology Association	Korea Fire Safety Association	Federation of Korean Industries	Korea International Trade Association
Korea Electric Engineers Association	Human Resource Development Forum	Korea Environmental Preservation Association	Korea Tire Manufacturers Association
Korea Industrial Safety Association	Korea Chamber of Commerce & Industry	Korea Management Association	WBCSD-TIPG*

\* TIPG refers to the Tier Industry Project Group under the World Business Council of Sustainable Development. In 2005, we formed a consultative body along with 10 other global tire manufacturers to perform research and work together for the sustainable future of the tire industry. Research topics include the identification of the impact of tire particulate matters generated in tire use on the environment and human body as well as requirements for the eco-friendly re-collection, recycling and disposal of used tires and the environmental impact of tire materials. In so doing, we at Hankook Tire contribute to the sustainable development of the tire industry



# Employee Data Summary

## 1. Total Employees

In the face of continued global economic recession, we have increased our number of new recruits. This proactive employment policy drove the number of our total employees (including local new hires) to rise by approximately 2.4% in 2014 from 2013.

(Company-wide)

(Unit: No. of persons, %)

Category	2012		2013		2014	
	No. of persons	Ratio	No. of persons	Ratio	No. of persons	Ratio
Korean Staff	6,837	34.6	7,135	33.7	7,207	33.2
Locally-hired Staff	12,900	65.4	14,059	66.3	14,500	66.8
<b>Total</b>	<b>19,737</b>	<b>100.0</b>	<b>21,194</b>	<b>100.0</b>	<b>21,707</b>	<b>100.0</b>

New International Recruits Hired by Year (Company-wide)

(Unit: No. of persons)

Category		2012	2013	2014
Korean Staff	Office Staff	321	266	194
	Operators	255	311	62
	Subtotal	576	577	256
Locally-hired Staff	Office Staff	558	550	478
	Operators	4,470	3,776	3,564
	Subtotal	5,028	4,326	4,042
<b>Total</b>	<b>5,604</b>	<b>4,903</b>	<b>4,298</b>	

## 2. Employees by Employment Type

In 2014, we increased our office staff and operators by 137 and 376 respectively from 2013.

(Company-wide)

(Unit: No. of persons, %)

Category	2012		2013		2014	
	No. of persons	Ratio	No. of persons	Ratio	No. of persons	Ratio
Office Staff	4,433	22.5	5,446	25.7	5,583	25.7
Operators	15,304	77.5	15,748	74.3	16,124	74.3
<b>Total</b>	<b>19,737</b>	<b>100.0</b>	<b>21,194</b>	<b>100.0</b>	<b>21,707</b>	<b>100.0</b>

## 3. Employees by Region

We manufacture tires in Korea, China, Hungary and Indonesia (seven plants in four nations) and supply these tires to our customers internationally through our sales networks established in Korea, China, Europe, the Americas, the Middle East, Africa, and the Asia Pacific region (20 subsidiaries and 58 sales offices). In January 2015, we established our Czech subsidiary, further expanding our global footprint.

Global Staff by Region (Company-wide)

(Unit: No. of persons, %)

Category	2012		2013		2014	
	No. of persons	Ratio	No. of persons	Ratio	No. of persons	Ratio
Korea	6,597	33.4	6,865	32.4	6,931	31.9
China	9,130	46.3	9,506	44.9	9,066	41.8
Europe	2,695	13.7	2,992	14.1	3,750	17.3
Americas	235	1.2	263	1.2	269	1.2
Middle East and Asia Pacific	1,080	5.5	1,568	7.4	1,691	7.8
<b>Total</b>	<b>19,737</b>	<b>100.0</b>	<b>21,194</b>	<b>100.0</b>	<b>21,707</b>	<b>100.0</b>

Locally-Hired Staff by Region (Company-wide)

(Unit: No. of persons, %)

Category	2012		2013		2014	
	No. of persons	Ratio	No. of persons	Ratio	No. of persons	Ratio
Korea	0	0.0	0	0.0	0	0.0
China	9,042	99.0	9,423	99.1	8,983	99.1
Europe	2,633	97.7	2,907	97.2	3,663	97.7
Americas	204	86.8	228	86.7	233	86.6
Middle East and Asia Pacific	1,021	93.7	1,501	95.7	1,621	95.9
<b>Total</b>	<b>12,900</b>	<b>65.4</b>	<b>14,059</b>	<b>66.3</b>	<b>14,500</b>	<b>66.8</b>

#### 4. Female Employees and Their Reinstatement following Maternity Leave

We place women in production-related positions, such as quality management and semi-finished product manufacturing. While the ratio of women employees is small due to the inherent characteristics of the industry, we continue to hire more women whenever appropriate. Such commitment to expanding the recruitment of female employees resulted in an increase of female office staff by 268 in 2014 from 2013.

Ratio of Female Employees (Company-wide)

(Unit: No. of persons, %)

Category	2012		2013		2014	
	No. of persons	Ratio	No. of persons	Ratio	No. of persons	Ratio
Female	1,393	7.1	1,575	7.4	1,579	7.3
Male	18,344	92.9	19,619	92.6	20,128	92.7
<b>Total</b>	<b>19,737</b>	<b>100.0</b>	<b>21,194</b>	<b>100.0</b>	<b>21,707</b>	<b>100.0</b>

Female Employees by Employment Type (Company-wide)

(Unit: No. of persons, %)

Category	2012			2013			2014		
	Female	Total	Ratio of Female	Female	Total	Ratio of Female	Female	Total	Ratio of Female
Office Staff	753	4,433	17.0	847	4,944	17.1	1,115	5,583	20.0
Operators	640	15,304	4.2	728	16,250	4.5	464	16,124	2.9
<b>Total</b>	<b>1,393</b>	<b>19,737</b>	<b>7.1</b>	<b>1,575</b>	<b>21,194</b>	<b>7.4</b>	<b>1,579</b>	<b>21,707</b>	<b>7.3</b>

Newly-Hired Female Employees (In Korea)

(Unit: No. of persons, %)

Category	2012		2013		2014	
	No. of persons	Ratio	No. of persons	Ratio	No. of persons	Ratio
Female	75	13.0	72	12.5	131	23.1
Male	501	87.0	504	87.5	436	76.9
<b>Total</b>	<b>576</b>	<b>100.0</b>	<b>576</b>	<b>100.0</b>	<b>567</b>	<b>100.0</b>

Reinstatement of Female Employees following Maternity Leave (In Korea and in Overseas Plants)

(Unit: No. of persons, %)

Category	2012			2013			2014		
	Those Who Took Maternity Leave	Those Who Returned to Work	Reinstatement Rate	Those Who Took Maternity Leave	Those Who Returned to Work	Reinstatement Rate	Those Who Took Maternity Leave	Those Who Returned to Work	Reinstatement Rate
Korea	15	15	100.0	22	20	90.9	19	16	84.2
Overseas Plants	31	24	77.4	35	29	82.9	43	38	88.4

#### 5. Employees with Disabilities

To advance diversity management, we continue to hire more employees with disabilities. In 2015, we established Hankook Donggeurami Partners Co., Ltd. as a subsidiary company for the disabled employment promotion. This will enable us to provide a wider range of job opportunities for people with disabilities and hire more of these challenged, yet capable, individuals.

(Korea)

(Unit: No. of persons)

Category	2012	2013	2014
Employees with Disabilities	83	83	82

#### 6. Resignation

We are committed to encouraging our employees to fully engage themselves in their career and in our company, which is based on our talent-centered management philosophy, by promoting open communication, fair HR systems, growth-fostering training systems, and the right work-life balance.

(Korea)

(Unit: No. of persons)

Category	2012	2013	2014
Office Staff	119	118	141
Operators	123	130	70
Resignation Rate	3.5	3.4	3.0

#### 7. Average Length of Service

We guarantee stable employment based on our sustained growth.

(Company-wide)

(Unit: Year)

Category	2012	2013	2014
Korea Staff	11.6	11.4	12
Locally-hired Staff	5.3	4.7	4.7

\* The average length of service of our locally-hired staff is relatively short as they are mostly new recruits working at our newly established overseas plants

#### 8. Average Wage and Gender Equality within Wage Levels (Company-wide)

All our employees enjoy equal wage levels and both male and female employees are completely free from any kind of discrimination. In addition, all our business sites fully comply with the minimum wage regulations defined by each respective country and compensate their staff above these levels. Our employees are free from any kind of gender discrimination in terms of other policies, pension plans (defined contribution and defined benefit), and welfare & benefits as well as wages, and we will ensure that Hankook Tire remains discrimination-free in the year ahead.

# GRI G4 Index Table

Standard Disclosures	Indicators	Index Number	Report Content	Pages	
<b>1. General Standard Disclosures</b>					
Strategy and Analysis	Sustainability organization, CEO statement on sustainability	G4-1	CEO Message, Integrated CSR Management System	10, 16-21	
	Description of key risks and opportunities	G4-2	Integrated Risk Management, DMA	28-33, 34, 38, 42, 48, 52, 60, 64, 68, 74	
Organizational Profile	Basic data on the reporting organization	G4-3, G4-4, G4-5, G4-6, G4-7, G4-8, G4-9	Company Profile, Responsible Corporate Governance	12-13, 28-29	
	Employee data on the reporting organization	G4-10, G4-11	Employee Value Creation, Appendix	42-47, 82-83	
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Standard Disclosures	Indicators	Index Number	Report Content	Pages
<b>2. Specific Standard Disclosures</b>				
Labor Practices and Decent Work	Training and education	G4-LA9, G4-LA10, G4-LA11	Employee Value Creation	42~47 (Partially reported)
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	Equal remuneration for women and men	G4-LA13	Appendix	83
	Supplier assessment for labor practices	G4-LA14, G4-LA15	Win-Win Supply Chain Partnership	48~51
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Human Rights	Investment	G4-HR1, G4-HR2	Integrated CSR Management System, Win-Win Supply Chain Partnership	16~23, 48~51
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	Child labor	G4-HR5	Employee Value Creation	45
	Forces of compulsory labor	G4-HR6	Employee Value Creation	45
	Security practices	G4-HR7	-	Not reported
	Indigenous rights	G4-HR8	Employee Value Creation	45
	Assessment	G4-HR9	Employee Value Creation	45
	Supplier human rights assessment	G4-HR10, G4-HR11	Win-Win Supply Chain Partnership	48~51
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Anti-competitive behavior		G4-SO7	-	N/A
Compliance		G4-SO8	-	N/A
Supplier assessment for impacts on society		G4-SO9, G4-SO10	Win-Win Supply Chain Partnership	48~51
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	Customer privacy	G4-PR8	Customer Satisfaction & Quality Management	62
	Compliance	G4-PR9	-	N/A

## UN Global Compact

Hankook Tire joined the UN Global Compact(UNGC) in December 2012. We respect the 10 principles suggested by the UNGC and thus report our achievements and future plans concerning our compliance with the UNGC principles through this report. We will fully comply with these principles, and in doing so we will fulfill our role as a responsible corporate citizen.

Principle	Report Content	Pages	
Human Rights	Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights.	Employee Value Creation	42~47
	Principle 2. Businesses should ensure they are not complicit in human rights abuses.	Win-Win Supply Chain Partnership	48~51
Labor	Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	Employee Value Creation	42~47
	Principle 4. Businesses should uphold the elimination of all forms of forced and compulsory labor.	Employee Value Creation	42~47
	Principle 5. Businesses should uphold the effective abolition of child labor.	Win-Win Supply Chain Partnership	48~51
	Principle 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.	Employee Data Summary	82~83
Environment	Principle 7. Businesses should support a precautionary approach to environmental challenges.	Environmental Management	68~77
	Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility.		
	Principle 9. Businesses should 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.	Transparency & Business Ethics	34~37

# Independent Assurance Statement

## To the Management of Hankook Tire with regard to the "CSR Report 2014/15"

The Institute for Industrial Policy Studies (hereafter "Auditor") was engaged to undertake a review of "Hankook Tire CSR Report 2014/15" (hereafter "Report") to provide independent third-party assurance on its contents. On the basis of the above, the Auditor presents the following third-party statement of assurance.

### Responsibility and Objective

Hankook Tire is responsible for all information and claims contained in the Report regarding the establishment of its sustainability management goals, performance management etc. The responsibility of the Auditor is to deliver the findings from its assurance undertaking to the management of Hankook Tire. The key objective of the assurance is to check whether there are any material bias or errors present in the Report; assess whether the underlying data collection system is in proper working order; while undertaking in an overall review of the Company's process for identifying issues of material importance to sustainability management as well as the produced results so that the Auditor may deliver recommendations that can help improve the quality of future reporting.

### Assurance Criteria and Standards

The review was carried out against the following criteria and guidelines: 1) AA1000 Assurance Standards (2008), 2) Global Reporting Initiative's (GRI) G4 Sustainability Reporting Guidelines; and 3) B.E.S.T Sustainability Reporting Guidelines.

Assurance Scope	Contents of the "Hankook Tire CSR Report 2014/15"
Assurance Type & Level	Type II, Moderate
Assurance Criteria	<ul style="list-style-type: none"> <li>· "IPS Assurance Manual" to verify compliance against AA1000AS (2008) standard's three core principles</li> <li>· "IPS Performance Indicators Assurance Criteria" to assess the reliability of performance indicators</li> <li>· GRI Guideline's "in accordance" options</li> <li>· B.E.S.T Guideline's "reporting level"</li> </ul>

1. AA1000AS is a sustainability assurance standard developed by the UK-based Institute of Social and Ethical Accountability (AccountAbility) in November 1999 to assure organization-wide sustainability performance and accountability by improving the quality of accounting, auditing and reporting practices in the social and business ethics domain. The revised 2008 version has been in effect since 2010.
2. The GRI G4 Guideline was established by the GRI, convened by the Coalition for Environmentally Responsible Economies (CERES) and UNEP in 1997. After the first universal GRI sustainability reporting guidelines for multinationals was released in 2000, the latest G4 version was introduced in May 2013, with enhancements in supply chain, governance, ethics & integrity, anti-corruption, GHG emissions & energy disclosures.
3. The B.E.S.T Guideline was jointly developed by the Ministry of Commerce, Industry, and Energy (MOCIE), the Korea Chamber of Commerce and Industry (KCCI), and the Institute for Industrial Policy Studies (IPS) in 2006 as a sustainability reporting and assurance guideline, and provides for five levels of reporting rigor (Level 1 ~5).

### Work Undertaken and Scope

The Auditor confirmed 1) the inclusivity, materiality, and responsiveness of the reported content; 2) the reliability of the reported performance data; 3) the Report's level of compliance against the GRI G4 Sustainability Reporting Guidelines; and 4) the level of compliance relative to the B.E.S.T Reporting Guidelines through the process outlined below.

- Review of the Company's materiality assessment processes and results
- Review of the Company's stakeholder engagement processes

- Interviews with persons responsible for each performance dimension and individuals in charge of collecting performance data to determine the adequacy of the reported content
- On-site review of the Head Office and business establishment to assess systems and processes in place for the collection and reporting of raw performance data (March~April, 2015)
- Review of reference materials underlying key economic, social, and environmental performance data
- Sample test to ascertain the completeness and accuracy of information contained in the Report with regard to material issues
- Review of the Report's compliance against GRI/B.E.S.T reporting guidelines

### Limitations

The scope of this undertaking was limited to:

- Interviews with individuals responsible for different performance dimensions and individuals in charge of collecting performance data; review of the adequacy of the reported data
- On-site review of Hankook Tire's Head Office
- Assurance undertaking based on data and information disclosed and available for the relevant reporting period
- Review of the reliability of reported performance data
- This undertaking does not include green-house gas data, which is subject to a separate review

### Assurance Findings

The Auditor did not find any material misstatements or bias contained in the Report.

### [Inclusivity]

#### Are the stakeholder engagement strategy setting and related processes at Hankook Tire adequate?

It is the Auditor's view that Hankook Tire has put in place a process for stakeholder engagement to better reflect stakeholder views in its business management activities, in recognition of the importance of stakeholder participation in the Company's CSR activities. We were able to confirm efforts by the Company to identify its core stakeholder groups, build up stakeholder engagement channels, while also working to better collect stakeholder views. The Auditor took note of various projects being implemented by the Company on tasks identified through various consultative meetings, as well as efforts to establish a corporate culture where such engagement findings are reflected in the Company's business decision-making processes. Moreover, centered on a core annual dialogue process with all stakeholders, a number of additional communication channels specific to different stakeholder groups were made available, as the Company worked to incorporate these communication findings in its short list of items to be managed, in line with the principle of inclusivity. Concrete recommendations on stakeholder engagement strategies and processes have been submitted separately to Hankook Tire.

### [Materiality]

#### Does the Report contain information of the highest material importance to Hankook Tire stakeholders across the economic, social, and environmental dimensions?

It is the Auditor's view that the Report does not omit or exclude issues of importance to the CSR activities of Hankook Tire. The Auditor



confirmed activities by the Company to identify and report on issues of material importance to both its stakeholders and business through a three-step process (collecting relevant "issues", assessing level of interest and importance, establishing order of priority) whereby it discloses an update on the current status of pending issues as well as their outcomes. Notably, the Auditor found the Report to be in compliance with the principle of materiality as it covers more "categories" and an expanded pool of "issues" identified through a study and analysis of the corporate environment, with the goal of realigning the process around issues that Hankook Tire can in practice actually set goals around and manage; while reflecting efforts by the Company to proactively uncover new issues and provide an accurate balanced account of material issues rated within the upper 70% range in terms of materiality relative to the reference baseline. Concrete recommendations on how to better report material information to stakeholders have been provided separately to Hankook Tire.

**[Responsiveness]**

**Does the Report provide an adequate response to stakeholder demands and interests?**

The Auditor found Hankook Tire to be providing an adequate response to issues of interest and concern to its stakeholders. The Auditor confirmed efforts by the Company to engage its stakeholders by using various communication channels, and efforts to better report on the Company's response to those findings in its Report. In particular, the Auditor noted efforts by the Company to communicate with its stakeholders through various means including its HANKOOK PARTNER's day event with business partners, as well as its traffic safety campaign for children, as well as efforts to adhere to the principle of responsiveness by addressing any negative issues through case study analysis. Detailed recommendations on providing a more adequate response to stakeholder requests and issues of interest have been provided to Hankook Tire management.

**[GRI "In Accordance" Criteria]**

The Auditor confirmed that the Report is "in accordance" with GRI G4 guidelines under the "comprehensive option", as it reports on General Standard Disclosures and Additional Disclosures (materiality aspects, DMA, performance indicators) as indicated in the G4 Guidelines.

**[Reliability of Performance Indicators]**

After reviewing the performance data stated in the Report, the Auditor found the underlying data collection system to be adequate and failed to find any material errors that may either bias the Company's judgment or compromise the reliability of its data. The following performance indicators were reviewed for the purpose of this assurance.

Category	Issue	Performance Indicator
Leadership, Governance, Risk Management	Sound Governance Structure	Status of BOD meetings: Attendance rate of outside-directors 93.3%
Creating Economic Performance	Direct Economic Performance Outcomes	Revenue: 6 tr 680.8 bn Won
Ethical (transparent) Management	Eradication of all Forms of Corruption and Bribery	Online business ethics training: 7,200 employees (approximately)
Creating Value for Executives and Employees	Safe and Healthy Workplace	Accident incidence rate: 0.55
Product Responsibility and Customer Communications	Product Development that Takes into Consideration Customer Safety and Health	Customer satisfaction: 86.6 pts

Category	Issue	Performance Indicator
Shared Growth with Business Partners	Support for Partner Companies' CSR Evaluation and Improvement	No. of business partners subject to CSR evaluation: 159 companies
Respect and Protection of Human Rights	Prohibiting Discrimination Based on Region/Gender etc. and Respect for Diversity	Anti-sexual harassment training at overseas regional HQs (Americas, Europe, China): 13 sessions
Environmentally-friendly Management and Green Workplaces	Minimization of Environmental Impact Across the Entire Product Life Cycle	GHG reductions: 6,075tCO <sub>2</sub> -eq
Social Contribution and Community Investment	CSR Activities Linked to the Company's Core Competencies	Company-wide CSR Activity Expenses: 4.835 bn Won

\* All quantitative and qualitative performance indicators for all 36 issues have been reviewed, whereas the list above constitutes a partial representation.

**[Level of B.E.S.T Guideline Application]**

In view of the coverage and reliability of the information provided, the Auditor finds the Report to fulfill 95.8% of the reporting requirements necessary to qualify for a Level 4 Report (on a scale of Level 1 to 5) relative to the B.E.S.T Guidelines.

**Recommendations**

The Auditor found the "Hankook Tire CSR Report 2014/15" commendable in the following respects. The Report 1) provides an account of the activities and achieved outcomes of the Company with respect to the economic, social, and environmental aspects of Hankook Tire; 2) represents an expanded pool of issues to be managed by redefining the scope and definition of issues covered; and 3) outlines the current status of any negative issues, the Company's response, and future plans through case study analysis.

For future reports, the Auditor recommends considering the following.

- Strengthen reporting on the reclassification of core vs. regular stakeholders and the Company's response to stakeholder expectations
- Establish a system for monitoring CSR performance outcomes including CSR projects as well as a process for providing feedback
- Introduce quantitative indicators for CSR and other core management issues while strengthening disclosure on outcome trends

**Independence**

Apart from this independent assurance undertaking, the Auditor was not involved in the preparation of any part of the Report, and has no commercial affiliation with Hankook Tire that might compromise our independence.

**Qualifications of the Auditor**

Commissioned by Hankook Tire as the Auditor for this assurance undertaking, the Institute for Industrial Policy Studies (IPS) was established in 1993 and has since developed into a specialized institution with broad expertise in the areas of business ethics, CSR, and sustainability management since 2002.

May 11, 2015

**Yoon Cheol Lee**

Chairman,

The Institute for Industrial Policy Studies



# Hankook Tire Employees Involved in the Preparation of the CSR Report 2014/15

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IR Integrated Risk Management	Risk Management	Eun Kyu Lee
BE Transparency & Business Ethics	Transparency & Business Ethics	Min Seo Kim
HS Employee Health & Safety Management	Employee Health & Safety Management	Seon Uk Kim
EV Employee Value Creation	Employee Value Creation	Eui Taek Hwang, Il Kim
	HRM, HRD, Communication	Kang Hyun Yoo, Ki Ho Hong, Dong Soo Shin
ES External Stakeholder Satisfaction Management	Win-Win Supply Chain Partnership	Soo Eun Lim
	Corporate Philanthropy	Yoon Mo Yang
	Hankook Tire Welfare Foundation	Seong Youn Jeon
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	Car Makers	Eun Kyung Lee
EM Environmental Management	Integrated Environmental Management System	Sun Mi Jang
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	Government-Commissioned R&D Projects	Kyung Eun Kim, Da Eun Park

#### Detailed Information on the Report

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This report was printed in soy ink on FSC-certified eco-friendly paper. Hankook Tire's commitment to a cleaner environment starts with small, yet significant steps.



