

# DRIVING CSR, DRIVING SUSTAINABLE MOBILITY

HANKOOK TIRE  
CSR REPORT  
2012/13

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# ABOUT THIS REPORT

## REPORTING PURPOSE

At Hankook Tire, through this fourth CSR Report, we aim to present our CSR (Corporate Social Responsibility) performance, as well as our endeavors focused on creating economic, social and environmental values in 2012. We also wish to share our plans and commitments for 2013. To communicate with various stakeholders, this report intends to integrate the expectations and demands of our stakeholders through an accurate and transparent disclosure of information.

## REPORTING GUIDELINES AND PRINCIPLES

This report was prepared against the GRI G.3 guidelines in order to satisfy global standards and enhance its usability by international readers as well as for use in our reporting and disclosure standards. It demonstrates our commitment to meeting the expectations and demands of various stakeholders in Korea and abroad as a global corporate citizen. Our internal CSR reporting guidelines and principles 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. Not only do these principles allow for a better utilization of this report but also apply to all our disclosure documents. This constitutes our fourth CSR Report and we aim to publish such reports annually.

## REPORTING PERIOD

This report spans the period between January 1, 2012 and December 31, 2012. To provide more reliable information to readers through the presentation of our CSR performance track records, this report contains information and data that spans from 2009 to March of 2013 for major report sections. Furthermore, 2013 action plans by key managerial issues are outlined in detail to help stakeholders better understand future improvements to be made against our 2012 achievements.

## REPORTING SCOPE

This report primarily focuses on the accomplishments and plans of Hankook Tire Worldwide (the newly incorporated holding company) and Hankook Tire (will run the existing tire business). In terms of Hankook Tire, this report mainly covers its Korean business sites: the headquarters in Seoul, plants in Daejeon and Geumsan, and the R&D Center. In addition, a portion of its overseas subsidiaries in Hungary and China are included in reporting on such issues as employee health and safety management, environmental management, community involvement and development and employee value creation. We will continually expand our reporting scope throughout the coming years to ensure that our endeavors and achievements in undertaking global CSR initiatives at overseas sites are fully and comprehensively integrated into CSR reports. For information on Hankook Tire subsidiaries, please refer to Company Profile section of this report.

## THIRD-PARTY ASSURANCE

To ensure the reliability of the report content, Type 2 assurance engagement was performed in accordance with AA1000 standards by BSI Korea ([www.bsigroup.co.kr](http://www.bsigroup.co.kr)), an independent third-party assurance provider. The outcomes are summarized and organized in the assurance statement that appears at the end of this report.

## TARGET AUDIENCE

This report is to transparently disclose the status of our CSR management initiatives to our key stakeholders (customers, employees, suppliers, local communities, shareholders & investors) and general stakeholders (civil organizations, students, central and local governments, competitors and media) as well as gather feedback.

**Detailed Information on the Report** For more information or inquiries on this report, please contact us at:

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# CEO MESSAGE

Dear Stakeholders,

I would like to express my heartfelt gratitude for your full support in our continued growth.

This past year of 2012 was particularly challenging as the tire industry experienced the toughest-ever competition due to the fiscal crises in the U.S. and Europe, the currency depreciation policy adopted by multiple countries and the economic slowdown in China and other emerging markets. Despite such difficult business conditions, we set a new record in our business results: our global sales reached a record KRW 7.0291 trillion. We attribute this achievement to the trust-based relationship that we have built over the years with wide-ranging stakeholders.

Yet, stagnancy and complacency are far from our mission, and we are undertaking strategies to grow even further. This is clearly demonstrated through the split of Hankook Tire (a newly-created entity) from Hankook Tire Worldwide (a holding company) in September of last year. In so doing, we have laid the basis to evolve into a major global tire manufacturer through our enhanced specialty in the tire industry, responsible management systems and improved business transparency.

As such, we are determined to pursue qualitative growth on the basis of the quantitative progress that has been made over the years in order to realize our vision of becoming a 'Leading Global Tire Company that delivers value and pleasure to customers'. To ensure quantitative growth, we are stabilizing the operations of our new plants in Chongqing, China and Indonesia and building new production lines. Meanwhile, we are expanding our endeavors to create environmental and social value in addition to investments in technology, quality and services in order to pursue qualitative growth.

Our 'integrated CSR management system' has been up and running across the company since 2010 to address major issues so as to create environmental and social value. The materiality analysis enabled us to establish the five Focus Areas of: Employee Health & Safety Management, Environmental Management, External Stakeholder Satisfaction Management, Employee Value Creation and Transparency & Business Ethics. In each of these Focus Areas, detailed targets, deadlines and responsible departments were defined in order to integrate CSR initiatives into our daily operations. Specifically, the CSR Committee was established at our China Headquarter in 2012 to develop overseas CSR operational systems in accordance with our global CSR guidelines.

Our CSR reports constitute a part of our efforts to advance sustainability management. Though our forth CSR report where we disclosure our commitments made to stakeholders as well as our achievement, we transparently deliver our CSR initiatives and share the value of our sustainability management.

As an entrusted corporate citizen, we will comply with UN Global Compact principles and commit ourselves to joint growth alongside our stakeholders. As our journey continues to become a trusted company and pursue balanced growth, your interest and support is greatly appreciated. As an entrusted corporate citizen, we will comply with UN Global Compact principles and commit ourselves to joint growth alongside our stakeholders. As our journey continues to become a trusted company and pursue balanced growth, your interest and support is greatly appreciated.

Thank you.



**Suh, Seung-hwa**  
Vice Chairman & CEO

DRIVING  
CSR,  
DRIVING  
SUSTAINABLE  
MOBILITY



# COMPANY PROFILE

Launched as Korea's first tire producer in 1941, Hankook Tire has continued to progress beyond a local player into the world's seventh largest tire manufacturer, interacting with customers in 180 countries.

In the face of 2012's challenging year, our ambition for continued growth never abated and we were committed to delivering high quality products to our customers through sustained investment and technological innovation. In so doing, we took a step closer to becoming a Leading Global Tire Company, reaching KRW 7.0291 trillion in global sales, KRW 912.9 billion in operating profit and an 8% increase in sales growth. We are also aware of our responsibility as a corporate citizen and are fully committed to ushering in a sustainable future. Our social responsibility initiatives are further reinforced through 'H-LOHAS (Hankook Lifestyle of Health and Sustainability)', our lifestyle campaign, and company-wide integrated CSR management system.

Our journey will continue to become a global company that is respected and trusted for its commitment to a sustainable future through balanced growth with all stakeholders.

Company Profile	
(Unit: KRW)	
Company Name	Hankook Tire Co., Ltd
Global Sales	KRW 7.0291 trillion*
Operating Profit	KRW 912.9 billion*
Operating Margin	13%*
Total Assets	KRW 7.1824 trillion**
Total Capital	KRW 3.2214 trillion**
Date of Establishment	Sep. 3, 2012***
IPO (Initial Public Offering)	Oct. 4, 2012***
CEO	Suh, Seung-hwa
Business Type	Manufacturing, reproducing and selling tires, tubes and components
Headquarters	133, Teheran-ro, Gangnam-gu, Seoul, Korea (Yeoksam-dong)
Telephone	+82-2-2222-1000
Affiliates	Hankook Tire Worldwide Co., Ltd. / Daehwa Engineering & Machinery Co., Ltd. / Hanyang Tire Sales Co. Ltd / MK Technology Corporation

\* The data combines Hankook Tire's business results both before and after the spin-off.  
 \*\* In a consolidated manner as of the end of December of 2012 concerning the newly-created Hankook Tire as a result of the spin-off.  
 \*\*\* Established as a result of the spin-off of the tire operations of the previous Hankook Tire as of the September 1 of 2012 (the date of the spin-off) and its stocks were listed in the securities market on October 4 of 2012.

## Mission and Vision

## MISSION FRAME



## VISION FRAME



## BRANDS & PRODUCTS

**enfren eco**

Enfren eco is eco-friendly tire, rated grade 1 in energy efficiency and grade 2 in wet grip.



**ventus S1 evo<sup>2</sup>**

Ventus S1 evo<sup>2</sup> is our ultra high-performance premium tire that takes both performance and environmental requirements into account. It delivers outstanding handling and grip performance under any road conditions as well as best-possible driving experience.



**HANKOOK**  
driving emotion

Hankook is the representative brand of Hankook Tire domestically and internationally and our product line-up consists of the following brand sub-categories by vehicle and product segment.

**ventus**

Ultra-high performance tires and racing racing tires

**OPTIMO**

Premium sedan tires

**KINERGY**

Eco-friendly tires for the global market

**enfren eco**

Korea's first 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)

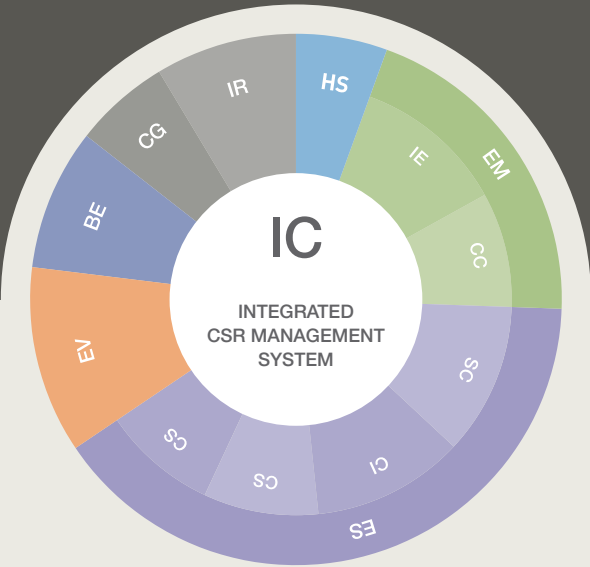
**AURORA**

Aurora tires target overseas consumers and are mainly mounted on passenger cars. 'Route Master', which means tires that know the road well, is under operation as a related product brand.

**KINGSTAR**

Kingstar targets overseas consumers who prefer economical products and has 'Road Fit' as its product brand, which represents product features that best fit the road conditions at hand.

# Integrated CSR Management System



## Declaration

We at Hankook Tire aim to build CSR into the fabric of our corporate culture and into employees' daily operations. The integrated company-wide CSR management is based on our commitment to delivering the best-possible values to wide-ranging stakeholders and seeking sustainable development of the mobility industry.

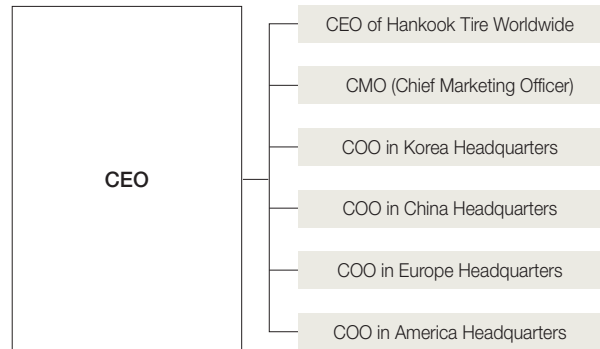
## Management Responsibility and Governance

Our company-wide CSR initiatives are undertaken through the integrated CSR management system, which is operated by the CSR Team in the management infrastructure sector. 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 taking stronger action to advance CSR.

### CSR COMMITTEE

The CSR Steering Committee, which consists of nine subcommittees, helps us consistently undertake company-wide CSR initiatives while the CSR Strategy Committee is responsible for reporting outcomes to the top management and discussing their future directions.

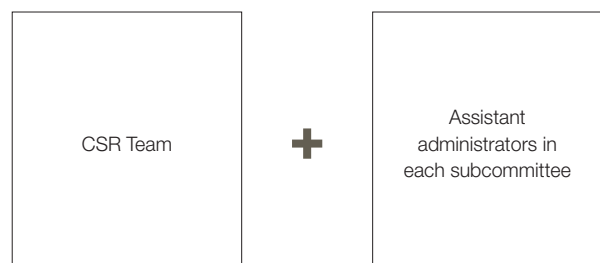
#### CSR Strategy Committee



#### CSR Steering Committee



#### CSR Meeting



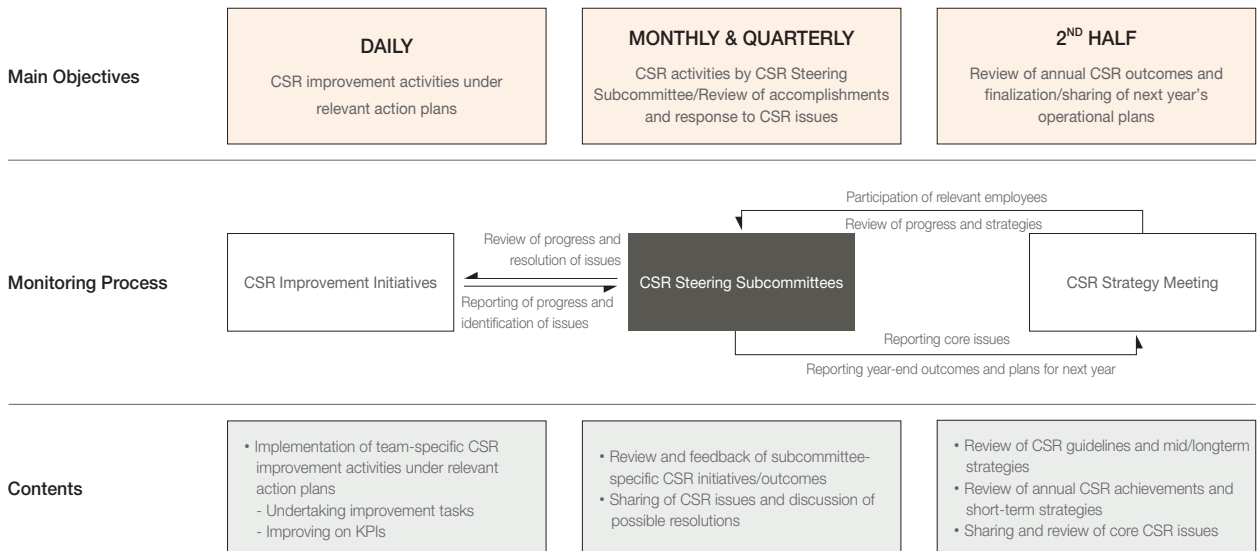


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## IC-1 OPERATION OF THE CSR COMMITTEE

To ensure our CSR initiatives to be undertaken in an integrated manner on a company-wide level, our CSR Strategy Committee and nine CSR Steering Committees are operating under our CEO's leadership regularly making reports and reviews to align CSR achievements and plans.

Our CSR accomplishments and plans are closely aligned through regular reporting and reviews between the CSR Strategy Committee and respective subcommittees. Our annual CSR reports are also incorporated into the company-wide mid/long-term strategic guide while the outcomes of the materiality analysis, which is conducted based on internal/external stakeholder surveys, feedback from external professional evaluators, benchmarking of leading companies, and CSR assessments, are reflected in the following year's strategic guide of each subcommittee.



## IC-2 REINFORCEMENT OF COMPANY-WIDE EMPLOYEE TRAINING AND COMMUNICATION

Our CSR education aims to integrate CSR into employees' daily operations and report the related activities as systemized outcome. In doing so, we are fully committed to building a wider CSR awareness as well as stronger capability to undertake CSR initiatives among all employees.

Our goal is to ingrain CSR into the fabric of our corporate culture and into employees' daily operations. As such, we provided CSR education to all staff to impart its meanings and requirements. Specifically, our newly hired employees are provided with CSR education for basic concepts and knowledge along with overall CSR directions at Hankook Tire. In addition, assistant administrators of the CSR Steering Committee and employees in charge of CSR operations are engaged in education programs and discussions concerning CSR initiatives that are applicable to their own operation.

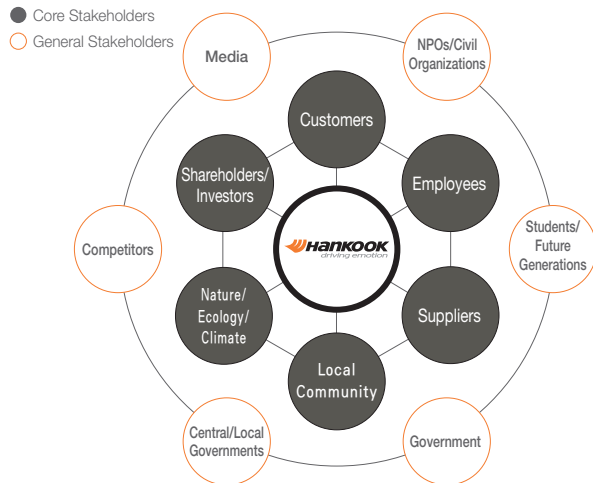
CSR Education					
Name of Course	Content	Target	Learners	Education Round	Education Hour
Concept and understanding of CSR	CSR at Hankook Tire	New recruits	217 employees	1 <sup>st</sup> round of education	Two hours

## IC-3 STAKEHOLDER COMMUNICATION AND ENGAGEMENT

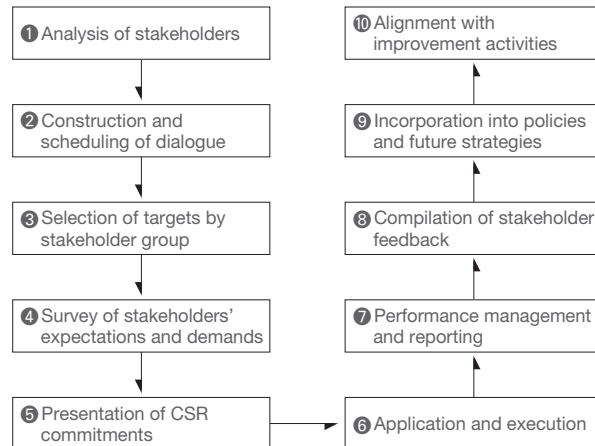
We classify and define our stakeholders according to the size and scope of their impact on our business operation. We ensure that all our employees are aware of major issues raised by stakeholders through varied communication channels and that stakeholder feedback is reflected in our conduct of business to create sustainable values.

We categorized stakeholders 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 on various stakeholders and external/internal business environment. Furthermore, we are dedicated to sharing our CSR accomplishments and plans with our stakeholders by operating a multiple communication channels to gather their opinions.

### Stakeholder Model



### Annual Stakeholder Dialogue Process



### Communication Channel by Stakeholder Group

Core Stakeholders	Communication Channels	Key Issues
Customers (customers, dealers and car makers)	Discussion meetings (with authorized retail stores and retail shops), Dealer satisfaction surveys, Tire Family magazine, technology exchange, exhibitions, 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</li> <li>- Communicating with customers and reflecting their opinions, etc.</li> </ul>
Employees	Labor-management consultative meetings, In-house IR, HANA site, In-house magazine, Challenge 511, etc.	<ul style="list-style-type: none"> <li>- Recognition of diversity and stricter prohibition of discrimination</li> <li>- Improvement of labor conditions covering workplace safety</li> <li>- Fair performance evaluation and reasonable compensation</li> <li>- Stronger internal communication and labor relations, etc.</li> </ul>
Suppliers	Quality and environment workshops, Regular supplier assessments and surveys, etc.	<ul style="list-style-type: none"> <li>- Support program for suppliers' competitiveness (training, technological support, etc.)</li> <li>- Fair trade and mutually-beneficial partnerships</li> <li>- Proactive communication and stronger sharing of information, etc.</li> </ul>
Local Community	Local resident meetings, Meetings with local government agencies and NGOs, Gathering opinions from local communities, etc.	<ul style="list-style-type: none"> <li>- Minimization of environmental impact, Revitalization of local economy</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>
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/ethics management, Integrated risk management, etc.</li> </ul>

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## IC-4 CSR STRATEGY COMMITTEE IN CHINA HEADQUARTERS

Our CSR Committee in China Headquarters was established in March 2012 to operate a sustainability management system in China. To advance an integrated CSR management of our Chinese operations, bi-monthly CSR strategy meetings are held under the supervision of the COO at the China Headquarters while monthly EHS operation meeting is held to expand and establish our CSR initiatives on a global level.

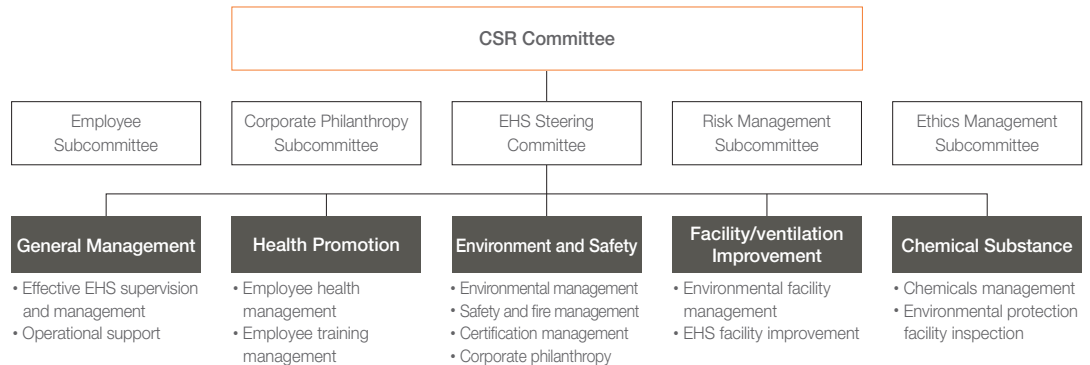
### Operational Structure

**Role of Committees** Take follow-up measures and make continuous improvement related to site-specific key managerial issues

#### Key Issues

- Improve shop floor conditions
- Health and safety management
- Build corporate social responsibility
- Advance ethics management

#### Responsible Organizations



### Operational Status

**Operational Schedule** EHS operation meetings: Held monthly  
CSR strategy meetings: Held bi-monthly

**Supervisor** EHS operation meetings: CHN executives in charge of strategic planning  
CSR strategy meetings: COO in China Headquarters

**Mode of Meeting** Shanghai, Jiaying, Jiangsu, CTC video conferencing

**Participant** Plant managers at each plants, leaders and members of relevant teams



### Joining the DJSI (Dow Jones Sustainability Indexes) Korea



The DJSI (Dow Jones Sustainability Indexes) Korea is the product of joint developments between Dow Jones, the U.S.-based full-service financial index provider and SAM, the sustainability evaluation agency and investment boutique headquartered in Switzerland. Hankook Tire has been incorporated into the DJSI Korea for two consecutive years since 2011 to be widely recognized for the achievements on sustainability management. This motivates our full commitment to stakeholder engagement and the fulfillment of corporate social responsibility in accordance with the integrated CSR management system.

## Materiality Analysis

Our materiality analysis was performed based on stakeholder interest and business impact. In doing so, we identified 17 issues that were regarded with relative importance. These issues were further clarified through the CSR Steering Wheel in order to manage them more effectively.

### Stakeholder Engagement in the Materiality Analysis and Reporting Process

Our materiality analysis aimed to identify CSR Focus Areas and key managerial issues that are material to Hankook Tire and stakeholders and thus require intensive management for 2013. The materiality analysis is conducted through the following procedures: extracting a pool of issues through regular annual CSR assessments, conducting media analyses, benchmarking global standards and industry peers, assessing business significance of respective issues that were identified, and evaluating the impact of these issues on stakeholders.

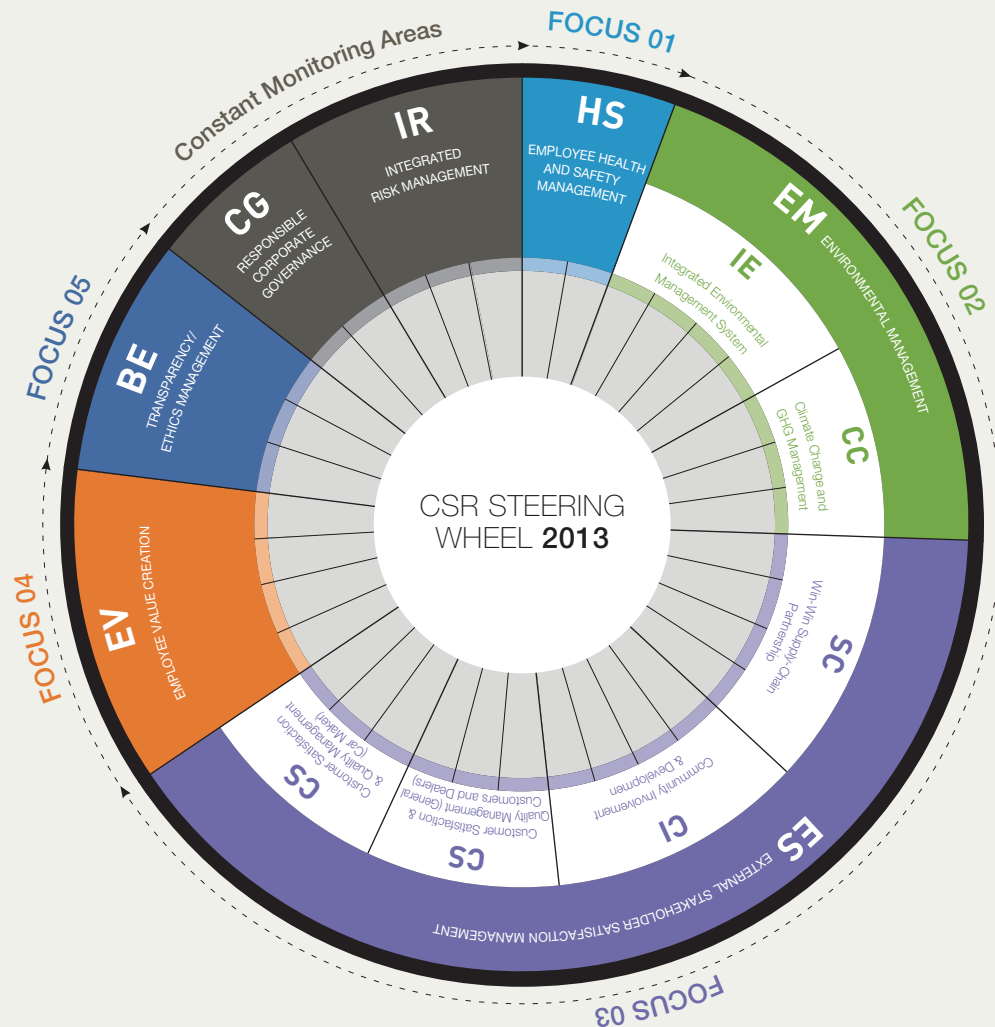


### Results of the Materiality Analysis (Ranking by Issue)

1	2 Clean production (Manufacturing process-energy, water, air, water quality, hazardous substances)	10	6 Adaptation to climate change
2	12 Product quality and performance	11	14 Consumer health and safety (in product use)
3	7 Employee safety management	12	16 Performance evaluation and appropriate compensation
4	1 Ethics (transparent) management	13	13 Responsible marketing (Exaggerated advertising, customer's data privacy)
5	8 Employee safety management	14	10 Facilitation of the local economy and creation of jobs
6	15 Relationship with the labor union (Human rights/labor rights)	15	11 Gathering of stakeholder feedback in local communities
7	3 Development of eco-friendly products	16	17 Diversity/Ban on discrimination
8	5 Resource management	17	4 Biodiversity/Management of green areas
9	9 Supplier requirement for compliance with CSR principles		

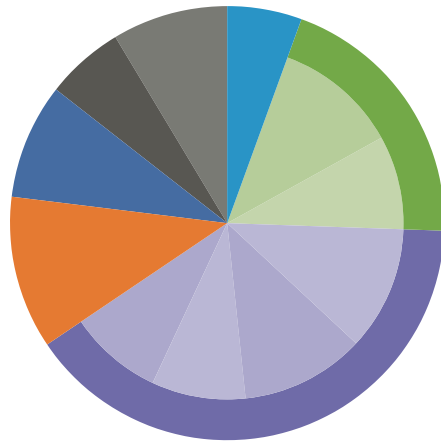
## CSR STEERING WHEEL 2013

We identified the Five CSR Focus Areas of Employee Health and Safety Management, Environmental Management, External Stakeholder Satisfaction Management, Employee Value Creation and Transparency/Ethics Management based on our integrated CSR management system.



Code	Key Managerial Issues	Page
CG	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	p.14
IR	1. Selection of major issues concerning key managerial risks 2. Development of risk management process 3. Enhancement of company-wide risk response training and the establishment of risk culture	p.16
HS	1. Establishment of a voluntary safety management system 2. Enhancement of employee health management	p.20
IE	1. Green purchasing 2. Cleaner production 3. Product and environment 4. Management of resources	p.24
CC	1. Energy/carbon management 2. Execution and reduction 3. Supply chain carbon management	p.30
SC	1. Supplier management and supplier relations policy 2. Supplier communication 3. Win-win supplier partnership programs 4. Facilitation of green purchasing	p.34

Code	Key Managerial Issues	Page
CI	1. Establishment of the company-wide philanthropy system 2. Expansion of employee consensus and reinforcement of executive capability 3. Development and brandization of specialized programs 4. Reinforcement of communication with local communities and identification of local issues	p.40
CS	1. Win-win customer strategies 2. Reinforcement of customer engagement and communication 3. Impressive customer services	p.46
CS	1. Reinforcement of product competency 2. Establishment of global standard processes 3. Reinforcement of communication	p.50
EV	1. Open communication-based management 2. HR systems that offer fair opportunities 3. Growth-fostering training systems 4. Work/life balance	p.52
BE	1. Energy/carbon management 2. Execution and reduction 3. Supply chain carbon management	p.60




# HANKOOK TIRE CSR FOCUS AREAS

## CONSTANT MONITORING AREAS

<b>CG</b>	<b>Responsible Corporate Governance</b>	<b>14</b>
<b>IR</b>	<b>Integrated Risk Management</b>	<b>16</b>

## CSR FOCUS AREAS

<b>FOCUS 01</b>	<b>HS</b>	<b>Employee Health &amp; Safety Management</b>	<b>20</b>
<b>FOCUS 02</b>	<b>EM</b>	<b>Environmental Management</b>	
02-1	IE	Integrated Environmental Management System	24
02-2	CC	Climate Change & GHG Management	30
<b>FOCUS 03</b>	<b>ES</b>	<b>External Stakeholder Satisfaction Management</b>	
03-1	SC	Win-Win Supply-chain Partnership	34
03-2	CI	Community Involvement & Development	40
03-3-1	CS	Customer Satisfaction and Quality Management (General Customers and Dealers)	46
03-3-2	CS	Customer Satisfaction & Quality Management (Car Makers)	50
<b>FOCUS 04</b>	<b>EV</b>	<b>Employee Value Creation</b>	<b>52</b>
<b>FOCUS 05</b>	<b>BE</b>	<b>Transparency &amp; Business Ethics</b>	<b>60</b>

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## Constant Monitoring Areas

## Responsible Corporate Governance



### Declaration

Hankook Tire set an example in adopting a professional management system as well as a separation of ownership from management. We are committed to the maintenance of healthy corporate governance as well as reasonable and transparent management practices.

### Major Shareholders

The list of our major shareholders as of December 31, 2012 is as follows.

Name of Shareholders	No. of Stocks	Holdings Rate (%)
Cho, Yang-rai	19,807,897	15.99
Cho, Hyun-bum	8,789,241	7.10
Cho, Hyun-shick	7,177,241	5.79
Hankook Tire Worldwide Co., Ltd.	5,697,653	4.60
Total	41,472,032	33.48

### Board of Directors

Our Board of Directors (BOD) consists of five directors: two internal directors and three external directors, as of March 22, 2013.

Directors	Name	Position	Relationship with the Largest Shareholder	Note
Internal director	Suh, Seung-hwa	Vice Chairman	N/A	BOD Chairman
	Cho, Hyun-bum	President	Second son	
External director	Cho, Kun-ho	Audit Committee member	N/A	
	Cho, Choong Hwan	Audit Committee member	N/A	
	Hong, Seong Phil	Audit Committee member	N/A	

\* As of September 1, 2012, Hankook Tire Co., Ltd. spun-off, to be responsible for the tire business operations, from Hankook Tire Worldwide Co., Ltd. which is in charge of the investment business as an existing entity. The above BOD list was prepared on the basis of the newly-established Hankook Tire Co., Ltd.

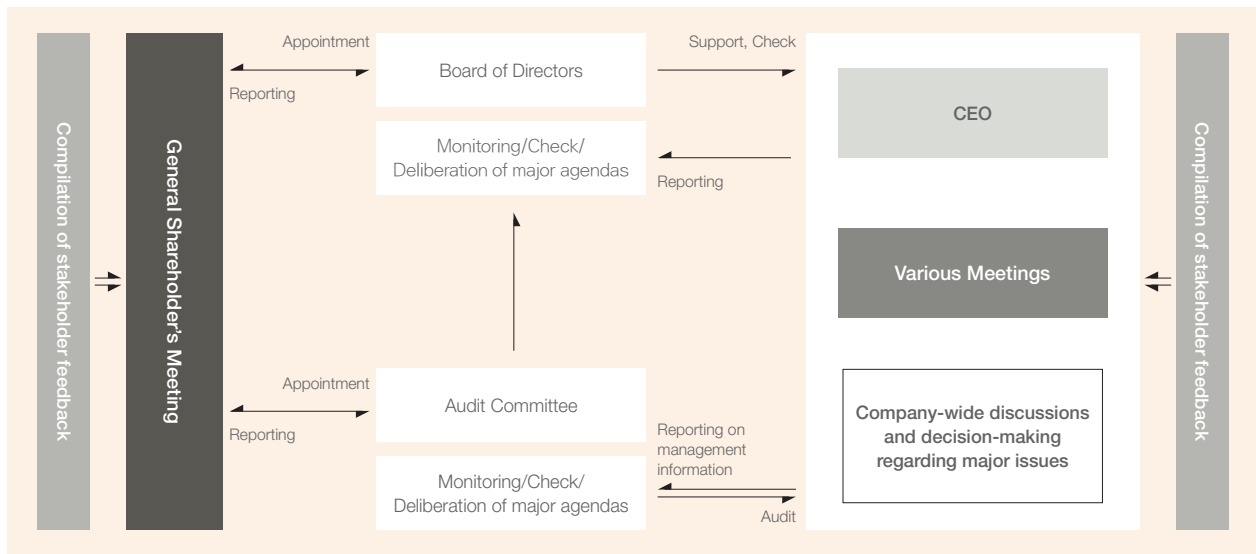
### Professional Operation of the BOD and Its Reinforced Responsibilities

External directors constitute the majority of our Board of Directors and their appointment strictly follows transparent and fair procedures through the External Directors 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 effective decision-making through advice and consultation and serve as a supervisor for top management.



### Decision-making Process at the Top Management Level

Central to our decision-making structure at Hankook Tire is our Board of Directors. We continue to expand open communication channels in order to gather stakeholder feedback and reflect it in the decision-making process of top management.



### BOD Meetings Held in 2012

Regular Meetings	Ad-hoc Meetings	Major Agenda	Attendance of External Directors
One meeting	Three meetings	Reporting and disclosure of the progress concerning the spin-off of Hankook Tire	100%

### Committees under the BOD

Committee	Composition	Major Function
Audit Committee	Three external directors	<ul style="list-style-type: none"> <li>- Audit accounting and business operation</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 appointment of external directors</li> </ul>
Management Committee	Two 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>
External Director Nomination Committee	One internal director and three external directors	Recommend external director candidates
Internal Trade Committee	Three external directors	Approval of large-scale related transactions

## Constant Monitoring Areas

### Integrated Risk Management



#### Declaration

We prioritize risks caused by uncertainties within our business conduct and build an enterprise-wide integrated risk management system that encompasses both proactive management measures and follow-up response guidelines so as to turn crisis into opportunity.

#### Management Responsibility and Governance

While our integrated risk management in 2012 was led by the Corporate Strategy Team with the goal of company-wide strategic directions under the supervision of executives in the Corporate Strategy Department, the responsibility will be transferred to the Risk Subcommittee under the supervision of the Legal Affairs Team to allow for both internal and external specialized review of risks in 2013. The Risk Subcommittee will gather together relevant teams that play a key role in such areas as strategic planning, finance, HR, marketing, communication, quality, R&D, production technology and CSR and discuss roles & responsibilities concerning major risks as well as response directions.

#### Key Risks

We have identified and managed ten key risks that require company-wide management endeavors in accordance with their features and managerial significance. In 2013, we will choose eight key risks in order to review and redefine existing risks while ensuring that our risk management appropriately reflects fast-changing internal/external business conditions.



Anti-dumping



Fair trade



Harassment



Labor-management culture



Protection of customer information



Disputes over IP/trademark rights



Product Liability



Environmental issues

#### Constant Risks

Our definition of constant risks includes financial risks (minimization of risk exposure in the financial market), currency risks (related to our global operations), and liquidity risks (monitoring of company-wide cash flows).



Financial Risk



Currency Risk



Liquidity Risk

#### Company-wide Risk Response Education

We continue to provide training in order to build employee consensus on risk management processes and to ensure function-specific well-planned responses.



One round of education



Two rounds of education

Selection and management of Key Risks	17
Establishment of Risk Management Processes	19
Enhancement of Company-wide Risk Response Training and Establishment of Risk Culture	19

## 2012 Achievements

● : Completed   ● : Partially Completed   ○ : Not Implemented   ⌚ : Year-round Activity

Code	Key Managerial Issues	2012 Goals	2012 Achievements	Completion	Pages
IR1	Selection of major issues concerning key risks	To disseminate a risk management operational system	Ten key risks were selected and the management of these risks was announced	●	17
		To select and manage detailed focus risk issues at each regional headquarters	Insight was shared concerning potential company-wide risks.	●	17, 18
IR2	Establishment of risk management processes	To identify risks - Review and manage the risk profile (regulations, cases and organizations).	Risk issues were proactively identified and addressed. - Fair trade, trade protectionism, etc.	●	19
		To evaluate risks - Set risk evaluation criteria and estimate evaluation outcomes		●	19
		To respond to risks - Define risk response measures/analyze causes. - Undertake improved response measures.		●	19
		To monitor risks - Select and review monitoring indicators/analyze improvement benefits. - Review the management status/report monitoring results.		●	19
IR3	Enhancement of company-wide risk response education and establishment of risk culture	To provide education to build employees' consensus on Hankook Tire's risk management processes - Planning and support	Training plans were developed and support was offered regarding risk response training.	●	19

## 2013 Plans

Code	Key Managerial Issues	2013 Commitments	Deadline	Team in Charge
IR1	Definition of key risks	Define key risks and select detailed issues and a check list.	June	Legal Affairs Team
		Establish risk management systems by detailed issue and provide a check list.	September	Legal Affairs Team
IR2	Development of risk management processes by detailed issue	Set training plans concerning risk management processes and offer guidelines.	By the end of 2013	Legal Affairs Team
		Perform sensing and monitoring through regular management.	By the end of 2013	Legal Affairs Team

# IR-1 SELECTION AND MANAGEMENT OF KEY RISKS

To proactively respond to wide-ranging risks, we keep an eye on factors that cause changes in internal/external business conditions and monitor relevant risks. Specifically, we identify and intensively manage key risks that require company-wide management efforts while ensuring a prompt response to risks when they occur.

### 1 Disseminating a Risk Management Operational System

We identify, evaluate and monitor risk factors that may hamper our operations. Furthermore, we prevent operational risks across the board through the development of response plans. The classification and definition of internal/external risk factors and corresponding company-wide measures allowed us to identify ten risks that required intensive management, while regular monitoring through company-wide notification helped establish a system to promptly identify key risks. This is further complemented by interactive communication between top management and employees that aim to select and manage key risks as well as through continued risk training.

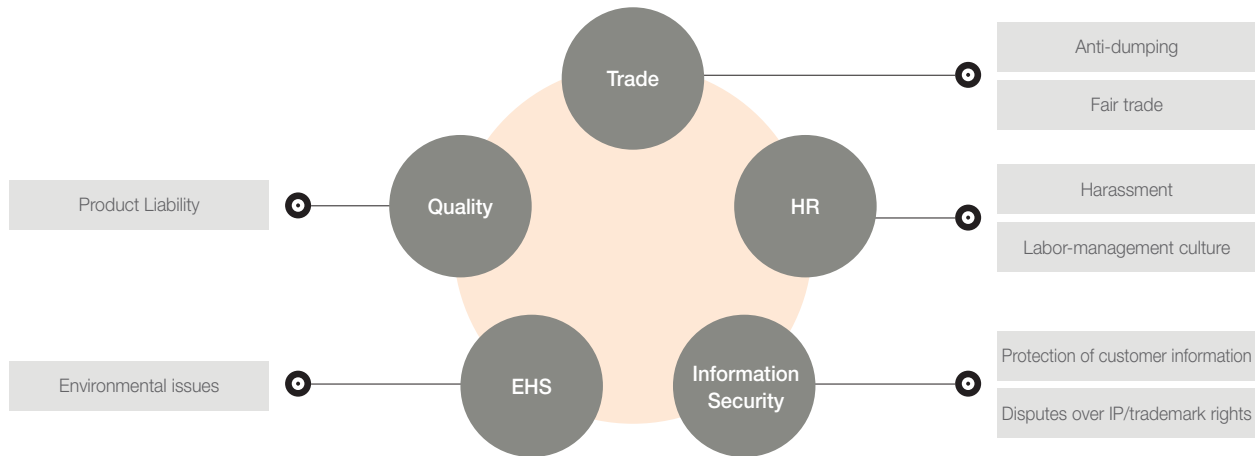
In 2013, the company-wide ten key risks chosen in the previous year were reviewed and redefined, which led to the identification of eight key risks. Meanwhile, we will continue to integrate new risks that occur due to quickly -changing business conditions and to build on our risk management capabilities. In so doing, we aim to relocate the Risk Subcommittee to Legal Affairs Team from the Corporate Strategy Team and reinforce the compliance-related aspect of our risk management practices.

In 2011 and 2012, risks that required an immediate response to current issues were identified so as to choose ten key risks to be managed from the level of top management. Out of these ten key risks, anti-dumping and fair trade risks that emerged as direct issues were addressed through detailed measures. To handle anti-dumping risks (anti-dumping charge raised in Brazil), overall marketing work flow and relevant execution and management regulations were further sophisticated and systemized. In addition, continued training allows us to share fair trade risks across the board and related management systems were also enhanced.

### 2 Identifying Issues by Regional Headquarters

The identification of risk issues of respective regional headquarters was first initiated in our Chinese Headquarters in consideration of its established infrastructure, while other regional headquarters shared the company-wide ten key risks that were defined at the Korean headquarters. Our plan for 2013 is to extend the scope of risk management into overseas subsidiaries through the development of long-term plans that take a compliance-driven perspective.

## 8 Key Risks



### 3 Selecting and Managing Detailed Risks at China Headquarters

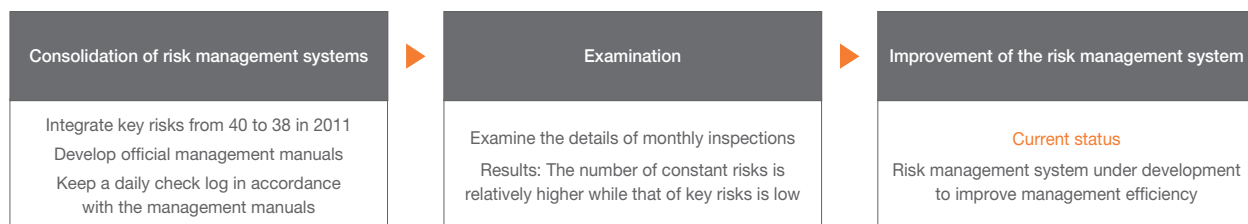
We have identified and managed regional headquarter-specific risks in addition to company-wide risks. China headquarters initiated such endeavors at the end of 2011 and addressed 13 key risks in 2012. Furthermore, key items, that are classified into internal/external/ and other categories, are managed as key risks in order to ensure the integration of management capabilities and a systemized risk management. Such key risks are regularly monitored by employees at regional headquarters and shared among our global staff so as to build a more effective and stronger risk management system. China headquarters will serve as the foundation for us to develop and expand a systemic and effective risk management system that reflects region-specific features into other regional headquarters.

### 4 Constant Risks

We ensure that financial risks (excluding operational risks) are subject to constant management by dedicated teams, not by the Risk Subcommittee.

**Financial Risk** While 2012 was a year filled with economic uncertainties caused by the global economic downturn, such unfavorable business conditions are expected to continue in 2013 due to the fiscal crisis of several countries, a lower-than-expected recovery in global consumption, and currency disputes attributable to the quantitative easing policy adopted competitively by advanced nations. Thus, we continued with our overseas investment to establish future engines of growth while maintaining a conservative approach to risk management to ensure stable growth. Sustained monitoring and management of financial expenses and currency foreign exchange positions allowed us to minimize our exposure risks in the financial market while our financial market trend reporting system was maintained and improved to enhance the efficiency in decision making at the top management level.

## Issued Identified at the China Headquarters



## Key Management Items at the China Headquarters

Management environment	Competition against industry peers	Automobile industry	Trade Frictions	New technology & eco-friendly technology	Environmental issues	Intellectual property infringement	Response to regulatory changes
Hygiene and stability management	Firefighting management	Utility Risk	Customer response	Development of labor-management culture			

Selection and management of Key Risks	17
Establishment of Risk Management Processes	19
Enhancement of Company-wide Risk Response Training and Establishment of Risk Culture	19

**Currency Risk** As a global company, we use 22 foreign currencies including the U.S. dollar and euro. As such, we make sure that current transactions (exports and imports) and financial transactions (deposits and borrowings) are made in local currencies and that the same currency is used in making or receiving payments. In doing so, we diversify currency-specific risks and retrain foreign exchange positions while applying currency risk management regulations to address currency positions that exceed acceptable levels. Specifically, our Currency Management Committee meets quarterly under the supervision of our Global CEO to develop currency risk strategies. In avoiding currency risks, we primarily use natural hedges that aim to eliminate risks through the matching of assets and liabilities in foreign currencies. Furthermore, we do not exclude the use of external risk aversion measures that use financial vehicles within the approved boundary if deemed necessary.

**Liquidity Risk** We constantly monitor our Korean headquarters and overseas subsidiaries for their borrowings, the level of liquidity, and long/short-term cash flows while regularly forecasting future cash flows to proactively manage liquidity risks. Specifically, our priority is to take a conservative liquidity management approach in response to turbulent financial market conditions. We also use such integrated financial systems as cash pooling to establish liquidity management processes in the overseas market. These systems create a common pool of financial resources that are shared by financially-strapped subsidiaries and their counterparts with financial surpluses, which helps us minimize liquidity risks and reduce the burden concerning financial operations as well as financial expenses. Presently, we are developing our own Global Cash Management System that aims to integrate the financial management of all Hankook Tire affiliates across the world.

## IR-2 ESTABLISHMENT OF RISK MANAGEMENT PROCESSES

We develop an integrated risk management system and establish the definition and classification criteria of respective risks so as to take a macro perspective in risk management and to address key risks that require intensive management.

### 1 Operating Risk Processes

**Operating Risk Processes** The management, identification and evaluation of ten key risks were based on our existing risk identification methodology, and their risk management processes

primarily consisted of response measures and monitoring. Meanwhile, risk management processes concerning fair trade and randomly occurring anti-dumping risks were launched when major issues arose. Harassment, health/safety and fire risks were handled through manuals and training.



## IR-3 ENHANCEMENT OF COMPANY-WIDE RISK RESPONSE TRAINING AND ESTABLISHMENT OF RISK CULTURE

We develop education manuals to establish renewed awareness and strategies across the company in response to fast-changing business conditions while providing education in consideration of the distinctive features of each respective headquarters. In so doing, we aim to build risk management into the fabric of our corporate culture.

### 1 Developing and Supporting Integrated Risk Education Plans

**Developing and Supporting Education Plans** We continue to provide basic-level education to ensure function-specific risk response. Our employees who work in relation to financial/legal risks are provided with thorough education programs to effectively handle these risks, as they are sensitive to policy changes and demand a high level of expertise. In addition, we offer CSR training and ethics education in a bid to address non-financial risks. We will continue to proactively identify risks and

launch customized education programs for respective risks to assist our employees in building stronger risk management capabilities.

In 2013, the scope of our risk management will be extended from merely executing regular check on the list of risks to ensuring an effective risk management, in addition to regular risk management practices. We aim to undertake wide-ranging initiatives in each of the eight risk areas: education on major risk issues, dissemination of relevant legal materials, and the diversification of internal/external channels to communicate the status of risk management.

## Employee Health & Safety Management



### Declaration

We believe that the health and safety of our employees are key CSR components and the fundamental driving force behind our sustainable growth. Thus, we are continually committed to improving the quality of their work life and offering fulfillment that comes from a company that cares.

### Management Responsibility and Governance

The CSR Team in the Business Infra Division of Hankook Tire Worldwide Co., Ltd. is responsible for the health & safety management of both Hankook Tire Worldwide and Hankook Tire Co., Ltd. At our plants in Korea, China, Hungary and Indonesia, plant managers serve as general health & safety managers while each departments are in charge of health & safety operations. Furthermore, health & safety-related decisions are made by the Occupational Health & Safety Committee (OHS Committee), and it runs through working-level departments.

### Injury Rate



In 2012, the injury rate at Korean plants fell while the number of new recruits rose due to the expansion of overseas plants. Of the total injuries, 27.8% occurred in employees with less than three years of work experience at Hankook Tire. This prompted us to prevent and reduce safety accidents through intensive training for new hires, strengthened safety awareness and the improvement of safe work procedures. (Injury rates = [No. of injured employees/No. of employees] x 100, the ratio of injured employees per 100 employees)



### Severity Rates



The scope of our injury indicator disclosure was extended in 2012 to include overseas plants. We will develop and operate detailed measures to reduce injuries through annual analyses of their causes and management diagnoses. (Severity rates = [Lost working days/work hours] x 1,000, lost work hours caused by injuries per 1,000 work hours)



### Health Care Recipients (No. of recipients)



Daejeon/  
Geumsan Plants and R&D Centers

The number of health care recipients dropped by 4.1% due to the intensive management of drinking and smoking behaviors, the improvement of work environments and stronger training programs. (Health care recipients: employees who are classified internally as those who require continuous observation by medical professionals for health improvement as a result of health check-ups).



### Smoking Rates (%)



Daejeon/  
Geumsan Plants and R&D Centers

While we undertook wide-ranging initiatives to encourage employees to quit smoking through anti-smoking signs installed at work sites, intensive patrol of anti-smoking areas and year-round anti-smoking inspections, the smoking rates rose slightly against the previous year due to increasing numbers of employees who returned to smoking. (Nation-wide smoking rate in 2012(Korea): 24% / Source: Social Statistics Planning Division, Social Statistics Bureau, Statistics Korea)



Establishment of Voluntary Safety Management System	22
Enhancement of Employee Health Management	23

## Stakeholder Interview

Shin, Changsub (Professor, Chungbuk National University, Safety Engineering)

Some negative points of safety indicators at Hankook Tire can be translated into higher risks of major injuries in the upcoming years. While the company is engaged in wide-ranging safety management initiatives, it is only through endeavors to eliminate fundamental risk factors that safety accidents are reduced. Given that Hankook Tire's current injury rate is high, multi-faceted safety measures need to be developed and undertaken through labor-management cooperation. Meanwhile, the number of health care recipients fell due to improving work environments and diverse health care programs. Still, the number of senior workers is set to increase as the company grows older, which will lead to greater risks of musculoskeletal diseases. Therefore, the company will benefit from investing further in preventing such diseases over the long haul.

## 2012 Achievements

● : Completed   ● : Partially Completed   ○ : Not Implemented   ↻ : Year-round Activity

Code	Key Managerial Issues	2012 Goals	2012 Achievements	Completion	Pages
HS1	Establishment of voluntary safety management system	Reduce injury rates by 30% through the expansion of safe model facilities.	Improvement is underway after the risk assessment of model facilities through comprehensive safety diagnoses.	●	22
		Reduce injury rates by 30% through the improvement and operation of safe work procedures.	Improvement is underway through a separate organization as safe work procedures needed to be improved as a result of comprehensive safety diagnoses.	●	22
		Improve the operational level of internal assessments to advance the operation of health & safety management systems.	The 70% target was not completed (56% achieved).	○	22
		Reduce loss cost by 50% through the development of fire prevention systems.	Fire prevention systems were completed in March, 2013. Their benefits will be identified after March, 2013.	●	22
HS2	Enhancement of employee health management	Intensively manage health care recipients who excessively drink or smoke.	Medical management and assistance is underway.	●	23
		Continuously improve the performance of ventilation facilities.	The improvement of ventilation facilities for pressing and rolling processes at the plant 1 of Daejeon and Geumsan Plants was completed.	●	23
		Continuously improve operations that may cause musculoskeletal diseases.	Individual exercise prescription programs and stretching promotion events are regularly undertaken. Their benefits will be identified after March, 2013.	●	23

\* Reasons behind higher-than-previous injury indicators and future plans:

Our analyses of higher-than-usual injury indicators found that 27.8% of the total injuries concerned employees with less than three years of service at Hankook Tire. As such, we elevated the level of our safety protection systems and improved safe work procedures in addition to intensive training for new hires so as to prevent and reduce safety accidents. Furthermore, our overseas plants were included in our disclosure of injury indicators in 2012. While China plants (in Jiaxing and Jiangsu) will develop ways to reduce severity rates as they suffer more lost working days against fewer injuries, Hungary plant will focus on training and basic-level disciplines as it has relatively fewer lost working days caused by injuries. Our analyses of injuries at overseas sites will aim to reduce injuries through more detailed analyses and reviews based on annual management diagnoses.

\* \* Reasons behind the unmet target of health care recipients:

While the number of health care recipients fell by 83 persons from the previous year as a result of health check-ups in 2012, this still fell short of our initial target of 10% (approximately 200 persons). The reason may lie in the modification of health care recipient classification criteria, which included those employees who were taking medicine to treat their disease, regardless of their health check-up outcomes.

## 2013 Plans

Code	Key Managerial Issues	2013 Commitments	Key Index	Deadline	Responsible Department
HS1	Establishment of voluntary safety management system	Reduce injury rates by 30% through the elevation of safety protection systems to that of global leaders.	Injury rates	Sep.	Environment & Safety Team/Facility Maintenance Team/Machinery Engineering Team 3
		Reduce injury rates by 30% through the engaging of safety training systems.	Injury rates	Apr.	Environment & Safety Team
		Reduce injury rates by 30% through behavior-based processes.	Injury rates	Dec.	Environment & Safety Team/ Relevant production team/QC Team/ Facility Maintenance Team/ Machinery Engineering Team 3/ Global Technical Support Team
		Develop a company-wide safety information sharing system.	—	Feb.	Environment & Safety Team/ Global Technical Support Team
HS2	Enhancement of employee health management	Reduce health care recipients by 5% through stronger initiatives to address three major diseases (liver diseases, hyperlipidemia, hypertension).	Health care recipients	Aug.	Environment & Safety Team/R&D Operations Team
		Reach 15% of smoking rates through the sustained undertaking of health care programs	Smoking rates	Year-round	Environment & Safety Team/R&D Operations Team
		Reduce the number of manufacturing processes whose noise level is 85dB or above by more than three through the sustained undertaking of improvement activities.	—	Aug.	Environment & Safety Team/Facility Maintenance Team
		Continuously improve the performance of ventilation facilities (pressing processes of plant 2 within Daejeon/Geumsan Plants).	—	Oct.	Environment & Safety Team/ Facility Maintenance Team/ Machinery Engineering Team 3

## HS-1 ESTABLISHMENT OF VOLUNTARY SAFETY MANAGEMENT SYSTEM

To develop a voluntary safety management system, we undertake facility safety assessment as well as comprehensive safety diagnoses of operational systems so as to improve on the fundamental causes of injuries. Furthermore, fire safety evaluation allows us to make sustained investments and improvements in order to effectively minimize fire risks.

### 1 Expansion of Safe Model Facilities

As our injury and severity rates increased from the previous year, comprehensive safety diagnoses were performed at Daejeon and Geumsan Plants from October to November in 2012. Risk assessments of 26 process-specific facilities and the analyses of accidents that occurred in 2012 allowed us to ensure the safety of these facilities and develop ways to make system improvements. Facilities that improved in accordance with diagnostic outcomes will serve as a reference model for all facilities by offering basic data to facilities that are new or in the process of upgrading so as to fundamentally remove facility-related risks. Such endeavors will cover plant facilities in Korea that are more deteriorated, and will extend to overseas plants.

### 2 Improvement and Operation of Safe Work Procedures

Comprehensive safety diagnoses led to a conclusion that our current work standards needed significant improvements to allow for operations that ensure quality in a safe manner. Thus, we aim to revise safe work procedures as an integral part of the work standards in order to standardize safe work processes and offer training to raise employee's safety awareness. In 2013, an independent task force team will be established to revise work standards while work procedures concerning respective process facilities, abnormal operations, protective gear and hand tools will be standardized. These procedures will be registered and maintained as standards and expanded into our overseas plants.

### 3 Advanced Operation of Health & Safety Management Systems

Since our Korean plants became OHSAS 18001-certified in 2009, safety training was provided to employees with less than three years of service at Hankook Tire as well as teams that frequently suffered accidents so as to raise their safety awareness. In addition, safety awareness videos played on commuting vehicles and in cafeterias. Furthermore, unsafe behavior prevention programs enabled us to develop disciplinary regulations concerning employees and supervisors with unsafe behaviors, while diverse initiatives were undertaken including one-on-one daily safety training as well as conventional company-wide safety training. Still, internal OHSAS 18001 assessments concluded that our compliance level was lower than our initial target and that further improvements were required. We are determined to successfully undertake wide-ranging initiatives to raise our compliance level in the upcoming years.

### 4 Development of Fire Prevention Systems Based on Fire Safety Evaluation

After fire safety evaluations were completed to reduce fire risks in 2010, their outcomes became the base of our diverse investment initiatives since 2011 to make improvements. In 2012, KRW 980 million was invested in installing automated CO<sub>2</sub> sprinklers and other types of sprinklers, which were completed in March 2013. These endeavors will enable us to reduce the risk level of certain methods, which were found to have high fire risks through the analyses of consulting firms specialized in fire safety evaluations, ranging from 80.5 points to 61.4 points. Specifically, the greatest reductions in fire risk level are expected in those processes that generate dust and high temperatures due to their distinctive features. Our plan is to analyze our achievements in lowering risk levels and identify and improve on additional risk factors.

#### Fire Risks by Grade

Grade	Risk Level	Description
Severe	Over 151	Inflammable and combustible substances exist constantly. May explode when a fire occurs.
Heavy	121~150	Inflammable and combustible substances exist constantly. Not prone to explosion, but may spread across the entire area when a fire occurs.
Intermediate	81~120	Inflammable and combustible substances exist partially (failures leakages, etc.). Not prone to explosion, but may spread partially when a fire occurs.
Moderate	61~80	Low likelihood of fires that are caused by flammable or combustible substances. Fires may be prevented through maintenance and management.
Light	1~60	Very low likelihood of fires that are caused by flammable or combustible substances. Fires may be prevented through maintenance and management.

\* Risk level calculation method: Dow' Fire & Explosion Index (F & EI)

- Developed by Dow Chemical, this Fire & Explosion Index is widely used at chemical plants.

- A portion of the evaluation items was revised in consideration of Hankook Tire's unique conditions.



## HS-2 ENHANCEMENT OF EMPLOYEE HEALTH MANAGEMENT

We believe that employee health constitutes one of the most essential management factors. In 2012, employee's smoking and drinking was intensively managed with an emphasis on health care recipients and supervisors in order to improve employee health. Furthermore, ventilation facilities were improved to deliver better working conditions and various initiatives were undertaken to prevent musculoskeletal diseases.

### 1 Intensive Management of Health Care Recipients Who Smoke and Drink

While the number of health care recipients dropped by 83 persons from the previous year as a result of the 2012 health check-ups, this fell short of our initial target of a 10% reduction (200 persons). This may be attributable to the modification of classification criteria; employees who are taking medication to treat their disease were categorized into health care recipients regardless of health check-up outcomes. A multitude of anti-smoking programs were undertaken ranging from anti-smoking education for new recruits and the installation of anti-smoking signs at business sites to intensive patrol of anti-smoking areas at business sites and year-round anti-smoking inspections. Still, our smoking rates rose from the previous year due to employees who returned to smoking. As such, both regular and year-round examinations are made as part of the employee health check-up program while relevant regulations were revised along with more intensive education and assistance to encourage employees to quit smoking starting from 2013. Meanwhile, training was offered to promote healthy drinking habits and recommendations were made for moderate drinking for CEOs of our suppliers and administration staff as well as our supervisors so as to enhance our safer and more restrained drinking culture. Furthermore, all our employees across all business sites were provided with CPR training to better respond to emergencies.

### 2 Continuous Improvement of Ventilation

Our existing ventilation facilities were examined and installations as well as curved pipe sections were improved to enhance ventilation. New ventilation systems were deployed in areas that required additional air movement so as to deliver a more pleasant work environment. In 2013, investment will be made in the pressing processes of plant 2 within our Daejeon and Geumsan Plants to improve their ventilation systems, while self-initiated inspections and monitoring of their ventilation performance will be reinforced to maintain continuous ventilation efficiency.

### 3 Continuous Improvement of Processes that Cause Musculoskeletal Diseases

As part of our endeavors to prevent musculoskeletal diseases, billboards describing stretching techniques were installed in front of rest areas, appropriate stretching techniques were explained and demonstrated, and afterwards they were assessed. Such endeavors involved both our employees and in-house suppliers while a total of eight teams were awarded for their outstanding performance. In addition, customized exercise guidance with practical training and group training to prevent musculoskeletal diseases were provided in conjunction with a sports lab at Mokwon University as part of our industry-academia cooperation initiative through the employee health promotion program application made to the Korea Occupational Safety & Health Agency. Furthermore, improvement has been made in those jobs that were found to have musculoskeletal risks as a result of our 2010 inspections. In 2013, we will conduct such risk factor inspections so as to identify what to improve further and will forge ahead to make sustained improvement.

## C A S E S T U D Y

### Status of Fatalities and Countermeasures Undertaken

#### Fatalities in 2012 (Six in total)

Category	No. of Fatalities	Note
No. of Fatalities	Hankook Tire	4
	Suppliers	2
Approval of Occupational Injury	Approved	1
	Not approved	2
	No application was made	3
Cause of Death	Suicide	3
	Acute myocardial infarction	1
	Acute lymphoblastic leukemia (ALL)	1
	Neurofibroma	1

One case approved as an occupational injury was attributed to benzene. Between 1996 and 2001, the solvent we used contained benzene, which meant that it was highly likely that the concerned person was exposed to benzene for five years through the skin, and specifically hands. Thus, this case was concluded as an occupational injury.

\* While benzene's allowable concentration is 1 ppm, the concentration of benzene contained in the solvent we used between 1996 and 2001 was 0.18 ppm.

#### Countermeasures Undertaken at Hankook Tire

We have substituted benzene-containing DN-400 with HV-250, which is toluene and xylene-free, since 2001. While the legal threshold for methylcyclohexane, which is the highest in terms of weight ratio out of HV-250 components, is 400ppm, it is less than 4ppm at our worksites according to measurement outcomes. Even after the transition of the chemicals that we use, toluene and other hazardous chemicals are still under strict management through employee health check-ups. We also installed more local ventilation devices and improved their performance to minimize employees' exposure to chemicals on the shop floor. Those who are in need of follow-up management as a result of medical check-ups are classified into a high-risk group and monitored continuously. Furthermore, our suppliers are managed through external organizations that are commissioned to address their health management issues on behalf of Hankook Tire. We also offer constant guidance to our suppliers on pending issues and encourage them to make improvements.

#### Fatalities since 2007 (Unit: No. of persons)

Category	2007	2008	2009	2010	2011	2012
Job-related fatalities (Hankook Tire)	5	0	0	0	1	0
Job-related fatalities (Suppliers)	0	0	1	1	0	1

\* While the number of fatalities reported until last year (CSR Report 2011/12 p25) included non-occupational injury-related fatalities, we revised the reporting criteria to disclose "pre-retirement deaths caused by occupational injuries as well as after-retirement fatalities caused by occupational injuries".

## Environmental Management

### FOCUS 02-1 Integrated Environmental Management System



#### Declaration

Hankook Tire is fully aware of the environmental impact that may be generated from acquisition of materials, production, usage, recycling and disposal-its production process is committed to minimizing such impact at every stages of production. We will further focus on developing eco-friendly products to minimize their impact on the environment and to contribute to a greener future.

#### Management Responsibility and Governance

Our achievements and plans regarding cleaner production and the development of eco-friendly products are evaluated and reported quarterly to responsible executives and annually to the CEO through the EHS Committee and the Product Environment Committee. The EHS Committee, chaired by the production manager of the Daejeon Plant, consists of relevant teams from the headquarters, each plants and R&D centers to ensure sustained follow-up and improvement on key managerial issues. The Product Environment Committee, under the head of the R&D sector, is in charge of developing and implementing plans to improve on respective business objectives concerning global warming prevention, resource-saving, use of eco-friendly resources, and user safety & comfort.

#### Consumption of Major Raw Materials (ton/product ton)



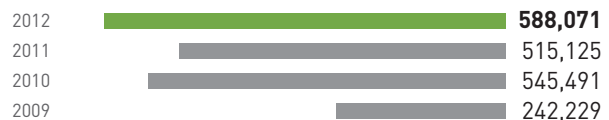
Major raw materials for tires include rubber, carbon black, steel cord, textile cord and beads. As our production volume increases, so does our consumption of raw materials.



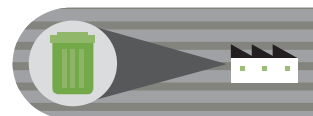
#### Recycling of treated wastewater (m³)



While treated wastewater was recycled at our Geumsan Plant only until 2009, the Daejeon Plant followed suit beginning in 2010. Treated wastewater is primarily used as treatment water for air pollutants and for cleaning water. We undertake sustained initiatives to improve the recycling of wastewater.



#### Waste Treatment (kg/product ton)



Waste is usually treated through landfilling, incineration and recycling. Our Daejeon Plant operates its own incinerators to provide the steam required for the manufacturing process.



#### Ratio of eco-friendly products (Based on product volume) [%]



We've been producing eco-friendly tire through the entire product life cycle from design to used and disposal.



Green Purchasing	26
Cleaner Production	26
Products and Environment	28
Management of Resources	29

## 2012 Achievements

● : Completed    ◐ : Partially Completed    ○ : Not Implemented    ⌚ : Year-round Activity

Code	Key Managerial Issues	2012 Goals	2012 Achievements	Completion	Pages
IE1	Green purchasing	To develop and apply green purchasing guidelines	Review of actual green purchasing practices (2012)	◐	26
		To use clean fuel	Use of clean fuel - Addition of two more LNG boilers	●	26
		To prevent environmental risks	EHS assessment EHS process improvement	●	26
IE2	Cleaner production	To minimize emissions of environmental pollutants	Maximization of operational efficiency of pollution control facilities - Stable operation of the high-efficiency prevention facilities (CFRTO) - Regular replacements of consumable supplies (filling materials, activated carbon)	●	26, 27
			Application of odor-reducing materials and processing conditions in the plant Consideration of non-discharging outlets in conducting odor indexing evaluations	●	26, 27
			Improvement of carbon tank leakage Replacement of aging facilities	●	27
			Expansion of wastewater treatment facilities at the Geumsan Plant	●	27
			Development of eco-friendly review processes regarding materials/raw materials	●	28
IE3	Product and environment	To establish detailed processes to develop eco-friendly products	LCA conducted for one PCR and one TBR product model Obtained carbon labeling for one PCR model	●	28
		To perform product life cycle assessments	49% reduction in rolling resistance from 2007 (K415 standards) Research on design technology of low rolling resistance	●	28
		To reduce tire rolling resistance	Replacement of low-PAH materials with 100% Korean market products	●	28
		To use raw materials containing less hazardous substances	Development of compounds for using eco-friendly resources (Full Silica)	●	28
		To use eco-friendly raw materials	Review of new waste recycling technology	●	29
IE4	Management of resources	To expand the recycling of treated water	Expansion of recycling of treated wastewater - Development of scouring process lines that use recycled water through the expansion of Geumsan Plant - Improvement of existing supply lines	●	29
		To save resources	Use of reclaimed rubber on the shop floor	●	29

## 2013 Plans

Code	Key Managerial Issues	2013 Commitments	Key Index	Deadline	Department in Charge
IE1	Green purchasing	To ensure an eco-friendly supply chain management	Selection of target suppliers Development of support programs	Oct.	CSR Team & Purchasing Planning Team
		To obtain green company certification	Green company certification (Daejeon/Geumsan Plant)	Oct.	Environment & Safety Team
		To prevent environmental risks	Reinforcement of the monitoring of water pollutants and improvement of load - Installation of TMS at wastewater treatment plants - Expansion of equalization tanks at wastewater treatment plants (500 tons)	May	Machinery Engineering Team 3
			Reinforcement of the monitoring of air pollutant emissions - Review of the applicability of odor sensors - Operation and evaluation of atmospheric diffusion modeling	Nov. Year-round	Material Test Research Team, Environment & Safety Team
IE2	Cleaner production	To minimize emissions of environmental pollutants	Improvement of the operational efficiency of pollution control facilities - Improvement of the efficiency of high-efficiency control facilities (CRCO, CFRTO) - Replacement of consumable supplies on time (filling materials, activated carbon) - Expansion of the compartmentalization of the curing process (general-local ventilation)	Sep. Year-round May	Environment & Safety Team & Machinery Engineering Team 3
			Expansion of the odor-control facilities (two units) for the buffing process	Mar.	Machinery Engineering Team 3
			Improvement of the local ventilation system for the extrusion process	Aug.	
			Reinforcement of the management of non-point pollution sources - Optimization of window ventilation odor reduction facilities - Improvement of capture hoods installed near odor sources	Year-round	Environment & Safety Team
		To establish eco-design process	Distribution of eco-design guidelines Application of eco-design tools (LCA, check list)	Aug. Oct.	CSR Team/ R&D Strategy Team
		Product Life cycle assessment (LCA)	LCA for products manufactured in Hungary	Sep.	CSR Team
IE3	Products and environment	To reduce tire rolling resistance	50% reduction from 2007 (K415 standards)	Dec.	PCR Compound Team
		To produce lightweight tires	7% reduction in weight from 2007 (K415 standards)	Dec.	PC Development Team, CEP TFT
		To expand the use of eco-friendly raw materials	20% increase in the consumption of full silica compounds	Dec.	PCR Compound Team
		To improve product performance on wet roads	10% improvement in performance from 2007 (K415 standards)	Dec.	PCR Compound Team/ Vehicle Dynamics Research Team
IE4	Management of resources	To expand the recycling of waste	Early stabilization of thermal decomposition facilities Expansion of the recycling of waste resources and reduction of waste sources	Dec. Year-round	Machinery Engineering Team 3/ Environment & Safety Team
		To save resources	Use of compounds containing recycled rubber	Oct.	PCR Compound Team

## IE-1 GREEN PURCHASING

We are fully aware of the importance of an eco-friendly supply chain. Thus, we are determined to reduce our environmental footprint by improving the environmental performance of products and processes of our raw material suppliers.

### 1 Eco-friendly Supply Chain Management

We aim to broaden our initial goal of developing and operating green purchasing guidelines to include eco-friendly supply chain management. In doing so, we shift our focus from simply purchasing eco-friendly raw materials, to making fundamental improvements through reduced environmental impact caused by the products and manufacturing processes of our suppliers.

The performance of suppliers who constitute a company's supply chain has a grave impact on the company's competitive edge. Thus, we offered eco-friendly supply chain management education to our employees in charge of purchasing, on eco-friendly supply chain management and shared its background information and objectives across the board. We will select target suppliers and develop programs to improve the environmental aspects of our supplier's performance.

## IE-2 CLEANER PRODUCTION

Through the use of clean fuel, we prevent environmental risks and reduce the discharge of environmental pollutants, which minimizes our environmental impact generated through product manufacturing.

### 1 Use of clean fuel

We have replaced bunker C oil with LNG as boiler fuel since 2009 to reduce our emission of GHG and air pollutants. While our Daejeon Plant made a complete transition to LNG in boiler fuel in 2010, the Geumsan Plant followed suit in 2011 and 2012 to save KRW 2.47 billion in fuel costs. In 2013, the one remaining bunker C oil boiler will be replaced with an LNG boiler at the Geumsan Plant. With growing interest in cleaner production in China, our Jiangsu plant changed some boiler fuel to LNG in February 2013.

facilities malfunction. In 2013, our R&D centers will develop sensors that are specialized for odors generated through tire manufacturing and their applications in order to enhance the accuracy of odor measurement.

#### Operation of Atmospheric Diffusion Modeling System

As our Daejeon Plant is located near residential areas, the plant assessed the sphere of odor influence in surrounding areas in accordance with different weather conditions. Wind direction, temperature, humidity, solar radiation, and atmospheric pressure were measured in real time through the weathering system installed within the plant and the outcomes were organized into a database for modeling. Using these results, the plant plans to install odor sensors to respond to odor-related complaints.

### 2 Prevention of Environmental Risks

Our top priority in reducing environmental risks is to address the impact of odors on the surrounding environment that are generated through the manufacturing process. Thus, we invest in and improve the operational efficiency of pollution control facilities while predicting atmospheric diffusion patterns in order to minimize disturbances to local residents.

**Pilot test** Presently, composite odors are measured and regulated through air dilution sensory testing. This test method, however, depends on the individual tester's sensory detection capability and may generate different outcomes in accordance with various environmental factors. To compensate for this shortcoming, an odor sensor that enables constant monitoring was installed on the Concentrator Regenerative Catalytic Oxidizer(CRCO) at the Daejeon Plant in 2012, which was followed by a three-month pilot test. It was demonstrated that the trajectory of measurement outcomes was related to facility efficiency, although it was hard to establish any relationship between these measurement values and outcomes from air dilution sensory tests. We believe that the use of odor sensors will allow us to identify when to replace consumable components of pollution control facilities and to take prompt action when these

### 3 Minimization of the Discharge of Environmental Pollutants

We fully adhere to the legal threshold in discharging environmental pollutants while undertaking continued improvements to further minimize such discharges.

#### Expansion of Facilities to Remove Odor-causing Substances

To minimize the discharge of pollutants from the tire manufacturing process, we have installed and are expanding high-efficiency facilities (CRCO\*, CFRTO\*) that burn LNG. In 2012, the Daejeon Plant operated such facilities for its curing process as well as its rubber-mixing process. To ensure the stable operation of these facilities, operators are trained and standard manuals are defined, while pollution levels are regularly measured to maintain an appropriate level of their operational efficiency.

\* CRCO: (Concentrator Regenerative Catalytic Oxidizer):

Odor-containing air is absorbed by the zeolite concentrator, the concentrated odor substances are desorbed, the catalytic oxidizer is used to oxidize them at low temperatures near 400°C, and they are then released into the air.

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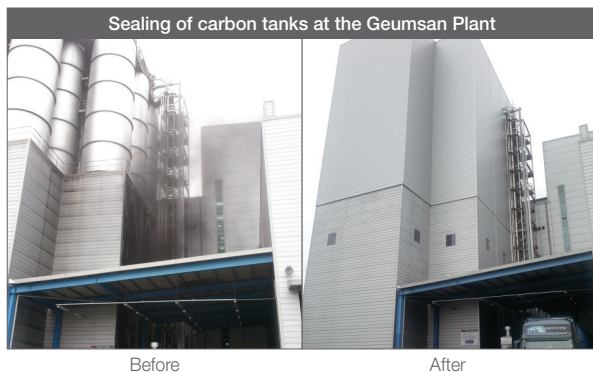
\* CFRTO: (Concentrator Flameless Regenerative Thermal Oxidizer) :

Odor-containing air is absorbed by the zeolite concentrator, thermally-desorbed odors are burnt at high temperatures near 850°C through RTO (regenerative thermal oxidizer) and are then released into the air.

**Installation of De-oilers at Wastewater Treatment Plants** Wastewater from the curing process contains large quantities of oil substances due to the use of hydraulic curing devices. Such wastewater is the main reason behind the reduced efficiency and the increased consumption of chemicals at wastewater treatment facilities. Thus, we installed de-oilers and conducted a one-month pilot test. As a result, 99% of the oil substances were eliminated, which would help to save resources. With proven benefits, de-oilers are currently in operation at the Daejeon Plant.

**Endeavors toward Zero Carbon Leakages** Since 2011, to prevent carbon leakages from rubber-mixing carbon storage tanks installed at the Geumsan Plant, existing old facilities have been replaced and safety devices have been strengthened to block carbon leakages in case of abnormal pressures. This was complemented by the sealing of storage tanks as a way to prevent such leakages from spreading further when they occur. Moreover, dust collector dedicated to carbon storage tanks were deployed and the capacity of existing dust collector was increased, which resulted in zero complaints raised in relation to dust in 2012. Meanwhile, we witnessed increasing complaints over the quality of water on rainy days, which is due to non-point source pollution. As such, we developed countermeasures and are using.

\* Carbon black: Fine black carbon powder used as a major raw material in tire products

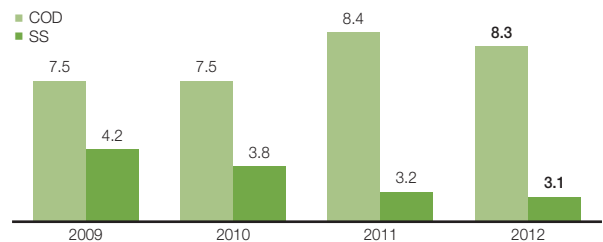


**Concentrations of Discharged Water Pollutants at the Geumsan Plant** (Unit: mg/L)

	2009	2010	2011	2012
COD	7.5	7.5	8.4	8.3
SS	4.2	3.8	3.2	3.1

As the Geumsan Plant processes wastewater through its waste water treatment plant, it is subject to more stringent regulatory criteria. However, the plant is successfully maintaining its discharging threshold at an even lower level than the emission permit.

(COD legal limit: 20mg/L, SS legal limit: 10mg/L)

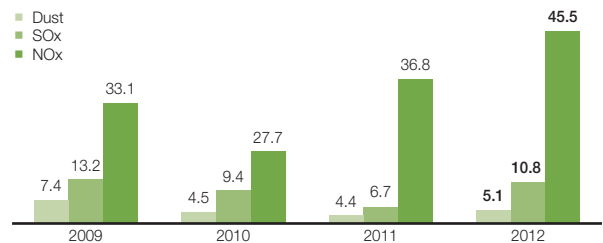


**Concentrations of Air Pollutant Emissions from the Incinerator at the Daejeon Plant** (Unit: mg/L)

	2009	2010	2011	2012
Dust	7.4	4.5	4.4	5.1
SOx	13.2	9.4	6.7	10.8
NOx	33.1	27.7	36.8	45.5

At the Daejeon Plant, waste generated within the plant and waste tires collected from outside are incinerated to produce steam required for its manufacturing process. The plan continues to minimize the environmental impact on the surrounding areas caused by the operation of the incinerator.

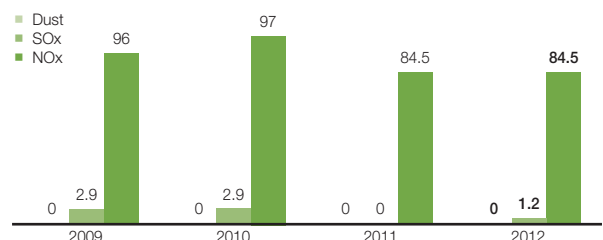
(Dust legal limit: 40mg/L, SOx legal limit: 50mg/L, NOx legal limit: 100mg/L)



**Concentrations of Air Pollutants from Boilers at the Hungary Plant** (Unit: mg/L)

	2009	2010	2011	2012
Dust	0	0	0	0
SOx	2.9	2.9	0	1.2
NOx	96	97	84.5	84.5

Our Hungary Plant uses LNG as boiler fuel to produce steam. Dust is not generated and other pollutant indicators are well managed under legally acceptable levels. (Dust legal limit: 150mg/L, SOx legal limit: 35mg/L, NOx legal limit: 350mg/L)



## IE-3 PRODUCTS AND ENVIRONMENT

We define eco-friendly products as products that contribute to the protection of the natural environment through the prevention of global warming and the conservation of resources in their entire life cycle ranging from design to use and disposal. Therefore, we aim to develop our own eco design process that takes environmental impact into account from the initial product development stage.

### 1 Establishment of Detailed Eco-friendly Product Development Process

**Development Environmental Strategies of Product** We developed product and environmental strategies in each stage of the product life cycle based on conclusions drawn from the life cycle assessment performed in 2012. In 2013, we will distribute our eco-design guidelines that reflect these strategies in order to take environmental impact into account from the initial product development stage. Furthermore, eco-design check lists will be used while simplified LCA will be conducted to reflect its outcomes in one of the product evaluation items as part of the product development process.

#### Definition of Eco-friendly Products

Requirements	Methods to Deliver Eco-friendly Performance
1. Prevention of global warming	Reduce rolling resistance
2. Saving resources	Optimize product structures - Minimize waste of resources through the optimized development of tire structures
3. Use of eco-friendly resources	Use of eco-friendly resources Use eco-friendly materials including Low PAH oil - Replace oil-based materials with eco-friendly ones
4. User safety/comfort	Performance on wet surfaces Noise control

### 2 Product Life Cycle Assessment

In 2011, each PCR and TBR model manufactured at Geumsan Plant were subject to product life cycle assessment and it was revealed that the greatest environmental impact was caused by the consumption of fuel in the product use stage of the product life cycle. This confirmed that reducing tire rolling resistance and making lightweight tires, which are related to the amount of fuel consumed while driving, play a key role in reducing the environmental impact of tires. Furthermore, we verified whether our development of full silica tires and non-pneumatic tires brought any improvement from the life cycle perspective and shared the outcomes with our R&D centers.

Our eco-friendly tire model 'enfren eco' was certified with carbon labeling and we forged the 'Green Card' business partnership with the Ministry of Environment in Korea, which accumulates eco money points when purchasing eco-friendly products, to help establish a culture of low carbon and green consumption. In 2013, we will perform life cycle assessments of each summer and winter tire produced at our Hungary plant in 2012.



Carbon-labeled product – Enfren eco 195/65R/15H

### 3 Reduction of Tire Rolling Resistance

Our research continues on the platform technology concerning structures, raw materials, ingredients and manufacturing process that contribute to high fuel efficiency of vehicles through lower tire rolling resistance. We used the research outcomes to improve the rolling resistance performance of our products by 49.2% from 2007 (K415 standards) and aim to reach 50% by 2013.

Meanwhile, simply reducing rolling resistance may hamper braking, handling and wear performance. Hence, work is underway to find the compound that contains the optimized balance between tire-surface contact pressure and performance level to ensure both driver safety and the product's eco-friendliness. Our Geumsan Plant is conducting various certification and safety tests using its wet road performance testing facility as a way to improve the braking performance of our tires on wet roads. Meanwhile, high-speed driving performance tests and R&D are performed at the testing track installed at the Geumsan Plant and the European PG (Proving Ground). These new technologies are integrated into wide-ranging products that are ultimately delivered to our customers.

### 4 Lightweight Tires

Lightweight tires help reducing the use of raw materials and improve fuel efficiency through reduced vehicle weight. Thus, R&D efforts are underway at Hankook Tire to improve and optimize each tire component to reduce the consumption of resources and develop lighter products. As a result, we successfully developed optimized structures capable of reducing product weight by 10% in total from 2007(K415 standards). A 6.7% reduction technology is currently applied to products and the remaining 3% reduction technology is slated for regular application by 2015.

### 5 Use of Raw Materials Containing Less Hazardous Chemicals

As a way to minimize PAH contained in oil that constitutes tire raw materials, we continue to reduce our consumption of these PAH-containing substances. In 2012, our plants in Korea, Hungary and Indonesia made a complete transition to low-PAH oil in manufacturing products. At our China plants, low-PAH oil is used for all products except for six types of compounds.

\* PAH: Polycyclic Aromatic Hydrocarbons



Green Card agreement-signing ceremony



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## IE-4 MANAGEMENT OF RESOURCES

We are fully aware of the importance of limited resources and thus are committed to recycling more waste and wastewater to efficiently use resources. Furthermore, we developed and are using technology to maximize the use of recycled raw materials while not compromising our product quality.

### 1 Expansion of the Recycling of Waste

#### Introduction of the Pyrolysis of Tire Derived Fuel

Presently, review is underway to introduce a new end of life tire recycling technology that allows both energy recovery and the sales of byproducts through the landfilling of carbon, oil and gas that are generated through the pyrolysis of tire derived fuel (TDF). This new technology may bring such benefits as the replacement of oil imports and the recycling of byproducts as it turns waste into precious resources, rather than simply landfilling or burning it. We are thoroughly reviewing the potential environmental impact of this technology and surveying participating facilities and their surrounding areas. Through this we hope to develop ways to preserve the environment in order to receive approval from the government.

### 2 Expansion of the Recycling of Treated Wastewater

To minimize our consumption of water resources, the wastewater processed at the wastewater treatment facilities of the Daejeon and Geumsan Plants is used for environmental facilities (wet scrubbers) and cleaning water for other facilities. In 2012, we deployed systems to use recycled water for newly-installed environmental facilities (One at the Daejeon Plant and four at the Geumsan Plant), which resulted in KRW 345 million in water bill savings.

### 3 Saving Resources

#### Development of Compounds Containing Recycled

**rubber** Recycled rubber is generated from waste tires which are shredded into powder. After the desulfurization process, it could be used for treads and sidewalls and the shredded inner liner(butyl rubber) could be applicable for inner liner. Our goal is to increase the use of recycled rubber to 4,300 tons in 2013 and 6,800 tons by 2015.

#### Treated Waste (Unit: ton)

	2009	2010	2011	2012
Consigned recycling	22,571	28,150	30,988	31,037
Consigned incineration	5,222	6,336	5,877	5,660
Consigned landfilling	5,167	4,747	5,227	773

We fully recognize the importance of resources and undertake various initiatives for resource management such as the recycling of waste and the introduction of new waste tire recycling technology.

#### Ratio of waste recycling (%)



#### Water Consumption (Unit: 10<sup>3</sup>m<sup>3</sup>)

	2009	2010	2011	2012
Total consumption	5,973	6,420	7,182	7,101

While our water consumption continued to rise due to growing production volume until 2011, diverse initiatives such as the recycling of treated wastewater enabled us to reduce water consumption in 2012.

#### Water consumption intensity (m<sup>3</sup>/product ton)

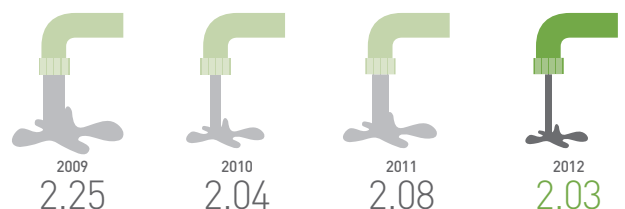


#### Discharge of Treated Water (Unit: 10<sup>3</sup>m<sup>3</sup>)

	2009	2010	2011	2012
Total discharge	1,905	2,014	2,229	2,204

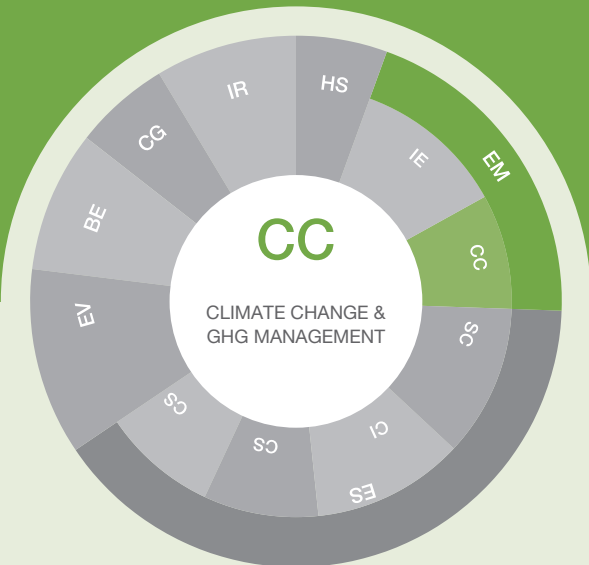
Our water consumption rose due to the decline of recycling of wastewater at the Geumsan Plant for quality issues. In 2012, however, we discovered new applications for recycled water to protect water resources.

#### Discharge intensity of treated water (m<sup>3</sup>/product ton)



## Environmental Management

### FOCUS 02-2 Climate Change & GHG Management



#### Declaration

We are 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, we are committed to enhancing our competitive edge by preventing business-related risks caused by climate change and turning each crisis into opportunity.

#### Management Responsibility and Governance

Our Energy/Carbon Management Subcommittee was established in 2010 and is chaired by the chief head of the Production & Engineering Division. The subcommittee gathers related teams in charge of planning, monitoring, R&D and reduction regarding energy and carbon management and is structured to ensure a more effective response to climate change.

#### GHG Emissions [tCO<sub>2</sub>-eq/year]



Our GHG emissions were calculated from of two Korean and three overseas production subsidiaries under operation. Specifically, our Daejeon and Geumsan Plants have their GHG emissions verified annually by independent third-party organizations to ensure their reliability. (The GHG emissions of our overseas subsidiaries were re-calculated to enhance their accuracy [nation-specific electricity emission factors were applied], which caused discrepancies from the GHG emissions presented in our 2012 CSR Report.)

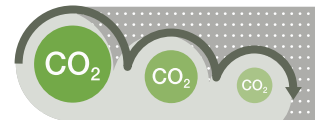
##### Direct Emissions (Scope 1)

2012	234,778
2011	239,771
2010	217,594
2009	189,841

##### Indirect Emissions (Scope 2)

2012	824,802
2011	781,416
2010	756,424
2009	667,788

#### Our Achievements under the Korea Voluntary Emission Reduction (KVER) Project [tCO<sub>2</sub>]



We minimize our GHG emissions through the two GHG emissions reduction projects concerning boiler fuel transition that are registered in the GHG registry of the Korea Energy Management Corporation. Our GHG emission reductions made between 2009 and 2011 were certified by the Korean government. (GHG emission reductions in 2012 are not certified yet.)

2012	22,411
2011	19,766
09-10	14,963

#### Energy Consumption [GJ/product ton]



While we have undertaken wide-ranging energy saving initiatives to continue to reduce our energy consumption, the replacement of aging facilities and the large-scale expansion of environmental pollution control facilities led to an increase in energy consumption.

2012	17.03
2011	15.73
2010	15.85
2009	15.99

#### Reduction in GHG Emissions and Energy Consumption



In 2012, a total of six GHG emissions reduction projects were launched at the Daejeon and Geumsan Plants, which resulted in 16,201 tCO<sub>2</sub>-eq in reduced annual GHG emissions and 33.58 TJ in reduced annual energy consumption. (The significant gap between reductions in GHG emissions and energy consumption at the Geumsan Plant is attributed to its replacement of bunker C oil with LNG as boiler fuel, which drastically cut its GHG emissions.

##### Annual GHG Emissions Reduction in 2012 (tCO<sub>2</sub>-eq/year)

Daejeon Plant	1,354
Geumsan Plant	14,847

##### Annual Energy Consumption Reduction in 2012 (TJ/year)

Daejeon Plant	26.62
Geumsan Plant	6.96



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## Stakeholder Interview

Ahn, Joong Woo (Sungshin Women's University, Department of Interdisciplinary ECO science)

Hankook Tire achieved a remarkable feat in moving beyond a downstream-driven approach such as mere facility improvements. Rather, it adopted such upstream-driven theoretical and statistical approaches as a life cycle assessment to improve products and the environment, odor sensor pilot testing, and atmospheric diffusion modeling. It is also notable that the company proactively responded to the Carbon Disclosure Project and a pilot emissions trading scheme project of the Korean government while widening the scope of its GHG inventory from Korea to overseas. Still, its mid/long-term vision needs to improve further concerning GHG emissions reduction targets, efforts to reduce the environmental footprint along the supply chain and diversified carbon management practices. I believe that Hankook Tire's environmental (carbon) management will benefit from reflecting these improvements in its business plans and taking a stronger long-term perspective. Moreover, I recommend that the company join such government projects as the Large/Medium/Small Company Green Partnership and the Carbon Partnership.

## 2012 Achievements

● : Completed    ◐ : Partially Completed    ○ : Not Implemented    ↻ : Year-round Activity

Code	Key Managerial Issues	2012 Goals	2012 Achievements	Completion	Pages
CC1	Energy/ Carbon management	To calculate GHG emissions generated by logistics activities	The status of logistical data management was analyzed, the calculation method for 2013 was determined and calculations were completed.	◐	32
		To disclose GHG emission sources and volume (CDP 2012)	Public disclosure was completed, and the company received an award in the disclosure score improvement sector of the 2012 CDP Korea 250.	●	32
		To develop plans to satisfy mid/long-term GHG emissions reduction targets	Mid/long-term targets were not completed yet, but 2013 GHG emissions reduction targets for Korean sites and a company-wide GHG adaptation roadmap were established.	◐	32
CC2	Execution and Reduction	To achieve 0.5% improvement regarding energy consumption per product ton (against 2011)	While the 0.5% reduction against 2011 was not achieved, the 2012 global energy intensity target (16.453 GJ/product ton) was exceeded (16.072 GJ/product ton).	◐	33
		To shift to low carbon intensity fuel (bunker C oil → LNG)	Fuel transition was completed of two boilers (GHG emissions were reduced).	●	33
CC3	Supply chain carbon management	To initiate pilot operation of win-win partnership programs to help suppliers with carbon reduction activities	The pilot operation was not undertaken. The company will lay the basis for a supplier carbon management system in 2013.	○	33

## 2013 Plans

Code	Key Managerial Issues	2013 Commitments	Key Index	Deadline	Department in Charge
CC1	Energy/ Carbon management	To develop mid/long-term plans to reduce energy consumption (By 2015)	Development of mid/long-term reduction plans at five production subsidiaries	Mar.	CSR Team/ Machinery Engineering Team 3/ Energy Operations Sub Team (Daejeon/Geumsan Plant) / Global Facility Maintenance Operations Team
		To review the introduction of ISO 50001 (energy management system)	Review report	May	CSR Team/ Machinery Engineering Team 3/ Energy Operations Sub Team (Daejeon/Geumsan Plant)/ Global Facility Maintenance Operations Team
CC2	Execution and reduction	Energy/GHG emission diagnoses and exchange	Energy/GHG emission diagnoses and exchange Change of the type of steam traps Reduction of the steam purge of curing devices	Nov.	Machinery Engineering Team 3/ Energy Operations Sub Team (Geumsan Plant)
		To introduce new and renewable energy sources	Introduction of pyrolysis facilities Use of LED lighting	Dec.	Machinery Engineering Team 3
		To use high-efficiency devices	Improvement of the efficiency and capacity of boilers Installation of automatic boiler water blow devices	Oct.	Machinery Engineering Team 3/ Energy Operations Sub Team (Daejeon/Geumsan Plant)
		To design an energy management system (han-ever)	Design report	Oct.	Facility Maintenance Operations Team (Geumsan Plant)
		To lay the basis for a supplier carbon management system	Identification of supplier GHG emissions	Dec.	CSR Team/ Purchasing Planning Team, etc.
CC3	Supply chain carbon management				

## CC-1 ENERGY/CARBON MANAGEMENT

We publicly disclosed our 2011 outcomes in building GHG inventory through CDP 2012 and were awarded in the public disclosure score sector of the 2012 CDP Korea 250. We also laid the basis to evolve into a global carbon management company through the identification of our current operational status to calculate logistically-caused GHG emissions and the development of company-wide climate change plans.

### 1 Calculation of Logistically-caused GHG Emissions

We aim to widen the scope of GHG emissions calculation from Scope 1 (direct emissions) and Scope 2 (indirect emissions), which are mandatory requirements under the Korean government's GHG and Energy Target Management System, to Scope 3 (other indirect emissions) to manage our GHG emissions more comprehensively. We gathered basic data of our downstream (transport and delivery of finished products) and upstream (transport of raw and subsidiary materials) logistical operations to identify our status of data management. Our 2013 goal is to gradually expand the scope of GHG emission calculations starting from downstream operations in Korea and to include Scope 3 GHG emissions caused by employee's airborne business trips.

### 2 Disclosure of GHG Emissions and Their Sources (CDP 2012)

We publicly disclosed our global-level GHG emissions, their sources and climate change adaptation initiatives that span our global production subsidiaries through the Carbon Disclosure Project 2012. Specifically, our disclosed score rose significantly from the score disclosed through our 2011 CDP reporting and this won us an award in the 'public disclosure score improvement' sector of the 2012 CDP Korea Awards.



Receiving an award for outstanding performance in responding to climate change at the 2012 CDP Korea Awards

### 3 Development of Mid/long-term GHG Emissions Reduction Targets and Plans

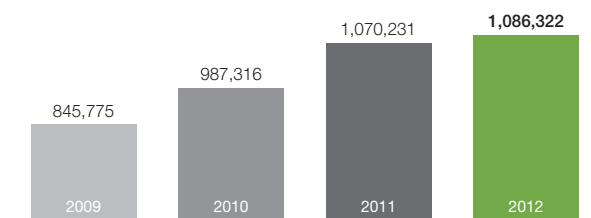
While our company-wide GHG emissions reduction target was not yet defined as the status of data management and reduction potential of our overseas subsidiaries was not fully identified, our Korean business sites have developed their GHG emissions reduction targets for 2013 and are undertaking various initiatives to reach them. Furthermore, action plans were set through the company-wide climate change adaptation roadmap.

#### C A S E S T U D Y

To respond to the national emissions trading scheme to be launched in 2015, we voluntarily participated in the '2011 pilot emissions trading project in the industrial/power sector'. We were chosen as an outstanding performer in the top 30% as a result of project evaluation outcomes.

#### Production Volume

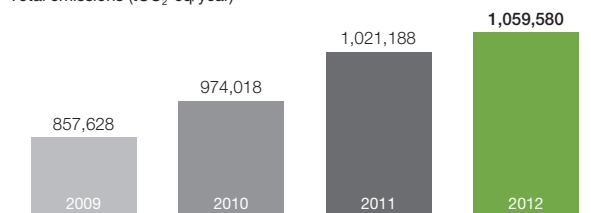
	2009	2010	2011	2012
Total production volume (ton)	845,775	987,316	1,070,231	1,086,322



#### GHG Emissions

	2009	2010	2011	2012
Total emissions (tCO <sub>2</sub> -eq/year)	857,628	974,018	1,021,188	1,059,580
Intensity (tCO <sub>2</sub> -eq/product ton)	1.0140	0.9865	0.9542	0.9754

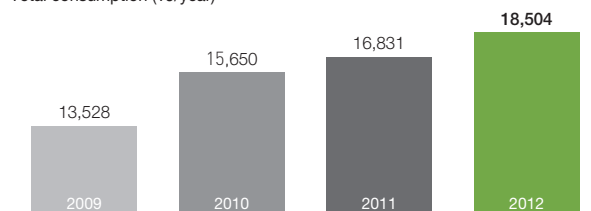
Total emissions (tCO<sub>2</sub>-eq/year)



#### Energy Consumption

	2009	2010	2011	2012
Total consumption (TJ/year)	13,528	15,650	16,831	18,504
Intensity (GJ/product ton)	15.99	15.85	15.73	17.03

Total consumption (TJ/year)



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## CC-2 EXECUTION AND REDUCTION

Our top priority is to reduce energy consumption in the manufacturing process in order to minimize the impact caused by energy price fluctuations domestically and internationally, and to put energy/carbon management into action. To reduce our GHG emissions and energy consumption per product ton, we consistently undertake such initiatives as utility improvement, energy recovery and recycling and change in boiler fuel.

### 1 Reduction of Energy Consumption

Our sustained commitment to reducing energy consumption in the manufacturing process is based on company-wide endeavors such as the improvement of aging processes, the installation of high-efficiency energy-saving devices and the introduction of innovative process management systems. While the large-scale expansion of environmental facilities prevented us from reaching our initial target of a 0.5% drop in energy intensity compared to 2011 due to increased

energy intensity, we successfully outperformed our 2012 global energy intensity target (16.453 GJ/product ton → 16.072 GJ/product ton). Our energy-saving initiatives will further broaden their scope from Korean business sites to overseas sites in the upcoming years.

\* Our energy intensity target concerns energy consumption that directly affects production only and is thus different from the total energy consumption intensity.

### Examples of Reduction and Execution

#### Geumsan Plant

**Replacement of Bunker C Oil with LNG in the boiler fuel** The Geumsan Plant shifted from bunker C oil to LNG (liquefied natural gas) to fuel two boilers, which reduced 14,493 tCO<sub>2</sub>-eq in annual GHG emissions and saved KRW 2.47 billion in fuel costs. In 2013, work is underway to change the boiler fuel from bunker C oil to LNG for the one remaining boiler at the plant in order to conclude a complete transition to LNG.

**Recovery of Waste Heat from Curing Process and Boiler Drains** The plant is operating a system to recover and reuse the heat ventilated to the outside air during the manufacturing process or generated from the boiler's blow down drains in order to recover energy and save costs, which enabled the plant to reduce 354 tCO<sub>2</sub>-eq in GHG emissions and KRW 92 million in fuel cost. The system is currently standardized to be expanded into overseas plants.

#### Daejeon Plant

**Heating Boiler Feed Water through the Use of Heat from Boiler Exhaust Gas** As part of its efforts to maximize the recovery and use of energy, fuel economizers were relocated for three LNG boilers to recover the heat source from exhaust gas, which increased the temperature of boiler feed water while reducing the temperature of exhaust gas. This allowed the plant to save 521,545 Nm<sup>3</sup>/year in fuel consumption and reduce 1,171 tCO<sub>2</sub>-eq in annual GHG emissions and KRW 368 million in fuel cost.

**Wireless Leak Detector Installed within the Steam Trap Used for Curing Process** The steam trap used for the curing process, which had previously been subject to monthly inspections, was equipped with a wireless leak detector. The detector signals device malfunctions so that the trap can be repaired immediately and the leakage of steam is prevented. The installation of this wireless detector enabled the plant to reduce 39,299 Nm<sup>3</sup>/year in fuel consumption and 88 tCO<sub>2</sub>-eq in annual GHG emissions and thus saved KRW 31 million in fuel costs.

**Shift to High-efficiency Transformers** The aging transformer used for the extrusion process in the Daejeon Plant was replaced with a high-efficiency mold transformer, which enhanced the quality of the electricity supply and lowered electricity consumption. This allowed the plant to reduce 202,948 kWh in electricity energy consumption, 94.62 tCO<sub>2</sub>-eq in GHG emissions and KRW 18 million in electricity costs annually.

## CC-3 SUPPLY CHAIN CARBON MANAGEMENT

We continue to review the operation of carbon reduction programs based on cooperation with suppliers and strive to develop a cooperative network to establish a supply chain carbon management system.

### 1 Operation to Introduce Supplier Partnership Programs of Carbon Reduction

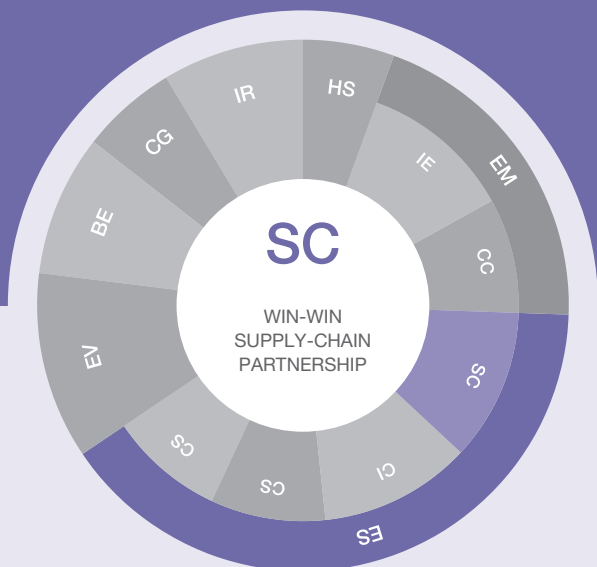
The initially-planned pilot operation, to work with one supplier to introduce supplier carbon management programs, was not undertaken due to the difficulty in selecting supplier candidates and

the lack of sufficient preparation. In 2013, however, we will initiate our efforts to identify GHG emissions of our suppliers as a way to renew our commitment to establishing the basis for supplier carbon management and assisting suppliers' GHG emissions reduction activities.

## External Stakeholder Satisfaction Management

### FOCUS 03-1

#### Win-Win Supply-chain Partnership



### Declaration

We are committed to a win-win partnership as an enabler for sustained growth and development through a transparent and trust-based relationship with suppliers.

### Management Responsibility and Governance

The Supplier Subcommittee is responsible for managing suppliers and improving supplier relations under the supervision of executives in charge of purchasing decisions. Our Purchasing Planning Team develops general policies regarding the Supplier Subcommittee and assists respective teams in implementation regarding purchasing, quality, R&D, and ENG\*

\* ENG : Engineering

### Supplier CSR Training



In 2012, we offered training to 63 raw and subsidiary material suppliers in Korea to emphasize the importance of CSR initiatives and to disseminate our ethics management.

### Regular Supplier Surveys [No. of Suppliers]



Since 2010, we have been surveying our suppliers on their satisfaction with our supplier relation policies and operation as well as soliciting suggestions as a way to broaden mutual understanding with suppliers.



### Supplier Satisfaction [Points]



Our supplier satisfaction index was generated along with supplier surveys that were conducted on purchasing policies, supplier evaluation systems, supplier differentiation systems, and partnership.



### Purchasing of Eco-friendly Materials [Tons]



We are dedicated to expanding the purchase of eco-friendly materials that is harmless to the human body and help enhance tire fuel-efficiency as well as the use of materials with reduced odor, thereby contributing to better environmental performance of our products.



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## Stakeholder Interview

Choi, Young Ho (Orion Engineered Carbons Co. Ltd)

Hankook Tire's HePS helps improve its operational efficiency in working with suppliers, while Partnership Day is celebrated by both Hankook Tire and its suppliers as one of the various communication channels the company operates to share joint future goals. As a supplier, we believe that these endeavors are critical to building stronger partnerships and maintaining cooperative relationships that contribute to reaching Hankook Tire's growth targets.

Improving tire performance to respond to changing trends (such as the labeling system) and being a leader in the global tire market, however, requires that we not only move towards shared goals but also improve the quality of raw materials and develop new product technology. Thus, I believe that wide-ranging mutual multi-level communication channels (technology/R&D Centers ↔ sales/purchasing, management) are needed to share technological and market trends to ensure sustained joint growth of both Hankook Tire and its suppliers.

## 2012 Achievements

● : Completed   ● : Partially Completed   ○ : Not Implemented   ⌚ : Year-round Activity

Code	Key Managerial Issues	2012 Goals	2012 Achievements	Completion	Pages
SC1	Supplier management and supplier relations policy	To support and disseminate CSR to suppliers	Registration and reception of CSR compliance agreements Supplier CSR & ethics management training	●	36
		To integrate and standardize supplier management on a global level	Standardization of supplier operational strategies, evaluation methods and differentiation strategies	●	36
SC2	Supplier communication	To facilitate on-line communication - Assessment of suppliers, feedback facilitation - Reinforcement of group notification and messaging	Facilitation of HePS-based two-way communication - Year-round posting of ethics management brochures on the HePS portal - External stakeholder satisfaction management - Supplier surveys	●	37
		To celebrate Supplier Partnership Day	Celebration of Supplier Partnership Day - Invite all raw material, facility and indirect suppliers	●	38
SC3	Supplier Partnership Programs	To undertake supplier differentiation/sophistication strategies	Supplementation of supplier differentiation strategies Provision of additional support (merits) through the verification and selection of top-performing suppliers	●	38
		To develop purchasing principles that respect the physical and intellectual property rights of suppliers	Development and posting of purchasing policies on the HePS portal	●	38
SC4	Facilitation of green purchasing	To purchase more eco-friendly materials	Expansion of the share of eco-friendly materials in total purchases	●	39

## 2013 Plans

Code	Key Managerial Issues	2013 Commitments	Deadline	Department in Charge
SC1	Supplier management and supplier relations policy	To expand the share of local purchasing - Expansion of local purchasing in areas where manufacturing plants are located	Mar.	Purchasing Planning Team / Purchasing 1 Team
		To expand CSR evaluations and implementation - Target all suppliers	Oct.	Purchasing Planning Team
		To set CSR-based targets as part of the supplier management system	Mar.	Purchasing Planning Team
SC2	Win-win supplier Partnership	To launch supplier chain environmental management - Participation in the Green Partnership project (Ministry of Knowledge Economy)	Sep.	CSR Team / Purchasing Planning Team
		To use supplier selection and evaluation criteria (including CSR evaluations) on a global level	Jun.	Purchasing Planning Team
SC3	Improvement of supplier ESG	CSR-related requirements for suppliers - Improvement of the check sheet in consideration of environment, safety, health, labor and Human Right.	Jun.	Purchasing Planning Team
		To strengthen supplier differentiation strategies - Incentives or penalties	Jun.	Purchasing Planning Team
		To improve on QC monitoring - Follow-up monitoring in accordance with diagnostic outcomes	Nov.	Purchasing Planning Team

## SC-1 SUPPLIER MANAGEMENT AND SUPPLIER RELATIONS POLICY

We pursue partnership management through shared growth with suppliers. In 2012, we provided supplier training to disseminate the importance of CSR initiatives and our ethics management, while assisting suppliers in complying with and implementing CSR requirements.

### 1 Supplier CSR Training

**Supplier CSR Training and Dissemination of Hankook Tire's Ethics Management** We offered training to 90 employees from the total 63 suppliers of raw materials in Korea to emphasize the importance of CSR initiatives and disseminate our ethics management. In 2013, we will continue to provide such training while reflecting CSR criteria in comprehensive supplier assessment and offering differentiated incentives based on assessment outcomes. In so doing, we will assist suppliers in improving on and undertaking CSR operation.

### 2

### Supplier's CSR Compliance and Implementation

**Consent on supplier's CSR compliance and implementation and support their implementation** We expect our suppliers to comply with global CSR regulations regarding work hour limits, workplace safety and hazardous chemicals management. Thus, we obtained the agreement to comply with CSR requirements from 386 suppliers (32%) out of the 1,205 raw material, facility and indirect suppliers who work with us. Our endeavors continue to expand supplier's CSR compliance. Our future plan is to further encourage suppliers to engage themselves in CSR initiatives; those who do not sign our CSR compliance agreement will be limited in using our systems.

## CONSENT OF CSR COMPLIANCE FOR HANKOOK TIRE SUPPLIERS

### Child Labor

We do not hire youth under 17 years old and take special safety measures to prevent any harm from occurring during work for those under 18.

### Compensation

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

### Forced Labor

We ensure that forced labor is not accepted under any circumstances 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.

### Harassment and Discrimination

We develop and implement regulations (or policies) to prevent sexual harassment and 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 working hours.

### Community Engagement

We do not harm the interest 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 discharge of pollutants.

### Hankook Tire's Principle for Property Rights

We respect the physical and intellectual property rights of our suppliers and others.

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## SC-2 SUPPLIER COMMUNICATION

We operate diverse communication channels to widen our mutual understanding with suppliers and to build the foundation for the partnership. In addition to on-line communication based on the strengthened VOC functionality with the HePS, we continue to interact with our suppliers through supplier surveys and supplier events.

### 1 Facilitation of Online Communication

**Improvement of Group Notification and Messaging within the HePS** We gather and address VOC to facilitate communication with suppliers. Furthermore, our HePS portal is regularly uploaded with postings concerning our ethics management and trust-based supplier relationship and 'Never Give or Take Holiday Gifts' campaign. In so doing, we ensure that our supplier policies are transparently shared.

### 2 Regular Supplier Surveys

#### Annual Survey Conducted and Outcomes Reported

We annually survey our suppliers to identify their satisfaction with our supplier relations policy and initiatives and to compile their suggestions. The results are used to understand and improve on unsatisfactory practices and are reflected in our win-win partnership policies. While we directly surveyed our suppliers in 2011, an external independent survey organization was enlisted in 2012 to enhance the objectivity of our supplier surveys. In 2012, 126 out of a total of 145 suppliers provided responses to the survey. Additional questions were added to identify their general satisfaction with our respective supplier support programs as well as to pinpoint overall satisfaction as a way to calculate the comprehensive satisfaction index. It was demonstrated that the total satisfaction score fell by 1.1 points to 73.4 points regarding our purchasing system, supplier assessment systems, supplier differentiation programs and partnership. While our suppliers responded positively on the fair transactions, payment conditions and transparency, they demanded that further improvement be made concerning prices & volume and information sharing. These surveys help us gather supplier feedback and integrate such feedback in improving our HePS.

TO-DO	항목	잔수
PR 승인 대기 건		0
PR 접수 대기 건		0
PR 담당자 책임 대기 건		0
RFQ 대기 건(선택제)		0
RFQ 대기 건(통제제)		0
RFQ 대기 건(통제제)		0
RFQ 대기 건(일반)		0
구매문의 대기 건(선택제)		0
구매문의 대기 건(통제제)		0
구매문의 대기 건(일반)		0
P.O 대기 건		0
기밀요청 대기 건		0

제목	작성일
한국타이어 품질 선물 안주고 인라인 안내문	2012/01/09
신규회원가입 절차 및 연락처 작성방법 안내	2012/01/04
한국타이어 구매시스템 저차차 합격자 합격자 제출	2011/11/20
한국타이어 구매시스템 합격자 제출	2011/11/14
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합격자 VOC 이메일 접수 안내	2011/10/06
Agent사 합격자명 정산 시 유의사항 공지	2011/09/16

Ethics management brochure

**Hankook** driving emotion 한국타이어 주식회사  
152-728 서울시 강남구 역삼동 647-15  
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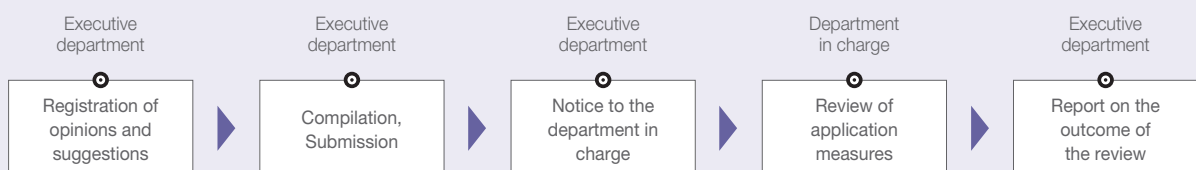
날짜 2012년 09월 12일  
발신 한국타이어 주식회사  
수신 협력 업체 제위  
참조 각 사 대표 이사  
제목 한국타이어 "품질 선물 안주고 인라인" 캠페인 안내문

한국타이어는 "고객에게 가치와 즐거움을 제공하는 Leading Global Tire Company"라는 Vision2020을 수립하고, 행동과 가치 판단의 기준이 되는 윤리규범을 제작하여 이를 실천하고 있습니다. 그리고 협력업체와는 신의성실 원칙에 따라 상호 발전할 수 있도록 지속적인 노력을 경주하겠습니다.

이번 추석을 맞이하여 당사에서 지속적으로 시행하는 "품질 선물 안주고 안 받기" 캠페인을 계속 실천하고자 합니다.

'Never Give or Take Holiday Gifts' campaign

### Year-round Supplier Communication Systems and Operational Processes





### Outcomes of the Supplier Satisfaction Survey

Total Satisfaction	Total satisfaction in 2012 fell by 1.1 points from the previous year to 73.4 points. Fairness, payment conditions and transparency were positively evaluated while further improvement was required regarding prices.
Supplier Assessment Systems	Assessment systems were necessary (61.9%)/System operations were positively evaluated (62.7%). System supplementation is needed to offer differentiated incentives to suppliers based on assessment outcomes and to encourage suppliers to improve further.
Supplier Differentiation Programs	Positive incentives: Increase in purchasing volume/long-term and stable business relationship, price incentives Negative incentives: Decrease in purchasing volume/more stringent inspections
Win-Win Partnership	Suppliers were proactive in strengthening their partnership with Hankook Tire and were satisfied with our supplier communication (79.4%). Guaranteed long-term business relationship/transparent and objective evaluation and eased transaction conditions are critical to maintaining supplier partnership

### 3 Celebration of Supplier Partnership Day

We celebrate Supplier Partnership Day to express our gratitude to suppliers for their efforts and cooperation in contributing to the development of Hankook Tire, as well as to share our corporate vision, management principles and mid/long-term plans. Our 2012 Supplier Partnership Day was attended by 159 employees from 118 top-performing raw material, facility and indirect suppliers, in addition to natural rubber suppliers and overseas synthetic rubber suppliers. The event served as a venue for us to communicate our commitment to shared growth with suppliers.



Celebration of Supplier Partnership Day

## SC-3 WIN-WIN SUPPLIER PARTNERSHIP PROGRAMS

At Hankook Tire, annual supplier assessments are made and top-performing suppliers are provided with differentiated incentives as a way to boost our competitive edge along the supply chain. We also offer our suppliers training and workshops to help enhance their competitive edge and to open opportunities for shared growth.

### 1 Differentiated Supplier Strategy

**Analysis and Supplementation of Our Supplier Differentiation Strategy** We develop supplier differentiation programs based on assessment outcomes in order to motivate our suppliers to improve their performance, ensure our competitive edge along the supply chain and achieve shared growth with suppliers. To this end, our supplier differentiation strategy was complemented in 2012 and its scope will broaden in the upcoming years. Included in our positive incentives offered to top-performing suppliers are: the expanded scope of the winning price benefits, differentiated contract payment conditions, shortened electronic bill payment deadlines, guarantee of minimum contract volume and long-term contract periods. Furthermore, strategic partnerships will be forged with professional suppliers with process-specific technological advantages while suppliers who work exclusively with us will be fostered as core suppliers.

### Purchasing Principle that Respects the Physical and Intellectual Rights of Suppliers

We are committed to adhering to ISO 26000 (international corporate social responsibility standard). Thus, we included our commitment to respecting physical and intellectual property rights in our fair operating practice regulations while establishing additional principles to respect the physical and intellectual property rights of others in our CSR compliance agreement. We will abide by such commitment in the upcoming years. (Physical property: land and buildings; /intellectual property: patent rights and others)



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## SC-4 FACILITATION OF GREEN PURCHASING

We continue to expand our purchasing and use of eco-friendly products as a way to increase the use of eco-friendly materials and manufacture tires that are higher in fuel and performance efficiency. These efforts are not only critical in enhancing the environmental value of our products but also form the key first step in expanding CSR throughout the entire business process of raw materials consumption, manufacturing and sales.

### 1 Purchasing of Eco-friendly Materials

#### Purchasing of More Eco-friendly Materials (low-PAH synthetic rubber, low-PAH oil, silica, light-weight steel cords)

Our definition of eco-friendly materials refers to materials that contain low or zero PAH substances that are hazardous to the human body and those that contribute to improving tire fuel efficiency. Newly added to this definition are raw materials that emit reduced odors in consideration of external environments. These green materials include low-PAH synthetic rubber, low-PAH oil, silica, and lightweight steel cords.

We have continued to replace PAH-containing oil and synthetic rubber with those of low or zero PAH. In addition, we consume lightweight tire materials to develop and manufacture high-fuel efficiency tires while expanding the use of resins with reduced odors to improve the surrounding environment. In 2012, our consumption of eco-friendly materials rose 55% from the previous year to 114,000 tons, which is translates into 16% of our total raw material consumption (11% in 2011). The use of eco-friendly materials, and the development and application of high-fuel efficiency tires are just a few of our endeavors to respond to eco-labeling programs implemented by the EU and countries around the world.

Trend of Eco-friendly Materials Consumption (Unit: ton)

Material	2010	2011	2012	Ratio (YoY)
Non-petroleum-based silica	13,054	14,070	14,481	103%
Lightweight steel cords	3,651	10,926	27,250	249%
Low-PAH synthetic rubber and oil	57,575	48,294	71,943	149%
Resin	-	818	874	107%
Total consumption of eco-friendly materials	74,280	74,108	114,548	155%
Consumption ratio	12.6%	11%	16%	5% ↑

\* Calculation methods are different between 2010 and 2011

\* 2012 data is an estimate based on the Korean headquarters earnings.



## External Stakeholder Satisfaction Management

### FOCUS 03-2

#### Community Involvement & Development



#### Declaration

We are determined to serve as a direct and indirect contributor to the economic development of our nation and local community and take the lead in addressing key local issues through sustained communication with the local community. Furthermore, we are committed to fulfilling our roles and responsibilities as a corporate citizen as well as creating social values by giving them back to society, and seeking co-existence with those who are in need of our positive contributions.

#### Management Responsibility and Governance

CSR Team in the Business Infra Division is responsible for building corporate philanthropic strategies and directions, developing relevant programs and other general management affairs. The Philanthropy Subcommittee, which consists of the Vice President of the Business Infra Division, CSR Team, Cultural Communication Team, Corporate Communication Team, Operation Support Team, and the Sharing Foundation, meets quarterly to ensure that our corporate philanthropic initiatives are undertaken in a way that is integrative and strategic. The subcommittee follows the 4-step operational cycle of planning, execution, checks and reporting.

#### Fundraising at the Online Donation Website 'Dreamfull' [KRW 1,000]



'Dreamfull,' the online donation website we operate in conjunction with the Corporation Leftovers Love Sharing Community, helps us disseminate the true meaning of charitable contributions to our employees and customers while building consensus and facilitating social contribution initiatives.



#### Donation of Vehicles (Compact Cars) to Social Welfare Agencies [Number of Vehicles (Accumulated)]



We continue to expand our support to provide vehicles (compact cars) to social welfare agencies nationwide as part of our social-giving initiatives that are aligned with our core business.



#### Discussion Meetings with Local Government Agencies and Relevant Organizations [Number of meetings/month]



We hold discussion meetings year-round with local government agencies, NGOs and representatives of local communities.



#### Global Corporate Philanthropic Expenditures [KRW 100 million]



Our corporate philanthropic initiatives undertaken in countries where we operate ensure that we identify their community issues and concerns. This assists us in developing nation-specific corporate philanthropic guidelines and in undertaking strategic social-giving initiatives.

Korea (Including the Sharing Foundation)	3,223,613,884 KRW
China	3,672,926 CNY
Europe	128,731 EUR
Indonesia	30,085 USD

Establishment of the company-wide philanthropy system	42
Expansion of employee consensus and reinforcement of executive capability	42
Development and brandization of specialized programs	43
Reinforcement of communication with local communities and identification of local issues	44

## Stakeholder Interview

Kim, Jinhui (Community Chest of Korea, Resource Development Division)

Our relationship with Hankook Tire was initiated through its 'Driving Happy Together' program to help replace old tires with new ones free-of-charge for social welfare organizations. Because these organizations use vehicles to deliver and administer various services, their vehicle tires are often severely worn and their life span is shortened significantly compared to personally owned vehicles. Appropriate replacement of these tires is critical to safe driving, but this is challenging due to the high replacement cost. Being aware of such unmet needs of social welfare organizations, in 2010 the company began to offer free tire replacement services for 1,500 social welfare organizations. This has greatly assisted in ensuring the safer driving of these vehicles, which are an important medium of service delivery. Celebrating its third year, this program will choose beneficiaries through heated public competition this year. In 2013, the program will grow in size in conjunction with the Fruit of Love program. With this, I hope that our nation will be filled with greater contentment through Hankook Tire's warm-hearted social-giving initiative.

## 2012 Achievements

● : Completed   ● : Partially Completed   ○ : Not Implemented   ⌚ : Year-round Activity

Code	Key Managerial Issues	2012 Goals	2012 Achievements	Completion	Pages
CI1	Establishment of the company-wide philanthropy system	To expand and organize the Donggeurami Volunteering Team in Korea	Development of an employee volunteerism support program and other policies 2012 achievements (221 occasions, 1,336 employees, 16,308 hours)	●	42
		To globalize corporate philanthropic initiatives	Identification of corporate philanthropic trends of respective nations where our plants are located, and the development of corporate philanthropic guidelines	●	42
CI2	Expansion of employee consensus and reinforcement of executive capability	Promotion of the online donation website 'Dreamfull'	Operational expenses for the 2nd year (KRW 255 million) Participation of other companies (Kyowon Group and four others) Outcomes - New members : 7,958(accumulated: 9,966) - Donations : 29,455 donations (accumulated: KRW 53,019) - Total donation : KRW 349,135,572(accumulated : KRW 897,245,011)	●	42
		To regularize the donation campaign to facilitate employee participation	Direct employee's participation (gift packaging, encouragement letters) Season 2 of the Going to School with Excitement campaign undertaken in celebration of our 70th anniversary Grant matching program (KRW 201,200,000)	●	42, 43
CI3	Development and brandization of specialized programs*	To develop specialized philanthropic programs in Korea**	Donggeurami Bus to enable the less-privileged to have cultural experiences (Budding Bus***) -Support 75 organizations (343 applicants) -2,948 beneficiaries -Total distance traveled: 13,548 km Corporate philanthropic program competition - Held in conjunction with the Community Relations Center and six companies - 23 teams applied under the Hankook Tire's theme and three of them were chosen.	●	43
CI4	Reinforcement of communication with local communities and identification of local issues	To prioritize pending local issues	Discussion meetings held when environmental issues arose due to the facility expansion of Geumsan Plant Communication through the invitation of local people and discussions meetings	⌚	44

\* Initially titled 'Development and brandization of representative programs' in 2012, this key managerial issue was modified into 'Development and brandization of specialized programs' to take our corporate philanthropic initiatives a notch higher through the evolvement of specialized programs into representative ones.

\*\* While our initial plan in 2012 was to develop representative programs in the safety/environment segment, chartered bus support to enable the less-privileged to enjoy cultural experiences became our top priority in order to respond to growing external needs to assist less-privileged children. Meanwhile, a corporate philanthropic program competition was held to identify ideas that will lead to the development of social-giving initiatives in the safety/environmental sector.

\*\*\* While the pilot program in 2012 was not undertaken under any official title, it was named 'Budding Bus' in 2013.

## 2013 Plans

Code	Key Managerial Issues	2013 Commitments	Key Index	Deadline	Department in Charge
CI1	Establishment of the company-wide philanthropy system	To facilitate the employee volunteer group	Implementation Support and expansion of employees' participation	Year-round	CSR Team/ Cultural Communication Team
		To systemize the management of corporate philanthropic initiatives	Development of evaluation methods	May	CSR Team
		To undertake global common programs	Expansion of tire support activities to a global level	Oct.	CSR Team/ Relevant local teams
CI2	Expansion of employee consensus and reinforcement of executive capability	To expand campaigns to facilitate employee's participation in corporate philanthropic initiatives	Continued operation of existing campaigns Donation of a small portion of monthly income	Year-round	CSR Team/ Human Resource Management Team
		To expand employee training	Training of promoted employees (promotion candidates)	Year-round	CSR Team
CI3	Development and brandization of specialized programs	To undertake specialized programs in Korea	Expansion and stabilization of the cultural experience bus program	Jun.	CSR Team/ Hankook Tire Sharing Foundation
CI4	Reinforcement of communication with local communities and identification of local issues	To strengthen the management system of local community communication	Establishment of an issue-sharing process	Sep.	CSR Team/ Cultural Communication Team/ Operation Support Team

## CI-1 ESTABLISHMENT OF THE COMPANY-WIDE PHILANTHROPY SYSTEM

Our corporate policy supports employee volunteerism to encourage our employees to participate in corporate philanthropic initiatives as a way to expand such initiatives on a company-wide level. Furthermore, our giving guidelines were developed through the identification of corporate philanthropic trends of nations where our plants are based.

### 1 Expansion and Organization of the Donggeurami Volunteering Team in Korea

**Employee Volunteerism Policy** Previously, an official company-wide volunteering organization or regulated policies did not exist, and few employees at the Daejeon and Geumsan Plants took the initiative to volunteer at Hankook Tire. We realized, however, that an official company-wide volunteering team as well as support policies were necessary to encourage all employees to volunteer, and thus developed operational plans related to the composition, support and management of an employee volunteering organization. This was completed by identifying the operational status of existing volunteer groups and through the comparison against external indicators. These operational plans include the composition of our company-wide formal volunteering team and corporate support (absenteeism, training, expenditure support) and reward policies (incentives and awards) to promote the participation of all employees. In 2013, we will celebrate the launching of our company-wide volunteering team and facilitate its operation in order to expand employees' participation in volunteering initiatives.

#### Status of Employee Volunteerism in 2012

No. of activities	Volunteer hours	Volunteers
221	16,308 hours	1,336 employees

### 2 Globalization Country-specific Corporate Philanthropic Guidelines

Our global corporate philanthropic initiatives are undertaken primarily in those countries where our global operations are based. In 2012, we performed internal/external trends analyses and identified the current status of the local communities where we operate to further evolve these initiatives. This enabled us to learn respective countries' pending issues and social-giving trends: education and environment in China, child education and culture in Hungary and education and livelihood infrastructure in Indonesia. We also identified enormous gaps in corporate philanthropic expenditures among countries as well as the need for criteria to determine the direction and budget of such initiatives. This prompted us to set the direction and budget criteria for country-specific major social-giving initiatives. In 2012, we aim to undertake global common programs through the free tire support (beneficiaries differ by country) while using country-specific corporate philanthropic guidelines to paint a more detailed picture of our specialized social-giving projects (programs) that reflect distinctive pending issues.

## CI-2 EXPANSION OF EMPLOYEE CONSENSUS AND REINFORCEMENT OF EXECUTIVE CAPABILITY

Our on-line donation website 'Dreamfull' allowed us to build employees' consensus on our corporate philanthropic commitment and facilitate their participation. The donation campaign held in celebration of our corporate anniversary and the year-end grant matching campaign that was initiated in 2011 were undertaken in 2012. These donation campaigns will be established as regular events and be held under the supervision of the CSR Team. In addition, volunteering activities that directly engaged our employees were launched.

### 1 Facilitation of the Online Donation Website Quantitative Growth of Dreamfull

Our online donation website 'Dreamfull' was launched in 2011 in conjunction with the Corporation Leftovers Love Sharing Community as an online corporate philanthropic initiatives, in addition to our existing off-line initiatives. Dreamfull is growing into a unique type of online donation community that is the result of a combination of professional assistance (our promotional and marketing capabilities), employees' donations and volunteering and NGO's' on-the-spot capabilities. In 2012, Dreamfull broadened its scope from donations to serve as a channel to receive admissions for the public competition events held by Hankook Tire and the Sharing Foundation. In addition, its offline marketing activities were undertaken through our existing summer highway safety check campaign. This enabled our employees and customers to easily engage in making online donations and become significant contributors themselves to social-giving initiatives. In 2012, Dreamfull grew its membership with 7,958 new members (1,307 new members in 2011/9,966 members total) and received KRW 349,135,572 in donations (KRW 332,961,613 in 2011 / KRW 897,245,011 in total), which went to benefit 1,686 (1,307 in 2011) children (or organizations).

### 2 Regular Donation Campaigns Continued Operation of the Donation Event in Celebration of the Corporate Anniversary and the Grant Matching Campaign

Our 'Going to School with Joy', an employee donation campaign, held in commemoration of our corporate anniversary, and the year-end grant matching campaign, have continued since 2011 through the operation of Dreamfull. Specifically, the year-end grant matching event included the campaign to post messages of encouragement for children victimized by sexual assaults, in addition to donations. While donations made under the 'Going to School with Joy' campaign fell to 30% of those made in 2011, our employees' commitment to this donation event continued to reach KRW 20,478,759 in total in 2012. We are committed to the operation of these two campaigns in 2013 and will launch a new initiative to allow employees to donate a small portion of their monthly income as a way to engage more employees in our donation campaigns.

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## Employee Donation Campaigns

### Season 2 of the Going to School with Excitement Campaign (Held in Commemoration of the Corporate Anniversary)

Year	Donations Made	Beneficiaries
2011	KRW 10,473,501 (employees: KRW 10,045,001)	70 bikes for students to commute to school (one bike for each child from low-income families nation-wide), one month's worth of transportation expenses for 30 children
2012	KRW 9,359,130 (employees: KRW 2,750,530)	50 bikes for students to commute to school (one bike for each child from low-income families nation-wide), one month's worth of transportation expenses for 100 children

### Year-end Grant Matching Campaign

Year	Donations Made	Note
2011	KRW 126,548,700 (employees: KRW 13,260,940)	-
2012	KRW 142,986,602 (employees: KRW 10,466,440)	Messages of encouragement posted for children victimized by sexual assaults: 14,537 postings

## CI-3 DEVELOPMENT AND BRANDIZATION OF SPECIALIZED PROGRAMS

Our existing corporate philanthropic programs were continually operated to provide compact cars to social welfare organizations as well as free tires for charity purposes. Meanwhile, our Donggeurami bus project was newly launched to enable beneficiaries of social welfare facility services and the less-fortunate in our society, who are culturally marginalized due to their limited mobility, to enjoy cultural experiences as a response to growing social needs for mobility support for those in need. Furthermore, corporate philanthropic public competitions were held for the first time to identify new ideas for our social-giving programs and to develop new communication channels for our philanthropic initiatives.

### 1 Development of Corporate Philanthropic Programs Specialized for Domestic Conditions

**Continued Operation of Existing Programs** Our commitment to providing vehicles (compact cars) to social welfare organizations has continued since 2008 in order to help ensure a more efficient delivery of social welfare services and to undertake corporate philanthropic initiatives that are closely aligned with our core business. We have provided 187 vehicles (compact cars) free-of-charge to social welfare facilities nation-wide over the years. In 2012, 40 organizations were chosen out of 540 applicants to be provided with 40 vehicles. Meanwhile, we receive operational reports from beneficiaries to assess the effectiveness of this program. The analyses of these reports demonstrated that our program helped improve the convenience concerning vehicle operations and mobility through the reduced operational costs of compact cars, easier access to narrow alleys and enhanced availability for women and beginner drivers. The average annual mileage of these vehicles was 10,912 km. In 2013, we plan to use the outcomes of these reports to identify possible improvements of this program and to provide vehicles with additional options that contribute to improved safety and operational convenience. In 2012, our corporate philanthropic commitment was undertaken not just in Korea but also at our overseas sites. In China, we offered high-pressure sprinkler trucks to the local fire station located near our Jiangsu plant to ensure safety in case of fires as well as scholarships to students from low-income families. In Hungary, we continuously sponsored local festivals and further contributed to local culture and arts through the newly introduced support initiative for the KIDS ARC Exhibition, Hungary's nation-wide art completion for children. In addition, we provided ambulance tires to help ensure safer ambulance operations.

**Launching New Programs** As we became aware of the reduced access to educational/cultural opportunities that social welfare organizations suffer from due to their shortage of transportation means, in December 2012 we newly launched our 'Donggeurami Bus' project to enable beneficiaries of social welfare organization and the less-privileged in our society to enjoy cultural experiences. A total of 75 Donggeurami Bus traveled 13,548 km to allow 2,948 beneficiaries to enjoy cultural experiences, which were not readily available to them. In 2013, this program was expanded and is currently underway under the official name of 'Donggeurami Bus.'

**Corporate Philanthropic Public Competitions** Our '2012 Corporate Philanthropic Program Competition' was held for five months between July and November of 2012 in order to identify new ideas for new social-giving initiatives and to develop new communication channels for them. The competition was supervised by the Community Relations Center and the Hankyoreh Economic Research Institute and jointly organized by Hankook Tire and five other companies. We proposed two themes of Dreamfull-enabled social-giving initiatives and corporate philanthropic initiatives under the four themes of environment, safety, health and sharing. Out of the 23 proposals that we received from 12 teams, a portion of them generated inspiring new ideas for our corporate philanthropic commitment but they were not immediately take into action, as they needed to be modified and refined to ensure their actual execution. The competition will be held in 2013 to help us identify noteworthy ideas while those ideas we found in 2012 will be revised and their applicability will be examined.

## CI-4 REINFORCEMENT OF COMMUNICATION WITH LOCAL COMMUNITIES AND IDENTIFICATION OF LOCAL ISSUES

We regularly communicate with diverse stakeholders such as government agencies & NGOs, heads of local government agencies, local organizations and residents. As these stakeholders are diversified in their composition, they present equally diverse topics to communicate, which makes it challenging to engage them through regular communication. Therefore, we ensure constant communication with these stakeholders as a way to prioritize pending issues in the local communities where we are based.

### 1 Prioritizing Local Pending Issues Identifying Local Issues through the Invitation of Local Residents and Discussion Meetings

We communicate with major stakeholders in the local communities where we are based in a consistent and sustained manner. Specifically, our Daejeon Plant has received in-person examinations by an assessment team more than once a year since 2008 under the odor reduction agreement that we signed with Daeduk-gu Office to allow assessments and communication concerning our environmental issues. Our Geumsan Plant holds approximately 30 discussion meetings with local representatives. The outcomes of these communication endeavors enable us to share with relevant teams such pending issues as environmental conditions and odors in the vicinity of our plants, corporate philanthropy as a means of social investment, the lack of sports and cultural infrastructure. When urgent issues arise, such regular communication is further reinforced to improve on and address these issues, and ad-hoc committee meetings are held to facilitate communication with the local community.

In 2012, the Green Environment Exploration program (23 sessions) was created to actively interact with local communities while local residents as well as elementary, junior high and high school students were invited to our plants and provided with an introduction to Hankook Tire, presentations on wastewater treatment process, tours of our wastewater treatment facility and tire manufacturing facility and safety training (CPR and the use of fire extinguishers). In so doing, we did our share in reducing our environmental footprint in local communities and developed a new communication channel to promote our commitment to local community development.

### INTERVIEW

#### Hankook Tire's Donggeurami Bus Program for Gomduri Welfare Center

Han, So Dam, Social Worker at Gomdurine

Gomdurine, located in the city of Uijeongbu, Gyeonggi Province, provides day/short-term care to disabled people. Mainly individuals with grade 1 intellectual disabilities attend our center and they are in high need of experience-based learning to develop social skills, expand their knowledge and reach their potential. I also personally believe that experience-based learning is ideal to help them learn how to act appropriately in public places and encourage other members in our society to eliminate prejudices against disabilities through their interactions with people with disabilities.

Those who use our services have rarely had an opportunity for experience-based learning as several of them have multiple physical/intellectual disabilities, which posed grave mobility challenges. Hankook Tire's Donggeurami Bus program, however, enabled all of these people to overcome their limitations in traveling long distances. They visited Gwacheon National Science Museum to learn how science impacts our daily life and to use feel-and-touch learning devices that enhance their cognitive ability as well as thinking and creative capabilities.

Hankook Tire employee volunteers also provided helpful assistance, in addition to the buses. The one-to-one guardian relationship between our center users and Hankook Tire employees allowed us to safely care for the disabled individuals, who in turn were able to freely tour around the museum and have a wonderful and open learning experience.

This one-on-one matching program was the first-ever since we opened in 2000, and it offered an incredibly valuable experience for our center users. I hope that this program as well as our relationship with the Donggeurami Bus program and Hankook Tire employees will continue in the upcoming years.

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## MAJOR CORPORATE PHILANTHROPIC INITIATIVES

### Hankook Tire's Sharing Foundation

Our Sharing Foundation enables us to fulfill our corporate social responsibilities. We extend our helping hands filled with the spirit of sharing and affection to even more people who suffer challenges with their health, education, mobility and livelihood due to economic difficulties. Our journey continues to deliver fulfillment and a sharing spirit to society.

#### Scholarship

**Scholarship Program** Scholarship assistance is provided to high school and university students who are talented and dedicated to learning but find it difficult to continue their education due to their poor economic conditions. In doing so, we provide equal opportunities for learning and foster them into capable members of our society.

#### Medical Welfare Programs

**Support for Free Charity Hospitals** We support operational expenses at Seongga Bokji Hospital (Seoul) and other charity hospitals that provide free medical care to the homeless, immigrant workers and other poor populations. In so doing, we assist these members of our community who markedly suffer in the blinders of our medical welfare system due to poverty and disease. By supporting the recovery of their health, we practice and promote the value of human dignity.

**Establishment of Free Hospitals in Third-World Countries** Our initiative to practice the value of human dignity extended its scope from Korea to poverty-ridden third-world countries. Since 2007, we have contributed to a healthier world through our support for the construction and operation of free charity hospitals in East Timor, two African countries, Paraguay, and Indonesia.

#### Support for Children and Youth from Low-income Families

**Living Expense Support** We provide financial support regarding livelihood and education expenses to children from low-income families including children living with grandparents only, children from single-parent families, children living alone without any parental support, and children from families coping with the aftereffects of traffic accidents. In so doing, our goal is to help these children grow up with a firm belief in their dreams and hopes. Indonesia.

**Donggeurami Camp** Our "Donggeurami Hope Camp" and "Donggeurami Science Camp" enable children from low-income families to access cultural activities and experience-based learning to promote their healthy growth.

#### Assistance for Social Welfare Facilities

**Assistance for Social Welfare Facilities** We provide assistance regarding facility safety and education, medical services and daily equipment to social welfare facilities for children, seniors and the disabled, group homes, and local children's centers across the nation so that residents at these facilities may live and learn in a better environment.

#### "Driving for Happiness" Mobility Support for the Less-Privileged

**'Tire' Sharing for Social Welfare Agencies** We offer free tires for vehicles used for business purposes at social welfare agencies nationwide to improve their operation and to enable service beneficiaries to use a safer means of transportation.

**Strollers for Low-Income Multicultural Families** We provide strollers for children from low-income, multi-cultural families to help reduce their childcare burden, build a healthy social cohesion that engages multi-cultural families and contribute to raising birth rates.

**Batteries for Mobility Aids for the Disabled** We offer free batteries that power mobility aids (electric wheelchairs and electric scooters) used by low-income disabled populations to promote safer and more convenient transportation.

#### 2012 Achievements and 2013 Plans (Unit: KRW 1,000)

Category	Program	2012 Achievements	2013 Plans	Increases/Decreases
Scholarship	High school scholarship	72,490	70,000	-2,490
	College scholarship	32,593	40,000	7,407
Medical Welfare	Support for free charity hospitals	130,000	130,000	-
	Construction of overseas free hospitals	30,000	30,000	-
Support for Children and Teenagers	Support for living expenses	135,000	117,000	-18,000
	"Donggeurami Camp"	46,188	40,000	-6,188
Support for Social Welfare Agencies	Support for social welfare agencies	200,577	180,000	-20,577
Mobility Support for the Less-Privileged	Tire Sharing	230,655	250,000	19,345
	Strollers	70,667	90,000	19,333
	Batteries for mobility aids	70,840	70,000	-840
Total		1,019,010	1,017,000	-2,010

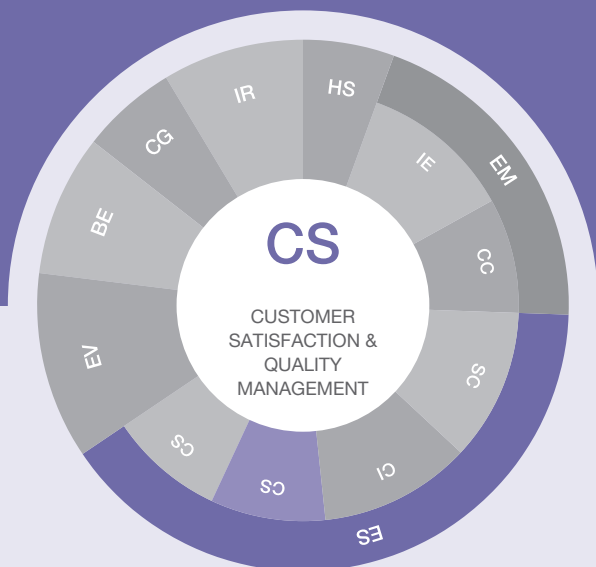


# FOCUS 03

## External Stakeholder Satisfaction Management

### FOCUS 03-3-1

#### Customer Satisfaction & Quality Management (Customers and Dealers)



#### Declaration

We undertake differentiated marketing communication initiatives to meet the expectations and requirements of customers, and fully commit ourselves to delivering the highest -possible customer satisfaction and value.

#### Management Responsibility and Governance

Our Customer Subcommittee aims to deliver the highest possible satisfaction and value to customers and dealers. The subcommittee consists of five teams, which include KOR)Retail HRD Team, Retail Marketing Team, KOR)Marketing Operation Team, KOR)TBR Marketing Team and Technical Service Team under the Hankook Tire Korea Headquarters Marketing & Sales Department. Our KOR)Retail HRD Team was created in 2013 to assist our dealers in boosting their sales competency and performance, and to provide proactive communication and services that maximize customer satisfaction and value.

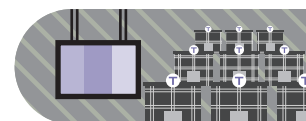
#### Number of Inquiries at the Customer Service Center [Monthly average]



The Customer Service Center serves as a direct communication channel with customers to swiftly and effectively address inquiries regarding products, purchases, and after-sales services.



#### Installation of TV Hankook Tire [Number of dealers]



TV Hankook Tire is a communication channel we created for dealers as well as external customers, and was installed at 254 T'Stations nationwide in 2012.



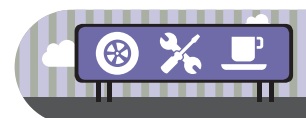
#### Recipients of SMART Care Service [Number of occasions]



We provided SMART Care Service to help T'Station customers reduce their financial burden on purchasing tires while addressing vehicle management.



#### Free-of-Charge Highway Safety Check Campaign [No. of Vehicles]



Our free tire safety check services are provided at major rest areas in Korea to ensure the safety of customers who travel long distances during the summer holidays.





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## 2012 Achievements

● : Completed   ● : Partially Completed   ○ : Not Implemented   ○ : Year-round Activity

Code	Key Managerial Issues	2012 Goals	2012 Achievements	Completion	Pages
CS1	Win-win customer strategies	To offer dealer capacity-building training (products, importers of commercial vehicles)	1st Smart Academy session Visiting service training at 133 dealers (annually)	●	48
		To offer basic-level and service training to newly created dealers	Eight sessions (annually) of introductory service training for new dealers	●	48
		To operate the Angel (1,004) Program	Sales rose 130% from the previous year per dealer (against the monthly average between Jan. and Feb. in 2012)	●	48
		To hold a new product launching event (Ventus S1 evo2, enfren eco)	New product launching event (Geumsan Plant, Apr. 18, 2012)	●	48
		To nurture SAs (Store Advisor) dedicated to retail stores	Creative training delivered through strategic thinking training and workshops	●	48
		To seek communication innovation through the JUMP program and discussion meetings	137% growth posted by dealers that operated the JUMP program (between May and Aug. of 2012, against the monthly average sales between May and Aug., 2011) Monthly discussion meetings among stores that participate in the JUMP program	●	48
CS2	Reinforcement of customer engagement and communication	To increase the number of TV Hankook Tire stores nationwide (360 stores)	TV Hankook Tire installed at 256 stores	●	48
		To take on philanthropic activities in relation to 'enfren eco,' the newly-launched eco-friendly tire model	100 bikes were donated to NGOs through the promotional campaign to post messages of encouragement on SNS websites.	●	49
		To take on co-marketing initiatives with Kidzania (driving license training program for children)	Partnership forged and the program initiated in May 2012 – 80,000 children participated in this program a year	●	49
		To launch a new TV campaign titled 'The Function of Tires in Driving'	A new advertising campaign titled 'It is' was launched.	●	49
		To introduce customer DB security solutions	Postponed due to reasons related to internal management strategies	○	49
		To operate the 'Slow Walking Program' for customers and the less-privileged	Postponed due to a change in its operational concept	○	49
		To renew the T'Station website To build a POS system	Renewal of the T'Station website completed Deployment of the POS system and training of its user manuals throughout the entire T'Stations nation-wide	●	49
CS3	Impressive customer services	To seek communication innovation with franchises through JUMP Meetings	Monthly JUMP meetings (communication channels developed between the headquarters and local franchises)	●	49
		To wage the summer highway safety check campaign	Tire inspections made on 13,474 vehicles on six occasions a year at seven highway rest areas in Korea	●	49
		To reinforce the expertise and services of the Customer Service Center	CS staff dedicated to customer consultations are assigned, Enhanced expertise and one-on-one customized counseling / 1,176 inquiries addressed on the website/submissions made through the customer service section are addressed within 24 hours, gifts presented to customers who raised complaints	●	49
		To provide Mobile Services to the less-privileged and residents of island regions	Mobile Service program benefited 1,329 customer vehicles (annually) (1,160 vehicles serviced on seven occasions in island regions/ 169 vehicles serviced on three occasions for the less- privileged)	●	49
		To initiate F/A six service activities	3,674 vehicles provided with free F/A technical services (annually) (balance adjustment: 2,212 vehicles /alignment adjustment: 375 vehicles / basic tire inspections: 1,087 vehicles)	●	49
		To launch the TBR Road Show / To forge marketing partnerships with imported commercial vehicles	Postponed due to reasons related to internal management strategies	○	49
		To initiate SMART Care Service / Introduction and implementation of the four basic principles for stores	Increase in the number of credit card companies that provide SMART Care Service (3 - 6) / expand operational items / mobile gas gift cards presented to customers (Ticket Monster) / Establishment of four basic store management principles, expansion and operation of these principles through the use of check lists	●	49

## 2013 Plans

Code	Key Managerial Issues	2013 Commitments	Key Index	Deadline	Department in Charge
CS1	Win-Win Partnership	To operate the 2nd class of the SMART Academy	Implementation	Jun.	KOR)Retail HRD team
		To offer Sales & Service improvement training for retail FCs	Operation	Dec.	KOR)Retail HRD team
		To expand sales channels through the use of open collaboration	Establishment of collaboration channels (four companies)	Dec.	KOR)Retail Marketing Team
		To continuously operate the Angel (1,004) program	110% growth (YoY)	Dec.	KOR)Retail Marketing Team
		To train dealers on the importance of data privacy	Implementation	Oct.	IT Strategy Team
CS2	Customer communication	To promote and expand SMART Care Service	Sales of Smart care (50,000 units/year)	Dec.	KOR)Retail Marketing Team
		To promote and expand TBR Smart care	Sales of Smart care (25,000 units /year)	Dec.	KOR)TBR Marketing Team
		To facilitate online communication (SNS, portals, etc.)	Operation	Year-round	KOR)Retail Marketing Team/ Corporate Communication Team
		To expand and stabilize the POS system (Smart TS)	80% utilization rate	Dec.	KOR)Retail Marketing Team
CS3	Impressive Customer Services	To launch the highway safety check campaign	Six times a year	Dec.	KOR)Technical Service Team
		To provide Mobile Service to the less-privileged and those that live in island regions	Quarterly	Dec.	KOR)Technical Service Team
		To develop and update customer consultation manuals	Monthly	Dec.	KOR)Technical Service Team
		To launch emotional marketing initiatives for new dealers	All new dealers	Year-round	KOR)Marketing Operation Team
		Develop manuals and damage compensation systems to address customer complaints	Development	Dec.	KOR)Technical Service Team

## CS-1 WIN-WIN CUSTOMER STRATEGIES

We define dealers as one of our core customers. We are fully committed to assisting them in strengthening their sales competency and boosting sales, as we believe that their enhanced competency leads to the satisfaction of end-consumers. Moreover, we endeavor to develop innovative ways of operating dealer programs through standardized service manuals and training.

**1 Capacity-Building Training for Dealers  
SMART Academy / Visiting Service Training** In 2012, we provided a phased training program for our retail franchises and employees to boost the operational capabilities of dealers, who are in mutually-beneficial relationships with us. Specifically, our 'SMART Academy' program was launched to support the sustained operation of our dealers; sons and daughters who will be taking over their parents' roles as Hankook Tire dealers were educated on the CEO mindset and skills directly required to run their business. In 2012, 17 second-generation dealers were trained for three weeks on dealership operation, marketing, sales and service skills. Moreover, our dedicated retail education team visited those dealers who find it extremely difficult to spare time for training and offered 'visiting' service training on eight occasions in 2012.

**2 Basic and Service Training for New  
Introductory Training for New Dealers** We provided a five-day intensive introductory training for new dealers on eight occasions a year to assist them in developing practical capabilities to resolve sales-related issues through detailed business analysis tools and demonstrations, thereby ensuring their 'soft landing.'. Specifically, professional Sales Masters were engaged to expand the scope of the training curriculum for sales and conversation skills that are immediately applicable as well as improved communication capacity.

**3 Angel (1,004) Program  
130% Growth in Sales per Store** Our Angel (1,004) program awards stores for their achievement in reaching their own sales target as a way to promote their sense of purpose and facilitate their operation. This program allowed our overall retail FC sales to rise 130% against the previous year and demonstrated our commitment to win-win partnership with customers based on full-fledged sales support. (\*Based on sales between Mar. 2012~Feb. 2013, against the period of between Jan. ~ Feb. of 2012)

**4 New Product Launching Events  
Launching of Ventus S1 evo2 and enfren eco** In April 2012, an official ceremony was held to launch Ventus S1 evo2 (high-performance sports tire) and enfren eco (eco-friendly tire) at the Geumsan Plant. The event was attended by 510 guests including our employees and major customers and consisted of an introduction to new products, sales point training and diverse experience-based programs such as test driving, plant tours and special events. In so doing, we helped attendees better understand our new products while offering new pleasant and valuable experience.

**5 Fostering SA (Store Adviser) Dedicated to Retail Stores  
Monthly SA Workshops and Training** Hankook Tire became the first in the same line of business to establish and operate the Retail Teams (38 team members) dedicated to offering business consulting to Hankook Tire's retail franchises in Korea in four regions across the nation. Our Store Advisors (SA), as part of these retail teams, are responsible for offering operational assistance and consulting services based on their professional management expertise while supporting our franchises in the areas of store operation, promotional activities, sales point training and marketing. These SAs working across the nation are also provided with monthly workshops and strategic training in order to develop a more professional consulting/coaching system and facilitate communication.

**6 Innovative Communication through the JUMP program  
and Discussion Meetings**  
**137% increase in the Sales of JUMP Stores and JUMP Workshops** Our JUMP program constitutes a profit-improvement technique that aims to assist our dealers in boosting profits and developing customer-driven perspectives. A total of 32 dealers attended the program for four months between May and August of 2012. This led to an astonishing 137% growth in sales over the same period last year in each dealer shop. Moreover, JUMP workshops are held monthly to share success stories and accumulated know-how from the JUMP program (\* Sales between May~Aug. of 2012, against the period between May~Aug. of 2011/JUMP program implementation period).

## CS-2 REINFORCEMENT OF CUSTOMER ENGAGEMENT AND COMMUNICATION

We provide a wider spectrum of activities for customer engagement and communicate in various ways to evolve our products and services a notch higher. Specifically, TV Hankook Tire and the POS system were deployed at our T'Stations across the nation in a bid to diversify our communication channels.

**1 Increased Deployment of TV Hankook Tire  
TV Hankook Tire Deployed in New T'Stations** TV Hankook Tire is our communication channel that is deployed in T'Stations to allow for real-time communication between Hankook Tire and external customers & dealers. This enables our dealers to swiftly

share product information and policies and to use it as a service training tool while providing product information and diverse cultural content to customers. In 2012, TV Hankook Tire was deployed at a total of 254 dealers in 2012 and its scope will extend gradually from T'Stations to our remaining dealers.

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**2 Philanthropic Initiatives Undertaken in Relation to the Newly-Launched Eco-friendly Tire 'enfren eco' Posting Positive Feedback on Social Networking Websites** In launching our new eco-friendly tire 'enfren eco,' our goal is to raise interest in environmental protection and engage more customers in environmental agendas. As such, we held a promotional event to encourage the general public to post positive feedback for this new product, which led to 193,449 responses posted and 100 bikes donated to NGOs.

**3 Kidzania Co-marketing 80,000 Children Attending the Training Program per Year** In May 2012, the 'Hankook Tire Driver's License Test Center' was launched within Kidzania, a theme park dedicated to offering wide-ranging job experiences, and established itself as a venue that plays a critical role in developing a culture of child traffic safety, in addition to offering opportunities to experience the Hankook Tire brand. Approximately 80,000 children are educated on pedestrian/driver safety a year through the content and driving simulation programs that were developed specifically for child learning. We intend to strengthen such initiatives to position ourselves as a leading brand that contributes to a culture of safe driving.

**4 Launching a New TV Advertising Campaign, 'The Function of Tires in Driving' Launching a New Advertising Campaign Series, 'It is'** Our previous advertising campaign 'driving emotion,' which successfully established Hankook Tire as an emotional premium brand was followed by a new campaign in 2012 titled 'It is' that emphasized 'what tires have to offer.' The most fundamental properties of improved braking distance/high-speed driving performance/fuel efficiency that customers expect of tires were ingrained in the commercial catchphrase, "When a vehicle is pushed to its limit, this is when tires come to provide what they have to offer." This allowed us to deliver a consistent brand message and elevate our brand status.

**5 Renewal of the T'Station Website/Development of the POS System Renewal of the T'Station Website/Completed Development of the POS System** The renewal of our T'Station website enabled us to provide a customer-friendly interface, share up-to-date information and offer diverse communication channels. Our endeavors to improve customers' access to information led to 300,000 customer visits per year and an 18.6% and 3.8% increase in the number of page views and visits, respectively, in 2012 against 2011. Meanwhile, the POS system was launched at our T'Stations to ensure a continuous flow of information for our dealers on the basis of accurate sales data.

## CS-3 CUSTOMER SERVICE

To enhance awareness of tire safety, we offered free tire inspections and safety counseling for 13,747 vehicles six times a year at seven highway rest areas across the nation. Specifically, free tire air pressure inspections and vacation supply offers helped our customers enjoy even more pleasant and safer summer holidays.

**1 Highway Safety Check Campaign** To enhance awareness of tire safety, we offered free tire inspections and safety counseling for 13,747 vehicles six times a year at seven highway rest areas across the nation. Specifically, free tire air pressure inspections and vacation supply offers helped our customers enjoy even more pleasant and safer summer holidays.

**2 Website Q/A Section and Customer Response through Facebook** To ensure more prompt and effective customer counseling, we assigned on-the-spot CS employees to the Customer Service Center, who addressed 1,176 customer counseling sessions per year through the corporate website. We also developed a triangular cooperation system, which consisted of the Customer Service Center, Corporate Communication Team and staff in charge of respective products, to offer immediate feedback to issues raised by customers, thus raising customer satisfaction.

**3 Mobile Service –Mobile Service for the Less-Privileged and Residents in Island Regions** Our Mobile Service vehicles offered 'visiting' services to the less-privileged and customers living in island regions who are often neglected in traditional services ensuring driving safety. In so doing, 1,329 vehicles received safety checks per year. (1,160 vehicles in island regions/169 vehicles owned by the less-privileged). Specifically, free tire safety checks & counseling and tire replacement services, as well as events for disabled individuals were provided in conjunction with Korea Polytechnics in island regions near Yokji Island, Heuksan Island and Jeju Island. These events were filled with the spirit of sharing and allowed us to deliver truly extraordinary customer services.

**4 Technical Services for F/A (Fleet Account, Individual/Corporate Transport Companies) Customers Year-round Technical Services for F/A Customers** We offered both mobile and year-round technical training for our F/A (Fleet Account) customers. This was further complemented by the outdoor vehicle testing conducted for F/A customers who worked with our competitors, which helped enhance the reliability and knowledge of our quality level. Free service checks benefited a total of 3,673 vehicles for 188 days in 2012.

**5 Smart Care Service/5J Standards Introduced in Each Store Expansion of SMART Care Service/Development of Store Operation Standards through 5J Training** Our SMART Care Service aims to reduce the cost of tire purchasing and help with vehicle management for customers who purchase tires at the T'Station. This constitutes our unique specialized service that is geared toward improving customers' satisfaction by purchasing our tires through customized total care while providing wide-ranging benefits that contribute to safer driving. In 2012, the number of credit card companies that include SMART Care Service in their customer benefits rose from three to six to make this service available for more customers while the scope of operational items extended from passenger cars to include light trucks. To elevate customer satisfaction further, our store-specific management standardization program was also reinforced:: quarterly clean store campaigns, self-initiated monitoring, and training to make it mandatory for dealers to issue detailed vehicle maintenance statements were performed under the leadership of the headquarters.

## External Stakeholder Satisfaction Management

### FOCUS 03-3-2

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



#### Declaration

As a business partner with car makers, we are dedicated to maintaining a sustainable business relationship with these manufacturers by developing technologies that meet their performance requirements and by securing an eco-friendly competitive edge in quality, based on superior products and systemized systems that satisfy global standards.

#### Management Responsibility and Governance

We run an integrated decision-making process that covers all relevant segments ranging from defining strategic directions for global OE business to R&D, quality, marketing and sales under the leadership of the head of the Global OE Division. Our strategy to improve quality is specifically geared towards the maximization of R&D and quality competency. This, in turn, bases our communication activities on maximum customer satisfaction between major relevant departments covering marketing and sales and car makers.

#### 2012 Achievements

● : Completed    ● : Partially Completed    ○ : Not Implemented    ↻ : Year-round Activity

Code	Key Managerial Issues	2012 Goals	2012 Achievements	Completion	Pages
CS4	Reinforcement of product competency	To develop additional new products that reflect performance requirements of major car makers	Development of LRR/Runflat*/Self Sealing** tire technology	●	51
		To sophisticate OE quality management systems for each car maker	External certification (one certification from BMW) to become a supplier for premium OEs Zero defects achieved for premium OE projects Quality mindset training for operators to respond to quality requirements of car makers	●	51
CS5	Establishment of global standard processes	To hold car maker business meetings regularly	50 business meetings held with 20 car makers	●	51
		To bring car maker's requirements up to date	CSR interview with BMW on Mar. 23, 2012 Corrective Action Plan submitted on Aug. 28, 2012 2nd Corrective Action Plan to be submitted in Mar. 2013	↻	51
CS6	Reinforcement of communication	To expand B2B Communication	B2B magazine advertising in Europe (eight magazines) Outdoor advertising near the BMW headquarters in Stuttgart, Germany	●	51

\* Runflat tires: Specially manufactured safety tires that enable vehicles to drive with stability even during potential air leaks caused by punctures

\*\* Self sealing tires: Safety tires that generate a sealing compound that distributes from the inside to line the tire in the case of tire punctures

#### 2013 Plans

Code	Key Managerial Issues	2013 Commitments	Key Index	Deadline	Department in Charge
CS4	Sustained communication	To conduct B2B communication regularly	Attendance at exhibitions/regular meetings	Year-round	Global OE Strategy Team
		Satisfy car makers' requirements	Implementation	Dec.	CSR Team
CS5	Reinforcement of product competency	To respond to high-level performance requirements from major car makers	Technology development to satisfy high-level performance requirements	Year-round	OE Development Team/ Global OE Technical Team
		To sophisticate the OE quality management system	Competitive edge in quality	Year-round	OE Quality Team

\* 'Strengthening product capabilities through the sustained communication with car makers' was newly added as one of the major 2013 plans.

Reinforcement of product competency	51
Establishment of global standard processes	51
Reinforcement of communication	51

## CS-4 REINFORCEMENT OF PRODUCT COMPETENCY

Central to our endeavors to secure product competency that satisfies the requirements of car makers is quality improvement and the development of next-generation technology demanded by the automobile market. Furthermore, we develop eco-friendly and innovative technology while enhancing our competitive edge in quality to build stronger partnerships with car makers.

### 1 Development of New Products based on Next-generation Tire Performance Requirements

**Development of Technology that Meets High-level Performance Requirements** Our research on runflat tires and self sealing tires focusing on remarkably enhanced safety performance continues through the analysis of auto market trends and proactive initiatives, in addition to such eco-friendly technologies as LRR (low rolling resistance) tires and low-noise tires. In 2012, we were given high marks for multiple durability and handling performance tests conducted by Volkswagen and other German car makers. This, in turn, proved our technological excellence, which contributes to reduced trade off (enhanced performance in one function gives rise to deteriorated performance in other functions) and improved safety.

### 2 Sophisticated OE Quality Management System for Each Car Maker

**Competitive Edge in Environmental Quality** To build stronger partnership with car makers, we improved our plant management system to a level that satisfied their environmental standards. This enabled us to meet their auditing criteria and become qualified as a supplier. Furthermore, we continue to satisfy car makers' requirements concerning tire quality to ensure that our new product supplies are problem-free while providing continuous 'quality mindset' training to our operators under our 'Quality First' philosophy.

## CS-5 ESTABLISHMENT OF GLOBAL STANDARD PROCESSES

While maintaining our partnership with global car makers, we develop car maker-related CSR policies and share our CSR initiatives as a business partner while undertaking training programs and other improvement initiatives.

### 1 Regular Business Meetings with Car Makers Regular Meetings and Extended Content

In 2012, we held more than 50 business meetings with over 20 car makers. Specifically, CSR-related feedback and requirements from car makers are reflected in defining short/long-term goals at our CSR Subcommittee, while CSR-related content is reflected in making various presentation materials that are used for OE business operation.

### 2 Updating Requirements from Car Makers Sharing the improvement of each initiatives

We regularly update the CSR improvement initiatives demanded by car makers in order to share our progress with them. Specifically, we discussed the following issues with BMW: mandatory inclusion of CSR requirements such as the ban on the employment of teenagers, which BMW demands all its suppliers to comply with, in signing supply contracts; addition of CSR requirements in supplier evaluation; and the development/implementation of supplier incentive and penalty programs to ensure full compliance with CSR requirements. Hankook Tire and BMW eventually conceded that all mutually agreed upon requirements would be equally observed at the all Hankook Tire plants in Korea and abroad.

## CS-6 REINFORCEMENT OF COMMUNICATION

We will undertake more robust marketing initiatives in order to build stronger partnerships with global car makers and develop mutually complementary relationship with them. As such, we serve as an active participant in major motor shows, exhibitions and world-renowned motor sports events.

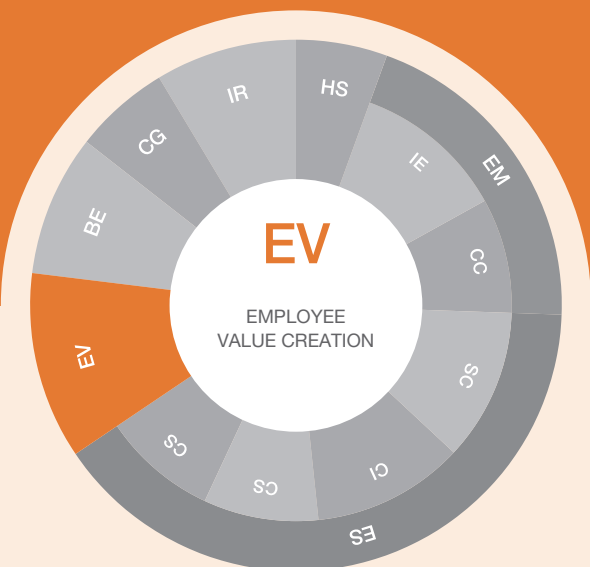
### 1 B2B Communication through Exhibitions and Motor Sports Events

**Increased Participation in Exhibitions** Our attendance in AUTO China, one of the nation's leading auto exhibitions, allowed us to introduce our technological advantages and business strategies in our OE operation while building closer partnerships with various global car makers. Such exchanges were covered by prestigious local media outlets, which further elevated our brand status in China. Presently, we provide our products to Volkswagen, the most popular auto brand in China, and many others.

### Improved Brand Image as a Supplier to DTM

We are an exclusive tire supplier to DTM, a world-class motor sports competition, participated in by the three major German car makers—BMW, Mercedes-Benz and Audi. Our partnership with these top-notch car makers is one of the most important contributors to the success of DTM. In 2012, we used the DTM vehicles from these three car makers to launch print advertisements with major auto magazines in Germany as well as outdoor advertising in automobile-centered cities such as Stuttgart as a way to improve Hankook Tire brand's recognition and appeal.

## Employee Value Creation



### Declaration

We share our vision through open communication and provide our employees with fair opportunities in promoting a healthier and happier workplace while working together for shared growth.

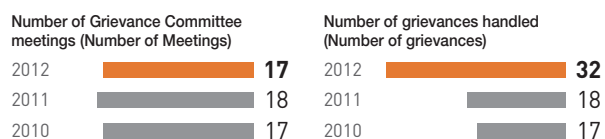
### Management Responsibility and Governance

The Employee Subcommittee, supervised by the Human Resource Management Team, classifies relevant issues into four categories, while initiatives are addressed by each team (Proactive University, Proactive Culture Team, etc.). The Human Resource Management Team is responsible for monitoring relevant teams and offering feedback on each initiative. The subcommittee holds quarterly to share progress on issues in order to create employee value and encourage employees to be engaged in their work.

### TRACK RECORDS OF EMPLOYEE GRIEVANCE



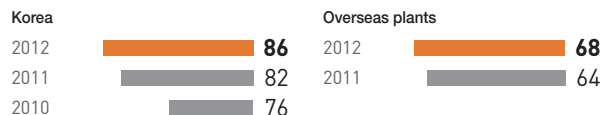
Hankook Tire and its labor union ensure that grievances are prevented through a grievance resolution system (based on Korea).



### AVERAGE TRAINING HOURS PER PERSON [Number of hours]



We continue to reinforce our training systems to nurture talented employees with a global competitive edge as a way to achieve our vision to become a 'Leading Global Tire Company'.



### MENTORING PROGRAMS [Number of participants]



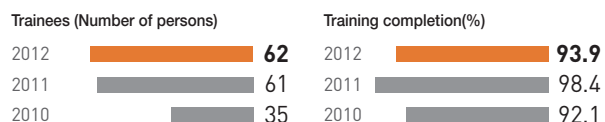
Our mentoring programs aim to assist new hires and current employees in the Rookie position in adapting to their new roles early on as Hankook Tire staff (based on Korea).



### TRAINING FOR FUTURE RETIREES [Number of participants]



Our retiree training programs help future retirees deal with anxiety that often occurs in retirement, to gain confidence to use this opportunity as a new beginning and turn retirement into a new positive challenge (based on Korean plants).



\* Overseas Plants : China (Jiaxing/Jiangsu/Chongqing Plants), Hungary Plant  
<The Indonesia Plant was excluded due to its low comparability (newly constructed), and will be included in estimation from 2013>  
Company-wide: Korea and overseas regional headquarters/subsidiaries, overseas plants



Open communication	54
Fair Opportunities	56
Growth-fostering training systems	57
Work/Life Balance	58

## 2012 Achievements

● : Completed   ● : Partially Completed   ○ : Not Implemented   ○ : Year-round Activity

Code	Key Managerial Issues	2012 Goals	2012 Achievements	Completion	Pages
EV1	Open communication	To facilitate internal communication	Communication at overseas regional headquarters was facilitated. Project to build core value into daily operation (development of training curriculum) / Support for communication activities in China (Internal IR improvement, mission & vision training, broadcasting, mentoring programs) / Global HR Forum (annually) HR, Employee welfare & benefits schemes were promoted. Continuous training and guidance on performance management (7 training sessions, letters indicating guidelines sent five times, monitoring performed four times) / Development of integrated employee handbooks for operators / Communication programs for R&D Center employees (Nine sessions of Making Class, six rounds of Dulae Mountain Tour) Communication with operators was strengthened. New communication channels (55 suggestion boxes installed, new e-mail channels for direct communication with plant managers)	●	54, 55
		To sustain a trust-based labor management culture	Labor Union Council was facilitated. Year-round operation (more than once a month) / Information sharing and discussions between labor and management (monthly) / Joint learning units (two in-house learning sessions, seven external learning sessions)	●	55, 56
EV2	Fair Opportunities	To set up fair HR systems	Diversity performance indicators were developed. Global HR projects were expanded (Europe, America, Indonesia). R&D HR systems were improved. Internship Program	●	56
		To review global standards regarding labor practices and establish Hankook Tire's application criteria	Compliance with human rights/labor standards was reviewed (in accordance with ISO 26000).	●	56
EV3	Growth-fostering training systems	To strengthen informal learning	Mentoring programs were expanded (for existing R&D employees). Employee idea program (for white collars) was launched.	●	57
		To strengthen job training	Job expertise training was facilitated (by function). Infrastructure for global staff job training was strengthened (job-specific training systems and in-house lecturer fostering courses). / Job expertise training was provided for manufacturing staff. / Job training was strengthened for operators. / Internal MBA courses were offered to R&D Center staff.	●	57
EV4	Work/life balance	To expand family-friendly management, childcare facilities, and provide support for married female employees	Use of in-house childcare facilities was increased. Childcare leave was established as part of standard corporate culture. Multicultural family support programs were provided.	●	58
		To pursue a pleasant work life	Work Smart initiatives were continually strengthened. Meeting and reporting practices were improved at the R&D Center. / Electronic documentary evidence system was introduced. / Paperless on pay statements were introduced for operators. EAP initiatives were facilitated. Professional counselors were fostered. / Pilot mental health counseling program was established. / On-site parenting class was operated (three sessions in total).	●	59

## 2013 Plans

Code	Key Managerial Issues	2013 Commitments	Deadline	Department in Charge
EV1	Open communication	To facilitate internal communication - Strengthen in-house broadcasting infrastructure and shift to video broadcasting. - Share a global newsletter format (general+ local). - Establish regular level-specific communication channels for all operators.	Jun. Dec. Year-round	Human Resource Management Team / Proactive Culture Team / Korj Labor Relations Innovation Team / DPJ Labor Relations Team / KPJ Labor Relations Team / R&D Operations Team
		To maintain a trust-based labor-management culture - Guarantee legitimate labor union activities. - Operate a constant information sharing system. - Strengthen joint corporate philanthropic activities (USR).	Year-round	Human Resource Management Team / Korj Labor Relations Innovation Team / DPJ Labor Relations Team / KPJ Labor Relations Team / R&D Operations Team
EV2	Fair Opportunities	To establish fair HR systems - Develop and manage global diversity management performance indicators. - Develop and use an HR management index (ex. ROI/person, EVA/person).	Dec. Nov.	Human Resource Management Team / G.HR Team / DPJ Human Resource Team / KPJ Human Resource Team / R&D Innovation Team
		To review global standards concerning labor practices and develop our own application criteria - Analyze human rights-related standards of ILO and the UN Global Compact to identify our own human rights management. - Use the identified aspects to examine the status of global human rights management operations.	Dec.	Human Resource Management Team / G.HR Team / Korj Labor Relations Innovation Team
EV3	Growth-fostering training systems	To strengthen informal learning - Strengthen the operation of the Employee idea program for white collar. - Introduce an online in-house suggestion program for manufacturing staff.	Year-round Oct.	Proactive Culture Team / DPJ Plant Innovation Office / KPJ Plant Innovation Office
		To strengthen job training - Strengthen training for newly-hired office workers. - Increase the number of in-house lecturers and improve their capabilities.	Oct. Nov.	Proactive University / DPJ Human Resource Team / DPJ Human Resource Team / R&D Innovation Team / Global Education Operation Team
EV4	Work/life balance	To expand family-friendly management - Internally review requirements of the family-friendly company certification. - Operate a marriage support program. - Provide cultural/leisure programs. - Review the expansion of female-friendly facilities.	Dec. Year-round Dec.	Human Resource Management Team / Cultural Communication Team / DPJ Human Resource Team / KPJ Human Resource Team / R&D Innovation Team / General Affairs Team
		To pursue a pleasant workplace - Revise internal groupware (mobile office was newly launched). - Introduce a mental health counseling program.	Apr. Dec.	IT Strategy Team / Labor Relations Innovation Team

## EV-1 OPEN COMMUNICATION

At Hankook Tire, the establishment of a creative corporate culture is supported by open communication with employees. In addition, both online and offline communication channels are constantly expanding to identify possible improvements that may contribute to maximizing employee values. These endeavors encourage our employees to be engaged in the management of the company as well as make their voices to be heard.

### 1 Internal Communication

**Core Value Training Project** As our employees previously only had an abstract concept of our core values (passion, innovation, trust and global), we designed training curriculum to share our existing mission & vision structure (please refer to p. 4 for further information) and help them internalize and practice our core values. Interviews and workshops with top executives and employees as well as an analysis of literature allowed us to identify 120 concrete demonstrations of our core values, which were then integrated in the training curriculum. In 2013, we will provide core value training to all employee.

**Communication in China** Our China regional headquarters lacked sufficient understanding of our mission & vision structure due to lack of training. Thus, six in-house lecturers from the China headquarters were trained in Korea on our mission & vision structure in February 2012. These lecturers returned to China to provide Hankook Tire mission & vision training to 560 employees via 14 sessions during a span of three months from July and October, based on new hire and floor shop staff training materials. We also assisted our China headquarters in establishing 'HANA,' an internal website, as an interactive communication channel. This contributed to sharing our mission & vision structure, removing communication barriers between Korean expatriate workers and their local employees, and creating an online community to facilitate innovation initiatives and build its own corporate culture, thereby revitalizing internal communication at the China headquarters. We also helped design a new hire mentoring program that assists new recruits in adapting to their new role at Hankook Tire while providing operational expertise.

**Global HR Forum** Our Global HR Forum aimed to promote exchanges and build consensus among HR employees working in Korea and abroad (Period: Sep. 10 ~ Sep. 12, 2012). The three-day forum was held at our Academy House in Geumsan, Korea, with an attendance of 29 HR employees from Europe, America, China and Indonesia. The forum enabled participants to discuss HR issues in their regions and shared best practices concerning global HR policies.

**Performance Management Training and Guidance** Our performance management practices are centered on active employee communication. To establish such practices, continued training and guidance were offered throughout the entire performance management process for managers. As a preliminary step, seven rounds of performance management capability training were provided. Letters indicating performance management guidelines were sent five times while managers and team members were encouraged and monitored to document their communication records at least four times a year.

**Integrated Employee Handbook for Operators** To effectively disseminate our mission & vision structure as well as our corporate information to operators who experience relatively low online accessibility compared to office workers, we designed and distributed employee handbooks. These combined the existing TPM handbooks including our mission & vision, HR policies and welfare & benefits schemes. We believe that these handbooks will help employees integrate our core values into their daily operation. The handbooks also include health tips, financial information, cultural and travel information in addition to HR and benefits information to be widely used by employees. We will ensure that these handbooks stay updated with useful content.

\* TPM: Total Productivity Management  
(Value-driven total productivity management activities)

**Communication Program for R&D Staff** Our R&D Center endeavors to offer a venue for open-minded communication and to build a culture of fun and creativity as a way to facilitate internal communication. In 2012, our 'Making Class' and 'Dulae Mountain Tour' as part of such endeavors: nine sessions of the 'Making Class' were offered under employees' favorite themes such as handmade chocolate, sweet potato cake, ceramics, wine and coffee, and the 'Dulae Mountain Tour' was undertaken six times along the Dulae trekking course located in Daejeon.

**New Communication Channels with Operators** Presently, we use both on/offline channels to facilitate communication with operators; 55 suggestion boxes were installed at the Geumsan Plant as an offline channel, while an e-mail channel was created to ensure direct communication with plant managers. These means of communication are under the direct management of plant managers and help us directly communicate with our internal customers on the shop floor. In 2013, suggestion boxes will be installed at our Daejeon Plant as well. These suggestion boxes will be consistently operated in addition to the existing grievance system in order to improve the satisfaction of and communication with employee.

Suggestion Boxes		
Based on Geumsan Plant in Korea in 2012		
Suggestions	Issues	Actions
Stronger anti-smoking initiatives	Employees' needs for anti-smoking initiatives	Anti-smoking handbooks & aids and vitamin beverages were distributed.
Conflicts among co-workers	Need to facilitate communication among co-workers	Sports activities (bowling) and other means were used as a medium to resolve conflicts and to facilitate communication among co-workers.



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Communication Channel				
No.	Channel	Target	2012 Progress	New/Additional Plans in 2013
1	Printed Channel	Common	Donggeurami World, CSR Reports, Annual Reports	-
		Office Workers	-	-
		Operators	Boram Journal, Story of Communication We All Share, Integrated Employee	Monthly Communication (Improvement of Boram Journal)
2	Off-Line Channel	Common	CoP (Community of Practice), Family Plant Tour Program	-
		Office Workers	G.CEO meetings, Mentoring, Global HR Forum, Internal IR, TOPRO (R&D awarding ceremony), Proactive Conference (R&D Communication)	Proactive Conference(R&D Communication)
		Operators	Challenge 5.11, Suggestion Boxes, Direct E-mail with Plant Managers, Labor-Management Council, Labor-Management Consultative Meetings, Discussions, Joint Learning Units	-
3	On-Line Channel	Common	HANeHR, Performance Management Guideline Letters, Sales News Letters	In-house Broadcasting (Driving Emotion), Global Newsletters, In-house Video Broadcasting (within Daejeon Plant cafeteria)
		Office Workers	HANA, Employee Idea Program	-
		Operators	Direct E-Mail with Plant Managers	Online employee idea program for operators

#### Issued Identified in Each Employment Category

No.	Category	2012 Progress		2013 Plans	
		ISSUE	Improvements Made	ISSUE	Improvements Made
1	Office Workers	Policies and systems	In-house lecturers were fostered (overseas)	Policies and systems	To improve on the promotional point system/objection submission process / job rotation system
		Performance management	HR facilitation initiatives were strengthened	Job process	To re-organize the internal groupware (install mobile office)
		Job process	HANeHR was developed (China, Europe) Electronic documentary evidence system was launched	Benefit schemes	To review the expansion of female-friendly facilities
2	Operators	Performance management	Encourage employees to build core values in their daily operation → various communication channels were developed and facilitated	Policies and systems	To launch a mental health counseling program To launch an employee idea program and an online communication system for operators
		HR systems and wage	HR system training was offered to operators Paperless of pay statements were introduced for operators	Wage	To undertake PR activities for operators to accurately understand their pay statements To offer training on how to search pay statements online
		Diversity	Family-friendly management was expanded → support for multicultural families	Diversity	To launch H-LOHAS Slow Walking Program for multicultural families
		Benefits schemes	Construction of a new R&D center was undertaken, New travel benefits were introduced for employees with more than 30 years of service	Policies and systems	To undertake the R&D innovation project
3	Researchers	Policies and systems	R&D innovation project was undertaken	Job process	To undertake the R&D innovation project
		Job process	R&D innovation project was undertaken	Career opportunities	To establish a CDP(Career Development Program) structure for R&D staff

\* Based on the internal job engagement survey conducted in 2012

## 2 Trust-based Labor-Management Culture

### Year-round Labor-Management Consultative Meetings

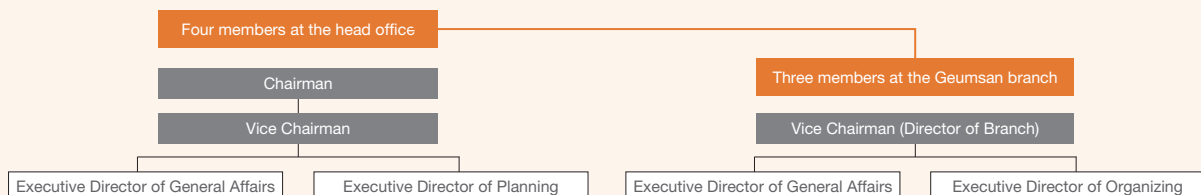
Hankook Tire and the labor union are engaged in quarterly consultations that address pending issues that arise in the workplace. When issues emerge that require joint discussions between the company and the labor union or are related to the improvement of working conditions, Labor-Management Council meetings are held year-round to allow for immediate consultations between relevant departments and the labor union, independently from the labor-management consultative meetings. We ensure that labor and management share information on pending issues that affect both parties and discuss countermeasures, so as to prevent and settle mutual conflicts and maintain productive and competitive labor relations.

**Regular Communication with the Labor Union** Hankook Tire and the labor union communicate with each other weekly and monthly on detailed progress made by each plant, in addition to attending official consultative meetings. This enables both sides to communicate transparently, eliminate causes of any unnecessary misunderstanding, and build a labor-management culture that allows close and friendly communication.

**Joint Learning Units** Hankook Tire and the labor union operate joint learning units to gain knowledge of the latest internal/ external trends as well as expertise to forge further growth. To this end, Joint Learning Day was celebrated and joint workshops were successfully held in knowledge community format. Hankook Tire and the labor union will move beyond simply having consultations to actively sharing information and knowledge and seeking joint growth.

#### Labor Union Organizational Chart

Based on Korea in 2012



\* A total of seven full-time staff members are dedicated to union work.

Our Unionized Workers		Based on Korea in 2012	
Category	Business Site	Number of Unionized Workers	Ratio
Head Office	Headquarters (including sales and logistics)	199	4.2%
	R&D Centers (including production technology)	322	6.8%
	Daejeon Plant	2,227	47.1%
Geumsan Branch	Geumsan Plant	1,983	41.9%
Total		4,731	100.0%

Labor-Management Council		Based on Korea in 2012
Operational Cycle	Monthly in each business site (Year-round consultations are made when issues arise)	
Achievements	Sharing information on pending issues that affect both labor and management and jointly developing best-possible countermeasures	
	Jan., Sep.	Off-duty during New Year's Day and Korean Thanksgiving Day
	Apr.	Cancellation of the retirement insurance contract
	May	Presentation on the transition to a holding company structure
	Jul.	Construction of a parking tower, Operational standards for Preparation team
	Aug., Sep.	Cafeteria remodeling
	Sep	Gastrointestinal endoscope examinations, Joint safety campaign

## EV-2 FAIR OPPORTUNITIES

We have fair and transparent HR policies for all employees to ensure that the talent-centered management philosophy, a key part of our management principles, is translated into action. Such fair assessment and compensation as well as a corporate culture of communication and harmony enable us to improve our employee satisfaction.

### 1 Fair HR Systems

#### Development of Diversity Management Performance

**Indicators** We are developing our diversity management system to enhance our creativity and flexibility while building competitive advantages as a global company through the increased diversity of our employees amid changing global business conditions. Thus, we are identifying the status of our female and disabled employees. For instance, we use the affirmative action management system proposed by the Ministry of Employment and Labor in managing our female workers, which has led to the continued recruitment of female employees as well as increases in the number of female employees and female managers (based on Korea: the number of female workers rose by 54 from 2011).

Our aim is not just to promote the employment of women and those with disabilities, but also to establish a corporate culture where individuals of diverse nationalities and races are recruited without discrimination and work in harmony to reach our creative and innovative potential. Furthermore, an integrated diversity management system that befits our status as a global company will be developed to enable the management of the ratio of female and disabled workers and other various indicators, thus contributing to both the quantitative and qualitative growth of Hankook Tire.

#### Expansion of Global HR Projects (Europe, America, Indonesia)

Our global HR projects have been in progress since 2011 to support our rapidly growing overseas operation and to grow ourselves into a Global One Company. In 2012, these projects were launched in respective regions of Europe, America and Indonesia. This helped us establish the 'HR Governance' structure that enables integrated support for and management of HR functions at overseas sites and the development of an integrated global HR system, while defining directions for further improvement through the diagnoses of detailed HR systems.

#### Improvement of R&D HR systems (Project to Innovate a R&D

**Operational System)** Our Main R&D Center developed technology-centered recruitment plans, the CDP (Career Development Program) system for researchers and an advanced specialist (senior researcher) system as a way to establish a systemized talent fostering process and fair HR systems. As part of such endeavors, technologies required for tire R&D were classified into technologies that could be developed by experienced new hires and technologies whose development required the fostering of new recruits into experts. As for the former, we already

recruited experienced employees who satisfied the level of capabilities we defined. In responding to the latter, we will hire new recruits and advance them to higher levels through the CDP system. In developing the CDP system for the technical workforce, the operational concept was defined in 2012 as the first step, which will be followed by the development and implementation of detailed plans in 2013 as the second step.

**Internship Program** Our internship program is operated to secure outstanding individuals. This program targets university students who are seeking jobs and aims to hire talented individuals early on and verify their practical capabilities before recruitment. In 2012, our internship program helped us recruit 16 such individuals. In 2013, we will expand the program to provide fair and transparent and employment opportunities

### 2 Review of Global Labor Practice Standards and the Development of Hankook Tire's Criteria

#### ISO 26000-based Review of Our Human Rights and Labor Practices

We fully comply with international human rights/labor standards. In 2012, we inspected and graded the level of our compliance with checklist items proposed by ISO 26000 in order to review the scope of regulation disclosures concerning human rights and labor practices. These self-initiated assessment discovered (based on Korea) that our employees held a high level of awareness on social responsibility, that we have well-organized operational systems, policies and practices as well as effective performance management practices. These have been maintained through the integration of social responsibility initiatives in the entire conduct of business, while our compliance with social responsibility should be promoted within the sphere of our influence. Sustained maintenance and management is needed through stronger ties with local communities. Our human rights inspection criteria and processes, however, needed further improvement as a result of this assessment. While we identified our level of human rights management at the Korea headquarters, we will use the ISO 26000-based compliance checklist at our overseas sites so as to assess the status of our global operations concerning human rights/labor practices.

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## EV-3 GROWTH-FOSTERING TRAINING SYSTEMS

To encourage employees to fully engage in generating outcomes as a fundamental engine of growth and to build greater organizational competency, we provide performance management training and job training by position level. Moreover, our mentoring program aims to help new hires adapt to their new roles early on and build organizational culture.

### Strengthened Informal Learning Programs

#### 1 Expansion of the Mentoring Program (for Existing R&D Staff)

After the initial pilot operation for existing employees in 2011, our mentoring program extended its scope in 2012. Employees from different departments formed mentoring ties to help them develop their careers through inter-departmental exchanges and seamless co-working. Meanwhile, executives and team leaders were designated as senior mentors, which facilitate the transfer of senior mentors' experience and technical know-how as well as the sharing of inter-generational issues. It was specifically considered that mentees in their assistant manager position could rarely exchange or communicate with executives and team leaders, which prompted us to let senior managers who were mentors, play an intermediary role to allow for free communication between assistant managers and top-executives. Weekend group volunteering activities and group baseball game outings enabled researchers to meet a portion of their needs for exchanges with other staff. In 2013, our mentoring program will extend its scope to include experienced employees.

### Introduction and Implementation of the Employee

#### Idea Program for Office Workers

In addition to the existing idea program that targets operators, 'Proactive 1 GRAND PRIX' was launched to provide easy and interesting ways for office workers to suggest their ideas. This program enables office workers to readily suggest ideas anytime through the intranet and have their suggestions evaluated immediately. Since its launch in September 2012, a total of 6,000 ideas were submitted as of December thanks to the keen interest and active participation of our employees.

## INTERVIEW

### Introduction to Proactive 1 GRAND PRIX

"Imagine anything by forward-thinking and speak your ideas freely!" Proactive 1 GRAND PRIX is Hankook Tire's internal idea suggestion program that allows our office workers to enjoy virtual racing competitions and suggest ideas in a simple and fun way. Since it began in September 2012, this program was met with exponential interest and participation of our employees. Our in-house experts who work at the very front of our business operations can submit their creative business-driven ideas while sharing and addressing issues of their own and others. They can also note company-wide concerns through this 'venue for internal communication.' Three competitions have been held so far to generate various ideas with tangible and intangible benefits including improved job process, reduced costs and productivity gains, and these ideas are constantly registered and applied to actual operations. With Proactive 1 GRAND PRIX that translates small but brilliant ideas into action one by one, we can no doubt expect an even brighter future for Hankook Tire!



Proactive 1 GRAND PRIX award ceremony

Proactive 1 GRAND PRIX website

### Interview with Winners

**1. Hwang Kum kang, Raw Material Development Team, Top performer (Suggestion) in the Singaporean Competition** Proactive 1 GRAND PRIX offered the great opportunity for us to translate the ideas that usually stay inside our heads, into concrete action and to share them with relevant departments. I expect that we all offer our ideas with the intention they be addressed with thorough follow-up efforts to contribute to the growth of the company and to build a corporate culture where such communication becomes part of our daily operation.

**2. Kim Young-woo, Proactive University, Top performer (Operation) in the Singaporean Competition** In putting ideas into action, I realized that "ideas truly shine when they are translated into action." When Proactive 1 GRAND PRIX was first initiated, I thought to myself, "Everybody is busy with their own work and there won't be many who join this competition." This changed gradually as the event emerged with importance in multiple departments and the nature of submissions transformed from simply good or brilliant ideas to workable breakthroughs. Finally, when such breakthrough ideas were executed, I exclaimed to myself, "Ah! Proactive 1 GRAND PRIX may become a growth engine for Hankook Tire!" Nowadays, when good ideas come to mind while talking about the company and work, somebody will say, "That idea should be in the Proactive 1 GRAND PRIX competition." This event has become an essential part of our corporate culture. I hope that Proactive 1 GRAND PRIX become the most valuable contributor to making Hankook Tire a Leading Global Tire Company, and that its culture sustains in a creative manner.

## 2 Strengthened Job Training Strengthened Infrastructure for Global Staff Job Training

In response to the quantitative growth propelled by the construction of new plants and the expansion of existing ones as well as increasing sales, we have continued to improve employees' job performance as a way to build stronger HR competency as an engine of qualitative growth. While we focused on strengthening job training for our sales and R&D staff until 2011, in 2012 our focus shifted to improving our employees' functional job capacity including HR & planning, innovation, and business management in order to take a step closer to reaching our strategic goal of Balanced Growth. Such endeavors started with laying the framework for job-specific training systems and creating a list of necessary curriculum courses in order to provide initial job training to our global staff.

In addition, six in-house lecturer development courses were offered, which is an increase of two from 2011, to create a pool of in-house lecturers. In so doing, we were able to develop a stronger infrastructure for global staff job training through the use of internal expertise.

We intend to build on this infrastructure laid in 2012 to provide job training to university graduates who are hired through our public recruitment process in 2013 and gradually expand its scope to include existing employees.

### Expertise Training for Manufacturing Staff

Our job expertise training courses are under operation to enhance engineers' capabilities based on our level/job-specific roadmap. These courses were also combined with job training for new hires with science and engineering backgrounds to help newly hired engineers adapt to their role early on. In addition, we are currently developing courses to enable our staff to learn and use new technology in their operation through training on advanced overseas best practices.

### Strengthened Job Training for Operators

Our Global Training Center (opened in July 2010), designed to help operators build stronger capacity, provides process-specific practical job training as well as job training for facility maintenance staff. In 2012, preliminary training was offered to 62 employees to assist local operators at our new overseas plants in building capacity. Meanwhile our overseas plants evolved to operate independently through the training offered by our Global Masters, who are responsible for offering technological support and fostering locally hired staff at overseas plants.

### In-house MBA for Researchers (Executives and Team Leaders)

Our Techno MBA (in-house MBA program) courses were provided to 34 R&D center executives and team leaders for 20 weeks from May to October of 2012. This MBA program aims to foster R&D managers with the right balance between research and management capabilities and thus improve our competitive edge in R&D. Course topics included technology strategy management, financial accounting, marketing and human resource management, which are needed for our managers with science and engineering background. This MBA program will be expanded further to cover senior managers.

## EV-4 WORK/LIFE BALANCE

We are committed to creating a workplace where all employees attain a fair work/life balance, enjoy a high quality work life and feel contentment within an organization that cares. We believe that such endeavors will be translated into enhanced trust and satisfaction, as well as improved health and reduced stress for our employees.

## 1 Expansion of Family-friendly Management Increasing Employees Who Use Our Childcare Facilities

Our 'Hankook Tire Donggeurami Childcare Centers' assist employees in reducing their child-rearing burden while striking the right balance between their professional and personal life in order to fully engage themselves in work. At the headquarters, the center started operation in December 2010. A house with a grassy playground where 49 children can freely run about took care of three classes of children (classified by age) with the help of seven dedicated teachers, as of December 2012. The facility has increasingly become a favored childcare option for our employees due to its top-notch facility and close proximity (125% increase in the number of children from 2011). Our Main R&D Center has been operating a child-care center with a capacity of 88 children since January 2011. As of December 2012, 51 children were provided care in four different classes classified by age. These outstanding child care programs and services are provided by 11 highly qualified teachers to ensure the healthy growth of our employees' children (37.8% increase in the number of children from 2012).

### Childcare Leave as an Essential Part of the Corporate Culture

To make childcare leave an essential part of our corporate culture as a way to promote a positive work/life balance, we encouraged our married female employees to take childcare leave in 2012, which doubled the number of employees who used childcare leave from 2011. Our plan for 2013 is to review the family-friendly company certification, which recognizes companies with outstanding family-friendly systems that contribute to employees' work/life balance.

### Multicultural Family Support Programs

Our corporate culture aims to unite our employees, their families and the company as one. To this end, diverse programs are under operation to engage employee families. Specifically, in 2012, 36 multicultural employee families were provided birthday cakes with congratulatory messages written in the language of the foreign spouse. This initiative will expand to a 'specialized multicultural family program' that enables employee multicultural families to experience traditional Korean culture and Korea's unique affection-based relationship. In so doing, we aim to establish a culture of 'Hankook Tire Family' that transcends boundaries of nationality.

## 2 Pleasant Workplace

### Meeting/Reporting Practice Improvement at the Main

**R&D Center** Our Main R&D Center is improving its meeting practices to establish efficient meeting/reporting practices and revitalize its organizational culture. In 2012, meeting practice improvement guidelines were distributed primarily to reduce weekday meetings, which were followed by constant monitoring and a gathering of feedback to ensure the execution of these guidelines. As a result, the number of weekday meetings at the Main R&D Center fell by 50%. In so doing, we aim to minimize meetings that are held simply to report progress and improve the efficiency of weekday meetings while promoting one-on-one communication between team leaders and members. To establish efficient meeting/reporting practices and to enhance employee's engagement in their work, our Main R&D Center will continue to monitor, identify and improve on inefficient practices.

**Electronic Documentary Evidence System** Our Work Smart initiatives are undertaken intensively with a goal to deliver a pleasant workplace, reduce low value-added work and save time & cost. As part of such endeavors, the electronic documentary evidence system was launched to address issues concerning the printing and storage of evidence documents and to ensure streamlined and more efficient work processes. Our next step will be to deploy a mobile office to improve the accessibility to our internal groupware.

**Paperless of Pay Statements for Operators** As part of our Work Smart initiatives that aim to save time & cost, printed pay statements were delivered to those operators who made their initial request starting in 2012 based on the agreement reached between labor and management. While all our operators previously received printed pay statements, paperless pay statements expanded to cover the entire staff since January 1, 2013.

### Facilitation of EAP (Employee Assistance Programs)

Our in-house grievance counseling program and the Grievance Committee are intended to address wide-ranging issues that our employees suffer. Our entire staff has the opportunity to freely discuss their grievances with counselors at the workplace, while regular training is provided annually to build the capacity of these counselors. Furthermore, counselors at respective business sites are required to complete counselor training courses and obtain necessary qualifications to deliver appropriate services that combine their expertise and experience. If counseling alone is insufficient or further review is required to handle grievances, such issues are immediately addressed through the Grievance Committee jointly operated by the labor union and the company. Meanwhile, a mental health group counseling program was temporarily operated as a pilot project on a quality circle level in order to raise awareness of the growing importance of mental health needs and to pursue contentment on both individual and organizational levels. In 2013, this program will be operated year-round through the opening of in-house counseling offices and the recruitment of dedicated counselors.

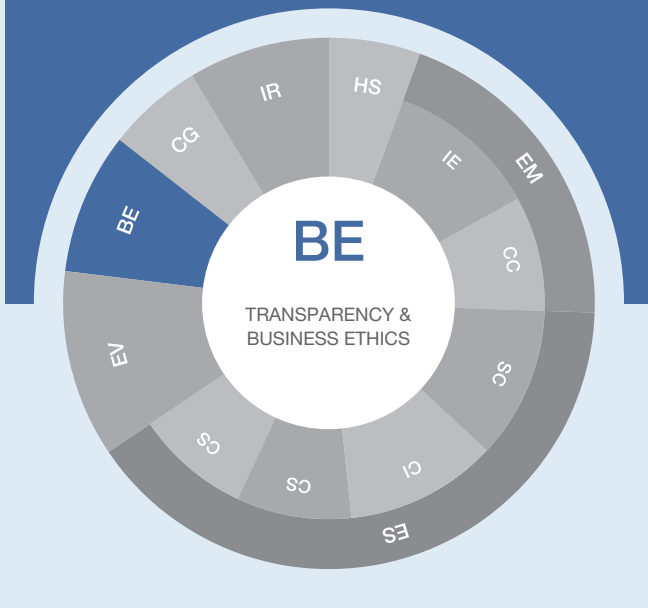
Open communication	54
Fair Opportunities	56
Growth-fostering training systems	57
Work/Life Balance	58

### Operation of the Grievance Committee at each Plant Based on Korea in 2012

Category	Daejeon Plant	Geumsan Plant	Total
Number of Committee Meetings	6	11	17
Number of Grievances Handled	10	22	32
Type of Grievances	Job rotation: 9 Move into dormitories: 1	Job rotation: 10 Move into dormitories: 5 Move into company housing: 7	Job rotation: 19 Move into dormitories: 6 Move into company housing: 7

**Visiting Parenting Class** Our employee assistance programs aim to provide support to employee families, in addition to addressing such employee grievances concerning mental health, stress, conflicts in relationships, career path, and difficulties in adapting to worklife. It was with this objective that our parenting class was provided to help employees address their grievances concerning child education and communication with their children, and to contribute to an educational community of companies, families and schools. In 2012, our employees, who could rarely take time out of their hectic schedules in spite of their high interest in the career development and education of their children, in addition to their spouses, attended three sessions of parenting classes that invited expert lecturers (school principals) to address such topics as children's career development, learning guidance and communication. We will ensure that our employee assistance programs take employee families as well as our employees.

## Transparency & Business Ethics



### Transparency & Business Ethics

Our ethics management aims to help individual employees as well as stakeholders build and practice proper ethics awareness. Our business ethics are built into our corporate mission and vision to serve as a fundamental requirement to build a transparent and healthy corporate culture void of all bribery and corruption.

### Management Responsibility and Governance

The Audit Team, as a dedicated ethics management team, is fulfilling wide-ranging roles and responsibilities including the diagnoses of management activities, audits of online/offline reports, and the operation of the Business Ethics Subcommittee. It is also responsible for responding to job-related ethical risks that may occur during daily business operation and examining our current status regarding ethical management through regular monitoring activities.

### 2012 Achievements

● : Completed   ● : Partially Completed   ○ : Not Implemented   ◌ : Year-round Activity

Code	Key Managerial Issues	2012 Goals	2012 Achievements	Completion	Pages
BE1	Ethics management training and communication	To register the Code of Ethics at the local sites	Registrations were made in three English-speaking countries (U.S., Canada, Australia)	◌	61
		To open and expand the ethics management website	The website was developed through the in-house intranet and online training content was loaded on the database	●	61
		To expand ethics management training - Expansion of manager training - Ethics management (Flash animation/quiz)	Ethics training was offered to office workers and operators - Office workers: 228, operators: 592 - 29 training sessions: 15 flash animation sessions, 14 quiz sessions	●	61
		To share ethics management practices	e-Ethics Management Letter was sent 12 times (monthly)	●	61
BE2	Regular monitoring and Evaluation	To operate the Risk Monitoring System in China	Indicators concerning accounting, purchase, cost, sales and HR were developed and operated	●	62
		To evaluate the level of ethics management	Ethics management indicators were measured and reported	●	62
BE3	Dissemination of ethics management to subsidiaries and suppliers	To send official documents regarding Hankook Tire's gift refusal policy	Ethics management brochures were sent (Jan./Oct.)	●	62
		To provide ethics management training to suppliers	Not provided	○	62
		To diagnose the level of ethics management at suppliers	126 suppliers were diagnosed through a consulting company working with Purchasing Planning	●	62

### 2013 Plans

Code	Key Managerial Issues	2013 Commitments	Key Index	Deadline	Responsible Department
BE1	Ethics management training and communication	To manage the Code of Ethics - Revise ethics regulations - Expand the dissemination of the Code of Ethics in the language of overseas sites – Hungarian, Indonesian - Register the Code of Ethics at the local sites of four countries – China, Hungary, Indonesia, Germany	Registration	By June	Audit Team/Corporate Communication Team
		To provide ethics management training - Operators and office workers - Online ethics management training - Offline onsite training – external lecturers, posters, in-house broadcasting, handbooks	Number of trainees, Opening of training courses	Round	Audit Team
BE2	Regular monitoring and Evaluation	To advance HRMS – supplementation of existing indicators and development of new ones To advance the level of the Ethics Management Index - from institutionalization development to systemization	Survey results of the HRMS system	Year-round	Audit Team
BE3	Dissemination of ethics management to subsidiaries and suppliers	To expand the scope of the Code of Ethics - Development of the Code of Ethics: MK Technology Corporation - Code of Ethics revised: ATLASBX, Daehwa Engineering & Machinery, FRIXA, em Frontier - Code of Ethics disclosed: ATLASBX, MK Technology Corporation, Daehwa Engineering & Machinery, FRIXA, em Frontier	Code of Ethics	By June	Audit Team / affiliates
		Audit Team/affiliates - Development of ethics management self evaluation indicators for affiliates	Customized diagnostic indicators	By November	Audit Team / affiliates



Ethics management training and communication	61
Regular monitoring and Evaluation	62
Dissemination of ethics management to subsidiaries and suppliers	62

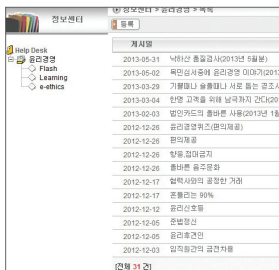
## BE-1 ETHICS MANAGEMENT TRAINING AND COMMUNICATION

Our Code of Ethics is continually supplemented and its action plans are developed and distributed.

Moreover, on/offline training enables employees to build consensus on ethics management and strengthen their capabilities to translate business ethics into action. Detailed ethics management practices are shared through our in-house intranet as part of our training program to enhance employees' ethics awareness.

### 1 Opening and Operation of the Ethics Management Website

**Development of the Ethics Management Website** Our in-house intranet is loaded with resources for ethics management practices (learning materials & quizzes and flash animations related to ethics management). These materials are organized in bulletin board format to enable employees to search for necessary materials, and highlights training for specific events.



Opening and operation of the ethics management website

### 2 Expansion of Ethics Management Training

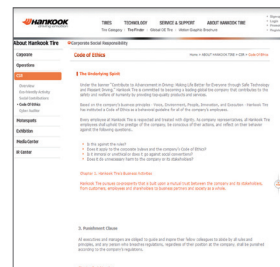
**Training for Operators and Office Workers** To build consensus on ethics management and build stronger executive capabilities in employees, our ethics training is provided to operators in addition to office workers. To prevent ethics risks, 228 office workers and 592 operators in Chief operator and Supervisor positions were trained on success stories and failures of ethics management and the application of Hankook Tire's Code of Ethics and action plans as part of the job level-specific job training in 2012.

### 3 Sharing Ethics Management Practices

In 2012, we were free from business ethics-related problems and issues. Ethics management practices are e-mailed from our CEO to employees who use our intranet (One System) through the e-ethics account once a month to share ethical behavior standards throughout the company.

### 4 Registration of the Code of Ethics at the Local Sites

Our Code of Ethics was registered at the local sites in three English-speaking countries – the U.S., Canada and Australia. Our initial plan was to establish registration at the local sites of 18 countries, however 15 of them are yet to be completed. In 2013, work is underway to register the Code of Ethics where our plants are based in China, Hungary and Indonesia, and in Germany where our regional headquarters are located.



Registration of the Code of Ethics at the local sites

#### Completion of Ethics Management Training for Operators

Category	Chief operator Leadership	Supervisor Leadership	Power Leadership	Pleasant Workplace	Total
Target	Chief operator	Supervisor	Five to 10 years of experience	Over 17 years of experience	
Training Sessions	5	2	2	4	13
Trainees (Number of persons)	248	82	86	176	592

#### Completion of Ethics Management Training for Office Workers

Category	Leader Leadership	Senior Leadership	Junior Leadership	New Recruit Training	Total
Target	Leaders	Senior managers	Assistant managers	New recruits	
Training Sessions	1	2	4	1	8
Trainees (Number of persons)	20	47	86	75	228

## BE-2 REGULAR MONITORING AND EVALUATION

Our regulations and processes are reviewed through regular evaluations while ethics management is monitored through reports submitted to the Cyber Audit Division. In addition, surveys are conducted to assess employees' level of ethics management awareness.

### 1 Development and Operation of the Risk Monitoring System in China

As organizational segmentation and integration accelerates to build a global competitive edge, the scope of evaluation programs is broadening and risk exposures are increasing accordingly. Such changing conditions alerted us to the need of an early warning program and thus we developed the RMS (Risk Monitoring System) to make all corporate data available for use under the current company-wide resources management system and to serve as a regular monitoring channel to improve on inefficient operations.

In accordance with the RMS developed and operated at the Korean headquarters, six employees helped build a diagnostic portal system at the Chinese regional headquarters for two months between August and October 2012, which strengthened their own monitoring and warning functionality. Working-level job processes were examined and risk identification cases were organized to create risk indicators on the diagnostic portal through the five modules of accounting, sales, purchasing, cost and HR. This enabled our Chinese headquarters to operate a system to check abnormal data monthly based on these indicators.

### 2 Diagnoses of the Level of Ethics Management Ethics Management Surveys

2011, surveys were administered and our level of ethics management was evaluated through our own Ethics Management Index, a customized version of the ethics management self-evaluation checklist of the Federation of Korean Industries. In 2012, our ethics management operation was undertaken to further improve what we achieved in 2011.

In evaluating our level of ethics management in 2010, 1,300 people were surveyed, out of which 1,200 (92%) responded, and the outcomes were similar to those of 2011. This indicates that we are in the 'institutionalization' stage – we are adequately aware of our economic and social responsibility and operate various programs and systems to meet our responsibility, vulnerable areas continue to exist, and our compliance and achievements are not evenly distributed across the entire spectrum of ethics management. Our objective for ethics management in 2013 is to evolve from the institutionalization stage to the establishment stage.

## BE-3 DISSEMINATION OF ETHICS MANAGEMENT TO SUPPLIERS

Because we recognize suppliers as a core partner for sustainable development, we are fully dedicated to offer ethics management training and support ethics management assessment in order to seek mutual growth based on a transparent and trustworthy relationship.

### 1 Official Notification of Our Gift Refusal Policy

**Gift Refusal Campaign during National Holidays** As part of our endeavors to disseminate ethics management to suppliers, official notification regarding our holiday gift refusal policy was sent to 688 suppliers related to facilities, raw materials and quality, while similar announcements were made through our purchasing system (HePS) to ensure that gifts are not given or received on national holidays. These documents were also sent to 293 suppliers of our affiliates under the name of the affiliate CEO (ATLASBX, FRIXA, MK Technology Corporation, em Frontier, Daehwa Engineering & Machinery) with the belief that these suppliers should be included in this scope.

suppliers to affiliates to ensure higher efficiency in disseminating our ethics management, rather than prioritizing a one-time annual training. We will develop an ethics management index for affiliates to enable them to independently evaluate their level of ethics management while motivating them to improve further.

### Ethics Management Assessment for Suppliers

As we recognize suppliers as core partners for sustainable development, we undertake diverse initiatives to build a system to seek mutual growth based on transparent and trustworthy relationships. Specifically, our suppliers are engaged in monitoring our performance and sharing information to advance ethics management together and seek mutually beneficial cooperation along the value chain.

### 2 Ethics Management Training for Suppliers

**Ethics Management Training** While we offered ethics management training to 46 suppliers and agents in December 2011, we could not reach our target of providing the same training in 2012. This was because sufficient preparations were not made in selecting suppliers and training venues. In 2013, our focus will shift from



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## HANKOOK TIRE'S CODE OF ETHICS (MAJOR POINTS)

- Hankook Tire shall regard the Code of Ethics as the standard for all employees' acts and decision-making.
- Hankook Tire shall build mutual trust with all stakeholders by practicing business ethics.

### The Underlying Spirit

Hankook Tire pursues the '21<sup>st</sup> Century Global Standard' that contributes to the safety and happiness of humanity by creating the world's best products and services based on the grand vision of "Extending Trust and Value to the World." This goal can be only achieved when individual employees at Hankook Tire share the utmost ethical values and practice them together.

As such, we institute the Code of Ethics based on the new 21<sup>st</sup> Century Grand Vision and Hankook Tire's core values of creativity, professionalism, goal orientation and accountability. Hankook Tire seeks to parallel the following values while encouraging stakeholders to do so as well through sound business practices:

High quality production and value for customers
Reward and self-esteem for employees
Higher profits and stock value for shareholders
Trust-based relationship for partners
Sharing the fruits of success with society

All employees at Hankook Tire are respected and treated with dignity. Each employee at Hankook Tire voluntarily complies with and practices business ethics according to the belief that they are positively representing their company and maintaining the reputation of both the company and themselves as pure and thriving at all times.

Am I not violating any laws?
Does it comply with the value of corporate rules and the Code of Ethics?
Is it socially immoral or unethical?
Does it impose unfair damage or burden to the company or stakeholders?

### CHAPTER 1 Hankook Tire's Management Activities

Hankook Tire seeks prosperity for everyone based on mutual trust with stakeholders, customers, employees, shareholders, partners and the society that its management activities are targeting.

### CHAPTER 2 Work Life of Employees at Hankook Tire

Hankook Tire's employees maintain their own reputation by mutually respecting one another, embodying high moral standards and proper manners, and believing in the maxim, "Honest, fair and proper business ethics shall be prioritized." While respecting individual expertise and creativity to the utmost and striving to make profits for the company, employees seek to initiate and maintain their own individual growth and corporate development alike.

### CHAPTER 3 Operation and Practices of Business Ethics

Business ethics at Hankook Tire aim to create a corporate culture of trust and value by actively taking part in ethical activities: ethics campaigns, seminars on ethics for partners and enterprise-wide fair transactions.

### CHAPTER 4 Appendix

- 1 Hankook Tire's Code of Ethics shall take effect from August 1, 2001.
- 2 Hankook Tire's Code of Ethics shall take effect from February 1, 2005.
- 3 Hankook Tire's Code of Ethics shall take effect from July 15, 2007.
- 4 In the event that this Code of Ethics overlaps or runs counter to the previous similar code, this shall outweigh it in any decision.

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 You may move on to the related page if you click on it.

## UN Global Compact









Hankook Tire joined the UN Global Compact (UNGC) in December 2012. The UNGC is an international initiative proposed in 2000 by former UN Secretary General Kofi Annan to call for stronger corporate social responsibility in the four areas of human rights, labour, environment and anti-corruption, and ten principles in respective areas. We 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		GRI Index	Report content	Pages
Human Rights				
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights	HR1 HR2 HR3 HR4 HR5 HR6 HR7	Employee Value Creation Win-Win Supply-Chain Partnership	52-59 34-39
Principle 2	Businesses should make sure they are not complicit in human rights abuses.	HR4 HR8		
Labour				
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	HR5 LA4 LA5	Employee Value Creation	52-59
Principle 4	Businesses should uphold the elimination of all forms of forced and compulsory labour.	HR7	Employee Value Creation Win-Win Supply-Chain Partnership	52-59 34-39
Principle 5	Businesses should uphold the effective abolition of child labour.	HR6		
Principle 6	Businesses should uphold the elimination of discrimination in respect of employment and occupation.	HR4 LA2 LA10 LA13 LA14	Employee Data Summary	69-71
Environment				
Principle 7	Businesses should support a precautionary approach to environmental challenges.	4.11		
Principle 8	Businesses should undertake initiatives to promote greater environmental responsibility.	EN12 EN13 EN14 EN18 EN21 EN22 EN26 EN30	Environmental Management	24-33
Principle 9	Businesses should encourage the development and diffusion of environmentally friendly technologies.	EN5 EN6 EN7 EN10 EN18 EN26		
Anti-Corruption				
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	SO2 SO3 SO4	Transparency/ Business Ethics	60-63

## Awards

### CERTIFICATES

Green/Sustainability Management	
 <ul style="list-style-type: none"> <li>• DJSI KOREA</li> <li>• Supervised by the Dow Jones and the Korea Productivity Center</li> <li>• Included for two years in a row (2011, 2012)</li> </ul>	 <ul style="list-style-type: none"> <li>• Green Star</li> <li>• Supervised by the Korea Management Association</li> <li>• Awarded for three years in a row (Green Product Winner in 2011 and before)</li> </ul>
Brand Value	
 <ul style="list-style-type: none"> <li>• Korea-Brand Power Index</li> <li>• Supervised by the Korea Management Association Consulting</li> <li>• Rated top-performer in the passenger car tire sector for 11 years in a row (~2013)</li> </ul>	 <ul style="list-style-type: none"> <li>• National Brand Competitiveness Index</li> <li>• Supervised by the Korea Productivity Center</li> <li>• Rated No. 1 for five consecutive years (2009~2013)</li> </ul>
Quality/Technology	
 <ul style="list-style-type: none"> <li>• Korean Standard-Quality Excellence Index (KS-QEI)</li> <li>• Supervised by the Korean Standards Association</li> <li>• Rated No. 1 for four consecutive years</li> </ul>	 <ul style="list-style-type: none"> <li>• Inno Star</li> <li>• Supervised by the Korea Management Association</li> <li>• Awarded for three years in a row (Green Product Winner in 2011 and before)</li> </ul>
Design	Corporate Reputation
 <ul style="list-style-type: none"> <li>• iF Design Awards</li> <li>• Supervised by the International Design Forum in Germany</li> <li>• Awarded in the product design segment in the passenger car tire sector in 2012 and 2013</li> </ul>	 <ul style="list-style-type: none"> <li>• Korea's Most Respected Company</li> <li>• Supervised by the Korea Management Association Consulting</li> <li>• Selected for four years in a row (2010~2013)</li> </ul>

### RESULTS OF TECHNICAL JOURNAL TESTS

Vantra LT	• Rated 'Very Recommendable' in a performance test conducted by Promobile (Mar. 2013)
Optimo K415	• Rated 'Very Recommendable' in a performance test conducted by 'Autoreview', Russia (Mar. 2012)
Kinergy eco	• Rated 'Very Recommendable' in a performance test conducted by 'TUULILASI', Finland (Mar. 2012)
	• Rated 'Very Recommendable' in a performance test conducted by L'argus, France (Mar. 2012)
Icebear W440	• Rated 'Very Recommendable', the highest rating, in a performance test conducted by 'ADAC (Allgemeiner Deutscher Automobil-Club)', Europe's most prestigious automotive industry journal (Sep. 2009)
Optimo 4S	• Rated 'Very Recommendable', the top mark, in a performance test conducted by 'Auto Bild' (Sep. 2009)
Ventus S1 evo	• Rated 'Very Recommendable' in a performance test conducted by 'Evo', the U.K. (Mar. 2012)
	• Rated 'Very Recommendable', the highest rating, in a performance test conducted by 'Auto Bild Sportscars', Chosen as the 'Test Winner' (Mar. 2009)
	• Rated 'Very Recommendable', the top mark, in a performance test conducted by 'Sport Aut' (Mar. 2009)
	• Rated 'Very Recommendable', the top rating, in a performance test conducted by 'Auto Zeitung' (Apr. 2009)
	• Rated 'Very Recommendable', the highest mark, in a performance test conducted by 'Auto Motor Und Sport' (Mar. 2010)
	• Rated 'Very Recommendable', the highest ranking, in a performance test conducted by 'Gute Fahrt' (Mar. 2010)
	• Rated 'Very Recommendable', the top mark, in a performance test conducted by 'Auto Zeitung' (Mar. 2011)
Ventus S1 evo2	• Rated 'Very Recommendable' in a performance test conducted by 'ADAC', the largest German auto publication (Mar. 2013)
	• Rated 'Very Recommendable', the highest ranking, in a performance test conducted by 'Auto Motor Und Sport' (Mar. 2012)
	• Rated 'Very Recommendable', the top mark, in a performance test conducted by 'Gute Fahrt' (Mar. 2012)
	• Rated 'Very Recommendable', the top mark, in a performance test conducted by 'Sport Aut' (Mar. 2012)
Ventus V12 evo	• Rated 'Very Recommendable', the top mark, in a performance test conducted by 'Sport Aut' (Mar. 2012)
	• Named as an 'Outstanding Product' by the U.S. premium automobile magazine 'Car and Driver' (Jul. 2009)
Ventus Prime	• Rated 'Very Recommendable' the top mark, in a performance test conducted by 'Auto Bild', Chosen as the 'Test Winner' (Mar. 2009)
Ventus Prime2	• Rated 'Very Recommendable' in a performance test conducted by Gute Fahrt, Germany (Mar. 2013)
	• Rated 'Very Recommendable', the highest ranking, in a performance test conducted by Test World (Mar. 2012)
Ventus R-s3	• Won the tire test held by Japan's leading modified car magazine 'Rev Speed' (Jul. 2010)

## Membership of Organizations and Associations

### ORGANIZATION

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 Tire Industry Project Group under the World Business Council for Sustainable Development. In 2005, we formed a consultative body along with other ten global tire manufacturers to perform research and cooperate for a 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 eco-friendly recollection, recycling and disposal of used tires and the environmental impact of tire materials. In so doing, we at Hankook Tire contribute to a sustainable development of the tire industry.

## Government Grants and Regulatory Violations

### GOVERNMENT-LED R&D PROJECTS AND GOVERNMENTAL INVESTMENT

Name of Project	Details	Period	Government Investment	Hankook Tire's
Development of intelligent tire systems	Developing intelligent tire technology for intelligent vehicles	2009.06.01-2013.05.31	1,270,000,000	Participation
Development of clean industrial source technology	Eco-friendly tire manufacturing technology through the use of urethane Uni-material	2010.06.01-2015.03.31	4,338,610,000	Participation
Carbon-reducing ketone-based premium fiber and resin	Developing polyketone fiber composite materials	2010.08.01-2019.02.28	2,814,770,000	Participation
Development of biogas-enabled 20KW polymer electrolyte fuel cell systems for buildings	Developing large-area molding separators for 20KW fuel cells	2011.12.01-2014.12.31	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	2011.12.01-2015.11.31	2,503,000,000	Supervision
Research specialized in next-generation military power systems	Developing lightweight thin separators for high-output fuel cell stacks	2012.06.05-2014.12.31	105,000,000	Commission

### REGULATORY VIOLATIONS

None

## Financial Data Summary

\* Hankook Tire Co., Ltd. Consolidated (After spin-off)  
1st Fiscal Year: September 1, 2012–December 31, 2012

### CONSOLIDATED FINANCIAL POSITIONS (SUMMARY)

(Unit: KRW)

Category	1st Fiscal Year	
<b>ASSETS</b>		
I. Current assets		3,336,866,821,429
Cash and cash equivalents	485,612,511,828	
Short-term financial instruments	194,283,137,919	
Accounts receivable and other receivable	1,184,405,376,494	
Inventory	1,391,723,116,441	
Other financial assets	1,718,889,591	
Other current assets	79,123,789,156	
II. Non-current assets		3,845,587,622,547
Long-term financial instruments	94,549,542	
Financial assets available for sale	2,776,458,300	
Tangible assets	3,571,590,661,633	
Investment property	50,113,340,579	
Intangible assets	116,615,826,494	
Other financial assets	14,216,852,881	
Other non-current assets	2,461,283,362	
Deferred tax assets	87,718,649,756	
Total assets		7,182,454,443,976
<b>LIABILITIES</b>		
I. Current liabilities		2,991,072,223,760
II. Non-current liabilities		969,896,599,121
Total liabilities		3,960,968,822,881
<b>Capital</b>		
Capital	61,937,534,500	
Other paid-in capital	2,992,377,720,089	
Earned surplus	211,566,946,419	
Other capital components	-53,812,774,504	
Non-controlling interest	9,416,194,591	
Total capital		3,221,485,621,095
Total liabilities and capital		7,182,454,443,976

### CONSOLIDATED STATEMENTS OF INCOME (SUMMARY)

(Unit: KRW million)

Category	1st Fiscal Year	
I. Sales		2,317,223,403,934
II. Cost of sales		1,561,773,167,029
III. Gross margin		755,450,236,905
Sales expenses	230,195,507,876	
Management expenses	169,104,209,121	
R&D expenses	47,558,338,001	
IV. Operating profit		308,592,181,907
Financial profit	13,767,112,258	
Financial cost	50,928,603,584	
Other non-operating income	110,828,639,619	
Other non-operating expenses	88,730,974,075	
V. Income before income tax		293,528,356,125
VI. Income tax expenses		62,514,281,431
VII. Net income		231,014,074,694
VIII. Other comprehensive income		-74,106,830,623
IX. Net total comprehensive income		156,907,244,071

## Employee Data Summary

### 1. TOTAL STAFF

As a global company, we hire both Korean and locally hired staff. The number of total staff, including locally recruited staff, rose 13% in 2012 from 2011, thus contributing to stable employment at home and abroad through sustained job creation. We will continue to create more jobs to meet our mid/long-term business plans.

<Company-wide>

(Unit: Number of persons)

Category	2011		2012		From the Previous Year	
	Number	Ratio	Number	Ratio	Number	Ratio
Korean	6,510	37.30%	6,837	34.6%	327	5.0%
Locally Recruited	10,962	62.70%	12,900	65.4%	1,938	17.7%
Total	17,472	100.00%	19,737	100.0%	2,265	13.0%

### 2. STAFF BY EMPLOYMENT TYPE

We hire office staff and operators. In 2012, the number of operators rose significantly against that of office staff. This is attributable to the fact that we hired more operators due to the continued expansion of plant facilities, which was spurred by sustained business growth.

<Company-wide>

(Unit: Number of persons)

Category	2011		2012		From the Previous Year	
	Number	Ratio	Number	Ratio	Number	Ratio
Office Staff	4,240	24.3%	4,433	22.5%	193	4.6%
Operators	13,232	75.7%	15,304	77.5%	2,072	15.7%
Total	17,472	100.0%	19,737	100.0%	2,265	13.0%

### 3. STAFF BY REGION

We manufacture tires in Korea, China, Hungary and Indonesia (seven plants in four nations) and supply them to our customers across the globe through our sales networks established in Korea, China, Europe, America, the Middle East, Africa, and the Asia Pacific (15 subsidiaries and 66 offices). We intend to create jobs on a global level to contribute to revitalizing the global economy.

Global Staff by Region <Company-wide>

(Unit: Number of persons)

Category	2011		2012		From the Previous Year	
	Number	Ratio	Number	Ratio	Number	Ratio
Korea	6,292	36.0%	6,597	33.4%	305	4.8%
China	8,210	47.0%	9,130	46.3%	920	11.2%
Europe	2,480	14.2%	2,695	13.7%	215	8.7%
America	230	1.3%	235	1.2%	5	2.2%
Middle East/Asia Pacific / Africa	260	1.5%	1,080	5.5%	820	315.4%
Total	17,472	100.0%	19,737	100.0%	2,265	13.0%

Locally Hired Staff by Region <Company-wide>

(Unit: Number of persons)

Category	2011		2012		From the Previous Year	
	Number	Ratio	Number	Ratio	Number	Ratio
Korea	0	0%	0	0%	-	-
China	8,147	99.2%	9,042	99.0%	895	11.0%
Europe	2,398	96.7%	2,633	97.7%	235	9.8%
America	200	87.0%	204	86.8%	4	2.0%
Middle East/Asia Pacific / Africa	217	83.5%	1,021	93.7%	804	370.5%
Total	10,962	62.7%	12,900	65.4%	1,938	17.7%

#### 4. FEMALE STAFF AND THEIR REINSTATEMENT AFTER MATERNITY LEAVE

We hire considerably fewer female staff due to the inherent characteristics of the manufacturing industry. Our operators, who account for 77.5% of the total staff, should be capable of handling heavy tires and this poses grave challenges for women to work in. Still, we are committed to hiring more women in such areas as quality management and battery car transport as a way to increase the number of female operators. Such endeavors allowed us to increase the ratio of female workers by 18.5% in 2012 from 2011, and the ratio of female operators by 31.3% during the same period. Our commitment to increasing female employment will continue in the upcoming years.

##### Employment of Female Staff <Company-wide>

(Unit: Number of persons)

Category	2011		2012		From the Previous Year	
	Number	Ratio	Number	Ratio	Number	Ratio
Female	1,176	6.7%	1,393	7.1%	217	18.5%
Male	16,296	93.3%	18,344	92.9%	2,048	12.6%
Total	17,472	100.0%	19,737	100.0%	2,265	13.0%

##### Female Staff by Employment Type <Company-wide>

(Unit: Number of persons)

Category	2011			2012			From the Previous Year		
	Female Staff	Total Staff	Ratio of Female Staff	Female Staff	Total Staff	Ratio of Female Staff	Female Staff	Total Staff	Ratio of Female Staff
Office Staff	688	4,240	16.2%	753	4,433	17.0%	65	193	9.4%
Operators	488	13,232	3.7%	640	15,304	4.2%	152	2,072	31.1%
Total	1,176	17,472	6.7%	1,393	19,737	7.1%	217	2,265	18.5%

##### New Female Recruits <in Korea>

(Unit: Number of persons)

Category	2011		2012		From the Previous Year	
	Number	Ratio	Number	Ratio	Number	Ratio
Female	59	9.6%	75	13.0%	16	27.1%
Male	553	90.4%	501	87.0%	-52	-9.4%
Total	612	100%	576	100%	-36	-5.9%

##### Reinstatement of Female Staff after Maternity Leave <in Korean and Overseas Plants>

(Unit: Number of persons)

Category	2011			2012			From the Previous Year		
	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	Increase in Reinstatement (%)
Korea	10	8	80%	15	15	100%	5	7	25.0%
Overseas	24	18	75%	31	24	77%	7	6	2.7%

#### 5. STAFF WITH DISABILITIES

Sustained work is underway at Hankook Tire to hire more staff with disabilities. While five staff with disabilities resigned in 2012, we hired seven additional individuals with disabilities, which increased the number of disabled staff by two. We will establish our own diversity management system to ensure diversity in our staff composition

##### <In Korea>

(Unit: Number of persons)

Category	2011	2012
Number of Disabled Staff	81	83



## 6. RESIGNATIONS

While we had a few resigning staff who moved to other companies due to the revitalizing employment market, the total resignation rate measured against the total number of staff fell slightly in 2012. We are committed to encouraging our staff to fully engage in their job and the company based on our talent-centered management philosophy. In doing so, we will reduce staff resignation and deliver an inspiring and stimulating workplace.

In Korea

(Unit: Number of persons)

Category		2011	2012	From the Previous Year	
		Number	Number	Number	Ratio
Employment Type	Office Staff	169	119	-50	-29.6%
	Operators	92	123	31	33.7%

\* The number of operators who resigned rose due to the increasing number of retired operators (54.0% increase from 2011).

## 7. AVERAGE LENGTH OF SERVICE

We guarantee stable employment based on our sustained growth. The average length of service over the past two years was 11.5 years for Korean staff and 4.9 years for locally hired staff. Our average length of service is increasing slightly compared to our continued recruiting efforts.

Company-wide

(Unit: Year)

Staff	2011	2012
Korea	11.4	11.6
Locally Hired	4.5	5.3

\* The average length of service of locally hired staff is relatively short due to their typical status as new recruits hired by newly established overseas plants.

## 8. AVERAGE WAGE LEVEL AND GENDER EQUALITY IN WAGE LEVEL <Company-wide>

All our employees experience equal wage levels and are completely free from any type of discrimination, regardless of their gender. In addition, all our business sites fully comply with minimum wage regulations defined by each respective country and compensate staff above the minimum wage level. Our employees are treated fairly and face no discrimination due to their gender differences in terms of other policies and welfare & benefits. We are committed to continuing to provide a discrimination-free workplace to our employees.

## CSR Principle

### CORPORATE SOCIAL RESPONSIBILITY PRINCIPLE

- 1 **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 values to our stakeholders and in fulfilling our roles and responsibilities as a corporate citizen in leading sustainable development and growth beyond the tire industry into an even larger mobility trade.
- 2 **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.
- 3 **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.
- 4 **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.
- 5 **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.
- 6 **Company-Wide CSR Training and Consensus-Building** To disseminate CSR and build consensus among employees, we set up and carry out annual enterprise-wide CSR training plans.
- 7 **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.
- 8 **Integrated Risk Management** We ensure systemic management of and appropriate response to non-financial risks (eg. SEE (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.

## 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 take action as follows.

- 1 We recognize the environment as a critical factor in management strategy.
- 2 With sustained investments, process improvements and ideal 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.

## SOCIAL CONTRIBUTION CHARTER

### Our Statements

- 1 We continuously deliver 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 community of our operations.
- 4 We fully commit ourselves to supporting socially vulnerable and underprivileged populations by bestowing to society the values we generate.
- 5 We pioneer 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 capacity 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 community.

## CSR Principle

Indicators	Details	Index Number	Description	Pages	ISO 26000
Strategy and Analysis		1.1 - 1.2	CEO Message	2~3	6.2
Organizational Profile		2.1, 2.2, 2.3, 2.4, 2.5, 2.6, 2.7, 2.8, 2.9, 2.10	CEO Message, Company Profile, Integrated CSR Management System	2~3, 4, 16~19	
Report Parameters	Report content	3.1, 3.2, 3.3, 3.4	About This Report	Cover	
	Reporting boundary	3.5, 3.6, 3.7, 3.8, 3.9, 3.10, 3.11	About This Report	Cover	
	GRI Index Table	3.12	GRI Index Table	74	
	Assurance	3.13	Independent Assurance Report	76~77	
Governance, Commitments, and Engagement	Governance	4.1, 4.2, 4.3, 4.4, 4.5, 4.6, 4.7, 4.8, 4.9, 4.10	Responsible Corporate Governance	14~15	6.2
	External initiatives	4.11, 4.12, 4.13	Appendix (Membership of Organizations and Associations)	67	
	Stakeholder engagement	4.14, 4.15, 4.16, 4.17	Integrated CSR Management System	6~11	
Economy	Economic performance	EC1, EC2, EC3	Appendix (Financial Data Summary), Community Involvement and Development	68, 40~45	6.8, 6.8.3, 6.8.7, 6.8.9, 6.5.5
	Financial assistance received from the government	EC4	Appendix (Government Grants)	67	
	New recruits' entry wage level against the local statutory minimum wage	EC5	Appendix (Employee Data Summary)	69~71	6.4.4, 6.8
	Procedures for preferential recruitment of local employees and the ratio of locally -hired employees in higher management positions	EC7	Employee Value Creation, Appendix (Employee Data Summary)	52~59, 69~71	6.8, 6.8.5, 6.8.7
	Infrastructure investments that consider public interest as their top priority and impact of service support activities	EC8	Community Involvement and Development, Employee Health and Safety Management, Customer Satisfaction and Quality Management (Customers and Dealers)	40~45, 20~23, 46~49	6.3.9, 6.8, 6.8.3, 6.8.4, 6.8.5, 6.8.6, 6.8.7, 6.8.9
	Understanding and explanation of indirect economic rippling effects	EC9	Win-Win Supply-Chain Partnership, Community Involvement and Development	34~39, 40~45	6.3.9, 6.6.6, 6.6.7, 6.7.8, 6.8, 6.8.5, 6.8.6, 6.8.7, 6.8.9
Environment	Raw materials	EN1, EN2	Integrated Environmental Management System	24~29	6.5, 6.5.4
	Energy/water	EN3, EN4, EN5, EN6, EN7, EN8	Environmental Management	24~33	
	Biodiversity	EN11, EN12, EN13, EN14	Integrated Environmental Management System	-	6.5, 6.5.6
	Atmospheric emissions, wastewater, waste	EN16, EN17, EN18, EN19, EN20, EN21, EN22, EN23, EN24	Environmental Management	24~33	6.5, 6.5.3, 6.5.4, 6.5.5, 6.5.6
	Products and services	EN26, EN27	Integrated Environmental Management System	24~29	6.5, 6.5.4, 6.6.6, 6.7.5
	Legal compliance	EN28	Appendix (Regulatory Violations)	67	
	Transportation	EN29	Integrated Environmental Management System	24~29	6.5, 6.5.4, 6.6.6
	Total	EN30	Environmental Management	24~33	6.5
Labor	Employment	LA1, LA2, LA3	Employee Value Creation, Appendix (Employee Data Summary)	52~59, 69~71	6.4, 6.4.3
	Labor relations	LA4, LA5	Employee Value Creation	52~59	6.4, 6.4.3, 6.4.4, 6.4.5, 6.3.10
	Workplace health & safety	LA6, LA7, LA8, LA9	Employee Health and Safety Management	20~23	6.4, 6.4.6, 6.8, 6.8.3, 6.8.4, 6.8.8
	Education and training	LA10, LA11	Employee Value Creation	52~59	6.4, 6.4.7, 6.8.5
	Diversity and equal opportunities	LA12, LA13, LA14	Employee Value Creation, Appendix (Employee Data Summary), Responsible Corporate Governance	52~59, 69~71, 14~15	6.3.7, 6.3.10, 6.4, 6.4.3, 6.4.4
Human Rights	Investment and purchasing practices	HR1, HR2, HR3	Win-Win Supply-Chain Partnership	34~39	6.3, 6.3.3, 6.3.5, 6.4.3, 6.6.6
	Prohibition of discrimination	HR4	Employee Value Creation	52~59	6.3, 6.3.6, 6.3.7, 6.3.10, 6.4.3
	Freedom of association and collective bargaining	HR5	Employee Value Creation	52~59	6.3, 6.3.3, 6.3.4, 6.3.5, 6.3.8, 6.3.10, 6.4.3, 6.4.5
	Child labor	HR6	Employee Value Creation	52~59	6.3, 6.3.4, 6.3.5, 6.3.7, 6.3.10
	Forced labor	HR7	Employee Value Creation	52~59	
Society	Local community	SO1	Community Involvement and Development	40~45	6.3.9, 6.8, 6.8.5, 6.8.7, 6.6.7
	Corruption	SO2, SO3, SO4	Transparency/Ethics Management	60~63	6.6, 6.6.3
	Public policies	SO5, SO6	Climate Change and GHG Management	30~33	6.6, 6.6.5, 6.8.3
	Anti-competitive behaviors	SO7	Transparency/Ethics Management	60~63	6.6, 6.6.5, 6.6.7
	Legal compliance	SO8	Appendix (Regulatory Violations)	67	6.6, 6.6.7, 6.8.7
Product Responsibility	Customer health & safety	PR1, PR2	Customer Satisfaction and Quality Management (Customers and Dealers)	46~49	6.3.9, 6.6.6, 6.7, 6.7.4, 6.7.5
	Product information	PR3	Company Profile, Integrated Environmental Management System, Customer Satisfaction and Quality Management	5	6.7, 6.7.3, 6.7.4, 6.7.5, 6.7.6, 6.7.9
	Product labeling information	PR4	Customer Satisfaction and Quality Management (Customers and Dealers)	46~49	
	Customer satisfaction	PR5	Customer Satisfaction and Quality Management (Customers and Dealers)	46~49	6.7, 6.7.3, 6.7.6, 6.7.9
	Marketing communication	PR6, PR7	No Violations	67	
	Protection of customers' personal information	PR8	No Violations	67	6.7, 6.7.7
	Legal compliance	PR9	No Violations	67	6.7, 6.7.6

## Hankook Tire Employees Involved in the Preparation of the CSR Report 2012/2013

General Management of the CSR Report	General Management of the Report Publication	Kim, Jong-yune, Yoon, Seong-ha
	Planning and Compilation of Materials	Park, Sun-ah / Lee, Eun-hye
	General Design Management	Kim, Dong-wook
	Design Planning	Ahn, Hyo-kak

CG Responsible Corporate Governance	Governance	Hong, Dae-won
IR Integrated Risk Management	Risk Management	Lee, Eun-kyu / Nam, Jae-woon

### FOCUS 01

HS Employee Health & Safety Management	Health and Safety Management	Kim, Hack-feel
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### FOCUS 02

EM Environmental Management	Integrated Environmental Management	Jang, Sun-mi
	Response to Climate Change	Choi, Yoo-seong
	Environmental Management at Worksite	Song, Il-kwon / Kwak, Sang-young
	Development of Eco-friendly Products	Kim, Byung-seog
	Utility	Seo, Keun-seon
	Energy Management at Worksite	Park, Chong-jin / Ha, Jae-hyong

### FOCUS 03

SC Win-Win Supply-chain Partnership	Win-Win Partnership with Suppliers	Jung, Pil-goo
CI Community Involvement & Development	Corporate Philanthropy	Jeon, Seong-youn
	Sharing Foundation	Kim, Inn-suk
CS Customer Satisfaction & Quality Management	Car Maker	Lee, Ju-hee
	Customer Satisfaction (Customers and Dealers)	Choi, Myung-ho
	Communication	Cha, Cheol-min / Lee, Chang-yool / Jeong, Beom-min
	Services and Education	Lee, Yun-jae / Kong, Byeong-kwon

### FOCUS 04

EV Employee Value Creation	Employee Value Creation	Oh, Joon-suk
	HRM	Lee, Sang-min / Kwon, Hyok / Shin, Joon-ho
	HRD	Lee, Kang-yun / Oh, Hyun-mi / Han, Seung-cheol / Lee, Seung-yeon
	Work & Life Balance	Shin, Dong-soo / Park, Sun-jae / Shin, Kyung-su / An, Myung-guem
	Communication	Kang, Chang-mo / Oh, Jeong-seok / Park, Chan-yong / Jung, Hae-sun

### FOCUS 05

BE Transparency & Business Ethics	Transparency & Business Ethics	Lee, Hai-pung
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Appendix	Brands & Products	Jeong, Beom-min / Nam, Bo-ra
	Government-Commissioned R&D Projects	Lim, Kyu-seok

# Independent Assurance Statement

## To the Stakeholders of Hankook Tire

### Assurance Scope

BSI Group Korea Limited (BSI hereafter) performed an independent assurance engagement of Hankook Tire's CSR Report 2012/13 (CSR Report hereafter). The CSR Report outlines Hankook Tire's CSR strategies and achievements between January 1 and December 31 of 2012, as well as the company's action plans for key managerial issues for 2013. The scope of this assurance engagement spans the Hankook Tire headquarters, Daejeon/Geumsan Plants and R&D centers, except for achievements made by a portion of the company's overseas operations included in the CSR Report as well as the following.

- Financial data
- GHG emissions data (separately verified)
- Additional information available through means other than the CSR Report such as the corporate website.

### Responsibility and Independence

The responsibility for preparing this CSR Report lies solely with Hankook Tire's top management. BSI's responsibility is to use professional assurance methodology concerning the assurance scope stated above and to offer independent assurance opinions to the top management and all stakeholders of Hankook Tire.

This is BSI's first engagement for Hankook Tire's CSR Report assurance and its assurance team was not engaged in the preparation of the CSR Report. The assurance team reviewed report drafts and offered feedback from the early reporting stage and numerous modifications were made before the CSR Report was finalized. Furthermore, the assurance team consisted of multidisciplinary experts with wide-ranging technical capabilities and in-depth experience to ensure the highest quality assurance services in accordance with BSI's Code of Business Ethics.

### Assurance Level and Limitations

This assurance engagement constitutes a moderate level assurance, which is more limited in the scope of assurance activities compared to a high level assurance. Such limitations are as follows.

- The assurance team was not involved in Hankook Tire's stakeholder engagement activities and the assurance conclusions and opinions were prepared through the interviews with Hankook Tire employees in respective functions and the review of relevant documents and data provided by Hankook Tire.
- The interviewees were designated by Hankook Tire and agreed upon by the assurance team.
- Data before January 2012 was excluded from the assurance scope.

### Assurance Standards

The assurance for the CSR Report was performed in accordance with the following standards.

- AA1000 Assurance Standard (2008)
- GRI (Global Reporting Initiative) G3.1 guidelines' principles for defining quality

The assurance team performed a Type 2, moderate level assurance engagement in accordance with AA1000 AS (2008) to evaluate the nature and extent of adherence to the principles of inclusivity, materiality and responsiveness while using GRI's principles for defining quality in verifying the reliability of performance data.

### Assurance Methodology

The assurance team undertook the following activities:

- Conducted an informal materiality test based on the analyses of issues related to Hankook Tire such as media reports, research materials of evaluation bodies, reports of industry peers and competitors then a comparative review of the test results against Hankook Tire's material issues
- Interviewed top management and working-level staff who are responsible for managing material issues at the Seoul headquarters and Geumsan Plant
- Reviewed Hankook Tire's stakeholder engagement methods and presented feedback
- Evaluated the information presented by Hankook Tire concerning reporting and management processes that are related to the AA1000 Accountability Principles
- Reviewed the process of generating, collating and reporting data in respective areas as well as the evidence and data that support key assertions of the CSR Report

### Conclusions

The assurance team reviewed the draft of the CSR Report and made feedback and, as necessary, modifications were made. On the basis of the work undertaken, nothing came to our attention to suggest that the CSR Report does not properly describe Hankook Tire's adherence to the Principles of the AA1000APS and related sustainability performance.

**Without affecting the assurance conclusions, BSI provides the following opinions based on the AA1000 Accountability Principles of inclusivity, materiality and responsiveness.**

Hankook Tire's integrated CSR management system is demonstrating consistent operation, which ensures that various stakeholder feedback is reflected in its company-wide strategic guidelines and constantly managed through the CSR Strategy Committee and operational subcommittees. Establishing the CSR Committee in China is also a good approach in terms of expanding the CSR system into its overseas operation. We recommend that Hankook Tire should make a clearer arrangement and report on how management role and responsibility for the key issues are assigned at the top CSR governance level (currently,

the CSR Strategy Committee) while reporting further on how to align the operation of the CSR Committee at the Korean headquarters and the CSR Committees in overseas business sites.

While Hankook Tire's mission and vision structure contains its mid-term goals and strategic directions, such directions are not clearly aligned with key CSR issues. If the linkage between the two is more clearly defined, this will give more confidence to stakeholders that the company's company-wide strategies and its CSR strategies are integrated for effective operation.

Hankook Tire initiated the assurance engagement from the early drafting stage of the CSR Report, which allowed the company to proactively reflect the feedback of assurance team for the improvement of accountability principles as well as the reliability of data during the entire reporting process.

**Inclusivity principle is about ensuring stakeholder engagement in developing and undertaking an accountable and strategic response to sustainability.**

Hankook Tire is demonstrating a highly commendable approach of integrating the principle of inclusivity into its operation with its structure of developing CSR strategic guidelines and implementing it through subcommittees on the basis of the various stakeholders' input including customer requirements, employee surveys, rating bodies' feedback, peer benchmarking and recommendations from the assurance provider. Still, the company lacks of a formal system to gather feedback from direct stakeholders. Therefore, its inclusivity will be strongly improved if stakeholders' direct feedback is gathered through stakeholder panels by operating it in alignment with the CSR Strategy Committee in determining material issues for CSR reports.

Hankook Tire's initiatives to obtain consent from suppliers to comply with CSR principles and to help suppliers with capacity building are positively evaluated while its future plan to expand CSR assessment as part of its supplier management system is also considered a good approach. We recommend that Hankook Tire should develop more detailed action plans to align supplier assessment outcomes with purchasing contracts, and consider suppliers with high environmental and social risks as the top priority in management and support.

**Materiality refers to defining issues that are necessary for stakeholders to make informed decisions on Hankook Tire and its impact.**

Based on the work undertaken, we are not aware of any material issues that were omitted in this CSR Report in relation to Hankook Tire's Korean business sites.

A continued improvement of the materiality test process is possible only through the documentation of official procedures that include evaluation methodology, assumptions, decision-making criteria for materiality, and reporting and review processes for the top management. We recommend that Hankook Tire should develop the procedures that align the criteria of determining the material issues and regular execution with the corporate risk management so as to eliminate overlapping endeavors and support the top management in making clearer decisions.

Furthermore, as Hankook Tire's CSR system is expanding to overseas site like China, Hankook Tire may benefit from developing materiality procedures for the use of each operating country including Europe, America as well as Korea, taking into consideration of distinctive geological/political, economic, social and environmental risks & opportunities.

**Responsiveness refers to the extent of response undertaken by an organization to stakeholder issues.**

We are not aware of any inappropriate responses taken by Hankook Tire in the key issue areas including health & safety.

It is recommended that Hankook Tire should provide a more detailed disclosure of how health & safety targets, performance and operations of Occupational Health & Safety Committee are aligned with the corporate health & safety policy and strategy implementation structure i.e. the CSR Steering Committee.

While many improvements were made during the assurance engagement in helping stakeholders understand the progress of performance improvement, Hankook Tire should make continuous efforts to improve the comparability principle through more clear alignment between the goals of previous year and key performances of the reporting period.

It is recommended that respective operational committees fully use the SMART principle (specific, measurable, achievable, relevant, and time-based) in setting goals.

It is also recommended that Hankook Tire should ensure a more systemic risk management of its global suppliers and a stronger reporting of related performances. The first step to this could be to supplement related disclosure for more clear understanding of stakeholders of the current status of all of its suppliers, which will be followed by the identification of supplier risks found as a result of supplier surveys and CSR assessments, as well as the reporting of detailed plans to reduce these risks and relevant achievements.

## Performance Data

We are not aware of any unfair descriptions of data or statements presented in the CSR Report.

We recommend that Hankook Tire should clearly define and report the meanings of 'intensity' and 'total volume' that are used to manage its quantifiable achievements, and review and improve the related management standards according to the definition.

As the company's CSR performance management and reporting system matures, a computerized CSR data management system is recommended to be introduced to support sharing and collating of operational performance among the headquarters, plants and subcommittees, and improve the efficiency of CSR data management and reporting. This will enable more efficient internal management such as managing change of related staff, preventing human error in collating data and expanding the CSR system into overseas sites.



**JaeHoon Han**  
Managing Director  
BSI Group Korea  
25 June 2013



**AA1000**  
Licensed Assurance Provider  
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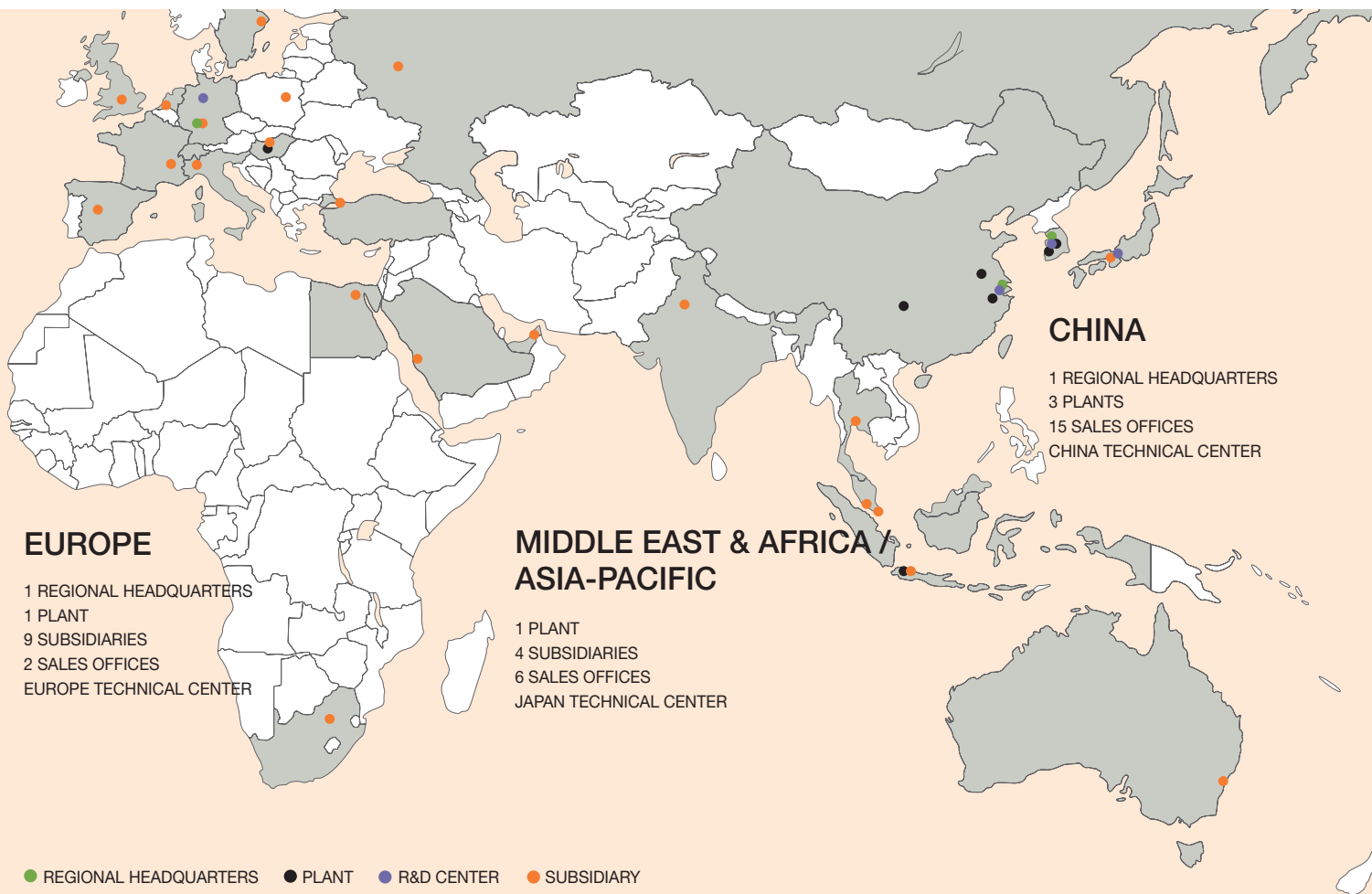
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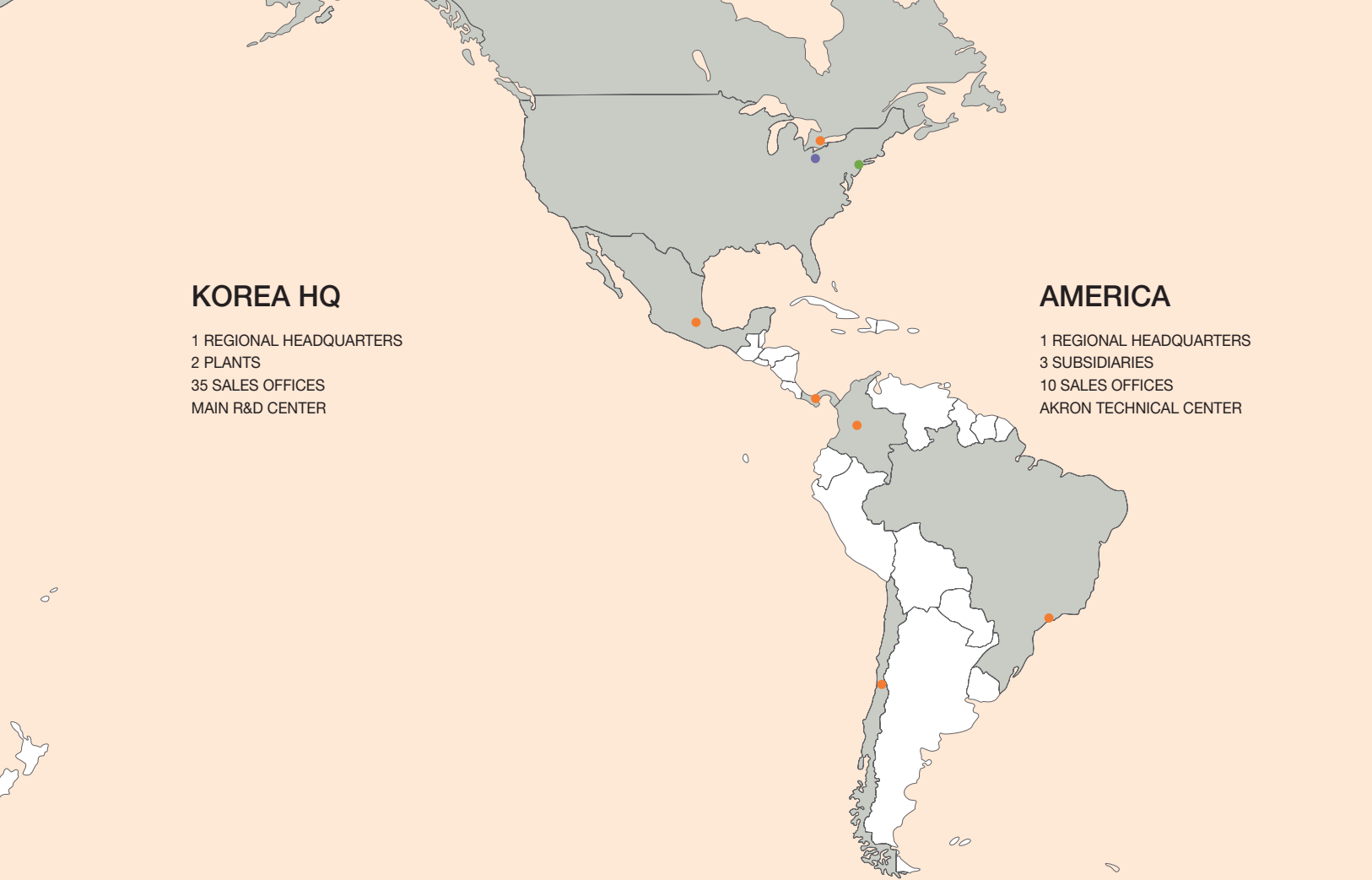
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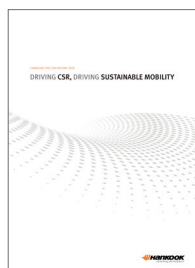
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- 3 SUBSIDIARIES
- 10 SALES OFFICES
- AKRON TECHNICAL CENTER



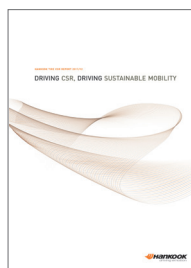
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2009



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