

HANKOOK TIRE CSR REPORT 2013/14

DRIVING **CSR**, DRIVING **SUSTAINABLE MOBILITY**

HANKOOK TIRE

CSR REPORT 2013/14

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ABOUT THIS REPORT

Reporting Purpose

Through this fifth CSR Report, Hankook Tire aims to disclose its achievement in fulfilling Corporate Social Responsibility (CSR) as well as its commitment to creating economic, social and environmental values in 2013 while elaborating on its action plans and promises for 2014. Furthermore, this report, as a communication channel with wide-ranging stakeholders of Hankook Tire, intends to provide accurate and transparent information to satisfy their expectations and requirements.

Reporting Guidelines and Principles

This report was prepared against the GRI G4 Guidelines to abide by global standards and enhance its usability by international readers as well as satisfying Hankook Tire's internal reporting and disclosure standards. This demonstrates our firm commitment to satisfying the expectations and requirements of a wide array of 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. These principles allow for a better utilization of this report and apply to all our disclosure documents. This is our fifth CSR Report and we plan to publish such reports annually.

Reporting Period

This report spans the period between January 1 of 2013 and December 31 of 2013. To offer more reliable information through the time-series comparison of our CSR-related track records, major sections of this report span the period from 2007 to April of 2014. In addition, this report details our 2014 action plans for each key managerial issue to help our stakeholders better understand future improvements to be made against our 2013 achievements.

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Reporting Scope

This report focuses on the accomplishments and plans of Hankook Tire Worldwide (holding company) and Hankook Tire that runs the existing tire business. When it comes to Hankook Tire, this report mainly covers its Korean business sites of the headquarters in Seoul, plants in Daejeon and Geumsan, and the R&D Center as well as information and data of its overseas establishments in Hungary, China and Indonesia. We will continue to extend the scope of our reporting to ensure that our endeavors and achievements in undertaking global CSR initiatives at our overseas sites are fully and comprehensively presented in our CSR reports. For information on Hankook Tire subsidiaries, please refer to the Company Profile section of this report.

Third-Party Assurance

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

Target Audience

This report aims to transparently disclose the status of our CSR management 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 to gather their feedback.

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

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Message from the CEO

Dear Stakeholders,

I would like to express my heartfelt gratitude for your keen interest in and full support for our sustainable growth at Hankook Tire. With our vision to become a 'Leading Global Tire Company that Provides Customers with Value and Pleasure', we are committed to building trust-based relationships with our diverse spectrum of stakeholders from employees, customers and shareholders to suppliers and local communities while seeking continued growth as a company.

The year 2013 was a significantly challenging year due to the slower-than-expected recovery of the U.S. and European economy and the sluggish economic growth of emerging markets. Yet, it was against such low economic growth that we made a notable achievement in the global market—we posted KRW 7.0692 trillion in sales and our operating income rose 12.2% from the previous year to KRW 1.0310 trillion. Our Hungary plant initiated the expansion of its third production line while our Chongqing plant in China and an Indonesia plant were completed to further solidify our global supply system. Moreover, we gained Original Equipment (OE) fitments for such premium automobile models as the Mercedes-Benz S-Class and E-Class as well as the BMW 5 Series, which enhanced our standing as a global premium tire brand.

Last year, we were listed on the Dow Jones Sustainability Indices Asia Pacific, which measures a company's sustainability in terms of financial performance, social contribution, governance, human rights and EHS (Environment, Health and Safety). Already listed on the DJSI Korea, our new ranking on the DJSI Asia Pacific signifies that our sustained commitment to and achievement in creating environmental and social values as well as economic outcomes have been widely recognized by global professional sustainability organizations.

With a goal to communicate with a broader range of stakeholders so as to identify material issues and elaborate on how we respond to such issues, this fifth CSR report primarily focuses on the following. First, we widened the scope of respondents in conducting stakeholder surveys and changed major logic to improve the process of identifying issues material to Hankook Tire and identified five Focus Areas accordingly. Second, we outlined a business process flow for our management approach to CSR issues—why a specific issue is material to us, how we manage such issues and what the outcomes are. It is based on these endeavors that we confidently present our fifth CSR report as a communication channel that offers any information that may be demanded by various stakeholders—from Hankook Tire's growth potential to its sustainability—in a transparent and accurate way.


In 2014, the construction of our U.S. plant will begin as part of our continued expansion of production lines. Our integrated CSR management system will also extend its scope into our overseas operations so that localized CSR activities are undertaken at our international subsidiaries in China, Hungary and Indonesia. In so doing, we will pioneer the sustainability of the mobility industry, live by the 10 UN Global Compact principles and become a corporate citizen that fulfills its social responsibility.

Once again, let me thank all our stakeholders for their full support to make Hankook Tire what it is today. Your continued support and encouragement for our journey to become a trusted company and to pursue stable growth is greatly appreciated.

Thank you.

Suh, Seung-hwa

Vice Chairman & CEO



We will pioneer the sustainability of the mobility industry,
live by the 10 UN Global Compact principles and become a corporate citizen
that fulfills its social responsibility.



Company Profile

Established in 1941 as Korea's first tire manufacturer, Hankook Tire has continued to progress beyond a local player to the world's 7th largest tire company serving customers in 180 countries around the world.

In the challenging year of 2013, we continued investment in R&D and quality to grow into a 'Leading Global Tire Company that Provides Customers with Value and Pleasure'. Based on such firm commitment, we were able to post KRW 7.0692 trillion in gross sales and a 12.2% increase over the previous year of KRW 1.0310 trillion in operating income. Not only do we pursue growth as a company, but also we constantly reshape ourselves as responsible corporate citizens and fully contribute to build a sustainable society accordingly.

Company Overview

Company Name	Hankook Tire Co., Ltd.	Date of Establishment	Sep. 3, 2012*
Global Sales	KRW 7.0692 trillion	IPO (Initial Public Offering)	Oct. 4, 2012*
Operating Income	KRW 1.0310 trillion	CEO	Suh, Seung-hwa
Operating Margin	14.6%	Type of Business	Manufacturing, reproducing, processing and selling automobile tires, tubes and components
Total Assets	KRW 7.7767 trillion	Headquarters	133, Teheran-ro, Gangnam-gu, Seoul, Korea (Yeoksam-dong)
Total Capital	KRW 3.9241 trillion	Telephone	+82-2-2222-1000
Affiliates	Hankook Tire Worldwide Co., Ltd. / ATLASBX Co., Ltd. / emFrontier Inc. / Daehwa Engineering & Machinery Co., Ltd. / Hanyang Tire Sales Co. Ltd. / FRIXA Co., Ltd. / ATLASBXMOTORSPORTS Co., Ltd. / MK Technology Co., Ltd.		

* Established as a result of the spin-off of the tire operations of the previous Hankook Tire as of September 1, 2012 (the date of the spin-off) and was listed in the securities market on October 4, 2012

Financial Performance

Unit : KRW 100 million (K-IFRS, Total on Consolidated Basis)



2012 : Combined total of Hankook Tire before and after spin-off

Global Network

We deliver the pleasure of driving comfort and safety experiences to our customers with our globalized business portfolio. A categorization approach to our global market of 5 regions take a fully localized strategy presenting a balanced growth both in advanced and emerging automobile markets.

KOREA	CHINA	EUROPE	AMERICA	MIDDLE EAST & AFRICA / ASIA-PACIFIC
<ul style="list-style-type: none"> · 1 Global Headquarters · 2 Plants · 26 Sales Offices · Main R&D Center · Academy House 	<ul style="list-style-type: none"> · 1 Headquarters · 3 Plants · 24 Sales Offices · China Technical Center (CTC) 	<ul style="list-style-type: none"> · 1 Headquarters · 1 Plant · 10 Subsidiaries · 1 OE Team · Europe Technical Center (ETC) 	<ul style="list-style-type: none"> · 1 Headquarters · 3 Subsidiaries · 3 Sales Offices · 6 Regional Offices · 1 OE Team · America Technical Center (ATC) 	<ul style="list-style-type: none"> · 1 Plant · 5 Subsidiaries · 5 Sales Offices · 1 OE Team · Japan Technical Liaison Office (JTO)

Brands & Products

Because of our full commitment to customer safety, all our products provide our customers with accurate and credible information in accordance with product labeling regulations.



Hankook represents all our brands in Korea and overseas and the following are our sub-category brands that match diverse car segments.

ventus

Ultra-high performance tires and racing tires

OPTIMO

Premium sedan tires

KINERGYECO

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 with their 'Road Fit' product brand, which represents product features that best fit the road conditions at hand.

ventus S1 noble²

Premium beyond All Your Imagination

As Korea's top tire brand known for its noise control and ride comfort, Ventus S1 noble² improves a vehicle's stability and high-speed performance to deliver superior, comfortable and stable driving experiences.

ventus S1 evo²

Ventus S1 evo² 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 an optimum driving experience.



Mission

Contribute to Advancement in Driving

Our mission is to inspire drivers to take on challenges and create new possibilities. We strive to help drivers enjoy their time on the road and be confident in the choices they make. To achieve this, we aim to keep introducing up-to-date technologies and solutions that meet tomorrow's criteria for safety, performance, excellence in quality, and other factors contributing to advancement in driving. Our priority as a business entity is to sustain profitable growth. We are committed to enhancing value for our business partners and shareholder as well as to expand opportunities for the growth and development of both our employees and the communities where we operate.

Business Principle

In developing solutions that continue to generate healthy and sustainable growth, we abide by a set of principles. These serve as a reminder to honor our responsibilities to our customers, our partners, our communities and other stakeholders.

Placing customers first
Recognizing talent and potential
Promoting innovation at work
Respecting our environment
Creating lasting value and profitability for our shareholder

Safeguarding ethics and compliance with regulatory matters is paramount. By conducting our business ethically and striving to do the right things that generate trust in our brand, we are able to stand at the top of the recommendations from our shareholder and business partners. We will continue to uphold these principles with absolute integrity and do our best in all of our endeavors.

Core Value

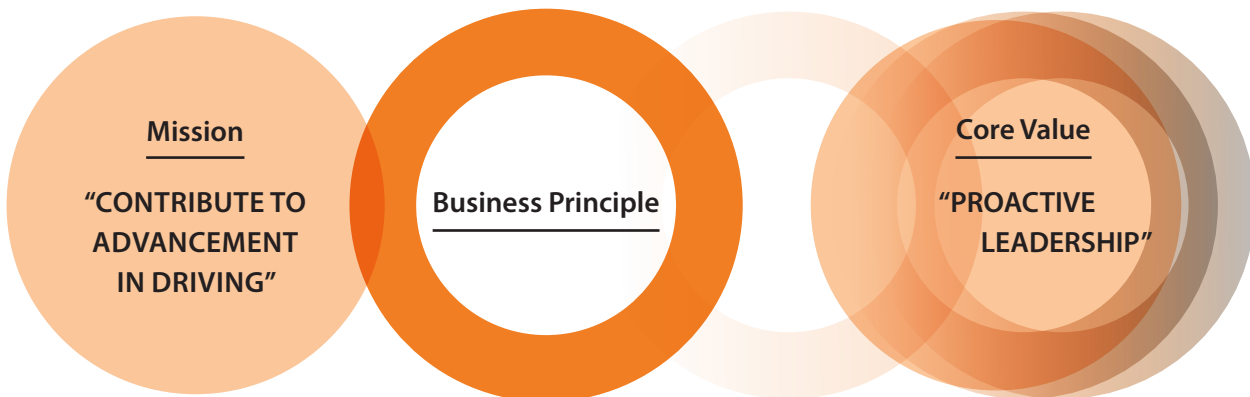
At Hankook Tire, we are bound together by proactive leadership, a standard which we all share and which provides a crucial blueprint for fulfilling our mission and vision. Proactive leadership is identified by four essential characteristics of passion, innovation, trust, and global. Each characteristic motivates us to self-evolve and take ownership of our tasks, fulfilling the roles we are given to the best of our abilities.

We are passionate. We have a goal.

Passion plays a large role in our work. When we're passionate about what we do, we do it better and enjoy doing it more. Passion also helps us to focus on our goals and priorities, proactively carrying out each of our responsibilities with leadership.

We are innovative. We create possibilities.

We define innovation as the act of progressing forward with new possibilities. Our forward-oriented approach allows us to redefine the present and evolve the future; opening windows of opportunity that help us reach the next level, individually and collectively.



We are collaborative. We build trust.

When diverse talent and potential combine, powerful accomplishments can be achieved. Proactive leadership is best practiced when we respect and leverage the strengths of colleagues and partners. We constantly encourage one another to utilize creativity, perspective, intellect, resources, and shared principles, building trust and understanding in each other.

We are global. We share an open mind.

Culturally diverse backgrounds and perspectives are powerful advantages that allow us to bring multiple skills together, think cross-culturally and adapt quickly. Our open-minded perspectives help us recognize different local and global standards. This means we can come together as a single global community to respect and embrace differences with understanding, enthusiasm and knowledge.

Mission

Vision 2020

The vision for Hankook Tire is to become a "Leading Global Tire Company that Provides Customers with Value and Pleasure". This is the status our entire organization strives to attain. We have established step-by-step goals for ourselves in order to achieve our vision.

Strategic Direction

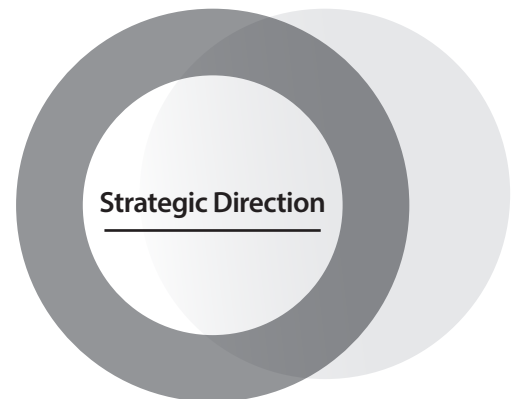
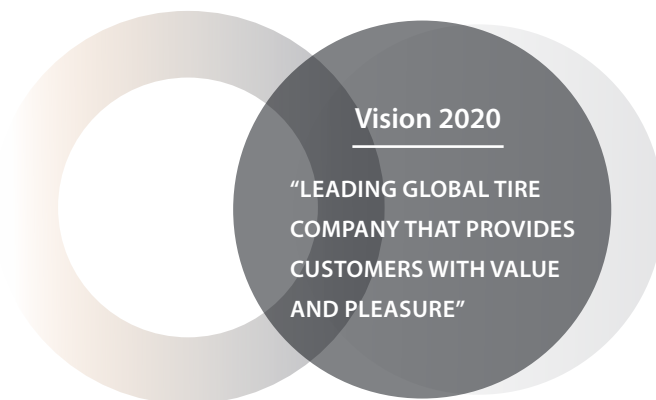
The four strategic directions to help achieve the mid-term goals that are set to actualize our ultimate vision are as follows :

1. Brand Value Up

As we focus our marketing capability and resources on brand building, we will enter the tier of premium brands to expand our market share and improve our profitability. Banking on our optimal product portfolio, we will provide differentiated value to our customers. Through this, we will manage Hankook Tire's brand as a base for continuing profit creation. In addition, we will enhance our distribution channels and integrate marketing strategies to upgrade our brand value.

2. Quality Level Up

The widespread disclosure of tire performance grades has elevated customer expectations for quality, and the performance assessment standards for automakers have been raised. Therefore, we pursue sustainable growth on the strength of outstanding quality. As for raw materials, the focus of our sourcing practices is on higher quality, not lower costs. On the operational management side, we have improved all manufacturing processes in order to optimize production volume and improve product line balance with the stabilization of product quality – always our top priority. We conduct planned maintenances and overhaul our facilities regularly. And we have developed product uniformity indicators in each production line as we pursue thorough quality control.



3. Global Operation Excellence

We will maximize business efficiency in preparation for uncertainties in the business environment. To optimize our global operations, we are seeking ways to use company resources as efficiently as possible, including cost and investment rationalization schemes. Moreover, the global supply chain management (SCM) project is in progress as part of efforts to optimize business processes. Innovations are also being made from the mid- and long-term perspectives to better manage potential risks and respond quickly and comprehensively when actual problems occur.

4. Global Growth Acceleration

Diversifying economy of scale is critical for the survival of tire manufacturers. Global tire brands are aggressively making new investments, while mergers and acquisitions occur frequently in this industry. These strategies are designed to continue sustainable growth in a highly competitive business environment, because the tire market has already matured in advanced economies. As such, our investment in expanding global production facilities continues, and relentless efforts are being made to raise our profitability.

Vision

Integrated CSR Management System

Declaration

We at Hankook Tire aim to weave 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 deliver the best values for the widely ranged stakeholders, and to seek the sustainable development of the mobility industry.



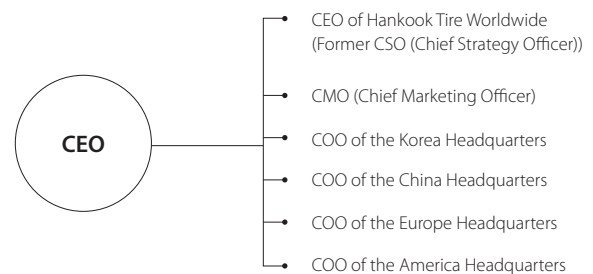
Management Responsibility and Governance

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

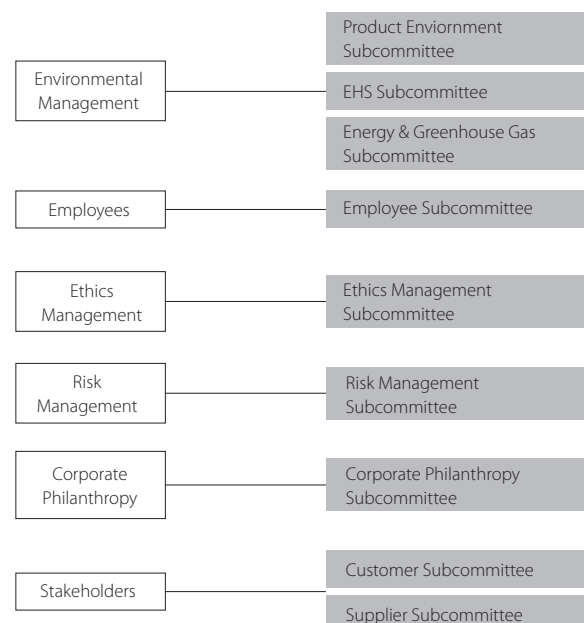
CSR Committee

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

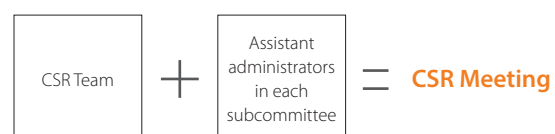
CSR Strategy Committee



CSR Steering Committee



CSR Meeting



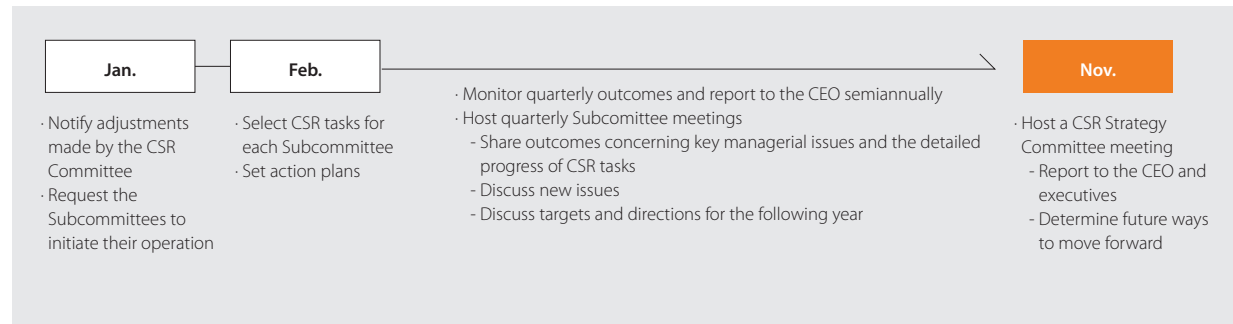
IC-1 CSR Committee Operation and Monitoring

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 Subcommittees are operated under our CEO's leadership. Through regular reports and reviews, we strive to align our CSR achievements and plans.

Our Subcommittees aim to seamlessly embed CSR initiatives into the daily operations of our employees. Every January, each relevant team is notified of adjustments made by the CSR Committee, and then Subcommittees are requested to initiate their operation. In February, CSR tasks for each Subcommittee are selected out of the pool of key managerial issues in consultation with the CSR Team, and action plans are set as a way to improve the efficiency of CSR Subcommittees. This is followed by quarterly performance monitoring and semi-annual reporting to the CEO. Each Subcommittee meets quarterly to allow relevant departments to share outcomes on key managerial issues and the progress details of CSR tasks, and it also allows us to discuss newly identified issues

as well as targets and directions for the following year. The CSR Team attends every Subcommittee meeting to review the progress and offer advice when it is needed. Furthermore, the matters discussed at these Subcommittee meetings are reported to the CEO and the top management at the CSR Strategy Committee meeting held in November to determine future ways to move forward. In addition, material issues that are identified through surveys of internal/external stakeholders, evaluation outcomes made by external professional organizations, benchmarking of industry leaders, and CSR assessments are reflected in the following year's strategic guide of each Subcommittee.

Annual CSR Operation and Management Process



CSR Committee Operation and Monitoring Process

Main Objectives	Daily	Monthly & Quarterly	2 nd Half
	To undertake CSR improvement initiatives under action plans	To review CSR activities and accomplishments by CSR Steering Subcommittees and respond to CSR issues	To review annual CSR outcomes while finalizing and sharing the following year's operational plans

Monitoring Process



Contents	<ul style="list-style-type: none"> Undertake team-specific CSR improvement initiatives in consideration of action plans Undertake improvement tasks Improve on KPIs 	<ul style="list-style-type: none"> Review CSR initiatives and outcomes by Subcommittee and provide feedback Share CSR issues and discuss possible solutions 	<ul style="list-style-type: none"> Review CSR guidelines and mid/long-term strategies Review year-end CSR outcomes and short-term strategies Share and review key CSR issues
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IC-1.1 Operation of the Chinese CSR Committee

Our Chinese CSR Committee was launched with an aim to establish a sustainability management system in the China Headquarters. Following each CSR Committee meeting, the CSR Strategy Meeting is hosted under the supervision of the COO of the China Headquarters to ensure integrated CSR management for the purpose of disseminating and establishing CSR operations in China.

Our China Headquarters set up its own CSR Committee in March 2012 to identify and respond to key issues in consideration of local political, economic, social and environmental conditions. The committee initially consisted of five subcommittees; the Employee, Corporate Philanthropy, Ethics Management and Risk Management Subcommittees were newly created in addition to the existing EHS (Environment, Health, Safety) Subcommittee. In 2013, however, the EHS Subcommittee was renamed the Environment/Safety Improvement Subcommittee to respond to the rising need to reinforce field-driven EHS operations while the Ethics Management and Risk Management Subcommittees were realigned into routine operation units under the supervision of responsible teams. Presently, our China Headquarters operates three subcommittees and two routine operation units that manage a total of five CSR areas. In 2013, the Chinese CSR Committee hosted meetings under the

supervision of the CHN Corporate Strategy Team while the Environment/Safety Improvement Subcommittee paid on-site visit to each of the Jiaxing, Jiangsu, and Chongqing Plants to review improvements made. In addition, 'Chinese CSR Strategy Meetings' were hosted three times per year (May, August and November) to share and discuss achievements made and outstanding issues for each subcommittee.

In 2013, our China Headquarters published its first Chinese CSR Report for internal use that outlined its CSR achievements, necessary improvements and future plans with the help of the Korean CSR Team. In August of 2014, the headquarters plans to publish a revised report. In January of 2013, training was provided on the definition and purpose of CSR, drivers of Chinese CSR, local and foreign-invested companies with the best practices of CSR, and benchmarking of these best practices as a way to assist local CSR staff with capacity-building.

Operational Organization

	Chinese CSR Committee				
	Environment & Safety Improvement Subcommittee	Employee Subcommittee	Corporate Philanthropic Subcommittee	Ethics Management	Risk Management
Supervising Department	Environment & Safety Team	CHN Human Resource Team	CHN Corporate Strategy Team	CHN Corporate Management Team	CHN Corporate Strategy Team
Participating Departments	JP) HP) CP) Environment & Safety Team, JP) HP) CP) Facility Maintenance Team, CHN) Material Development Team	CHN) JP) HP) Human Resource Team, CP) Plant Management Team	CHN) Corporate Strategy Team, CHN) Marketing Strategy Team, CHN) Human Resource Team, JP) HP) CP) Environment & Safety Team		

Operational Status

	2013 Achievements	2013 Achievements	2013 Achievements	2013 Achievements	2013 Achievements
	<ul style="list-style-type: none"> The Environment & Safety Team was reorganized to focus more on practical working-level meetings Conducting mutual on-site inspections and sharing best & worst practices among respective plants brought greater shop-floor improvements 	<ul style="list-style-type: none"> Respective plants discussed issues concerning communication, HR systems and training and strove to resolve these issues Diverse ways of employee communication were identified 	<ul style="list-style-type: none"> Local welfare centers were visited and exchange with local residents was conducted on a plant level (RMB* 4,089,000 was spent in 2013) Supported the One Foundation Rescue Union** Initiated the 'Neighborhood Heroes' program*** Slogan and design reviews were made to ensure efficient communication 	<ul style="list-style-type: none"> New recruits were trained on Ethics management and employee letters were sent 	<ul style="list-style-type: none"> Monthly trend reports were made of 11 key risks
	<ul style="list-style-type: none"> To supplement the relevant facility improvement strategy and safety-related activities 	<ul style="list-style-type: none"> To reinforce the establishment of a proactive culture (In relation to work attitudes and methods, etc.) 	<ul style="list-style-type: none"> To increase tuition support and exchange with local residents (RMB 46.30 million to be spent in 2014, up by 13% or RMB 541,000 from the previous year) 	<ul style="list-style-type: none"> To create the Ethics Management Subcommittee that encompasses training departments in plants To expand training for operators 	<ul style="list-style-type: none"> To advance risk management by risk attribute To improve the management of unexpected accidents (fire, safety, hygiene) by adhering to manual procedures and performing on-site examinations To develop risk response strategy by type of scenario

* RMB is the official currency of the Republic of China and its basic unit is yuan ** Supported the One Foundation Rescue Union Please refer to page 52 of the Community Involvement & Development section of the report for further detail *** Initiated the 'Neighborhood Heroes' program Please refer to page 54 of the Community Involvement & Development section of the report for further detail

IC-1.2 Establishment of the Europe CSR Committee

As a part of our global CSR commitment, we established a CSR operational system in Europe. The outcomes of the on-site CSR assessments made of the Europe Headquarters and Hungary Plant were used in identifying our area-specific CSR priorities.

As part of our global CSR commitment, we have established a CSR operational system in Europe following China. The outcomes of the on-site CSR assessments from the Europe Headquarter in Germany and Hungary Plants were used in identifying our area-specific CSR priorities. The operational system was set up to include six areas of EHS, energy & carbon, employees, Ethics management, corporate philanthropy and risk management in consideration of local conditions and trends. In 2014, CSR improvement activities will be initiated primarily at Hungary Plant under the supervision of our COO of the Europe Headquarters. Our annual CSR achievements and plans in Europe will be described in our next year's CSR report.

To disseminate and establish CSR throughout our global operations, we will include other overseas sites to perform CSR assessment and to build CSR infrastructure.

CSR Operational System in Europe



IC-2 Reinforcement of Company-Wide Employee Training and Communication

Our CSR trainings aims to seamlessly embed CSR into daily employee operations, and to ensure that our CSR outcomes are reported systematically. This allows us to build company-wide consensus on CSR and build more robust CSR capabilities.

We have provided CSR training to every employee to ensure that they are on the same page in understanding and undertaking CSR. Also, our new and experienced recruits received CSR training

to learn CSR initiatives of Hankook Tire. In 2013, newly launched job courses were offered to our new recruits to acquire advanced knowledge in each CSR area.

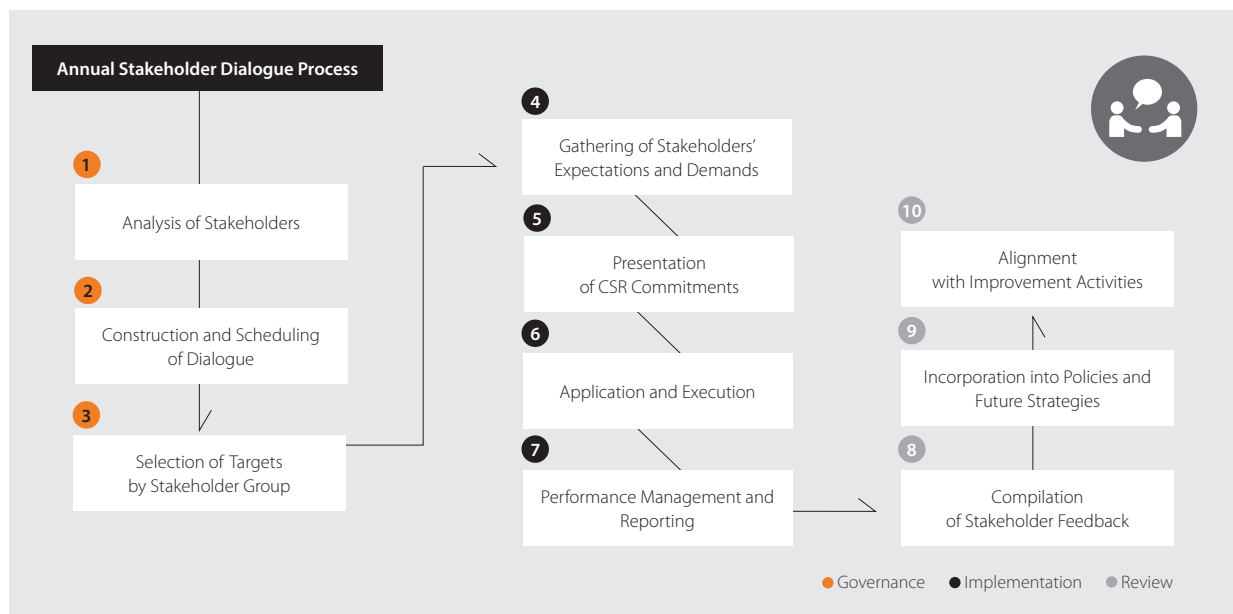
Name of Training Course	Meaning and Understanding of CSR	Meaning and Understanding of CSR (Advanced Course)		Meaning and Understanding of CSR
Training Details	CSR at Hankook Tire	<ul style="list-style-type: none"> · CSR Frame · Stakeholder Communication · Community Involvement and Development 	<ul style="list-style-type: none"> · Health & Safety · Understanding of the Integrated Business Environment 	CSR at Hankook Tire
Training Target	140 new recruits	67 new recruits	40 new recruits with previous work experience	
Training Hour	One Session (Jan.) 2 hours	One Session (Feb.) 6 hours	Two Sessions (Jul., Oct.) 2 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.

To clearly define our stakeholders, 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 of various stakeholders and external/internal

business environments. Furthermore, we are dedicated to sharing our CSR accomplishments and plans with our stakeholders while operating multiple communication channels to gather their candid opinions.



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

MEMBER OF
Dow Jones Sustainability Indices
 In Collaboration with RobecoSAM






In 2013, we became Korea's first tire manufacturer to be listed on the Dow Jones Sustainability Indices (DJSI) Asia Pacific. The DJSI (Dow Jones Sustainability Indices) are the product of joint developments between Dow Jones, the U.S.-based full-service financial index provider and RobecoSAM, 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 and became a new addition to the DJSI Asia Pacific in 2013, which widely recognized the company's improved performance in sustainability management.

This further motivates our full commitment to stakeholder engagement and the fulfillment of corporate social responsibility in accordance with our integrated CSR management system.

Stakeholder Model

○ Core Stakeholders ○ General Stakeholders



Core Stakeholders	Communication Channels	Key Issues	Page
 Customers General customers & dealers and Car makers	Discussion meetings (with authorized retail stores and retail shops), Dealer satisfaction surveys, Technology exchange, Exhibitions, etc.	<ul style="list-style-type: none"> Enhancement of product quality and safety Extension of product responsibility, Responsible marketing Enhancement of consumer safety/health regarding product use Communication with customers and reflection of their opinions, etc. 	58~67
 Employees	Labor-management consultative meetings, Joint learning units, CEO meetings, In-house IR, HANA site, Employee idea program, Challenge 511, 'Proactive Conference (R&D communication)', etc.	<ul style="list-style-type: none"> Recognition of diversity and stricter ban on discrimination Strengthened training that supports employees' development Enjoyable workplace (introduction of a mental health counseling program) Facilitation of internal communication, Reinforcement of labor relations, etc. Improvement of labor conditions covering workplace safety 	34~43
 Suppliers	Quality and CSR training, Regular supplier assessments, and the Purchasing portal (HePS)	<ul style="list-style-type: none"> Support programs for suppliers' competitiveness (training, technological support, etc.) Fair trade and win-win partnerships, Proactive communication and stronger sharing of information, etc. 	44~49
 Local Communities	Local resident meetings, Meetings with local government agencies and NGOs, Gathering opinions from local communities, etc.	<ul style="list-style-type: none"> Minimization of environmental impact, Revitalization of local economies Educational and livelihood support for the under-privileged in local communities, Corporate philanthropic initiatives as a way of making social investments, etc. 	50~57
 Shareholders /Investors	Board of directors meetings, Shareholder general meetings, Overseas conferences, IR events, etc.	<ul style="list-style-type: none"> Maximization of business outcomes and shareholder values Management of organizational transparency and sustainability Transparency and business ethics management, Integrated risk management, etc. 	22~33

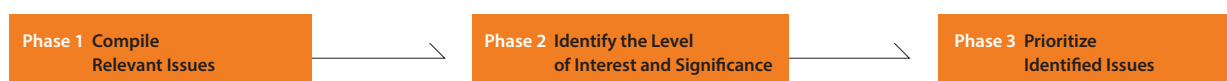
Materiality Analysis

We identified issues material to our stakeholders and our business conduct and thus require intensive management in 2014 while reporting on the status of and achievement in managing these issues. We conducted the materiality analysis to verify the materiality of these issues in terms of Category and Aspect suggested by the GRI G4 Guidelines. These issues were then further clarified through the CSR Steering Wheel.

Materiality Analysis Process

In performing the materiality analysis, we compiled data on relevant issues to create a pool of Categories and Aspects. Their materiality was verified based on stakeholder interest as well as business significance.

Materiality Analysis Process



Phase 1 Compile Relevant Issues

In consideration of the economic, social and environmental aspects suggested by the global sustainability management framework GRI G4 Guidelines, we considered a total of 46 aspects to create an issue pool of eight categories and 26 aspects.

Phase 2 Identify the Level of Interest and Significance

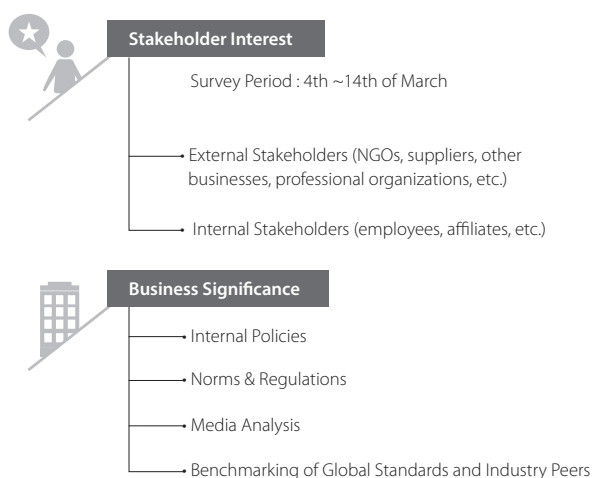
Based on the issue pool of eight categories and 26 aspects, we identified the level of stakeholders' interest and business significance. To identify the level of stakeholders' interest, we surveyed our stakeholders and extended the scope of our survey from a portion of our employees to the majority of our employees and then to such external stakeholders as suppliers, NGOs, other businesses, and professional organizations as a way to gather feedback from a wider spectrum of stakeholders. To identify business significance-wise materiality, we reviewed our internal corporate policies, norms & regulations while analyzing media articles and benchmarking global standards and industry peers.

Phase 3 Prioritize Identified Issues

Results from Phase 2 allowed us to prioritize eight categories and 26 aspects. As a result, 'Creation of Economic Outcomes', 'Ethics Management', and 'Creation of Employee Values' ranked at the top in order of materiality out of the eight categories. In this report, we set the threshold* at (3, 3) and strove to present more detailed and transparent descriptions of the 18 aspects that constitute the top 70% of the total.

* **Threshold** The GRI G4 Guidelines present a threshold reference point to set criteria concerning the business significance of economic, environmental and social impacts and influence on stakeholder assessment and decisions on the basis of the materiality analysis outcomes so that issues that exceed such criteria are reported as material issues in the sustainability report.

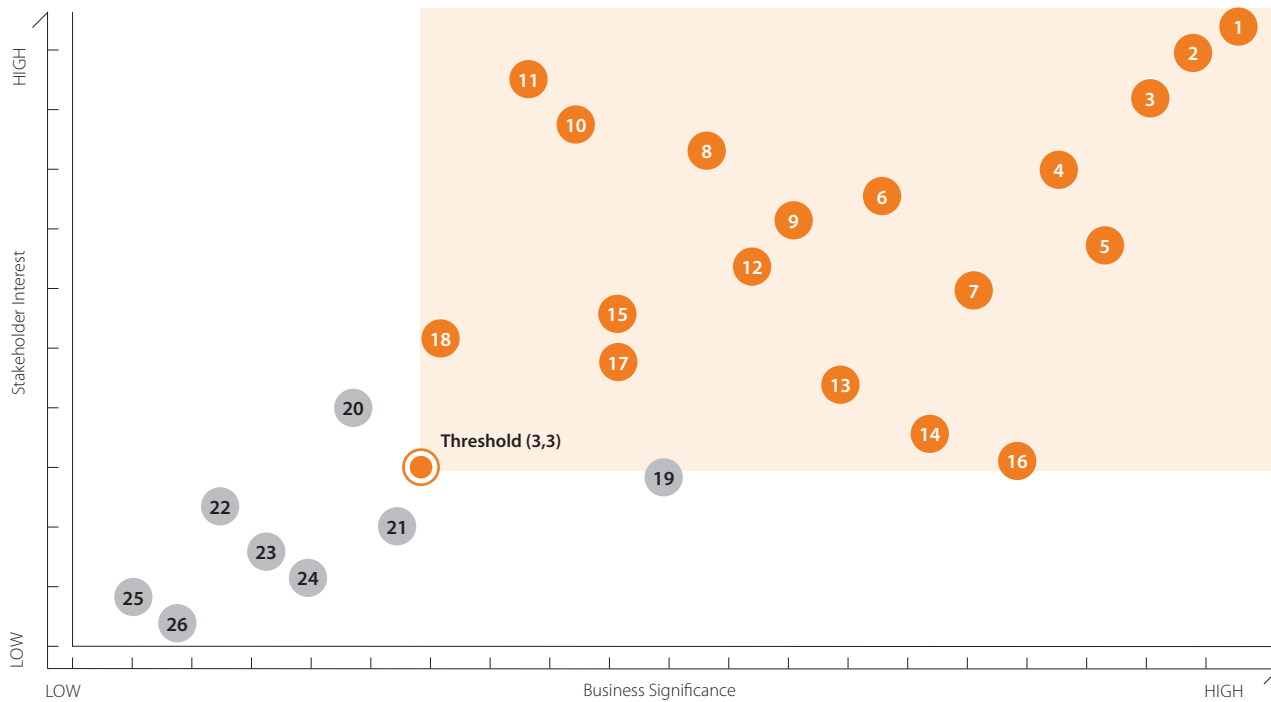
Methods to Identify Stakeholder Interest and Business Significance



Category Rankings

01	Creation of Economic Outcomes
02	Ethics Management
03	Creation of Employee Values
04	Product Liability and Responsible Marketing
05	Win-Win Partnership with Suppliers
06	Respect for and Protection of Human Rights
07	Environmental Management
08	Corporate Philanthropy and Community Investment

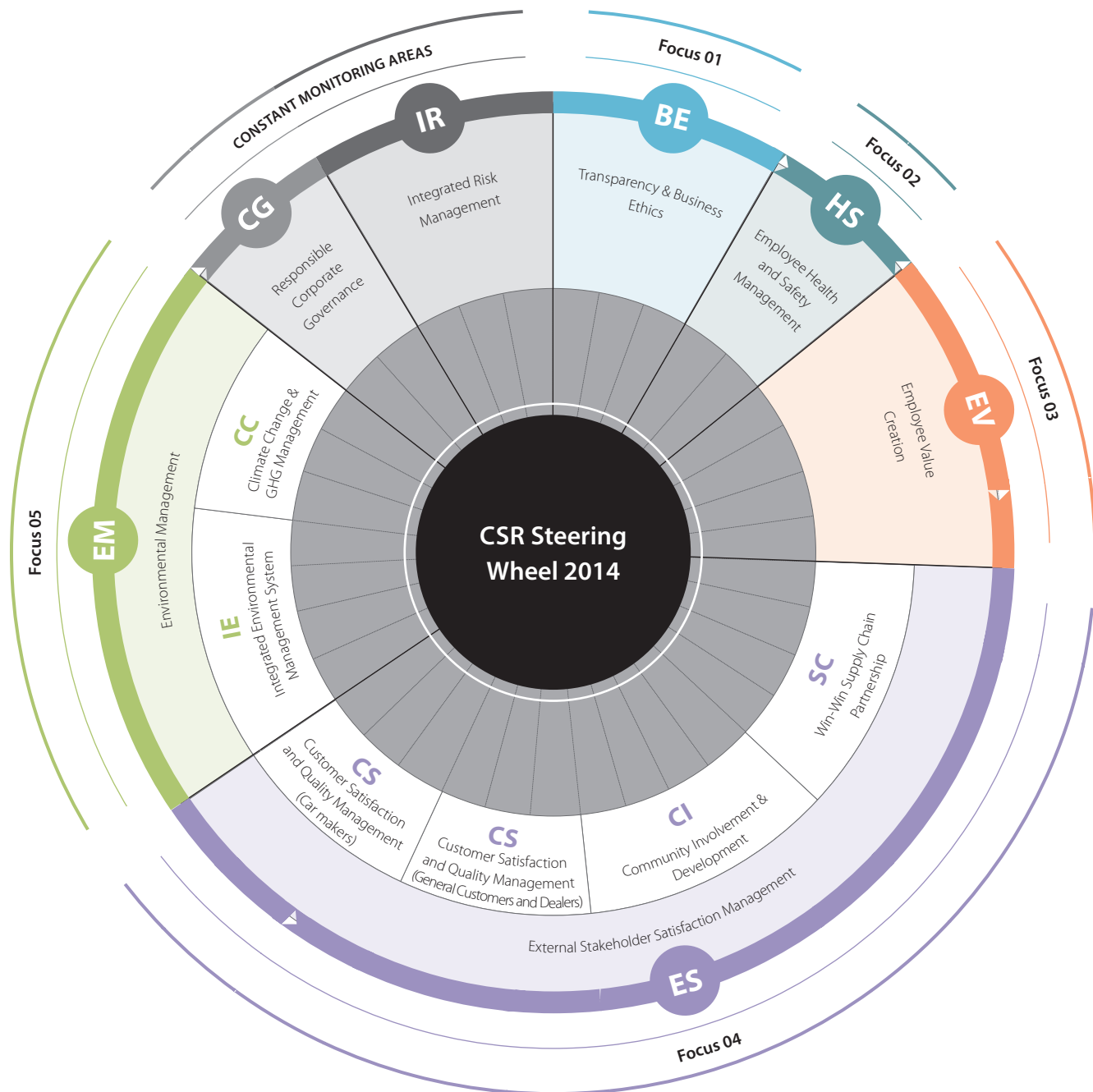
Matrix of Aspect Materiality



Category	Matrix No. and Materiality	Aspects	Pages
Creation of Economic Outcomes	1 ●	Direct economic outcomes such as sales and operating income	6
	11 ●	Indirect economic rippling effects such as creating jobs in local communities and contributing to expanding tax revenues	6, 50~57
Ethics Management	2 ●	Elimination of all types of corruption and bribery	28~33
	5 ●	Prohibition of anti-competitive and monopolistic/oligopolistic practices	
	8 ●	Reception and resolution of complaints on unethical behaviors	
Creation of Employee Values	4 ●	Fair HR systems in relation to recruitment, leave and employment type	41, 80~81
	6 ●	Safe and healthy workplace	34~37
	10 ●	Cooperation-driven, win-win labor relations	40
	17 ●	Talent nurturing and training	42~43
Product Liability and Sound Marketing	3 ●	Development and sales of products that address the health and safety of customers	68~73
	9 ●	Development of green products and provision of information on products' environmental impact	
	15 ●	Discouragement of exaggerated advertising, Protection of customer information	
Win-Win Partnership with Suppliers	13 ●	Expansion of sourcing from local suppliers	44~49
	18 ●	Evaluation of suppliers for their performance concerning human rights, the environment, labor and communities and human/physical support for suppliers	
Respect for and Protection of Human Rights	12 ●	Ban on discrimination on the grounds of region, gender, etc. and respect for diversity	80~81
	20 ●	Investment decisions that do not infringe upon human rights	-
	21 ●	Guarantee of freedom of association and rights to collective bargaining	40
	23 ●	Ban on the employment of minors and compliance with working hour regulations	N/A
	25 ●	Prevention of human rights infringements committed by security workforce	-
Environmental Management	14 ●	Management and reduction of raw materials, water and waste	73
	16 ●	Reduction of GHG emissions, Conservation of energy	74~77
	19 ●	Investment in environmental facilities and improvement activities	
	24 ●	Environmental impact from the transport of products and raw materials	
	26 ●	Protection of biodiversity and endangered species as related to business conduct	-
Corporate Philanthropy and Community Investment	7 ●	Operation of corporate philanthropic programs in local communities	50~57
	22 ●	Recruitment of local talent at overseas establishments and protection of the rights of indigenous populations	80~81

CSR Steering Wheel 2014

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



Constant Monitoring Areas

Code	Key Managerial Issues	Pages
CG	Responsible Corporate Governance	1. Development of an advanced decision-making system through the proactive gathering of stakeholder feedback
		2. Professional operation of the BOD and its reinforced responsibilities
IR	Integrated Risk Management	1. Definition of key risks
		2. Management of risks by specific issue

Focus Areas

Code	Key Managerial Issues		Pages
BE	Focus 01 Transparency & Business Ethics	1. Training and communication on business ethics	28~33
		2. Regular monitoring and evaluation	
		3. Dissemination of ethics management to affiliates	
HS	Focus 02 Employee Health and Safety Management	1. Establishment of a voluntary safety management system	34~37
		2. Enhancement of employee health management	
EV	Focus 03 Employee Value Creation	1. Open communication-based management	38~43
		2. HR systems that offer fair opportunities	
		3. Growth-fostering training systems	
		4. Work-Life balance	
ES	SC Focus 04 External Stakeholder Satisfaction Management 4-1. Win-Win Supply Chain Partnership	1. Supplier management and supplier relations policy	44~49
		2. Win-win supplier partnership programs	
		3. Improvement of suppliers' ESG performance	
	CI 4-2. Community Involvement & Development	1. Establishment of the company-wide philanthropy system	50~57
		2. Engagement of employees in philanthropic programs	
		3. Development and brandization of specialized programs	
	CS 4-3. Customer Satisfaction and Quality Management (General Customers and Dealers)	4. Support for the sustainable growth of local communities	58~63
		1. Win-win customer strategies	
		2. Impressive customer service	
	CS 4-4. Customer Satisfaction and Quality Management (Car makers)	3. Customer communication	64~67
		1. Continuous communication	
	EM	IE Focus 05 Environmental Management 5-1. Integrated Environmental Management System	2. Reinforcement of product competency
1. Green purchasing			
2. Cleaner production			
3. Product and environment			
CC 5-2. Climate Change & GHG Management		4. Management of resources	74~77
	1. Energy/carbon management		
	2. Execution and reduction		
		3. Supply chain carbon management	

HANKOOK TIRE

CSR FOCUS AREAS

Constant Monitoring Areas

CSR Focus Areas

22

CG

Responsible
Corporate
Governance

24

IR

Integrated Risk
Management

Focus 01
Transparency &
Business Ethics

BE

28

34

HS

Focus 02
Employee Health and
Safety Management

Focus 03
Employee Value Creation

EV

38

44

ES

Focus 04
External Stakeholder Satisfaction Management
4-1. Win-Win Supply Chain Partnership
4-2. Community Involvement & Development
4-3. Customer Satisfaction and Quality Management
(General Customers and Dealers)
4-4. Customer Satisfaction and Quality Management
(Car makers)

68

EM

Focus 05
Environmental Management
5-1. Integrated Environmental
Management System
5-2. Climate Change & GHG
Management

APPENDIX

Appendix

78	79	80	82	84
CSR Principle	Awards and Memberships	Employee Data Summary	GRI G4 Index Table	Independent Assurance Statement

Constant Monitoring Areas



Declaration

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

Status of Major Shareholders

Major Shareholders	No. of Shares	Equity Ownership(%)
Hankook Tire Worldwide Co., Ltd.	30,962,895	25.00
Cho, Yang-rai	13,007,897	10.50
Cho, Hyun-bum	2,561,241	2.07
Cho, Hyun-shick	799,241	0.65
Total	47,331,274	38.22

BOD Composition

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

Category	Name	Position	Relationship with the Largest Shareholder	Note
Internal Directors	Suh, Seung-hwa	Vice Chairman	Executive at an affiliate	BOD Chairman
	Cho, Hyun-bum	President	Executive at an affiliate	-
External Directors	Cho, Kun-ho	Audit Committee member	N/A	-
	Cho, Choong-hwan	Audit Committee member	N/A	-
	Hong, Seong-phil	Audit Committee member	N/A	-

BOD Evaluation and Remuneration

Our directors and auditors are compensated within the KRW 7 billion per year limit that was approved by the general shareholder meeting as stipulated by relevant corporate policies. Their management performance is measured in accordance with economic, social and environmental performance indicators to determine their total bonus pay. The average annual remuneration of our directors and auditors is approximately 6.5 times the average wage of our total employees. Furthermore, the annual salary levels of all our employees are finalized through the combination of average pay data produced out of the biannual research performed by an external consulting firm as well as internal rates of pay increases.

Remuneration of BOD Members and Auditors

Unit : KRW million

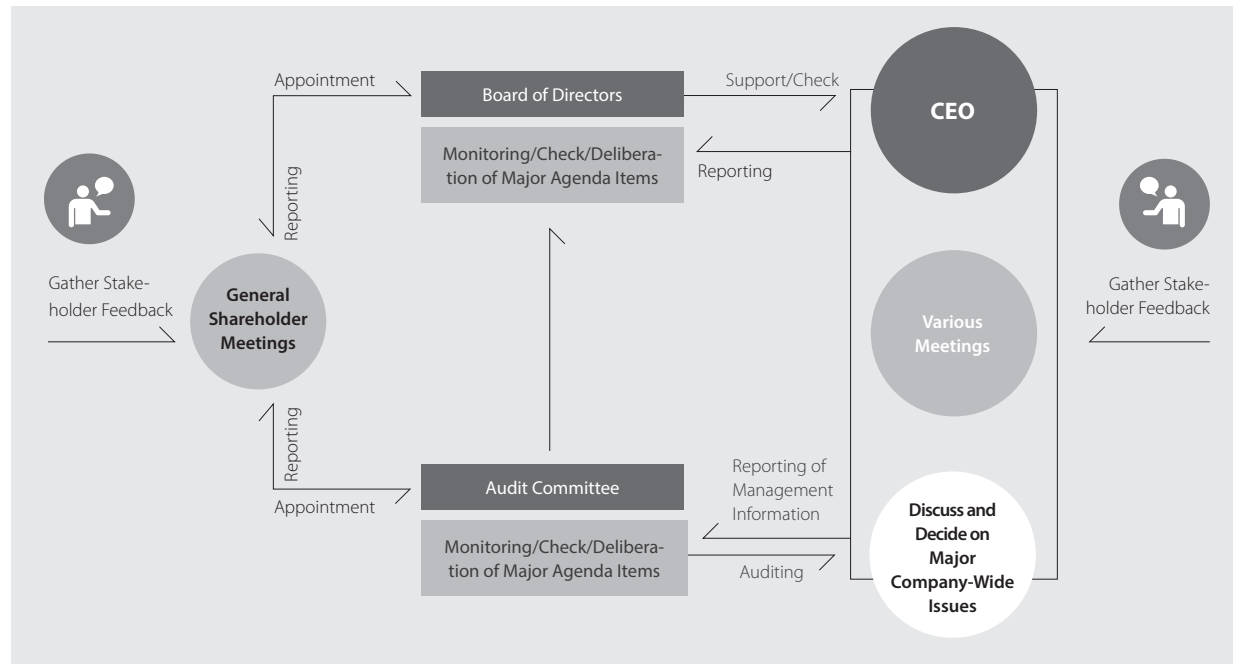
Category	No. of Directors or Auditors	Total Remuneration	Average Remuneration per Person
Internal Directors	2	1,825	913
External Directors (Members of the Audit Committee)	3	108	36
Total	5	1,933	387

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 making informed decisions through expert advice and consultation, in addition to overseeing and supervising the 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 strive to fully gather stakeholder feedback and align it to actual outcomes by identifying necessary tasks at various meetings. We also continue to expand open communication channels as part of our corporate culture in order to reflect stakeholder feedback in the decision-making process of the top management.



BOD Meetings

	No. of Regular Meetings	No. of Ad-Hoc Meetings	Major Agenda Items	Attendance of External Directors
2011	4 meetings	11 meetings	Approving the 11th financial statement, Payment guarantee for subsidiaries/affiliated companies, Capital	86.6%
2012	1 meeting	3 meetings	Reporting and disclosing the outcomes of the spin-off, Establishment of corporate policies, etc.	100%
2013	4 meetings	7 meetings	Approving the 7th financial statement, Payment guarantee for subsidiaries/affiliated companies, Capital	93.9%

Operation of the BOD Committees in 2013

Category	Composition	Major Function	Operational Status
Audit Committee	3 external directors	Audit accounting and business operations - Investigate corporate financial assets - Handle matters stipulated in government regulations and the articles of incorporation as well as matters commissioned by the BOD - Request directors to report on business operations - Request for the appointment of external directors	4 regular meetings 1 ad-hoc meeting
Management Committee	2 internal directors	Deliberate and decide on general management matters Deliberate and decide on financial matters	Meetings are held year-round 32 meetings
External Director Nomination Committee	2 internal directors 3 external directors	Recommend external director candidates	-
Internal Trade Committee	3 external directors	Approve large-scale related transactions	4 meetings

Constant Monitoring Areas



Context

Since our society is shifting at an even faster pace, we may face never-before-experienced or unexpected risks. We are fully aware of the importance of efficiently and effectively managing such risks to ensure our corporate sustainability.

Risk & Opportunity

Our business operations are exposed to risks when we fail to appropriately identify risks as well as when we are unsuccessful in developing appropriate risk management measures even if risk identification has taken place. Thus, it is imperative to commit ourselves to managing and recognizing such risks to bring positive improvement in our sustainability as a company.

Declaration

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

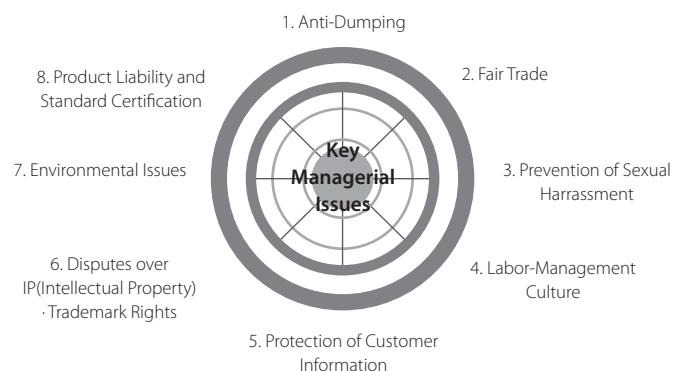
Management Responsibility and Governance

Risk Management Subcommittee



Key Managerial Issues

In 2013, we selected and managed eight key risks that are important in terms of company-wide compliance. In 2014, we will identify and manage additional risks alongside the current management of these eight risks already identified.



Achievements KEY FIGURES



A total of **4 fair trade training sessions** were provided per year to employees of Hankook Tire and its affiliates.



Response manuals were developed and **distributed company-wide to handle charges** raised by or against Hankook Tire in relation to the Fair Trade Commission (FTC).



Sexual harassment prevention training was offered to all employees at the Head Office.



The status of **customer information management** was reviewed and revised.

Future Plans and Outlook

Our goal is to respond to risks caused in business conduct before they occur through a sustained and systematized risk management process. In 2014, we will add diverse key managerial risks to our existing risk management portfolio of eight key risks as a way to extend the scope of our risk management. We will also establish an integrated company-wide risk management system to flexibly identify, analyze and respond to risks that exist both inside and outside the company.

2013 Achievements

● Completed ● Partially Completed ○ Not Implemented

Code	Key Managerial Issues	Goals	Achievements	Completion	Pages
IR1	Definition of Key Risks	To define key risks and select detailed issues	Eight key risk areas were defined	●	25~26
IR2	Establishment of Risk Management Processes by Detailed Issue	To establish risk management systems for each detailed issue	- Achievements made in each of the eight key risk areas · Anti-Dumping : Anti-dumping regulations in major countries were identified and addressed.	●	26~27
		To manage risks	· Fair Trade : Company-wide fair trade training was offered and response manuals were developed to handle relevant charges.	●	
		To continually monitor risk management activities	· Prevention of Sexual Harrassment : Company-wide sexual harrassment prevention activities were evaluated and preventive training was offered. · Labor-Management Culture : Response measures were taken to handle ordinary wage lawsuits. · Protection of Customer Information : The status of customer information management was evaluated and revised. · Disputes over IP-Trademark Rights : IP rights were managed and response measures were taken to handle relevant issues. · Environmental Issues : The status of major certifications in relation to the plant environment were identified. · Product Liability and Standard Certification : Product liability and recall manuals were developed in Australia and Indonesia.	●	

2014 Plans

Code	Key Managerial Issues	Commitments	Key Index	Deadline	Department in Charge
IR1	Anti-Dumping	To select major countries with potential risks and investigate their country-specific anti-dumping regulations	Investigation of anti-dumping regulations in major countries		
IR2	Fair Trade	To evaluate and respond to risks caused by transactions made among affiliates in accordance with the revised Fair Trade Law (in effect since Feb. 14, 2014)	Management of risks caused by inter-affiliate transactions		
IR3	Prevention of Sexual Harrassment	To offer sexual harassment prevention training at the overseas regional headquarters	Expansion of sexual harassment prevention training		
IR4	Labor-Management Culture	To establish compliance guidelines concerning labor regulations at a new U.S. Plant	Preemptive response to labor risks at a new U.S. Plant	Oct.	Legal Affairs Team
IR5	Protection of Customer Information	To manage personal data privacy risks in major countries with personal data privacy regulations	Management of personal data privacy risks in major countries		
IR6	Disputes over IP-Trademark Rights	To build a preliminary trademark rights risk monitoring and search system	Preliminary identification of risks from trademark rights disputes		
IR7	Environmental Issues	To analyze major environmental regulations in Korea and develop working-level guidelines	Provision of compliance guidelines		
IR8	Product Liability and Standard Certification	To update the overseas product liability manuals and review the status of standard certification in the US	Management of product liability risks in relation to a new U.S. plant		

IR-1 Definition of Key Risks

In 2013, our risk management operations were transferred from the Corporate Strategy Team to the Legal Affairs Team. The key risks were selected from the compliance perspective and detailed management activities were defined.

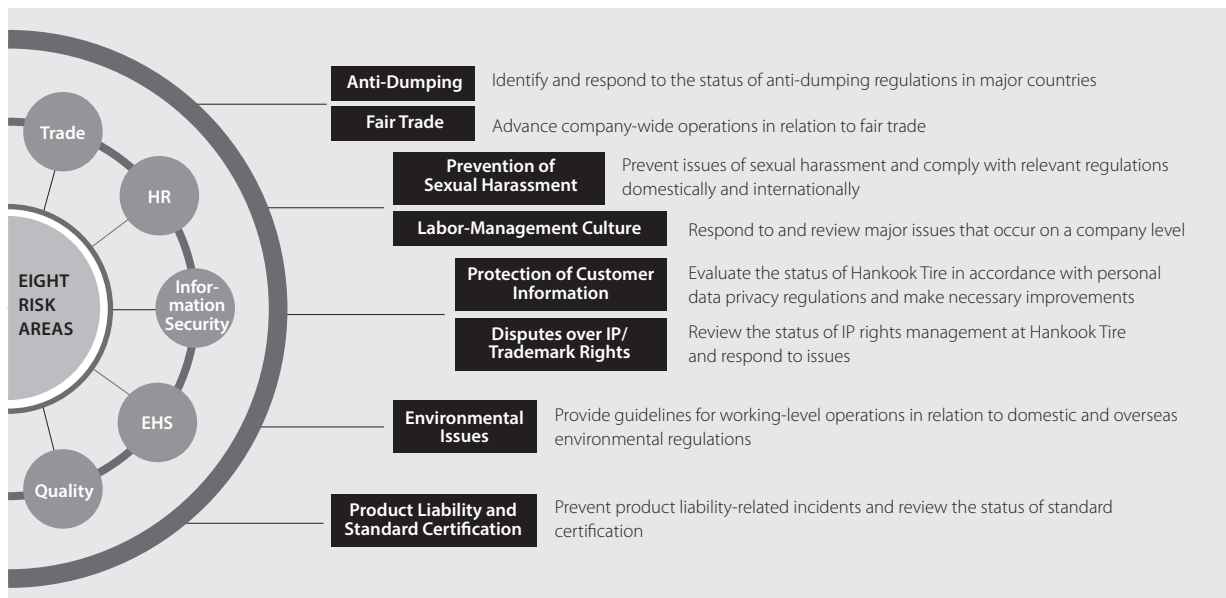
Definition of Key Risks

Selection of Key Risk Areas from the Compliance Perspective
 • The previous 10 risk areas that had been managed by the Risk Subcommittee were re-examined from the compliance perspective in consideration of the expertise of the Legal Affairs Team. This resulted in the elimination of two risk areas (fire, health/safety) whose management operations were performed by other departments or subcommittees. Ultimately, eight key risk areas were re-defined that were subject to detailed risk response measures.

Constant Risks • We define constant risks to daily routine management as financial risks (minimization of exposure risks to the financial market), currency risks (caused by global operations) and liquidity risks (monitoring of company-wide cash flows).

Definition of Detailed Issues by Key Risk Area

To identify detailed action plans in each of the selected key risk areas, we defined detailed issues by key risk area as follows.



IR-2 Establishment of Risk Management Processes by Detailed Issue

We evaluated detailed issues that should be managed in each risk area and undertook response activities accordingly as a way to preemptively handle risks that are highly likely to occur as well as major risks that are presently discussed as pending issues.

Anti-Dumping Risk Management

Understand the status of anti-dumping lawsuits in the U.S. and other major countries and identify implications • As the world's 7th largest tire manufacturer in market share (according to 2013 data tallied by the U.S.-based prestigious tire magazine Modern Tire Dealer), our tires are marketed in the U.S. and throughout the world. This is why we continue to respond to anti-dumping regulations in our export markets. In 2013, we examined anti-dumping regulation trends in countries around the world, identified relevant implications and reflected them in our anti-dumping response measures. Our plan for 2014 is to take a closer look at anti-dumping regulations in major export markets and to identify detailed response measures.

Fair Trade Risk Management

Offer fair trade training and develop & distribute manuals to respond to charges against or by Hankook Tire at the Fair Trade Commission • We have continuously provided fair trade regulation training to our internal organizations and relevant staff as a way to prevent risks caused by the violation of the 'Monopoly Regulation and Fair Trade Law' ('Fair Trade Law' hereafter) and other regulations under the supervision of the Fair Trade Commission. In 2013, we took a more systemic approach in offering a total of four training sessions on major issues concerning the Fair Trade Law (on a quarterly basis). In 2014, we will evaluate the possibility of regulatory violations and make necessary improvement

in accordance with the revised Fair Trade Law that took effect as of February 14, 2014.

Sexual Harassment Prevention Risk Management

Provide Korean sites with sexual harassment prevention training and evaluate the status of such training at overseas sites • We evaluated our company-wide status of sexual harassment prevention and realigned our prevention training system at domestic sites as a way to comply with regulatory obligations in accordance with the growing size of our domestic sites. This was also done to respond to regulatory risks in countries where we operate in tandem with our expanding global presence. In 2013, the prevention training that had been part of our internal employee training curriculum was separated as an independent course and a new supervising department was designated. The training system was also realigned to provide regular training at least once each year to all employees and sexual harassment prevention training was offered accordingly. Furthermore, our overseas sites will be subject to annual sexual harassment prevention training from 2014 onward following the review of the status of such training at overseas sites as well as relevant country-specific regulations.

Labor-Management Culture Risk Management

Respond to major labor-management issues at domestic and overseas sites • We have continued to evaluate and respond

to major labor-management issues at our domestic and overseas sites as a way to prevent or mitigate relevant risks. In 2013, such endeavors were further enhanced and labor-management culture was defined as a key risk area. In line with the Supreme Court's decision* to modify ordinary wage calculation criteria, we also reached a labor-management agreement on relevant criteria that reflect our business conditions as a way to appropriately handle issues related to overtime allowances and retirement pay. In 2014, we will examine labor regulations in the U.S. and develop related guidelines as a way to respond to risks that may occur following the establishment of our new U.S. plant.

* Ruling 2012C89399 made by the Korean Supreme Court on December 18, 2013

Customer Information Protection Risk Management

Evaluate and improve the status of customer information management • All customer data collected through our corporate website and franchise business is protected and managed in accordance with the 'Personal Information Protection Law'. In 2013, we evaluated the status of customer information management in Korea in conformity with relevant regulations through the use of an internally developed checklist (four categories of the collection, use, and management of customer information as well as its provision to and consigned processing by third parties). As a result, we discovered and remedied substandard areas in preparation for the consigned personal information processing contract form. Our plan for 2014 is to examine personal data privacy regulations in countries where we are based while evaluating the status of customer information management of our overseas sites and making necessary improvement.

IP/Trademark Rights Dispute Risk Management

Review the IP rights management process and manage trademark rights • Our patent rights on tire structures, ingredients and production facilities as well as trademark rights on designs and brands are registered in countries across the globe including Korea. In 2013, we reviewed our internal IP rights management process (making patent applications & registrations, responding to office actions (OA), post-registration management, renewal, etc.). To prevent a variety of disputes that may occur due to the uncertainty of IP rights holders following the 2012 spin-off, we realigned the ownership relations of IP rights and registered changes in the ownership of IP rights in Korea and overseas ac-

cordingly as a way to respond to any potential risks. In 2014, we plan to develop a search system to examine the use of trademark rights owned by Hankook Tire in Korea to verify any infringement upon these rights by other companies or individuals early on and resolve such issues.

Environmental Issue Risk Management

Conduct safety activities concerning the plant environment and review the status of obtained certifications • In each of our plants, it is of paramount concern that we strictly manage environmental and safety risks. In 2013, a series of chemical spills that occurred at plants of other companies highlighted the importance of managing hazardous chemicals as a serious issue. This prompted us to internally review our status of managing harmful chemicals within our plants in accordance with relevant regulations. It was determined that we maintained satisfactory management practices and the environmental safety reviews performed by the government also verified the safety of our chemical management system. In 2014, we will examine regulatory trends concerning domestic environmental laws as well as the management of harmful chemicals in order to develop and distribute guidelines that our working-level staff in charge of plant environment and safety can directly refer to in the upcoming years.

Product Liability and Standard Certification Risk Management

Develop overseas product liability and recall manuals and review the status of standard certification in the U.S. • Our sales network spans the U.S., Europe, Southeast Asia and all across the globe and thus we continue to respond to risks that may occur due to quality issues. As part of such commitment, we developed our first product liability and recall manuals in 2009 to establish an internal risk response system. Such manuals were developed in the U.S., China and major European countries and later in Indonesia where our production line is located. Australia, one of our major product markets, also saw manual development in 2013. In so doing, our risk response system is continuously being updated and improved. Our goal for 2014 is to review regulatory considerations regarding product liability in the U.S. and study how other companies are responding to such risks so as to mitigate any increase in risks expected as a result of the establishment of our new U.S. plant.

Overview of Company-Wide Sexual Harrassment Prevention Training in 2013

Name of Training Course		Prevention of Sexual Harassment	
Target	All office workers and operators	Details	Causes and prevention of workplace sexual harassment
Training Timeline	Aug. 1~ Aug. 31 of 2013 (offered on a departmental level)		Be careful with your language
			How will you create a sound workplace culture?
Training Hour	More than one hour		Compliance with ethics regulations
Venue	Selected by respective departments	Training Method	OJT- Group OJT (On-the-Job Training) by department
Lecturer	Staff from each department who completed preliminary training	Training Completion	Completion Report = Training report + Photo + Attendance book

FOCUS 01

Transparency & Business Ethics

BE Transparency & Business Ethics

Management Responsibility and Governance

Ethics Management Subcommittee

- Audit Department Director
 - Audit Team
- Global Marketing Strategy Team
- Corporate Management Team 1
- Global Quality Assurance Team
- Purchase Planning Team
- R&D Strategy Team

Declaration

Hankook Tire's ethics management aims to help individual employees as well as stakeholders build and practice proper ethical awareness. Our business ethics are built into our corporate mission and vision as a fundamental requirement and consistently promote a transparent and healthy corporate culture of anti-bribery and anti-corruption.

Key Managerial Issues

- 01 / Training and Communication on Business Ethics
- 02 / Regular Monitoring and Evaluation
- 03 / Dissemination of Ethics Management to Affiliates

Achievements



Revision and disclosure of the Code of Ethics (Hankook Tire and its five affiliates)



Newly posted Code of Ethics on the local websites in China, Germany and Hungary



Enhanced training programs on business ethics
Newly customized online training contents

1,345 employees completed the training program



Newly designed business ethics evaluation indices for each affiliate

Context

Business ethics on the basis of transparency is the most fundamental building block for establishing relationships with diverse stakeholders. Companies today are faced with even higher levels of transparency and business ethics in fulfilling their social responsibility.

Risk & Opportunity

A company should make decisions on their stringent ethical standards. If it fails to do so, the company will face risks and challenges from internal and external stakeholders. However, a well-established culture of business ethics will enhance internal productivity and external credibility, which will lead to its robust competitive edge.

Future Plans and Outlook

We will continue to strengthen business ethics and secure transparency on our business operations, while all employees sign the 'Pledge of Business Ethics'. In addition, we will provide our employees with training and diversified communication channels of business ethics to deepen and broaden their awareness on detailed rules of the Code of Ethics. With our ethics management system to prevent various unethical practices including bribery, fraud and corruption, we will earn trust from our stakeholders.

2013 Achievements

● Completed ● Partially Completed ○ Not Implemented

Code	Key Managerial Issues	Goals	Achievements	Completion	Pages
BE1	Training and Communication on Business Ethics	To post the Code of Ethics on the local websites	- The Code of Ethics was posted at the local websites in their languages where we have plants and major sales markets in Europe.	●	30
		To set the revision criteria and revise the Code of Ethics	- The fifth revision was made to the Code of Ethics and revision criteria were stipulated.	●	30
		To publish the Ethics Guidebook in Hungarian and Indonesian	- The Ethics Guidebook was published in their local languages in Hungary and Indonesia.	●	30
		To develop training content on the Intranet	- A database was set up to organize e-Ethics Letters.	●	31
		To expand training programs to all employees	- Training for operators was not provided since the primary focus was placed on training office staff (Training for operators is planned in 2014).	○	-
		To provide customized on/off-line e-ethics training programs	- Making online training programs (16 sessions, 50 minutes per session) - On-site training programs at business sites · Q1~Q2 : Daejeon and Geumsan Plants (university professors) · Q3 : Main R&D Center in Daejeon (external lecturers) · Q4 : Head Office (external lecturers)	●	31
		To build awareness of business ethics	- 'E-ethics Letters' were sent to all employees on a monthly basis to share cases and practices.	●	31
BE2	Regular Monitoring and Evaluation	To operate the Risk Monitoring System (RMS) in Korea and China	- RMS was regularly operated in Korea. - RMS was regularly operated in China. (Monthly reports to executives in charge, Quarterly reports to the CEO)	●	32
		To survey on ethics management evaluation indicators	- 'Establishment/Systemization Phase' was reached. (The period between 2011 and 2012 was the 'Institutionalization Phase' and the 2013 ethics management target was to reach the 'Establishment/Systemization Phase'.)	●	32
		To develop ethics management evaluation indicators for affiliates	- Evaluations on the performance of ethics management for five affiliates were conducted with self-customized evaluation indicators.	●	32
BE3	Dissemination of Ethics Management to Affiliates	To send e-ethics management booklets	- Official documents that indicated Hankook Tire's gift refusal policy were sent to affiliates for the major holiday occasions in Korea (Lunar New Year, Korean Thanksgiving). Affiliates also sent such official documents to their suppliers.	●	33
		To provide training programs for affiliates	- Ethics management training was provided to affiliates (executives and team leaders). · emFrontier (Apr. 23) · MK Technology (Apr. 24) · FRIXA (Apr. 25) · ATLASBX (Apr. 30)	●	33
		To establish or revise the Code of Ethics of affiliates	- Codes of Ethics were revised at four affiliates. - Code of Ethics was introduced at one affiliate.	●	33

2014 Plans

Code	Key Managerial Issues	Commitments	Key Index	Deadline	Department in Charge
BE1	Training and Communication on Business Ethics	To post the Code of Ethics on the local websites (Indonesia)	Posting the Code of Ethics	Oct.	Audit Team, IP) Human Resource Team, Corporate Communications Team
		To revise the Code of Ethics	Revised Code of Ethics	Mar.	Audit Team, Corporate Communications Team
		To sign the 'Pledge of Business Ethics' by all employees	No. of employees who signed on the pledge	Mar.	Audit Team, em) HQ Information Team1
		To provide regular ethics management training	Training hours	Year-round	Audit Team, em) HQ Information Team1, DP) KP) Human Resource Team, R&D Human Resource Team
		To send e-ethics letters on a monthly basis	Monthly e-letters	Year-round	Audit Team
BE2	Regular Monitoring and Evaluation	To operate the RMS in Korea and China	Operational report	Year-round	Audit Team, CHN) Corporate Management Team
		To survey on ethics management evaluation indicators	Conducting evaluation	Nov.	Audit Team
		To survey affiliates on ethics management evaluation indicators	Conducting evaluation	Nov.	Audit Team, 5 affiliates
BE3	Dissemination of Ethics Management to Affiliates	To publish booklets on ethics management	Sending booklets (Official Documents)	Year-round	Audit Team
		To provide training programs for affiliates	Details of training	Year-round	Audit Team
		To revise the Code of Ethics for affiliates	Revised Code of Ethics	Mar.	Audit Team, 5 affiliates

BE-1 Training and Communication on Business Ethics

Hankook Tire continuously enhances ethics management by providing on/off-line training programs to strengthen its capability to translate business ethics into action. In addition, various ethics management practices are shared through our intranet to raise employees' ethics awareness.

Posting the Code of Ethics on the Local Websites (China, Germany and Hungary)

Hankook Tire has local websites in 15 countries. Starting from the three English-speaking countries (the U.S., Australia and the U.K.) in 2012, Hankook Tire has also updated ethics management (the Code of Ethics). In 2013, we have updated the Code of Ethics on each local website that reflects local customs and rules in China, Germany and Hungary where our manufacturing operations and regional sales center are located.



Ethics Management Website in China

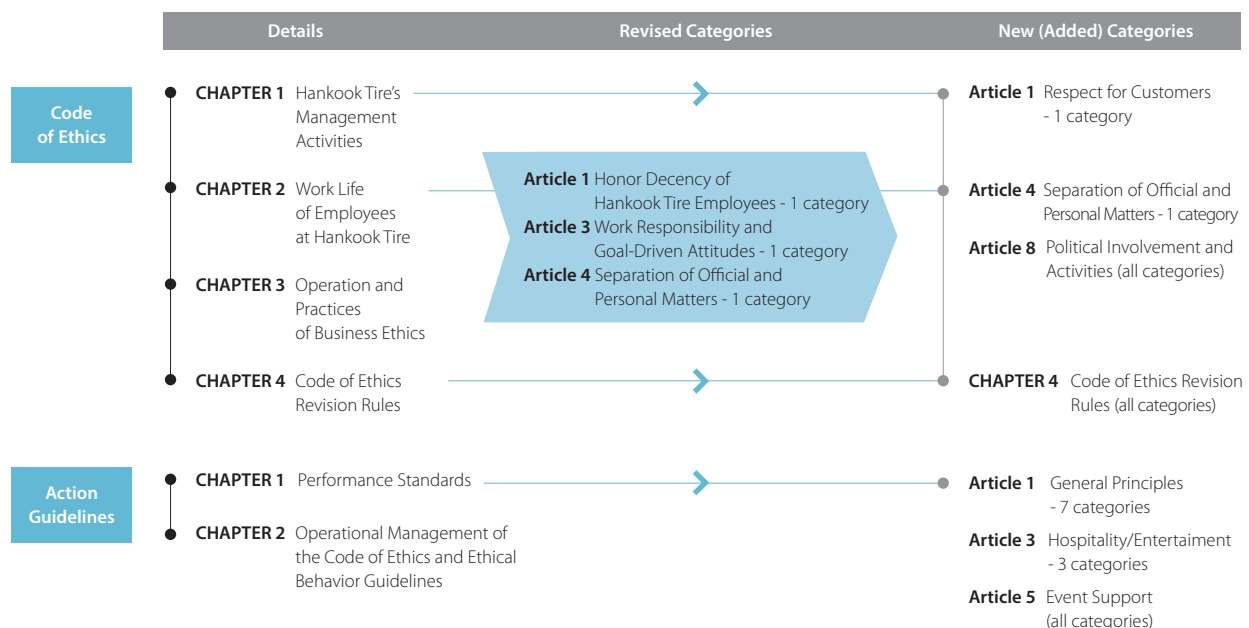
Setting the Revision Criteria and Revising the Code of Ethics

In accordance with the 2013 CSR Strategy, we have developed the revision criteria for our Code of Ethics and completed revision accordingly. As part of this process, individual employees' political involvement and activities—maintenance of political neutrality at the workplace—were added to the Code of Ethics. It was reviewed by members of the Ethics Management Subcommittee and approved by the CEO in March 2013.

Publication of the Ethics Guidebook in Hungarian and Indonesian

We published the Ethics Guidebook in local languages as a way to build awareness of ethics management. The guidebook was issued in Korean and English in 2011 and in Chinese in 2012. In 2013, a new version that reflected the revised Code of Ethics was published in Hungary and Indonesia in their local language, where our operation sites are located.

Revision of the Code of Ethics and Action Guidelines



Developing Training Content on the Intranet to Build Awareness of Business Ethics

To prevent wide-ranging ethical risks at the workplace and build awareness among all employees, we have been sharing various cases and practices related to our Code of Ethics since 2010. In 2013, we developed training content on the Intranet by adding up an online library on business ethics and kept sending E-Letters to all employees from new recruits to the CEO once a month.

Customized On/Off-line e-Ethics Training Programs

To make the Code of Ethics more accessible by employees through online ethical management educational training, Hankook Tire adapted the popular U.S. crime drama CSI to become 'ESI (Ethics Scene Investigation)' and produced a total of 16 sessions (one-month course, consisting of online sessions to be launched in July). The employees who pass the test following the completion of this course are granted education credits, which are counted as necessary points for promotion to higher positions. In the realm of offline training programs, four courses of the mandatory group training programs courses were completed by 634 employees while site-specific (Daejeon Plant, Geumsan Plant, R&D Center, and Head Office) quarterly programs were attended by 742 employees. In addition, mandatory new hire training was completed by 140 employees while Purchasing Team 1, 2, 3 were provided with programs at the request of purchasing division, where a high level of ethical awareness is required.



1

개시일	제목
2014-04-29	Manualization 의 필요성(2014년 4월분)
2014-04-16	리니언시(2014년 3월분)
2014-04-16	품질 윤리경영(2014년 2월분)
2014-04-16	1만 시간의 법칙(2014년 1월분)
2013-12-03	물류발스공장의 재건(2013년 11월분)
2013-11-08	달레마의 형의적 대응(2013년 10월분)
2013-09-30	노래방 채우왕(2013년 9월분)
2013-08-27	윤리적소비(2013년 8월분)
2013-07-30	코카콜라와 펄시콜라(2013년 7월분)
2013-07-02	상갈미와 박서방(2013년 6월분)
2013-05-31	낙하산 품질경영사(2013년 5월분)
2013-05-02	목민심서중에 윤리경영 이야기(2013년 4월분)
2013-03-29	기분때나 슬플때나 서로 돕는 경조사(2013년 3월분)

2

- 1 _ Cover Pages of the Ethics Management Guidebook in Indonesian and Hungarian
- 2 _ Ethics Management Practices Uploaded on the Intranet
- 3 _ ESI Online Ethics Management Course
- 4 _ Ethics Management Training Program at the Head Office



3



4

BE-2 Regular Monitoring and Evaluation

Hankook Tire regularly assesses individual employees for their improvement in management capabilities as well as relevant regulations and processes while monitoring its compliance with the Cyber Audit and submitted reports. Our employees are subject to an annual evaluation of their business ethics awareness to advance ethics management.

Operations of the RMS(Risk Monitoring System) in Korea and China

As the segmentation and integration of the organization has been proceeding to build a robust global competitive edge, the scope of evaluation is broadening and risk exposures are increasing accordingly. Such changing conditions alerted us to the need for an early warning program and thus we developed the RMS to serve as a regular monitoring channel. In addition, RMS indicators were used to improve on inefficient operations concerning business ethics. The RMS in operation from June 2011, resulted in helping mitigate and decrease risks in the five areas of HR, sales, accounting, cost and purchasing. Building on our endeavors to advance the RMS to improve its efficiency and management performance by developing new risk indicators, the scope of the RMS monitoring was extended from five to six areas with the addition of logistics starting in 2014.

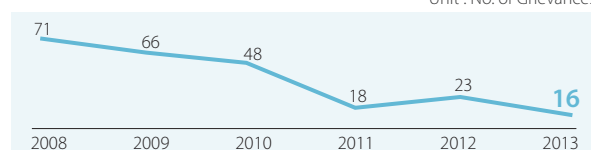
The RMS in China had been developed by Corporate Management Team 2 since 2012 and took a year for its stabilization and advancement. In addition, new risk indicators were developed in 2013 to enhance its risk management. The RMS in Korea and China allows us to analyze risks and report their status and improvement plans to responsible executives each month and to the CEO each quarter.

On/Off-line Reporting Channels

We have both online and offline reporting channels to gather any grievance from internal and external stakeholders. Over the past three years between 2011 and 2013, 63 grievances were submitted through the Cyber Audit and mail, all of which were completely resolved. In addition, our online 'Whistleblowing Hotline' ensures that such grievances are directly reported to the CEO.

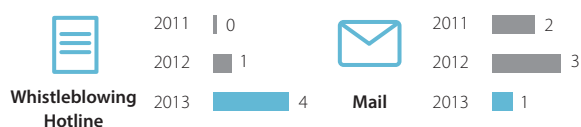
Grievances Resolved by the Cyber Audit Division

Unit : No. of Grievances



Grievances Submitted through the Whistleblowing Hotline and Mail

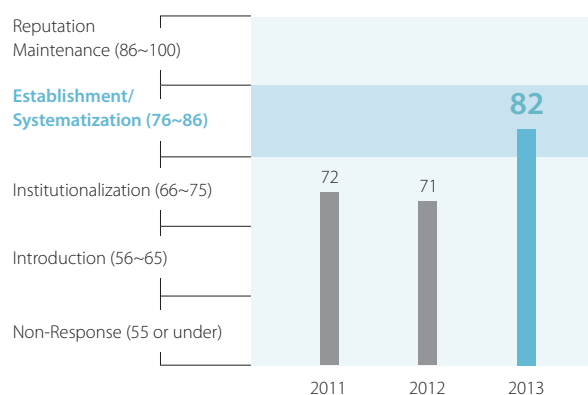
Unit : No. of Grievances



Ethics Management Evaluation Indicators

In 2011, we created the Ethics Management Index, a customized version of the ethics management self-evaluation checklist developed by the Federation of Korean Industries (FKI). Since then, we have conducted annual surveys to evaluate our level of ethics management and in 2013, survey outcomes demonstrated that we reached the 'Establishment/Systematization Phase', the target we set in advancing our ethics management. While we stayed at the 'Institutionalization Phase' in 2011 and 2012, we attained our goal of reaching the more advanced phase of 'Establishment/Systematization Phase' in 2013, which is attributed to our endeavors to undertake diverse and quality ethics management initiatives. In assessing the level of our ethics management, we surveyed a total of 1,290 employees—780 office staff and 510 operators. Office staff were surveyed online through our internal survey system while operators were surveyed offline by manually completing questionnaires.

Level of Ethics Management



Development of Ethics Management Evaluation Indicators for Affiliates

Hankook Tire developed ethics management evaluation indicators for its five affiliates to spread ethics management. These were fully developed for respective affiliates in 2013 by combining Hankook Tire's accumulated experience in developing its own evaluation index and the customized version of the ethics management self-evaluation index developed by the FKI, with ethics management departments from respective affiliates in attendance. This was followed by surveys conducted by affiliates to assess their level of ethics management.

BE-3 Dissemination of Ethics Management to Affiliates

We pursue shared growth in both qualitative and quantitative aspects as a way to ensure sustainability of both Hankook Tire and affiliates. Therefore, we disseminate the Code of Ethics and provide training programs on ethics management.

Sending e-Ethics Management Booklets

Hankook Tire prevents unfair transactions between employees and suppliers and also blocks various business ethical risks in an aim to establish mutually fair and transparent trade practices. Our 'Holiday Gift Refusal Policy' was announced through the HePS (Hankook Tire e-Procurement System) while official documents on this policy were sent to the suppliers of our affiliates (ATLASBX, FRIXA, emFrontier, and Daehwa Engineering & Machinery) under the name of CEO.

Providing Training Programs for Affiliates

To raise ethics awareness of our affiliate employees, we visited affiliates to offer training titled 'Ethics Management Practiced Together'. Attended by affiliate executives and team leaders, this training outlined the history, definition and purpose of ethics management as well as actual stories of companies who either succeeded through ethics management or failed. It also shared the backdrop of developing Hankook Tire's own ethics management evaluation index and its evaluation outcomes. Such training content assisted our affiliates in developing their own ethics management evaluation index and report the results to the CEO. The 2014 plan is to conduct surveys on the basis of the previously developed evaluation index and evaluate our performance of ethics management.

Revision of the Code of Conduct of Affiliates

To ensure the consistency of the Code of Ethics and business ethics policies, we disseminated the Code of Ethics to affiliates and supported them with related schedule management. While one affiliate newly published its own Code of Ethics, the other four affiliates revised the Code of Ethics. All Codes of Ethics, included new and revised, were disclosed on their website to be available for external stakeholders.

Establishment and Revision of the Code of Ethics by Affiliates

Affiliate	Establishment	Revision	No. of Revisions
ATLASBX	Dec. 2006	Jun. 2013	1
	Posting on the Website	①Jun. 2013	
emFrontier	Jul. 2007	②Apr. 2013 ①Oct. 2011	2
FRIXA BRAKE SYSTEM	Jun. 2007	②Jun. 2013 ①Jan. 2011	2
DAEHWA ENGINEERING & MACHINERY	Jul. 2008	①Jun. 2013	1
MK TECHNOLOGY	Jun. 2013	—	—
HANKOOK driving emotion	Aug. 2001	④Mar. 2013 ③Aug. 2010 ②Jul. 2007 ①Feb. 2005	4
	Posting on the Website	Apr. 2013	



Ethics Management Training for Executives and Team Leaders at the Affiliate 'MK Technology Corporation'

FOCUS 02

Employee Health & Safety Management

HS Health & Safety Management

Management Responsibility and Governance

EHS Subcommittee

- Daejeon Plant Manager
 - DP) Environment & Safety Team
- KP) Environment & Safety Team
- Machinery Engineering Team 3
- DP) KP) Facility Maintenance Team
- Material Research Team2
- CSR Team

Context

Recently, occupational health and safety regulations have become increasingly stringent and employee health and safety is emerging as a critical issue of interest that demands greater corporate responsibility both internally and externally. Thus, companies are required to pay greater attention and endeavor more intensively to ensure the health and safety of their employees.

Risk & Opportunity

If a company fails to deliver a safe workplace and prevent accidents, it may pose serious risks to its human resources, which are the greatest asset to any company. In contrast, a company that places its top priority on employee health and safety and makes continuous improvement to this end will be recognized as a safe work place and its efforts will contribute to improved productivity.

Declaration

We believe that the health and safety of our employees is a key CSR component and the fundamental driving force behind our sustainable growth. Thus, we are continually committed to a safe and enjoyable workplace for all employees underlined by our business philosophy that puts employee health and safety first before anything else.

Key Managerial Issues

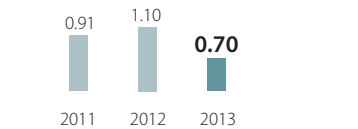
01 / Enhancement of Employee Health Management

02 / Establishment of a Voluntary Safety Management System

Achievements

Injury & Illness Rates

At the Daejeon, Geumsan, Jiaying, Jiangsu and Hungary Plants

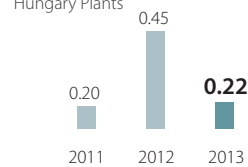


· Injury & Illness Rates : An incidence rate of illnesses per 100 employees (No. of injuries and illnesses/No. of employees) x 100

· 2012 average of the manufacturing industry : 0.83 (Source : Ministry of Employment and Labor)

Severity Rates

At the Daejeon, Geumsan, Jiaying, Jiangsu and Hungary Plants

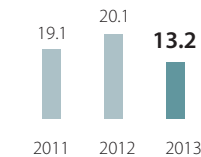


· Severity Rates : Lost working days caused by injuries per 1,000 work hours (Lost working days/work hours) x 1,000

· 2012 average of the manufacturing industry : 2.47 (Source : Ministry of Employment and Labor)

Smoking Rates

In Korea



Unit : %

· 2011 average smoking rate of paid workers : 76.4% (Source : Labor Condition Survey, General Statistics, Statistics Korea, This survey, conducted every three years, will be performed in 2014)

Future Plans and Outlook

We will build an integrated, strategic, and company-wide health and safety management system that extends to our suppliers so as to evolve into one of the safest workplaces. Our employee health and safety management system will be strengthened through sustained management driven by a self-initiated safety management system. We will also be fully committed to improving working conditions and developing health care programs to ensure the health and safety of our employees.

2013 Achievements

● Completed ● Partially Completed ○ Not Implemented

Code	Key Managerial Issues	Goals	Achievements	Completion	Pages
HS1	Establishment of a Voluntary Safety Management System	To introduce behavior-based processes (introduction of PQS-integrated work standards)	The preparation of standard safe work procedures was completed (2,832 procedures). The development of standard safe work procedures continued.	●	36
		To elevate the level of the safety protection system to that of global leading companies	The standard for preliminary facility safety assessment was redefined. The safety protection device map was written for all processes and a monitoring system was promoted.	●*	36
		Employee-engaging safety training system (training to take action on knowledge base and raise awareness)	Company-wide safety awareness building training was promoted (40 sessions). Field-driven voluntary safety officers were nurtured (364 employees).	●	36
		To build a company-wide safety information sharing system (safety accident response measures, safety initiatives, etc.)	Preparatory work was underway to host technical exchange meetings attended by plant managers to share health and safety information in 2014.	●**	36
HS2	Enhancement of Employee Health Management	To continue to launch health promotion programs (anti-smoking, obesity management, exercise)	Smoking rates declined. Daejeon Plant : 11.4% point, Geumsan Plant : 4.4% point) Employee exercise programs were regularly promoted.	●	37
		To strengthen initiatives to address three major diseases (liver diseases, hyperlipidemia, hypertension)	Physician prescriptions and health consultation were offered to individual employees as a result of health check-ups. Anti-smoking, alcohol moderation and dietary improvement initiatives were undertaken. Health care recipients who are at high risk were selected to receive intensive care management.	●	37
		To reduce noise-induced hearing loss through the sustained undertaking of noise control activities	Noise-attenuation booths were installed for the scouring process (noise level reduced by 17dB), low-noise fans were installed for the extrusion process (noise level reduced by 7dB), low-noise nozzles were installed for the fitting process (noise level reduced by 20dB).	●	37
		To improve ventilation for the half-finished product process (improvement of local ventilation performance)	The improvement was completed in March 2014 following investment.	●	37

* To 'elevate the level of safety protection systems to that of global leading companies', the standard for preliminary facility safety assessment was redefined. In addition, the safety protection device map was prepared for a portion of the processes and this will be extended to all processes to perform year-round inspections.

** In 'building a company-wide safety information sharing system', the system was developed in 2013 and a technical exchange meeting among plant managers was hosted on April 29, 2014 to share health and safety information from respective plants.

2014 Plans

Code	Key Managerial Issues	Commitments	Key Index	Deadline	Department in Charge
HS1	Establishment of a Voluntary Safety Management System	To strengthen response capabilities in line with tightening governmental policies and regulations (compliance evaluation performed twice/year)	Execution rates	Dec.	Environment & Safety Team
		To develop leading indicators and safety awareness evaluation tools to establish standard work procedures	Injury rates	Dec.	Environment & Safety Team
		To prevent risks from major occupational accidents	PSM grade	Aug.	Environment & Safety Team
		To maintain the rating of 'Grade S' or above under the Process Safety Management (PSM) system			
HS2	Enhancement of Employee Health Management	To strengthen customized health care (by age group and disease)	No. of health care recipients	Dec.	Environment & Safety Team
		To expand health care programs (training, stress management programs)	-	Year-round	Environment & Safety Team
		To improve the work environment (noise control, improvement of local ventilation facility performance, etc.)	-	Nov.	Environment & Safety Team Machinery Engineering Team 3
		To introduce a mental health counseling program or operate a mental health counseling office	-	Apr.	Environment & Safety Team

HS-1 Establishment of a Voluntary Safety Management System

We introduced behavior-based processes to ensure that our health and safety management system satisfies global standards while developing an employee-engaging safety training system and a company-wide safety information sharing system. These systems guarantee a more systemic and self-directed company-wide health and safety management system.

Introduction of Behavior-based Processes

Introduction of PQS(Product, Quality, Safety) Integrated Standard Work Procedures • We incorporated safety standards in our standard work procedures to decrease the rates and severity of injuries. In enhancing our standard work procedures, each procedure was subject to multi-faceted analyses not only to bring productivity gains but also to reduce defects and ensure safety through the complete inclusion of production (P), quality (Q) and safety (S) related issues. For nearly five months between May and September of 2013, 2,382 standard procedures were completed and are now under operation for each of the 557 work units concerning 769 pieces of equipment installed at our Korean plants. Our goal for 2014 is to further systemize these procedures to expand their application to our overseas plants.

Elevation of the Level of the Safety Protection System to That of Global Leading Companies

In February of 2013, we set the safety protection device standards for our production facilities while performing preliminary risk assessments of new and altered facilities through the use of the 4M method*. In so doing, we minimized pre-operational risks of these facilities and paved the way to prevent safety accidents. While safety assessments were conducted following facility installations previously, these assessments now take place even before deploying facilities to identify and make necessary improvements to safety protection devices of our mechanical facilities. In a portion of our processes, safety model facilities were designated and subject to safety assessments while the outcomes were applied to others in the same facility type to improve a total of 121 un-conformable issues.

* 4M This risk assessment method categorizes risks into the Machine, Media, Man and Management categories : Machine risks refer to physical risks that cause unsafe conditions; Media risks concern noise, dust, hazardous substances and other work environment elements; Man risks refer to human factors that lead to unsafe behaviors of workers; and Management risks refer to managerial defects that cause accidents.

Employee-Engaging Safety Training

Training to Encourage Actions Taken on Knowledge Base and Raise Safety Awareness • To raise employees' health and safety awareness, we launched two-hour awareness-building training courses and offered a total of 40 training sessions to all operators. We also provided grade 2 training courses to nurture field-driven and self-initiated Safety Operators to ensure voluntary health and safety operations on the shop floor. These courses invited at least one operator from each quality circle to foster 364 self-initiated Safety Operators in total. Course content was categorized into fire fighting, health, risk assessment and standard work procedures to enhance its applicability to field operations.

Company-wide Safety Information Sharing System

Sharing Information on Safety Accident Measures and Safety Initiatives • We hosted a technical exchange meeting attended by plant managers from our domestic and overseas production locations to help them share health and safety information. Since our plants did not actively share such information among themselves, we set operational plans to offer them an opportunity to share health & safety-related information at least once every year with the help of relevant departments. These technical exchange meetings will be hosted starting in 2014. Meanwhile, the Occupational Health & Safety Committee that consists of equal numbers of labor and management representatives hosts regular meetings at each site. The committee takes action on any matters that concern employee health & safety—alterations in work facilities and procedures, health & safety training programs, health & safety-related regulations and policies, and health & safety-related legal issues—following labor-management consultations.

Case Study _ Injuries & Illnesses Occurred and Actions Taken at Hankook Tire in 2013

2013 Injury & Illness Data

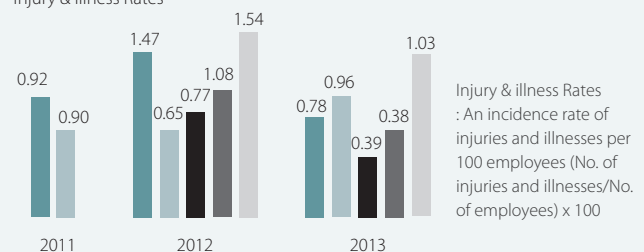
No. of Employees
5,062

- Fatalities None
- Employees Suffering Occupational Diseases None
- Injured Employees 45

Our injury & illness rate in 2013 amounted to 0.89 based on domestic sites, which is slightly higher than the 2012 average injury & illness rate of the manufacturing industry (0.83) and relatively lower than that of the rubber product manufacturing industry (1.25). We will further strive to take consistent and more robust safety management initiative to deliver a safer and more pleasant workplace.

Injury & Illness Rates and Severity Rates by Plant Over the Past Three Years

Injury & Illness Rates



· Hungary Plant – Its 2012 injury & illness rate is different from what was presented in our CSR Report 2012/2013 due to the alteration in injury & illness rate calculation criteria.
 · Geumsan Plant: Its 2012 injury & illness rate is different from what was presented in our CSR Report 2012/2013 since the data was re-calculated due to the denial of one occupational injury application.

HS-2 Enhancement of Employee Health Management

We offer customized health care programs and undertake initiatives to address three major diseases to help our employees improve their individual health. To create a safe and enjoyable workplace, we continue to invest in our facilities and monitor working conditions.

Sustained Undertaking of Health Promotion Programs

We specifically focus on our anti-smoking programs to improve the health of our employees. Our endeavors led to an 11.4%point and a 4.4%point reduction in smoking rates at the Daejeon and Geumsan Plants, respectively, over the previous year. Included in our company-wide anti-smoking programs are regular smoking cessation training to help employees voluntarily quit smoking, and smoking area patrols to strengthen smoking-cessation management. In addition, separate exercise programs are offered to employees who struggle with weight issues.

Strengthened Initiatives to Address Three Major Diseases (Liver Diseases, Hyperlipidemia and Hypertension)

As a result of employee health check-ups, it was discovered that three major diseases accounted for nearly 70% of all diseases and their major causes were found to be smoking and obesity. Thus, we offer intensive health management to employees suffering

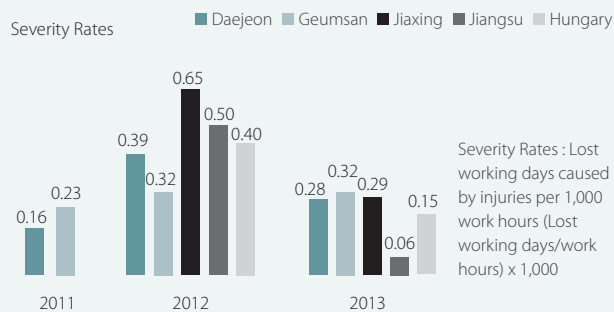
from these three major conditions as well as those who smoke or struggle with obesity. Such health care recipients are subject to consistent monitoring through regular interviews conducted by in-house clinics and personal health care cards filled in by employees. Smokers are fully supported with smoking cessation programs and overweight employees receive counseling to improve their dietary habits as well as pedometers to monitor their exercise. These diverse employee health care initiatives will continue in the upcoming years.

Reduction of Noise-Induced Hearing Loss through Continued Noise Control Activities

Our Daejeon and Geumsan Plants improved a total of three types of facilities located near the sources of noise generation as of August 2013. The facilities included noise attenuation booths for the scouring process (reduced by 17dB), low-noise fans for the extrusion process (reduced by 7dB) and low-noise nozzles for the fitting process (reduced by 20dB). These endeavors led to a significant improvement in controlling noise. While we continue to measure and improve noise levels, we will also take a more diverse approach to fundamentally prevent noise-induced hearing loss. Furthermore, we will invite expert advice from professional organizations to offer a more comfortable work environment for our employees.

Actions Taken by Hankook Tire

While we presently provide customized health promotion programs by age group and health condition to all employees, we will also open a mental health counseling office and a job-related stress management program. To improve working conditions on the shop floor, we are improving noise control and ventilation facilities to minimize our employees' exposure to noise and chemicals. Meanwhile, work is underway to develop a self-initiated safety management system to encourage employees to put their safety first as a way to establish a safety-driven culture on the shop floor. To this end, standardized safe work procedures were introduced to all types of operations and leading indicators as well as safety awareness evaluation tools are under development to establish a safety-driven culture. Our goal is to disseminate such safety-driven culture along the entire supply chain.



Improved Ventilation of the Semi-Finished Product Process at Two Plants

Improved Local Ventilation Performance • Since we recognize that our operators, compared to office staff, are more likely to be exposed to risks, we offer special health check-ups, measure their work environment and examine their ergonomic risk factors in accordance with relevant regulations (Occupational Health & Safety Law). Their outcomes are used in monitoring and conducting research to improve working conditions and procedures and thus to ensure a more scientific and systemic management of employee health and safety. As a result of monitoring our work environment, it was revealed that the semi-finished product process of our Daejeon and Geumsan Plants required improvement in ventilation performance due to continued increases in production volume and the degrading performance of ventilation devices. To deliver more comfortable working conditions, we improved the ventilation of this process on two occasions in 2013. This number will increase to five in 2014 and we expect such endeavors to greatly improve our work environment. We vow to set more stringent management regulations so that our employees can work in a safer and more pleasant work environment.

FOCUS 03

Employee Value Creation

EV Employee Value Creation

Management Responsibility and Governance

Employee Subcommittee

- Business Infra Division Director
 - Human Resource Management Team
 - Global HR Team
 - Proactive University
 - Proactive Culture Team
 - Corporate Communications Team
 - DP) KP) Human Resource Team
 - KOR) Labor Relations Innovation Team
 - DP) KP) Labor Relations Team
 - KOR) Cultural Communication Team
 - R&D HR Team
 - R&D Operations Team
 - Production & Engineering Operation Team
 - Global Education Center Operations Team

Context

Since employees are the most important stakeholders of any company, respecting their rights and diversity, and supporting them with capacity-building is the key driver behind the growth of companies as well as the individuals themselves. Fostering and retaining global talent requires value-driven strategy in each area of the human resources management.

Risk & Opportunity

If a company fails to consistently engage its employees through communication, it will directly expose that company to losing its competent workforce, critically affecting its business operations. This will also potentially lead to a negative impact on corporate reputation. Thus, fair HR systems and capacity-building programs that aim to nurture and retain outstanding individuals serve to fuel a company's growth.

Declaration

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

Key Managerial Issues

- 01 / Open Communication
- 02 / Fair Opportunities
- 03 / Growth-Fostering Training Systems
- 04 / Work-Life Balance

Achievements



16
grievances handled



174
employees benefited from the mentoring program



85
hours of average per-capita annual training



3
Donggeurami wedding ceremonies

Future Plans and Outlook

We will increase the employment of individuals with disabilities in the short term to improve the diversity of our workforce and advance our diversity management system in the long term. Furthermore, our human rights management system will be developed in accordance with the 'United Nations Guiding Principles on Business and Human Rights' to protect the rights of our employees and to advance human rights management.

2013 Achievements

● Completed ● Partially Completed ○ Not Implemented

Code	Key Managerial Issues	Goals	Achievements	Completion	Pages
EV1	Open Communication	To facilitate internal communication	- Internal broadcasting infrastructure was improved and a shift to video broadcasting was achieved. - Global newsletter format (general+ local) was shared. - Regular communication channels for all levels of employees including operators were established.	○*	40
		To maintain a trust-based labor-management culture	- Legitimate labor union activities were guaranteed. - A constant labor-management information sharing system was run.	●	40
EV2	Fair Opportunities	To establish fair HR systems	- Global diversity indicators were developed and maintained. - A global HR monitoring system was developed and maintained.	○**	41
		To review global standards concerning labor practices and develop our own application criteria	- Hankook Tire's human rights management system was developed.	●	41
EV3	Growth-Fostering Training Systems	To strengthen 'Informal Learning'	- The Employee Idea program for office staff was strengthened. - An online Employee Idea program for operators was introduced.	●	42
		To strengthen job training	- Training for newly-hired office staff was reinforced. - The number of in-house lecturers was increased and their capabilities were strengthened.	●	42
EV4	Work-Life Balance	To expand family-friendly management	- Requirements for the family-friendly company certification were internally reviewed. - Donggeurami wedding ceremonies were hosted (3 ceremonies). - Marriage support programs were offered (1 session of image-making training, 3 rounds of group blind dates). - Cultural and leisure programs were undertaken (Donggeurami Festival held once, weekly Can Meetings, Lunchbox Day celebrated six times). - Women-friendly facilities were expanded (nursing rooms were created).	●	43
		To pursue a pleasant workplace	- 'Healing' training for employees was conducted. - Internal groupware was reorganized (Mobile office was newly launched).	●	43

* Strengthening in-house broadcasting infrastructure and shifting to video broadcasting : Phased-in reviews following the establishment of broadcasting infrastructure, Renamed 'video broadcasting', Global newsletter format (general+ local) was shared : Renamed 'CEO Letter'

** The system was completed and a management system is needed

2014 Plans

Code	Key Managerial Issues	Commitments	Key Index	Deadline	Department in Charge
EV1	Open Communication	To review the development of a global portal	Development of plans	Dec.	Proactive Culture Team
		To build mutually-beneficial labor relations · To proactively respond to changes in the labor environment · To initiate joint labor-management corporate philanthropic initiatives · To jointly handle the grievances of individual employees	Details of response made to changing labor conditions, undertaking of corporate philanthropic initiatives, operation of the grievance-handling system	Year-round	KOR) Labor Relations Innovation Team DP) Labor Relations Team KP) Labor Relations Team
EV2	Fair Opportunities	To establish Hankook Tire's human rights management system	Introduction of a system	Oct.	Human Resource Management Team
		To strengthen the management of disabled employees and identify jobs that can be performed by disabled employees	Identification of such jobs	Oct.	Human Resource Management Team
		To improve the Specialist program	Supplementation of the Specialist program	Oct.	Production & Engineering Operation Team
		To develop Hankook Tire's real time inquiry system	Realization of a comprehensive absenteeism management system	Oct.	KP) Human Resource Team
EV3	Growth-Fostering Training Systems	To nurture working-level experts in production technology	Establishment and implementation of a nurturing system	Oct.	Global Education Center Operations Team
		To strengthen the global HRD network and build infrastructure	Development of a global training system, creation of a consultation body	Nov.	Proactive University
EV4	Work-Life Balance	To review the acquisition of the family-friendly company certification	Review of whether the certification was obtained	Dec.	Human Resource Management Team
		To expand EAPs · To install and operate mental counseling offices	Operation of mental counseling offices	In the short-term	KOR) Labor Relations Innovation Team
		To review the introduction of flexible working hours	Pilot operation and institutionalization	Dec.	R&D HR Team
		To diversify support programs for unmarried employees	Hosting of lectures and group blind dates	Dec.	KOR) Cultural Communication Team
		To offer family-friendly programs	Undertaking of programs	Dec.	KOR) Cultural Communication Team

EV-1 Open Communication

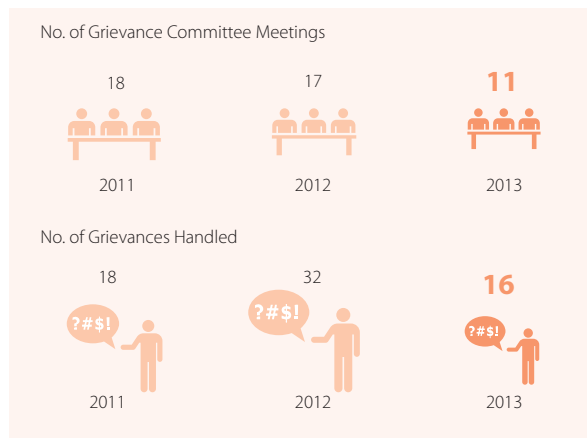
We continue to expand online and offline communication channels to establish our unique Proactive Culture and to identify wide-ranging improvements that may contribute to maximizing employee value. In doing so, we engage our employees in the management of the company while helping their voices be heard.

Facilitation of Internal Communication

Video Communication, Sharing the CEO Letter • To ensure the efficiency of our internal communication, we are implementing plans to gradually strengthen our video-based communication. We opened a dedicated video communication bulletin board and produced videos on internal/external events and campaigns to facilitate video-mediated communication with our employees. Furthermore, the 'CEO Letter' is e-mailed so that all our employees share our corporate goal and future directions, and ultimately reach consensus on 'Global One Company'.

Establishment of Regular Level-Specific Communication Channels for All Employees Including Operators • We communicate with our employees through diverse channels such as meetings supervised by executives, and department/level-specific meetings. In addition, our in-house grievance counseling program and the Grievance Committee help our employees deal with their complaints. Our Daejeon and Geumsan Plants run around-the-clock communication channels; a total of 100 suggestion boxes are directly managed by plant managers and deputy Managing Directors, and employee feedback is gathered through e-mails as well. In 2013, a total of 21 suggestions were submitted through these suggestion boxes, which allowed us to gather candid feedback from our employees and make amendments accordingly.

Track Records in Handling Employee Grievances (In Korea)



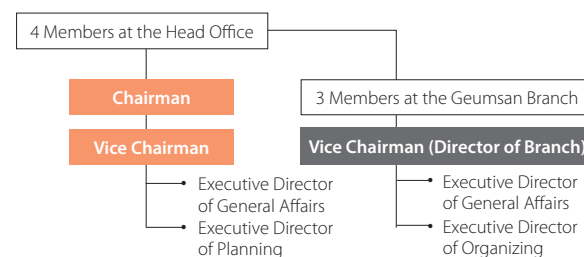
Maintenance of a Trust-based Labor-Management Culture

Guarantee of Legitimate Labor Union Activities and the Constant Operation of an Information Sharing System • All our employees are able to freely engage themselves in labor union activities within legally permissible boundaries. Our Labor Union is headquartered at the Daejeon Plant and has a branch at the Geumsan Plant. As of 2013, there were 4,813 unionized workers at

Hankook Tire. Hankook Tire and its labor union share information on pending issues in a detailed and transparent manner through weekly site-specific meetings. Annual wage and collective bargaining negotiations and quarterly labor-management consultative meetings are held to prevent conflicts before they arise. These joint consultative meetings address matters between the company and the union. For instance, the council extended the official retirement age from 57 to 60 and introduced the peak salary program through which employees receive a reduced salary for three years after 57 until their retirement.

Labor Union Organizational Chart

(Based on Korea in 2013)



Status of the Unionized Workers

(Based on Korea in 2013)

Category	Site	No. of Unionized Workers	Ratio
Labor Union Head Office	Head Office (Including sales and logistics)	152	3.2%
	R&D Centers (Including production technology)	282	5.9%
	Daejeon Plant	2,317	48.1%
Geumsan Branch	Geumsan Plant	2,062	42.8%
Total		4,813	100%

Operation of the Labor-Management Consultative Meetings

(Based on Korea in 2013)

Time	Details
Jan.	Joint capacity-building workshop - Discussed labor-management issues and future intentions, offered special lectures by experts, etc.
Feb. ~ Mar.	Joint improvement meetings - Discussed ways to facilitate the Donggeurami Volunteering Team and the Disciplined Life Campaign
Feb. ~ May	Joint working-level consultation meetings - Discussed ordinary wage issues and the improvement of the wage system (the peak salary program that substantially prolongs the retirement age)
May ~ Sep.	Agreed to introduce the ordinary wage scheme and the peak salary program that substantially prolongs the retirement age
Sep. ~ Oct.	Joint Labor-Management TFT - Discussed detailed executional criteria through wage and collective bargaining negotiations in 2013

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. Fair assessment and compensation as well as a corporate culture of communication and harmony enable us to improve our employee satisfaction.

Establishment of Fair HR Systems

Development and Management of the Global Diversity Indicators • The completion of our Indonesia Plant, the establishment of overseas regional headquarters and subsidiaries and the construction of a new U.S. plant increased the number of our employees. This significantly increased the physical diversity of our operations. Thus, we analyzed diversity issues to strengthen our 'Diversity Management' in 2013 and defined Hankook Tire's 'Diversity Management'. Women and disabled individuals were selected as our targets for intensive management. The status of our female workforce and the criteria of mandatory employment of disabled people were analyzed to evaluate our current status in diversity management. In 2014, our top priority will be strengthening the management of employees with disabilities and identifying jobs that can be performed by them.

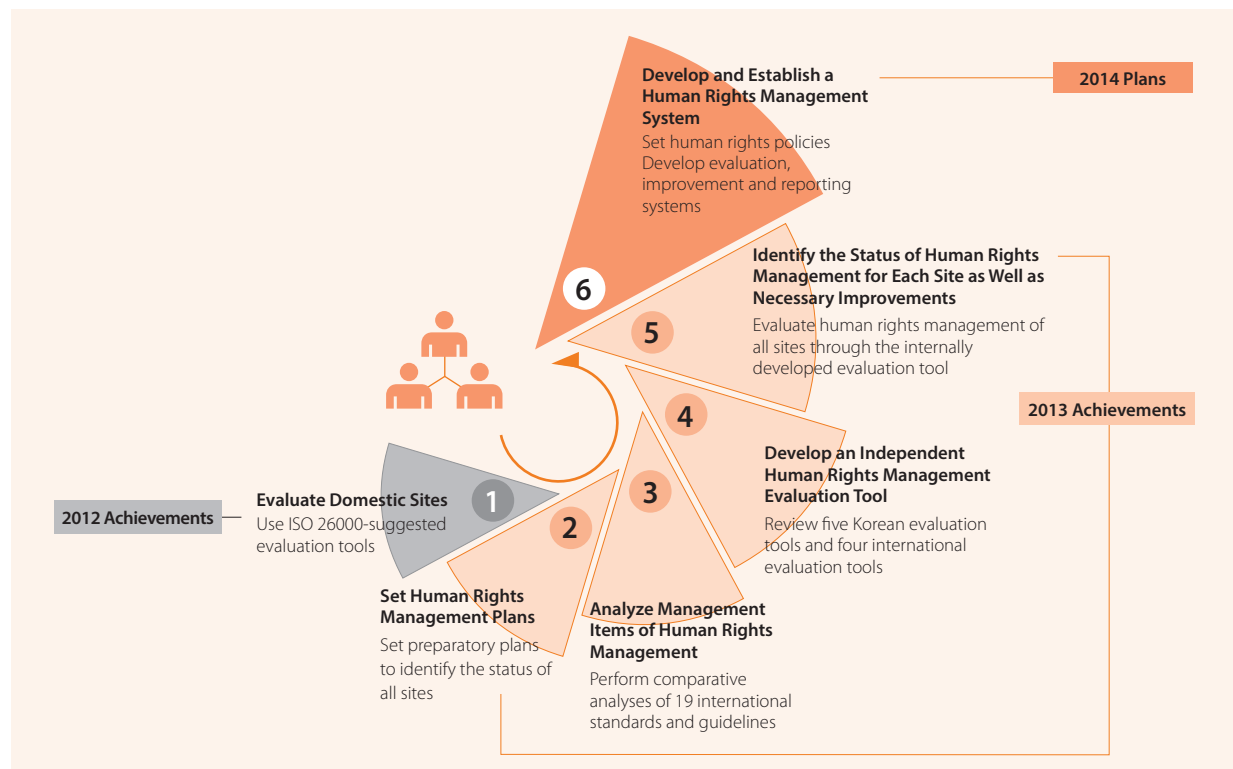
Development and Maintenance of a Global HR Monitoring System • We plan to establish a global monitoring system to manage workforce operations at our seven plants and respective offices across the globe. Presently, we are developing standards to honor local culture and conditions. In the upcoming years, we will improve our HR indices to make it easier to develop HR systems that are in line with global business trends.

Review of Global Standards Concerning Labor Practices and Development of Hankook Tire's Own Application Criteria

Preparation to Develop a Human Rights Management System •

We are fully committed to abiding by international human rights and labor standards. In 2012, we examined our level of compliance through the ISO 26000 checklist and became aware of the need to improve our human rights inspection criteria and processes. In 2013, we developed our own human rights management evaluation tool through the reference of 19 domestic and international human rights standards and guidelines. This tool describes execution manuals as well as the principles and examples of human rights management in question&answer format so that even non-experts can perform assessments. This internally developed tool allows us to evaluate the human rights at our overseas sites and identify necessary improvements at each site. In 2014, we will pave the way for human rights management by making improvements and constructing a human rights management system.

Achievements and Plans in Developing a Human Rights Management System



EV-3 Growth-Fostering Training Systems

To fully engage employees in generating outcomes for growth and greater organizational competency, we provide performance management training and job training by position level. Moreover, we are expanding our mentoring program to help new workers adapt to their roles and build a vibrant organizational culture for our existing workforce.

Strengthened Informal Learning

Reinforced Operation of the Employee Idea Program for Office Staff • Our 'Proactive 1 GRAND PRIX' (idea suggestion program) provides easy and interesting ways for office staff to offer suggestions. Since its launch in September 2012, employees have positively welcomed this program and a total of 12,284 ideas have been submitted as of December 2013. Six contests were hosted based on a racing game concept to generate ideas of diverse benefits, improving work processes, reducing cost and increasing productivity. Ideas useful in generating business outcomes were adopted (22.9% of the total submissions) and 39.7% of them were fully translated into action. For instance, the idea of installing a monitoring system for the curing process was put into action and this resulted in savings of operational cost for our overseas plants.

Introduction of an Online Employee Idea Program for Operators

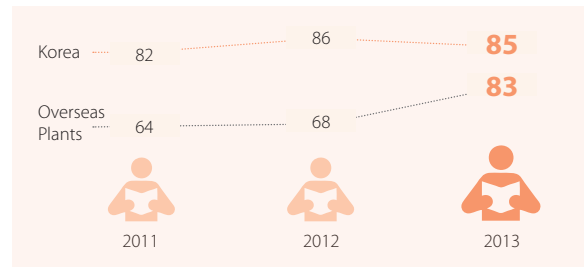
• To encourage our operators to vertically suggest their ideas, we developed an online 'Idea Station' (computer-based idea suggestion system for quality circles) system. This enables our operators to document their ideas and host relevant meetings at any location with internet access and to immediately have their ideas reviewed and evaluated. Presently, this system is run at our Daejeon and Geumsan Plants and will be deployed at our overseas plants following a standardization process.

Reinforced Job Training

Strengthened Training for Newly Hired Office Staff • As we seek to nurture our employees into 'Proactive Leaders', we offer month-long introductory training through which our new hires who have just graduated from universities are taught about Hankook Tire as a company, and learn basic professionalism for their career. This is followed by area-specific job training for two to three months to help these new hires adapt to their work life as well as 'Follow-up Training' after one year for employee retention. This overnight training provides our employees with an opportunity to pursue communication and harmony with their co-workers and focus on future plans and visions. In doing so, they are encouraged to rethink their roles and values as an invaluable member of Hankook Tire.

Average Per Capita Annual Training Hours

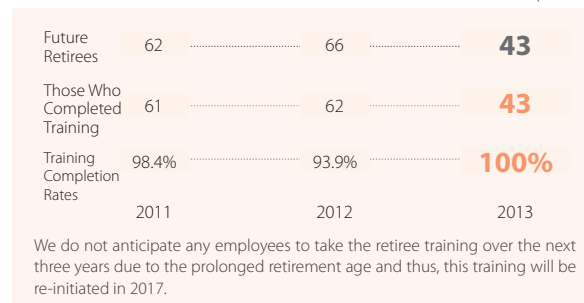
Unit : Hours



Completion of Training for Future Retirees

Our training support for those who retire due to retirement age spans financial planning, investments and life planning to relieve their anxiety over retirement and empower them by offering new opportunities (Based on Korean plants).

Unit : No. of persons

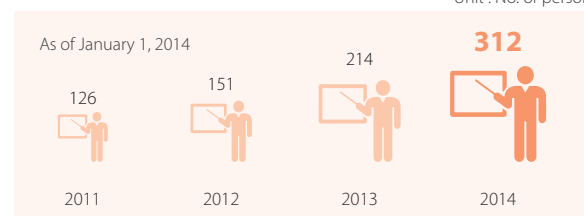


Increase in the Number of In-house Lecturers and Their Capacity-Building

• We ensure that our in-house lecturers contribute to the efficient operation and management of internal job training. In training our in-house lecturers, we take a dual approach of nurturing new lecturers and offering refresher training. In 2013, new in-house lecturers amounted to 98, which increased the total number of our in-house lecturers to 312. In completing training, each in-house lecturer is evaluated by their audiences based on his or her expertise, delivery of lecture content, enthusiasm and preparation. As a result of such evaluations, 34 'Primary' lecturers were promoted to 'Expert' lecturers in 2013.

In-house Lecturers

Unit : No. of persons



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 the organization. We believe that such endeavors for our employees will be translated into enhanced trust and engagement with the company, as well as improved health and reduced stress.

Expansion of Family-Friendly Management

Internal Reviews of Family-Friendly Company Certification Requirements • It is with the philosophy that family and work can never be separated that we are building our own corporate culture. From this end, we plan to obtain the family-friendly management certification supervised by the Ministry of Gender Equality and Family by weaving a family-friendly culture into our corporate DNA. In 2013, we identified the status of our family-friendly management, studied the best practices of other companies and reviewed certification requirements. These internal reviews demonstrated the lack of flexible working hours at Hankook Tire and thus we hope to introduce flexible working hours in 2014.

Donggeurami Wedding Program • Among a wide array of our employee support programs, the Donggeurami Wedding program pursues frugal yet meaningful weddings. We offer support ranging from wedding venues to other ceremonial expenses. This program aims to reduce unnecessary expenditures on wedding ceremonies. Since it was launched, the first couple had our Global CEO officiate their wedding and by the end of 2013, a total of three couples got married. To further encourage employees to participate in this program, we plan to construct a venue for frugal wedding ceremonies at an R&D center in the upcoming years.

Marriage Support Program • Our marriage support program for young unmarried employees was initiated in 2013. As employees in their 20's and 30's increasingly make up the larger share of our total workforce, we provided image-making training and group blind dates to deliver a more enjoyable workplace for the younger generations. A total of four sessions of image-making training offered one-on-one coaching by experts to improve trainees' looks to provide an opportunity to learn communication skills useful in building relationships. In addition, three blind dates were hosted to offer dating opportunities. These blind dates were highly popu-

lar and a total of 117 available employees participated, where one couple actually got married.

Culture and Leisure Programs • Our Geumsan Plant hosted the Donggeurami Festival in April to promote our employees and their families to develop loyalty and pride in the company. In addition to the essay contest for housewives and the drawing contest for employees' children in previous years, this year's festival offered the families broader opportunities, and was joined by local residents.

Establishment of Female-Friendly Facilities (Nursing Rooms)

In May 2013, we set up nursing rooms to assist our female employees in balancing work and being a mother. Located inside our in-house cafeteria is an independent space dedicated for nursing employees to help our female employees who shoulder the double burden of childcare and full-time work.

Pursuit of a Pleasant Workplace

'Healing' Training for Employees • Today, mental health is an essential element in improving one's quality of life. We initiated 'healing' training for 315 employees at different job levels in 2013. The 'healing' training offered diverse programs ranging from self-recognition and meditation to psychological tests and organizational conflict resolution so that trainees could reflect and learn to sympathize with their co-workers. In 2014, in-house mental counseling offices at the Daejeon and Geumsan Plants will offer year-round counseling and wide-ranging mental health care programs.

Reorganization of the Internal Groupware (Launch of the new Mobile Office)

• Our newly launched Mobile Office improves work continuity and convenience by enabling our employees to check their in-house email account and settlement information outside the company. This system allows our employees to immediately check and communicate information on 'HANA', 'KM (Knowledge Management)' and 'Employee Idea' programs through mobile devices. It is positively recognized for its contribution to improving work efficiency for sales representatives and expatriate workers as well as office staff.



Marriage Support Program for Young Unmarried Employees

FOCUS 04

External Stakeholder Satisfaction Management

1. Win-Win Supply Chain Partnership

SC Win-Win Supply Chain Partnership

Management Responsibility and Governance

Supplier Subcommittee

- Purchasing Division Director
 - Purchasing Planning Team
- Purchasing Team 1, 2, 3
- Raw Material Development Team
- Supplier Quality Team
- Engineering-related Teams

Declaration

We are committed to win-win partnerships as a supporter for sustained growth and development through transparent and trust-based relationships with suppliers.

Key Managerial Issues

- 01** / Supplier Management and Supplier Relations Policy
- 02** / Win-Win Supplier Partnership Programs
- 03** / Improvement of Supplier ESG

Achievements



Monitoring of the status of suppliers operating in the vicinity of our business sites (No. of suppliers, Purchasing rates)



Supplier training programs
2 occasions **32** hours



Revision and international application of regulations to expand supplier evaluation

Context

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

Risk & Opportunity

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

Future Plans and Outlook

We will support and monitor the CSR operation and performance of our suppliers to ensure that they continue to work on areas in need of improvement. Furthermore, our ethical sourcing regulations will tighten to create a fair competitive landscape among suppliers. We will also develop and facilitate on/off-line communication channels to reinforce our communication with suppliers.

2013 Achievements

● Completed ● Partially Completed ○ Not Implemented

Code	Key Managerial Issues	Goals	Achievements	Completion	Pages
SC1	Supplier Management and Supplier Relations Policy	To set purchasing policies that promote the development of local communities	- Leading companies were benchmarked. - Our local sourcing rates are continually managed.	●	46
		To expand CSR evaluations	- CSR evaluations were expanded to cover Korean suppliers. - These evaluations will be expanded to all our global suppliers.	●	46
		To include CSR-related content in the supplier management strategy and set CSR-based targets	- Performance achieved against the set targets was managed through KPIs.	●	46
SC2	Win-Win Supplier Partnership Programs	To launch environmental management along the supply chain	- Our supplier support capacity was analyzed.	●*	47
SC3	Improvement of Supplier ESG	To include more CSR items in selecting and evaluating suppliers and apply them globally	- Supplier selection and management regulations that include CSR requirements were revised and their application was expanded globally.	●	48
		To demand corrective actions and develop & implement improvement monitoring procedures following QC evaluations	- Follow-up management (for improvement) on the basis of QC outcomes was monitored continuously.	●	48

* This will be undertaken following the analysis of our capacity and the development of a support guide and required company-wide consultations

2014 Plans

Code	Key Managerial Issues	Commitments	Key Index	Deadline	Department in Charge
SC1	Supplier Management and Supplier Relations Policy	To set purchasing policies that promote the development of local communities	Monitoring	Aug.	Purchasing Planning Team
		To develop a CSR-related performance measurement system	Development of a measurement system	Oct.	Purchasing Planning Team
		To demand corrective actions and develop & implement improvement monitoring procedures following evaluations	Monitoring	Year-round	Purchasing Planning Team (Supplier Quality Team)
		To pursue win-win partnerships through communication channels with suppliers	Operation of communication channels	Year-round	Purchasing Planning Team (Purchasing Team 1, 2, 3)
SC2	Establishment of Ethics in Purchasing	To strengthen purchasing-related ethical regulations	Regulatory supplementation	Jun.	Purchasing Planning Team (Audit Team)

SC-1 Supplier Management and Supplier Relations Policy

To pursue win-win partnership management through shared growth with suppliers, we analyze and continually monitor the local sourcing rates of our suppliers. In addition, we expanded our supplier CSR evaluation and included suppliers' ESG management strategies as a KPI of our purchasing management.

Purchasing Policy as a Contributor to the Development of Local Communities

In Korea, China, Hungary and Indonesia where we operate seven production lines, we analyze our local sourcing practices to identify our contributions towards building a vibrant local economy. Such analyses revealed that suppliers based in Asia that account for a significant share of our production capacity—specifically in Korea and China—represented more than 50% of our total suppliers, and that nearly 60% of our total purchases were made from them. In addition, Indonesia, a major producer of natural rubber (major raw material of tires) and the location of one of our plants, represented nearly 10% of our raw material sourcing.

2013 Purchasing Data

Category			Ratio of the Total Purchase Amount	No. of Suppliers*
OECD Countries	Asia	Korea	31%	12%
		Others	2%	6%
	Europe	Hungary	0.5%	1%
		Others	8%	9%
	North America	6%	4%	
	Subtotal	47%	32%	
Non-OECD Countries	Asia	China	25%	40%
		Indonesia	12%	15%
		Others	16%	13%
	Subtotal	53%	68%	
Total (Ratios of OECD and Non-OECD Countries)		Hankook Tire	47 : 53	32 : 68

* The location of suppliers is based on the location of their headquarters

Expansion of Supplier CSR Evaluation

The 'Consent of CSR Compliance' has been signed by suppliers since 2012 to encourage them to fulfill their CSR, from abiding by working hour regulations to ensuring workplace safety and ethics management. We also evaluate our suppliers for their CSR performance to help them improve their practices. While such evaluation covered 10 major suppliers of raw and subsidiary materials, its scope was extended in 2013 to include suppliers of raw and subsidiary materials & facilities located in Korea. Specifically, our CSR evaluation sheet was improved to assess our suppliers by CSR risk type (social, economic and environmental risks) and grade our suppliers accordingly. We plan to further expand this evaluation system to all suppliers with whom we do business.

Including CSR-related Content in the Supplier Management Strategy and Setting Targets

Our purchasing division operates the 'Supplier Subcommittee' in conjunction with relevant departments in charge of purchasing, R&D and production technology while pursuing win-win partnerships with suppliers by facilitating communication and assisting suppliers in improving their ESG (Environment, Social and Governance) performance. The division also included supplier ESG management strategy in its KPI (Key Performance Index) to systematically help suppliers improve their ESG outcomes through the Supplier Subcommittee. In 2014, strengthening suppliers' competitive edges will be a new addition to this KPI by applying stringent criteria in evaluating suppliers' ESG performance, monitor their improvement and handle their grievances through more accessible communication channels. These are just a few of our sustained endeavors to develop and undertake supplier management strategy.

Expansion of Hankook Tire's Supplier Evaluation

	As-Was (~2012)	As-Is (~2013)	To-Be (~2014)
Goal	To evaluate major suppliers of raw and subsidiary materials	To evaluate all suppliers in Korea	To evaluate all globally-located suppliers
Evaluation Target	10 major suppliers of raw and subsidiary materials located in Korea	Suppliers of raw and subsidiary materials and facilities located in Korea	Suppliers of raw and subsidiary materials & facilities, indirect suppliers
Evaluation Method and Management	Give additional points to suppliers who manage their CSR performance in conducting comprehensive supplier evaluations	1) Reflect CSR performance in comprehensive supplier evaluation (performance evaluation) 2) Manage suppliers' track records through annual reporting	1) Conduct evaluation by third-parties (credit rating agencies) 2) Strengthen supplier evaluation and management through the advancement of the HePS system

SC-2 Win-Win Supplier Partnership Programs

We offer training and workshops to help build a robust competitive edge along the supply chain. We pursue win-win partnerships with our suppliers through the sustained expansion of opportunities for shared growth.

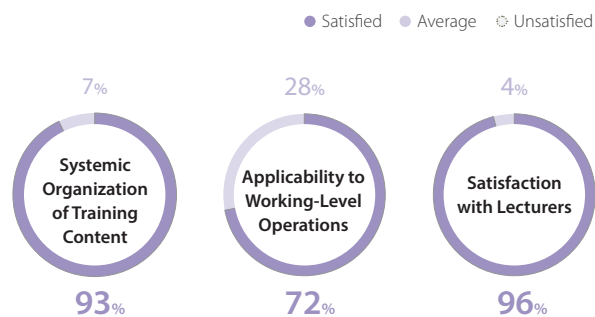
Training for SME Suppliers

We aid our suppliers in adopting customer and quality-driven perspectives as a way to pursue shared growth with suppliers. To this end, we offered training to our SME suppliers to help strengthen their quality management system in conjunction with the Korea Suggestion System Association. Conducted on two occasions between March 11~March 12 and March 20~March 21, this training was attended by 58 employees from 20 supplies. The training content included the overview of manufacturing systems, facility management, quality management and Hankook Tire's CSR initiatives and their status of progress. Upon completion, trainees were surveyed on the systemic organization of training content, its applicability to working-level operations and their satisfaction with lecturers. As a result, more than 90% of the trainees were satisfied in terms of the systemic organization of training content and satisfaction with lecturers while they were relatively unsatisfied with the applicability of training content to working-level operations. We will communicate with suppliers from the initial training scheduling phase to engage more suppliers in training and design training curriculum in a way to enhance its applicability to working-level operations.

Introduction of Environmental Management along the Supply Chain

To respond to domestic and international environmental regulations and strengthen the competitive edge of our products in the global market, we will launch Green Partnership initiatives that will assist our suppliers in building their environmental management system, managing harmful substances, managing pollution at the worksite and disclosing relevant information. These initiatives will be undertaken following the analysis of our capacity and the development of support guidelines. As part of such initiatives, we will also help suppliers build capacity in environmental management and obtain relevant certifications, along with follow-up management support. Our goal is to consistently build our own capacity so that we can plan and undertake win-win partnership programs for suppliers.

Supplier Satisfaction Survey on Training



Training for SME Suppliers Offered on Two Occasions

SC-3 Improvement of Supplier ESG

We are upgrading our supplier ESG evaluation system. By improving the ESG evaluation check sheet and reflecting ESG evaluation outcomes in comprehensive supplier evaluation, we improved the effectiveness of our supplier ESG management.

Inclusion of CSR Content in Supplier Selection and Evaluation and Its Global Application

Operating seven plants in four countries, our business continues to expand. As our business grows, we face rising needs to manage top-performing suppliers while our car maker clients and other external customers consistently demand that our suppliers' ESG performance further improve. To satisfy these needs to identify outstanding suppliers and improve their performance, we revised our supplier selection and evaluation guidelines. We now use these revised guidelines to evaluate our suppliers for their ESG management and reflect such evaluation outcomes in comprehensive supplier evaluation. We also upgraded our supplier ESG evaluation sheet to assess suppliers by ESG risk type and analyze their level of risks. These revised regulations will apply to our entire global purchasing and plant operations.

Request for Post-QC Corrective Actions & Development and Implementation of Improvement Monitoring Procedures

We regularly visit and evaluate our domestic and international suppliers to ensure that they are maintaining their ESG improvement and quality performance. We perform on-site evaluations of all our suppliers of raw and subsidiary materials at least once every three years as well as QC (Quality Control) evaluation on mandatory items through the streamlined check sheet developed to improve the efficiency of evaluation. Specifically in 2013, the Supplier Quality Team was created in the quality division to reinforce our on-site supplier evaluation, and annual plans were set to perform more systemic evaluations. We respond with necessary improvements following such evaluations and continuously monitor whether progress is made. We will continue to perform these on-site supplier evaluations to offer guidance and assistance concerning their ESG activities and quality assurance systems.

Revised Supplier Selection and Evaluation Regulations

Evaluation Item	Follow-up Management
Addition of New ESG Evaluation Items - Categorize risks into social (human rights, safety, health), economic and environmental risks and perform risk-specific evaluations	Inclusion of ESG Items in Comprehensive Supplier Evaluation - Give additional points in accordance with comprehensive evaluation outcomes
Grading Suppliers By Risk Type <div> ● Excellent (Green) ● Good (Yellow) ● Risky (Red) </div>	

ESG Evaluation Sheet (Summary Version)

No.	Evaluation Items			
	Level 1	Level 2	Level 3	Level 4
1	CSR (Corporate Social Responsibility)	CSR 1 Human Rights, Labor, Prohibition of Discrimination – 25 points	CSR 11 Human Rights	CSR 111 Reconition and guarantee of freedom of association and collective bargaining rights
2			CSR 12 Labor	CSR 121 Child labor/forced labor/working overtime/reporting channels and the actual handling of relevant issues
3			CSR 13 Prevention of Discrimination/ Sexual Harassment	CSR 131 Prohibition of discrimination (regulations and wage levels)/prevention of sexual harassment
4		CSR 2 Ethics – 25 points	CSR 21 Ethics Management System and Its Implementation	CSR 211 Development of business ethics regulations/anti-corruption, anti-bribery/ethics management training
5			CSR 22 Review and Handling of Ethics Management Practices	CSR 221 Regular audits of ethics management practices/disciplinary procedures and outcomes
6			CSR 23 Data Privacy	CSR 231 Information security for enterprise or individual customers
7		CSR 3 Health & Safety – 25 points	CSR 31 Safety	CSR 311 Safety inspections
8				CSR 312 Health & Safety Committee
9			CSR 33 Health	CSR 313 Personal protective equipment
10				CSR 314 Supplier safety management
11				CSR 321 Fire safety management
12		CSR 4 Environment & GHG – 25 points	CSR 41 Environment	CSR 331 Measurement and improvement of the work environment
13				CSR 332 Handling of chemicals
14			CSR 42 GHG	CSR 411 General management
15				CSR 412 Waste management
16				CSR 413 Prevention of soil contamination
17				CSR 421 Energy/GHG

Consent of CSR Compliance for Hankook Tire Suppliers

Child Labor

We do not hire youth under 17 years old and take special safety precautions to prevent work-related harm from occurring to those under 18.

Compensation

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

Forced Labor

We ensure that forced labor is 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.

(Sexual) 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 interests of the local community where we are based and we contribute to the positive development of the local community.

Bribery and Corruption

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

Environment

We strive to minimize our environmental impact (damage) caused by our business conduct (provision of products or service) 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 and protect and defend such rights of our own.

STAKEHOLDER INTERVIEW

Kim, Dong-chul (M&B GreenUs Co., Ltd)

Hankook Tire's policy to expand its supplier CSR evaluation involves an aspect of tremendous social interest and is committed to its positive role in fulfilling corporate social responsibility. In any relationship between a company and its suppliers, mutual exchange and inspection are absolutely essential components and we look forward to the continued and gradual expansion of supplier CSR evaluation and training performed by Hankook Tire.

Hankook Tire's supplier training conducted as part of its win-win partnership program (waste elimination techniques, line balance improvement techniques, etc.) allowed us to think about necessary and reasonable improvements that should be made at our plant, as well as considerations to ensure successful implementation. In addition, we were able to interact with other suppliers to review our current status and to network with them, another benefit we found in receiving such training. However, the training content was primarily focused on theories and lacked clarity in terms of practical applicability. If actual cases were included in the training curriculum, it would have been very useful.

A Not only do we evaluate our suppliers for their CSR performance, but we will also offer wide-ranging programs to help them improve their CSR as a way to pursue win-win partnerships with our suppliers. While we continue to expand training for suppliers, we will ensure that such training generates direct benefits for suppliers' practical operations.

FOCUS 04

External Stakeholder Satisfaction Management

2. Community Involvement &
Development

Context

In addition to focus on profit, a company needs to pursue value to ensure a harmonious co-existence with its local community. Thus, it is increasingly critical that a company promotes the sustainable growth of its local communities and engages in positive and sustained communication.

Risk & Opportunity

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

CI Community Involvement & Development

Management Responsibility and Governance

Corporate Philanthropy Subcommittee



Declaration

We are determined to not only serve as a direct and indirect contributor to the economic development of our nation and local community, but also to 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 paying this value forward to society, and seeking co-existence with those who are in need of our positive contributions.

Key Managerial Issues

- 01 / Establishment of a Company-wide Philanthropy System
- 02 / Facilitation of Employee Engagement in Corporate Philanthropy
- 03 / Development and Brandization of Specialized Programs
- 04 / Support for the Sustainable Growth of Local Communities

Achievements



Total company-wide
corporate philan-
thropic spending
KRW **4.2** billion



No. of vehicles
provided to social
welfare facilities
227 vehicles
(2008~2013)



Total volunteer hours
21,654 hours
(Korea, Hungary)



Per capita volunteer
hours
2.3 hours
(Korea, Hungary)

· Total company-wide corporate philanthropic spending = (domestic & international) Donations + (domestic & international) expenditures for corporate philanthropic purposes

· Total volunteer hours : Sum of volunteer hours for each program

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

Future Plans and Outlook

We plan to develop performance indicators in order to systematically monitor and measure our strategic company-wide corporate philanthropic initiatives and to continue with our One Company One Village support program as part of our commitment to support the sustainable growth of our local communities. In so doing, we expect to form closer and more sincere relationships with our local communities and cherish the value of sharing with them.

2013 Achievements

● Completed ● Partially Completed ○ Not Implemented

Code	Key Managerial Issues	Goals	Achievements	Completion	Pages
CI1	Establishment of a Company-wide Philanthropy System	To facilitate the employee volunteer group	- The company-wide employee volunteer group was launched and operated. <Korea> · No. of activities taken : 345 · No. of volunteer hours : 20,054 · No. of total volunteers : 5,316 · No. of net participants : 2,671 <Hungary> · No. of activities taken : 10 · No. of volunteer hours : 1,600 · No. of total volunteers : 66 · No. of net participants : 58	●	52
		To systemize the management of corporate philanthropic initiatives	Corporate philanthropic performance indicators were developed : 7 input indicators and 5 result indicators.	●**	52
		To undertake global common programs	- Tire donation programs were undertaken in Korea, China and Hungary. · Korea : 1,616 tires · China : 280 tires · Hungary : 1,228 tires	●	52
CI2	Facilitation of Employee Engagement in Corporate Philanthropy	To expand campaigns to facilitate employees' participation in corporate philanthropic initiatives	- Employees participated in the online donation website 'Dreamfull'. · 'Going to School with Excitement' campaign : KRW 10,820,300 in donations (KRW 2,585,000 donated by employees) · 'Matching Grant' program : KRW 157,020,987 in donations (KRW 12,998,517 donated by employees)	●	53
		To expand employee training	- Corporate philanthropic training was offered in Korea in 2013.	●	53
CI3	Development and Brandization of Specialized Programs*	To undertake specialized programs in Korea	- Tuieum Bus program was initiated. · Participants : 274 organization and 10,305 persons in total	●	54
		To undertake specialized programs overseas (newly-created goal)	- The 'Neighborhood Heroes' program was undertaken. · 12 persons were awarded on four occasions	●	54
CI4	Support for the Sustainable Growth of Local Communities	To strengthen the management system of local community communication	- Community communication activities were conducted in 2013.	●***	55

* To more comprehensively define the direction and meaning of our corporate philanthropy, we modified the initial names of 2013 key managerial issues as follows

1) Before : Expansion of Employee Consensus and Reinforcement of Executive Capability / After : Facilitation of Employee Engagement in Corporate Philanthropy

2) Before : Reinforcement of Communication with Local Communities and Identification of Local Issues / After : Support for the Sustainable Growth of Local Communities

** In 2013, corporate philanthropic performance indicators were partially developed. In 2014, these indicators will be used following their improvement and supplementation

*** The 2013 goal 'Establishment of an Issue Sharing Process' was considered impossible to be immediately applied to field operations and thus was not implemented

2014 Plans

Code	Key Managerial Issues	Commitments	Key Index	Deadline	Department in Charge
CI1	Establishment of a Company-wide Philanthropy System	To develop and use company-wide corporate philanthropic performance indicators	Corporate philanthropic performance indicators	Aug.	CSR Team, relevant departments
CI2	Facilitation of Employee Engagement in Corporate Philanthropy	To expand employee engagement in volunteering and donations	Expansion of employee volunteerism	Year-round	CSR Team, KOR) Cultural Communication Team, other volunteer group-related teams
			Expansion of engagement in donation campaigns	Year-round	CSR Team
			Introduction of a program to donate a small portion of employees' monthly income	Dec.	CSR Team, Human Resource Management Team, Labor Relations Innovation Team
		To build employee capacity for corporate philanthropy	Company-wide employee awareness-building training	Year-round	CSR Team, KOR) Cultural Communication Team
			Volunteer leader capacity-building training	Dec.	CSR Team, KOR) Cultural Communication Team
CI3	Development and Brandization of Specialized Programs	To support corporate philanthropic programs undertaken by overseas plants	(Overseas) Categorization of countries where the undertaking of such programs is possible on a subsidiary level and preparation of program development	Dec.	CSR Team, relevant local teams
CI4	Support for the Sustainable Growth of Local Communities	To develop programs to promote the sustainable growth of local communities and initiate the pilot operation of such programs	One Company One Village program	Nov.	KOR) Cultural Communication Team, relevant site-specific teams
			Dream With (Local Children's Center Improvement Project)	Dec.	Hankook Tire Welfare Foundation
			Foundation of an Allkidstra brass band in Geumsan and Chubu	Dec.	CSR Team, KP) Plant Management Team
			Support for underprivileged women to obtain driver licenses (support for their independence and self-sufficiency)	Dec. (by 2015 for a portion of this project)	CSR Team
			Making children's traffic safety map	Aug.	CSR Team

CI-1 Establishment of a Company-wide Philanthropy System

We launched the 'Donggeurami Volunteering Team' to promote employee volunteerism as part of our endeavors to establish a company-wide philanthropy system, and developed corporate philanthropic performance indicators to ensure a more systemic performance management. In addition, tire donation programs were undertaken in Korea, China and Hungary as a common global philanthropic initiative.

Facilitation of the Employee Volunteer Group

Launching and Operation of the 'Donggeurami Volunteering Team' • Prior to 2012, our employee volunteerism was limited to a portion of employees at the Daejeon and Geumsan Plants. The 'Donggeurami Volunteering Team', however, was launched on May 9, 2013 in commemoration of the establishment of Hankook Tire to engage more employees in volunteer activities. The team was later expanded into a company-wide volunteer group. Under the leadership of our company CEO, the Donggeurami Volunteering Team consists of nearly 190 volunteer groups in Korea with operational support teams based at each site. Each volunteer group is led by one designated leader whose leadership ensures full-fledged volunteer activities. The launching of this company-wide volunteering team offered an opportunity for our Head Office, R&D Centers and the production technology division, which previously had little volunteer experience, to engage in these opportunities and set an active example for plants. In addition to these domestic endeavors, our Hungary Plant also launched a new employee volunteer group to reach out to its local communities in need of assistance. Our 'Donggeurami Volunteering Team' will further expand to directly interact with the local communities where we are based and offer much-needed assistance.

Status of Employee Volunteerism

	Korea (including suppliers)		Hungary Plant
	2012	2013	2013
No. of Volunteer Activities	221	345	10
No. of Volunteer Hours	16,308	20,054	1,600
Total No. of Volunteers*	3,250	5,316	66
No. of Net Participants	1,336	2,671	58

* Total No. of Volunteers Sum of the number of all participants who were engaged in each of the volunteer activities (Including duplicates)

Systemic Management of Corporate Philanthropic Initiatives

Development of Corporate Philanthropic Performance Indicators • The successful establishment of 'strategic corporate philanthropy' required the development of indicators that would enable us to systematically monitor its benefits and to respond to external needs. This prompted us to develop fact-based indicators to measure our philanthropic outcomes on the basis of the LBG (London Benchmarking Group) model in 2013. These indicators consist of 12 indicators in total: seven indicators that categorize input resources and five indicators that verify outcomes. In 2014, we plan to improve these indicators and identify the impact of our philanthropic initiatives on the company and society so as to undertake more professional and efficient company-wide philanthropic programs.

Corporate Philanthropic Performance Indicators Developed in 2013

Input Indicators (7)	Result Indicators (5)
Total spending/Ratio of net donations/Ratio of investment in local communities/Ratio of marketing spending that contributes to serving the public interest/Spending in each philanthropic area/Personnel expenses for staff in charge of philanthropic operations/Financial value of employee volunteerism	Total number of beneficiaries/Ratio of beneficiaries by group/Total volunteer hours/Per-capita volunteer hours/Employee participation

Global Common Program

Tire Donation Programs in Korea, China and Hungary • As a global common philanthropic program, we are launching tire donation programs in Korea, China and Hungary. In Korea, we have assisted with tire replacement to ensure safe mobility for nationwide social welfare organizations since 2010, and in 2013, we provided 1,616 tires to a total of 404 vehicles. In China, we offered a total of 280 tires for mounting on 70 vehicles used by the One Foundation Rescue Union, an independent public fundraising foundation established by the actor Jet Li, under the theme of 'Tires to Improve the Lives of People in China'. In Hungary, this program began in 2012 and has been warmly welcomed since then. In 2013, 1,228 tires were donated to ambulance service organizations and small charity organizations.

Tire Donation Programs by Country

	Korea	China	Hungary
2013	404 vehicles	70 vehicles	307 vehicles
Accumulated Number	1,616 tires 7,776 tires (2010~2013)	280 tires 280 tires (Program initiated in 2013)	1,228 tires 2,556 tires (2012~2013)

CI-2 Facilitation of Employee Engagement in Corporate Philanthropy

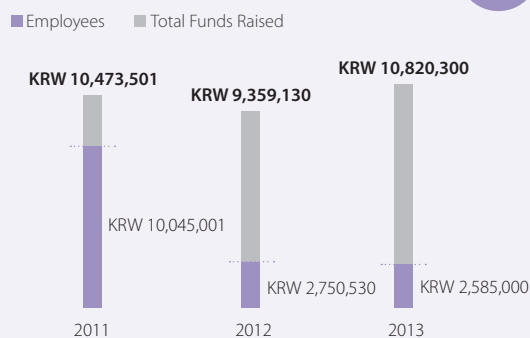
To facilitate employee engagement in corporate philanthropy, we continue to launch campaigns on a regular basis in alignment with 'Dreamfull', an online donation website. We also provided philanthropy-related training to help employees build capacity to undertake philanthropic initiatives.

Expansion of Philanthropic Campaigns through 'Dreamfull' to Facilitate Employee Engagement

Going to School with Excitement/Matching Grant Campaigns

• Since 2011, we have been operating the online donation website 'Dreamfull' in conjunction with the Corporation Leftovers Love Sharing Community, a private non-profit organization. This website allows our employees as well as other stakeholders—customers and other businesses—to conveniently make donations that will promote the healthy growth of children and teenagers from low-income families. Through Dreamfull, we encourage our employees to engage in social giving activities and host regular annual events such as the 'Going to School with Excitement' and the year-end 'Matching Grant' donation campaigns. In 2013, we donated 61 bikes to children from low-income families to commute to school as part of our 'Going to School with Excitement' campaign, while offering emergency funds and dream support funds for children suffering from poverty through the 'Matching Grant' campaign.

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



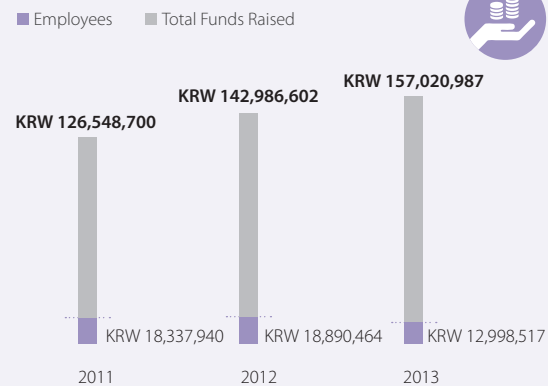
Details of Campaign Activities

2011	70 bikes for students to commute to school, one month's worth of transportation expenses for 30 children
2012	50 bikes for students to commute to school, one month's worth of transportation expenses for 100 children
2013	61 bikes for students to commute to school

• Our sustained encouragement of employees to engage in social giving activities resulted in a slight decline in their donations made through campaigns but a gradual increase in regular and recurring donations.

• In 2011, company-wide events and promotional activities were intensively undertaken to celebrate the update of the 'Dreamfull' website as well as Hankook Tire's 70th anniversary. Since 2012, the 'Going to School with Excitement' campaign has been established as a regular event and thus its event and promotional expenses dropped while savings were invested in undertaking the campaign. This inevitably decreased employees' participation in this campaign in relative terms.

Year-end 'Matching Grant' Campaign



• Funds Raised by Employees = Online donations + Direct deposits
• Since 'Online donation' data was omitted in calculating the funds raised by employees in 2011 and 2012 in our CSR Report 2012/2013, modified data is presented in this CSR Report 2013/2014.

Expansion of Employee Training

Corporate Philanthropy Training in Korea • We believe that facilitating employee engagement in corporate philanthropy requires training to help our employees build more robust executional capabilities, and we provided relevant training accordingly. In particular, our company-wide 'Donggeurami Volunteering Team' was launched in 2013 and to enhance our employees' basic understanding of and interest in volunteerism, we offered a wide array of relevant training from company-wide briefings, basic training for volunteer leaders and a special lecture given by the singer 'Sean' who is famous for his charity activities.

Philanthropic Training for Employees in Korea in 2013

Understanding CSR



Target New hires with or without previous work experience/Current employees

5
sessions

Details
Understanding the concept of CSR and introducing Hankook Tire's CSR initiatives

Corporate Philanthropy and Volunteerism



Target All employees

77
sessions

Details
Briefings on the launching of the employee volunteering team, Training for volunteer leaders, Special lectures

CI-3 Development and Brandization of Specialized Programs

As a long-term philanthropic program aligned with our unique business characteristics, we launched the 'Tuieum Bus' project in 2013 to enhance mobility for the underprivileged in Korea. In addition, our China Headquarters developed and initiated the 'Neighborhood Heroes' program to shed light on ordinary yet warm-hearted and brave heroes in our neighborhood.

Specialized Programs Undertaken in Korea

Initiation of the 'Tuieum Bus' Project • In 2013, we launched the 'Tuieum Bus' project to provide the means of transport for social welfare organizations that face difficulties with mobility so that underprivileged individuals can have diverse experiences in the fields of culture, history, tradition, ecology and education. The pilot project was undertaken in 2012 under the name of 'Donggeurami Bus' and the extremely positive response from participants urged us to officially name this project 'Tuieum Bus', under which we have provided a total of 274 vehicles since June 2013. In that very first year of officially launching the project, the average competition rate among participants was 5.2:1, which demonstrated the tremendous interest and response from nationwide social welfare organizations. Meanwhile, we joined the 'Barrier Free' tourism program in the Jeolla and Gangwon Provinces for disabled individuals who use wheelchairs and their family members in cooperation with the Korea Tourism Organization. In the summer of 2013, we provided special buses equipped with lifts near the beach camping site open to people with disabilities free-of-charge in Yangyang, Gangwon Province, in conjunction with the Seoul Metropolitan Government, in an aim to provide more accessibility for holidays and vacations.

Status of Tuieum Bus Project in 2013

Period	Participating Organizations	No. of Participants	Note
Jun.~Dec.	274 in total	10,305	Average competition rate of nearly 5.2: 1

Specialized Programs Undertaken Overseas

'Neighborhood Heroes' in China • In 2013, our China Headquarters launched a new social giving program titled 'Neighborhood Heroes'. Designed to reward ordinary people in our neighborhood for their caring thoughts, sense of justice and responsibility, this program awarded 12 neighborhood heroes who set an example for others—saving drowning people and helping transport injured people from traffic accidents—in the vicinity of three local plants in the year 2013.

Details of Awards Given to Neighborhood Heroes in 2013

Site	Period	No. of Awardees	Selection Process
Chongqing Plant	Jun.	6	1. Candidates are recommended by Chongqing Foundation for Ethical Standard
	Sep.	1	2. Awardees of the Excellence Award are selected by the Judging Committee set up by Chongqing Foundation for Ethical Standard and Chongqing Plant
Jiaxing Plant	Jun.	1	1. Stories of neighborhood heroes are reported to the Jiaxing Plant by the Jiaxing Television Broadcasting Group 2. Awardees are reviewed and finalized by the Jiaxing Plant and the results are reported to the Charity Association of Jiaxing City and the Jiaxing TV Station.
Jiangsu Plant	Dec.	4	1. Candidates are recommended by Huaian Foundation for Justice and Courage 2. Awardees are selected by the Jiangsu Plant

Case Study _ Philanthropic Initiatives Undertaken by the Indonesia Plant

Laying the Philanthropic Operational Basis in 2012

Hankook Tire's 7th plant located in Bekasi, Indonesia, initiated its production in 2012 and was fully completed in September 2013. From the early construction phase of this Indonesian Plant, we have laid the foundation for philanthropic operations and chosen philanthropic activities that reflect the needs of local people. Prior to initiating philanthropic activities, we benchmarked the best practices of 11 Korean companies who established their presence in Indonesia while building a network of local resident leaders from 22 organizations, including government, police, associations and businesses, to directly communicate with local residents and identify their needs. Such endeavors helped minimize harm to local residents caused by dust and noise during the construction period and allowed us to supply daily necessities, drinking water and medical support for children. Specifically, the 'Sharing of Water' initiative provided 220,000 liters of water on eight occasions to local residents during the dry season to offer them much needed support.

Establishment of a Theme-based Corporate Philanthropic Operational System in 2013



To gather feedback following our philanthropic activities, we directly surveyed local resident leaders and identified the need for the continuity of such activities and educational support, rather than mere one-time events. By fully reflecting such feedback, our Indonesia Plant defined its own corporate philanthropic themes of 'Caring for the Environment', 'Protecting Our Health' and 'Sharing Love' under the overarching title of 'Fostering Future Leaders'. In line with these themes, programs that engage our employees in sharing their talent were set up to be differentiated from simply making donations. Such philanthropic commitment based on communication with local people helped us earn deep trust from them and it was based on this trust that we were recommended directly by local residents and eventually honored with the Philanthropic Excellence Award granted by Bekasi, Indonesia.

CI-4 Support for the Sustainable Growth of Local Communities

We constantly communicate with diverse stakeholders—governmental agencies & NGOs, local government leaders, local organizations and residents, etc.—and strive to identify and help resolve pending issues in our local community through regular communication.

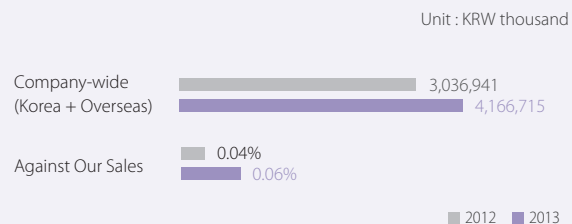
Reinforcement of the Community Communication Management System

Community Communication Activities in 2013 • We continued to communicate with diverse stakeholders—governmental agencies, local organizations and residents in areas where we are based—in a consistent and sustained manner. In Daejeon and Geumsan where our plants are located, the Green Environment Exploration program, as part of our commitment to a mutually-beneficial community partnership, was offered on 14 occasions to provide company briefings, plant tours, briefings of our wastewater treatment process and tours around the wastewater treatment plant, and safety training to local seniors associations, elementary school students and environmental organizations. Furthermore, we host regular discussions with local governmental agencies and resident organizations to exchange information on pending

local issues while attending local festivals, volunteer gatherings and charity events to highlight our commitment to the shared growth with local communities. As such, we actively communicated with our local communities to facilitate our communication, share information and make necessary improvement. Our future plan is to support the sustainable growth of our local communities to pave the way for the win-win partnership between the company and the community where we are based. While we had planned to ‘establish an issue sharing process’ in 2013, this was not implemented due to practical limitations at our business sites ranging from the highly complex and diverse communication activities that occur between sites and their local communities to field conditions that make it challenging to apply such a process immediately.

Global Corporate Philanthropic Expenditures

As a corporate citizen with an increasingly growing global presence, Hankook Tire takes its corporate social responsibility seriously and invests in global philanthropic initiatives to grow hand-in-hand with all local communities where it is based. This financial commitment is set to grow increasingly.



Fostering Future Leaders

Caring for the Environment

- Stream clean-up : Participated by employees
 - March, November (twice)
- Tour of the wastewater treatment plant
 - Invite children in local communities and offer them environmental training (Raise environmental awareness)
 - April, September (twice)

Protecting Our Health

- Medical support
 - Free exams for underprivileged children (in alignment with in-house clinics)
 - March~ December (nearly 1,200 children)
- Sharing Water : Participated by employees
 - June~ October (nearly 900 households)

Sharing Love

- Donation of Talent (June~)
 - Free-of-charge repair of school equipment
- Donation of Textbooks
 - Collect used textbooks : Participated by employees
 - May, November (twice)
- Donation of Clothes (November)
 - Collect old clothes : Participated by employees

Establishment of the Philanthropic Theme-based Operational System in 2014

In 2014, we will expand programs that engage employees while evaluating and improving the impact and benefits of our philanthropic initiatives so as to establish a theme-based philanthropic operational system.

Hankook Tire Welfare Foundation

Since its inception in 1990, Hankook Tire Welfare Foundation has been giving back the value created through Hankook Tire's business conduct to serve the public interest over the past 23 years. Our commitment of love and sharing grows with each passing day to reach out to those with physical and financial challenges encompassing education, health care, mobility, childcare and livelihood. Hankook Tire leading efforts continue to deliver value and pleasure through driving to ensure a flourishing society for all.

'Driving for Happiness' Mobility Support for the Less-Privileged

'Tire' Sharing for Social Welfare Agencies • We offer free tires and wheel alignment service for business vehicles at social welfare agencies nationwide, and also provide compact vehicles to these agencies for improved mobility 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, multicultural families to help resolve social issues stemming from low birth rates and improve social awareness of multicultural families. In so doing, we contribute to raising birth rates by reducing their childcare burden and building a healthy social cohesion that engages multicultural families.

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

Scholarship Program

Scholarship Support • Scholarship assistance is provided to high school and university students who are talented and dedicated to learning but struggle to sustain their education due to their poor economic conditions. In doing so, we foster them into capable members of our society.

Medical Welfare Programs

Support for Free Charity Hospitals • We support operational expenses at Seongga Bokji Hospital, Joseph Clinic and other charity hospitals that provide free medical care to the homeless, immigrant workers and other poor populations. In doing so, we assist these members of our community who have fallen through the cracks 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.

Medical Expense Support for Low-Income Patients • For low-income patients who suffered lower limb amputations or spinal injuries but cannot afford necessary and timely medical care due

to their economic difficulties, we offer financial support to assist in paying their medical bills so they can enjoy more mobility and a healthy life.

Establishment of Free Hospitals in Third-World Countries • Since 2007, we have contributed to a healthier world through our support for the construction of free charity hospitals in East Timor, two African countries, Paraguay, and Indonesia. With this, our initiative to practice the value of human dignity continues to broaden its scope.

Support for Children and Youth from Low-Income Families

Living Expense Support • We provide monthly financial support regarding livelihood and education expenses to children from low-income families including children living with grandparents only, children from single parent families and children from families coping with the after-effects of traffic accidents. In so doing, our goal is to help these children grow up with a firm belief in their dreams and hopes.

Donggeurami Camp • Our "Donggeurami Hope Camp" and "Donggeurami Ski Camp" held during summer and winter vacations offer children from low-income families rarely available opportunities to access cultural activities and experience-based learning to promote their healthy growth.

Assistance for Social Welfare Facilities • We provide assistance regarding facility improvement and repair, education, medical service and daily equipment to social welfare facilities—shelters for the homeless, multicultural support centers, local children's centers and residences for the disabled—so that residents at these facilities may live and learn in a better environment.

School Support for Multicultural Families and North Korean Defectors

• We provide assistance to social welfare facilities responsible for helping children from multicultural families and teenagers who are North Korean defectors with their acculturation to Korean society as well as education. Not only do we help them learn in a better environment, but also we assist them with assimilating in Korea to grow into a responsible member of our society.

Safety

Health & Safety Keepers • Under the multilateral MOU signed with the Daejeon Metropolitan Government, Kyeryong Construction & Industrial, and the Korea Occupational Safety Health Agency, we discovered social welfare facilities in need of improved health and safety functionalities and offer professional volunteer support in alignment with our Donggeurami Volunteering Team so as to improve their safety.

2013 Achievements and 2014 Plans of Hankook Tire Welfare Foundation

Unit: KRW 1,000

Category	Projects	2013 Achievements	2014 Plans	Note
Mobility Support for the Less-Privileged	Tire support	230,322	0	This program is undertaken through the budget support from Hankook Tire (It is still supported by the foundation).
	Stroller support	87,386	0	Details of this support program were changed to ensure that purpose-driven projects of the Sharing Foundation are undertaken with a clear focus.
	Supply of batteries that power mobility aids for the disabled	89,974	0	Operation was transferred to Hankook Tire.
Scholarship Program	Scholarship support for high school and university students from low-income families	77,868	80,000	
Medical Welfare Program	Support for free charity hospitals	110,000	110,000	
	Support for medical institutions and low-income patients	19,500	0	Details of this support program were changed to ensure that purpose-driven projects of the Sharing Foundation are undertaken with a clear focus.
	Construction of free hospitals in third-world countries	30,000	30,000	
Support for Children and Youth from Low-Income Families	Living expense support for low-income families	100,500	72,000	
	Camp programs offered to children from low-income families	42,553	0	Operation was transferred to Hankook Tire
Assistance for Social Welfare Facilities	Support for social welfare centers	100,901	108,000	
	Support for social welfare center programs	-	100,000	
	Dream With – Local Children's Center Improvement Project	-	200,000	This will be undertaken as a new project of the Hankook Tire Welfare Foundation
	Emergency support project	-	30,000	
Safety	Health & Safety Keepers	31,185	0	Operation was transferred to Hankook Tire
	Total of target operation expenses	920,189	730,000	

STAKEHOLDER INTERVIEW

Jung, Kyoung-sook (Community Chest of Korea, Resource Development Division)

It was through the free tire replacement support project 'Driving Happy Together' that we at the Community Chest of Korea first established our relationship with Hankook Tire. We joined forces in planning social giving programs that reflect Hankook Tire's unique business characteristics. In 2014, we jointly initiated the 'Driver License Support' project to help underprivileged women gain economic independence and the 'Creation of a Safer Traffic Environment for Children' project in five areas. In consideration of Hankook Tire's capability to contribute to our society, we focused on the independence of women and the safety of children in planning differentiated social giving projects. The 'Creation of a Safer Traffic Environment for Children' is unique in that it aims to improve school commuting conditions for children, an area that has not been fully explored but is in need of philanthropic commitment. While traffic accidents involving children occur frequently and traffic safety along school commuting routes is of paramount concern, children's traffic safety has not been taken seriously as a top priority in improving community environments. Through Hankook Tire's philanthropic commitment to children's traffic safety, our children will be able to go to school and come home safely. Specifically, this new program is unique in that it encourages children to think about safety issues along their routes to school and present solutions of their own. The creation of this social giving program, which will generate tremendous benefits for local communities, is attributed to the deep-rooted partnership between Hankook Tire and the Community Chest of Korea. It is my sincere hope that we each design diverse philanthropic programs that contribute to our society based on our positive partnership.

A Hankook Tire is always looking for better ways to support the sustainable growth of our communities. This commitment is demonstrated in the 'Support for the Independence and Self-sufficiency of Underprivileged Women' and the 'Traffic Safety Map for Children' projects that are undertaken with the Community Chest of Korea. We will develop localized programs that meet the needs of specific regional communities as well as global common programs to increase our support for the sustainable growth of local communities.

FOCUS 04

External Stakeholder Satisfaction Management

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

Context

'Smartsumer', 'Prosumer' and 'Cresumer' are just a few of the newly coined terms that describe emerging new types of consumers. As such, today's customers present varying and fast-changing needs for products and service.

Risk & Opportunity

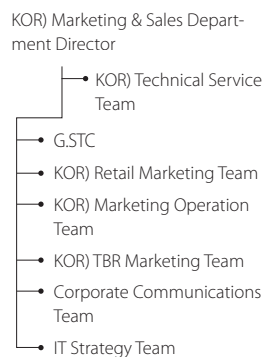
Taking a purely product-driven perspective will not guarantee success in any market. A company must set a goal to deliver truly impressive customer experience through value and satisfaction while also rapidly identifying customer needs through sustained communication. With proactive response to such needs, it will promote the qualitative growth of the company along with quantitative business expansion.

CS

Customer
Satisfaction & Quality
Management
(General Customers
& Dealers)

Management Responsibility and Governance

Customer Subcommittee



Declaration

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

Key Managerial Issues

- 01 / Win-Win Partnership
- 02 / Impressive Customer Experience
- 03 / Customer Communication

Achievements



Visiting Mobile Service offered for **376** days
19,617 vehicles were inspected.



Second class of Smart Academy
17 second-generation dealers were selected.



Newly launched dealers
235 dealers
Emotional marketing was initiated.



Online communication was strengthened – an open contest was hosted to finalize the project name 'Tuieum Bus'

Future Plans and Outlook

We plan to strengthen our service both before and after the sales of our products. Specifically, we will ensure continued communication with customers so that we set service strategies in line with customer needs and increase the frequency of our service delivery to benefit even more customers.

2013

Achievements

● Completed ● Partially Completed ○ Not Implemented

Code	Key Managerial Issues	Goals	Achievements	Completion	Pages
CS1	Win-Win Partnership	To open the second class of Smart Academy	- 17 second-generation dealers completed training offered for three weeks in total.	●	60
		To offer training for retail franchises	- 5 sessions of T'Station beginning course. - 7 sessions of the 'Sales Master' course in each region. - 3 sessions of the 'Retail Brand Communication' course. - Training on Customer Service at 20 locations. - 4 sessions of win-win mindset training in each region.	●	60
		To stabilize the POS system (Smart T'Station) and offer training	- Training was offered from April to June.	●	60
		To continue the operation of the '1,000 Franchises Program'	- Sales rose by 15% from the previous year.	●	60
		To expand sales channels through open collaboration	- Sales of 8,587 units were achieved in alignment with B2B channels. - KRW 420 million in sales was posted in alignment with the welfare card program.	●	60
CS2	Impressive Customer Experience	To deliver Visiting Mobile Service	- Offered 221 times in total to inspect 19,617 vehicles. - 6,565 tires, 211 batteries and 617 engine oil products were marketed through aligned sales.	●	61
		To offer mobile service to the underprivileged and remote island areas	- Offered 12 times in total to inspect 866 vehicles. - 136 tires, 2 batteries and 4 engine oil products were marketed through aligned sales.	●	61
		To conduct the highway safety check campaign	- Undertaken 6 times in total for 12 days. - 11,004 cargo trucks, buses and tractors as well as 10,567 passenger cars were inspected.	●	61
		To develop and update the customer consultation manual	- The manual was developed (4 categories in total). · Significance of customer satisfaction · Things you must know in responding to customers · How to respond to each type of accident · How to respond to each type of customer - A total of 309 locations were designated as outstanding service providers.	●	61
		To develop a manual to respond to customer complaints and a damage compensation system	- The manual was developed (3 categories in total). · Response to customer complaints and PL (Product Liability) · R&R in re-receiving customer complaints · Precautions to take when test-driving the vehicles of customers who raised complaints - Compensation system was made for each type of tire accident according to manufacturing-induced faults and users' faults. - Maintenance services are provided through preliminary consultations with dealers in the event of service complaints.	●	62
		To initiate emotional marketing for new dealers	- Emotional marketing was initiated for 235 locations in total.	●	62
CS3	Customer Communication	To facilitate online communication (social network service, portals, etc.)	- Promotional activities for corporate philanthropic programs and customer-driven communication were reinforced. - Customer communication events were hosted – Name contest, etc. - Sharing-driven culture was expanded through such events as '2013 Dream Together' and 'Double Your Dream Campaign'.	●	62
		To train dealers on customer information	- Training was offered on two occasions for six days.	●	62
		To continue to promote and expand Smart Care Service	- Smart Care Service was offered continuously. - 'Hankook Tire Safe Insurance Service' was newly launched. - The scope of compensation was extended to cover tire damages caused by customer error.	●	63
		To promote TBX Smart Care and train new dealers	- Online PR banner advertising was launched (commercial vehicle information, Hankook Tire). - Co-marketing was launched in conjunction with Shinhan Card (long message service). - On-site training was offered to seven new TBX locations in 2013.	●	63

2014

Plans

Code	Key Managerial Issues	Commitments	Key Index	Deadline	Department in Charge
CS1	Win-Win Partnership	To integrate Smart Academy courses (introductory + intensive)	Delivery of training	Jul.	G.STC
		To develop and operate programs to establish a culture of shared growth and win-win partnership	Development and operation of programs	Nov.	KOR) Technical Service Team
CS2	Impressive Customer Experience	To distribute guidebooks on customer information and monitor the status of data privacy operations	Monitoring	Dec.	IT Strategy Team
CS3	Customer Communication	To operate and regularly monitor the damage compensation system to respond to customer complaints	Operation and monitoring	Dec.	KOR) Technical Service Team
		To review the CCM(Customer Centered Management) certification	Review of the certification	By the end of 2014	KOR) Technical Service Team

CS-1 Win-Win Partnership

We define our dealers as our core customer. It is with the belief that improving the capacity of our dealers will ultimately deliver satisfaction for our end users that we offer Smart Academy and retail store training.

Second Class of Smart Academy

Selecting 17 Second-Generation Dealers through Smart Academy • Since 2012, we have provided a three-phase training program for retail franchise stores as a way to help dealers, as our mutually beneficial partners, strengthen their sales capabilities. This program consists of a basic course (Strengthened Loyalty), an intensive course (Strengthened Management) and an advanced course (Strengthened Sales Skills), and ensures that our second-generation dealers can immediately apply lessons learned to their store operation. In 2013, this training was offered for three weeks from June 11-21 and a total of 17 second-generation dealers were selected.

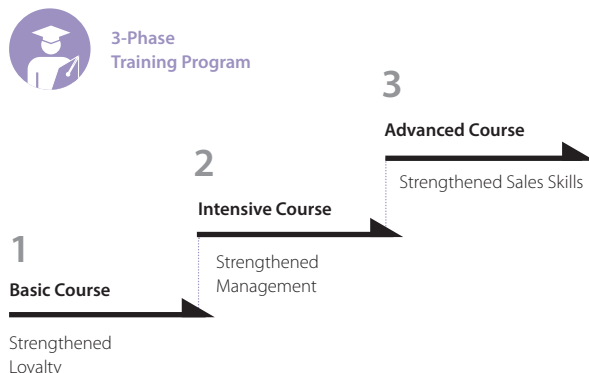
Retail Franchise Store Training

Offering Five Training Courses • To promote shared growth through win-win partnerships and improve our customer service capabilities, we offer phase-specific training to newly launched retail franchise stores. Between April and November of 2013, 19 sessions of four training courses including 'T'Station Beginning Course' were provided while the 'Training on Customer Service' course was offered to 20 franchise stores. Specifically, the 'Training on Customer Service' course consisted of three elements of theory, practice and discussion to fully engage trainees in the course.

Stabilization of the POS System (Smart T'Station) and Training Support

POS System Training • The introduction of the POS system to our T'Stations aims to help dealers provide service on the basis of accurate sales data. In 2013, on-site training was offered on 20 occasions for three months between April and June of 2013 to stabilize POS system operations.

Second Class of Smart Academy



Continued Operation of the '1,000 Franchises Program'

15% Increase in Sales from the Previous Year • Our '1,000 Franchises Program' was designed to award stores that successfully reached their set sales target to encourage their sense of purpose and revitalize their management. This program contributed to improving the sales of our total retail franchises by 15% from the previous year (based on the performance between March 2012 and February 2013 as measured against the same period the previous year). Such sales promotion program that targets respective retail franchise stores allows us to solidify win-win partnerships with our dealers.

Expansion of Sales Channels through Open Collaboration

Making Stronger Inroads into Niche Segments • Open collaboration refers to a new business method to capitalize on abundant external resources on the basis of both on/off-line platforms. Under the leadership of our Head Office and regional retail teams, we forged B2B(G) partnerships and focused on aligning such partnerships with increasing tire sales of respective stores. Such open collaboration efforts enabled us to partner with 178 locations to sell a total of 8,587 tires in 2013. In addition, our alignment with the welfare card program generated KRW 420 million in sales.



1 _ Plant Tour as Part of the Smart Academy Second Class Curriculum
2 _ Smart Academy Second Class Completion Ceremony

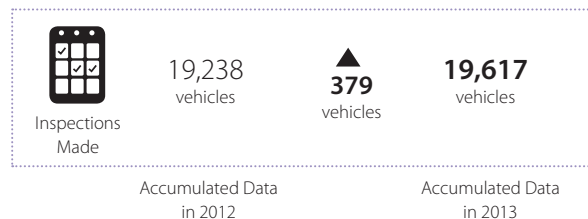
CS-2 Impressive Customer Experience

As part of our commitment to providing 'services that deliver an impressive customer experience', we provide free inspection service and conduct safe driving campaigns for both internal and external customers. We also offer additional benefits to help drivers enjoy a safe and pleasant driving experience.

Visiting Mobile Service

Offering Visiting Mobile Service on 221 Occasions for Free Inspection of 19,617 Vehicles • Our Visiting Mobile Service was designed to deliver customer satisfaction through free safety inspections as well as to promote our tire brands and create new demand for our dealers. This program is accompanied by consulting service that helps customers learn tire maintenance techniques and select the appropriate tire model for their driving habits. In 2013, this service was offered on 221 occasions where free inspections were performed on 19,617 vehicles. When tire or battery replacements were required as a result of these inspections, customers were introduced to nearby T'Stations, which created an impressive experience for both customers and dealers.

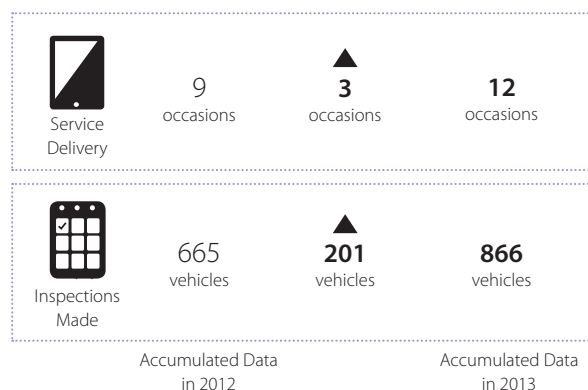
Visiting Mobile Service



Mobile Service for the Underprivileged and Those Living in Island Areas

Free Inspection Offered on 12 Occasions to 866 Vehicles • In 2013, our Mobile Service vehicles visited underprivileged individuals and customers living in island areas who lack sufficient access to safety enhancement service on 12 occasions to perform safety inspections on a total of 866 vehicles. Specifically, our semi-annual free inspections for disabled individuals were initiated back in 2012 in conjunction with students majoring in automobile engineering at Korea Polytechnics, with the purpose of delivering impressive customer experience.

Mobile Service for the Underprivileged and Those Living in Island Areas

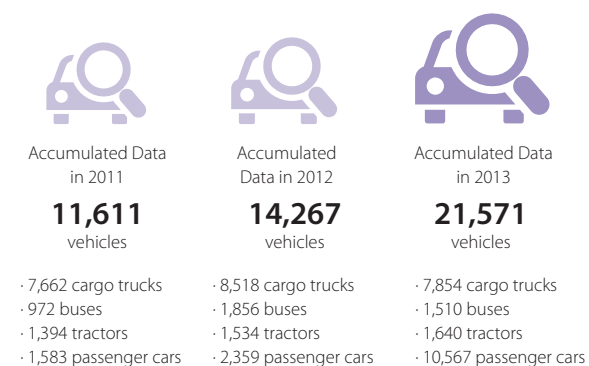


Highway Safety Check Campaign

Conducted on Six Occasions for Two days for Each Occasion •

Since vehicles travel long distances at high speeds on highways, tire inspections have become even more critical to ensure the safety of drivers and the driving performance of vehicles. This is why Hankook Tire launched the Highway Safety Check Campaign that takes place six times a year at seven highway rest areas. In 2013, a total of 21,571 vehicles—7,854 cargo trucks, 1,510 buses, 1,640 tractors and 10,567 passenger cars—were inspected. If customers visited our campaign venue following tire inspections, they were provided with sophisticated promotional gifts and consultation service on appropriate tire maintenance as a way to further improve the quality of our service.

Highway Safety Check Campaign



Development and Update of the Customer Consultation Manual

Frequently Updating the Manual and Selecting 309 Designated Service Location • To respond to shifting customer/market needs and improve the capabilities of our customer representatives at the Customer Service Center, we frequently updated our customer consultation manual. Specifically, different customer types and customer response tips were included in the manual to improve the quality of our customer consultation service. To ensure the swift handling of customer complaints related to product quality, we designated 309 outstanding service providers nationwide to deliver greater customer satisfaction.

Development of Customer Complaint Handling Manuals and a Damage Compensation System

Development of Manuals and a Damage Compensation System

• We developed standardized manuals to provide quality service to all customers in the event of complaints concerning our tires or service and shared such manuals with our nationwide CS employees and the Customer Service Center. These manuals were designed through the process of 1) identifying different types of complaints, 2) gathering data, and 3) producing manuals, with a primary aim to outline response measures to be undertaken for each type of customer complaint. Our damage compensation system handles two categories of quality complaints and service complaints. In the event of quality complaints, compensation is made in accordance with our own quality defect compensation criteria. In dealing with service complaints, we signed after-sales

service contracts with 483 retail franchise stores nationwide and pay monthly service fees so that these stores serve our customers on behalf of Hankook Tire in providing free tire rotation, tire balance and alignment inspection service.

Emotional Marketing for New Dealers

Emotional Marketing Launched at 235 Locations

• Our emotional marketing that targets new dealers aims to build solidarity with them as mutually beneficial partners, and to ensure emotionally engaging communication with dealers as our primary customers. We send welcome cards personally signed by the Chief Operating Officer of the Korea Headquarters and management books that help with store operations. We also make follow-up satisfaction calls to dealers to ensure sustained partnerships with them.

From the Interview with BM Corporation of the Gangnam Branch

Receiving a book and a letter from Hankook Tire was a big surprise and I was very grateful for this unexpected gift that gave me a small pick-me-up on a usual hectic day at my office. This carefully prepared gift from Hankook Tire made me feel that they are more than a mere business partner, and instead a member of our own family. The book, delivered by parcel post, described 'how to read the mind of your customers' and was very useful in that it gave me much-needed tips for actual sales operations. I hope that this positive relationship with Hankook Tire continues into the future.

CS-3 Customer Communication

To deliver value and pleasure to customers, we broaden the scope of customer engagement and communicate with our customers through diverse channels. Specifically, we strive to facilitate online communication and expand our Smart Care service to improve customer satisfaction.

Facilitation of Online Communication

Strengthened Promotion of Philanthropic Initiatives and Customer-Driven Communication (23 Occasions on Facebook and 19 Occasions on the Corporate Blog)

• Our official social network channels (Facebook, blog, etc.) provided an opportunity for active online communication with customers concerning our corporate philanthropic programs – from vehicle support for social welfare agencies and the launching of the 'Donggeurami Volunteering Team' to the Tuieum Bus campaign. This helped us reinforce our customer communication through digital media.



Hankook Tire's Blog and Facebook Account

Dealer Training on Personal Data Privacy

Training on Understanding Personal Data Privacy and Necessary Precautions

• For three days from June 17-19, we offered training to the owners of 61 T'Stations and The Tire Shops to help them recognize the importance of personal data privacy. Training content focused on precautions to take in collecting and using customer information and the importance of personal data privacy. The training was conducted in accordance with the personal data privacy guidelines offered by the Ministry of Security and Public Administration.



Sustained Promotion and Expansion of Smart Care Service

New Launch of Hankook Tire's Safety Insurance Service • Our Smart Care service was designed for customers who purchase our tires at T'Stations to help relieve their financial burden in purchasing tires and solve vehicle maintenance issues. In partnership with Hanwha General Insurance, we launched the Hankook Tire Safety Insurance service for customers who purchased our premium brand tires or more than two tires through the Smart Care program.

Promotion of TBX Smart Care and Training for New Dealers

TBX Smart Care Service • Our TBX Smart Care service offers interest-free 6/9/12-month installment plans to mitigate customers' burden in making upfront financial investment when purchasing tires. To ensure that this program benefits even more customers, we uploaded advertising banners on the Commercial Vehicle Publication website (<http://www.sangyongcha.co.kr>) and our corporate website (<http://www.hankooktire.com/kr>) while also sending LMS (Long Message Service) messages as a co-marketing initiative with Shinhan Card.

Reinforcement of Sales Capabilities of Dedicated TBR Stores

We offered on-site training to seven new TBX locations in 2013. The training consisted of the introduction to Hankook Tire, product and service training, sales training and other content that is immediately applicable to sales operations as a way to increase dealer sales.

T'Station Customer Satisfaction Survey

Mystery Shopping and Customer Satisfaction Survey • To identify the operational status of T'Stations and the level of customer satisfaction with T'Stations, we conduct Mystery Shopping and customer satisfaction surveys. Mystery Shopping serves as an indicator that evaluates the service aspect of our T'Stations as a customer contact point while customer satisfaction surveys are used as a service quality indicator for T'Stations. The 2013 comprehensive satisfaction survey revealed that our satisfaction level rose by 5.3 points to 85.3 points from 80 points in 2012 (on a scale of 1 to 100).

Results of the Comprehensive Satisfaction Survey



Major Evaluation Indicators

14 indicators including the reason why customers visited T'Stations, their tire purchasing information, their satisfaction with T'Station service and maintenance work

FOCUS 04

External Stakeholder Satisfaction Management

4. Customer Satisfaction and Quality
Management (Car makers)

Context

Global car makers demand that their suppliers conduct business responsibly in addition to fulfilling existing essential requirements such as quality, pricing, and delivery deadlines along their global supply chain.

Risk & Opportunity

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

CS

Customer
Satisfaction & Quality
Management
(Car makers)

Management Responsibility and Governance

- Global OE Division Director
 - Global OE Strategy Team
 - Global OE Technical Team
- OE Sales Team 1, 2, 3
- OE Team in Europe, North America, Japan and China
- PC Development Team
- OE Quality Team
- Technical Centers in Europe, North America, Japan and China

Declaration

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

Key Managerial Issues

- 01 / Continuous Communication
- 02 / Reinforcement of Product Competency

Achievements



Attendance at exhibitions :
Communication with OE** customers through the attendance at the IAA* exhibition



Technology development and quality competitiveness :
Gained new OE fitments with premium car makers and Japanese car makers

* IAA Refers to an international automobile exhibition held in Germany and IAA stands for Internationale Automobile Ausstellung

**OE OE is an abbreviation of Original Equipment and OE customers in the tire industry refer to car makers to whom tires are supplied

Future Plans and Outlook

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

2013 Achievements

● Completed ● Partially Completed ○ Not Implemented

Code	Key Managerial Issues	Goals	Achievements	Completion	Pages
CS4	Continuous Communication	To conduct B2B communication regularly	- Concept tires were supplied at the IAA exhibition : VW up models.	●	66
			- Supplier awards were granted by car makers : Chrysler, Daimler.	●	66
			- Magazine advertisements were published in premium brand magazines : Nearly 20 occasions in Germany and Korea.	●	66
			- Various marketing communication activities were executed at exhibitions : Media events, display of products and vehicles mounted with our OE tires.	●	66
			- PRM activities were undertaken for car makers : seven occasions for six Chinese car makers.	●	66
CS5	Reinforcement of Product Competency	To satisfy car makers' requirements	- Follow-up measures were taken to respond to sustainability evaluations.*	●	48
		To proactively respond to high-level performance requirements from major car makers	- Gained OE fitments with premium car brands : Mercedes-Benz S-Class/E- Class, BMW 5 Series	●	67
			- Satisfied the performance requirements of run-flat tires,** safety tires primarily used by premium brands : BMW MINI, Mercedes-Benz C-Class	●	67
		To sophisticate the OE quality management system	- Rated Best Grade in quality inspections made by respective premium brands : Mercedes-Benz-Geumsan Plant, BMW-Geumsan/Hungary Plants, Porsche-Hungary Plant	●	67
			- Delivered zero-defect quality for premium OE tire fitments	●	67
			- Offered training on the quality mindset for premium OE customers : both operators and office staff at plants in Korea, China, Hungary	●	67

* In accordance with the audit results suggested by BMW (car makers), necessary improvements were made with respect to suppliers' CSR management (For further details, please refer to page 48 in the Win-Win Supply Chain Partnership section of this report)

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

2014 Plans

Code	Key Managerial Issues	Commitments	Key Index	Deadline	Department in Charge
CS4	Continuous Communication	To conduct regular B2B communication	- Expansion of communication through attendance at exhibitions	Year-round	Global OE Strategy Team
			- Reinforcement of technical exchanges and other business meetings		
			- Enhancement of our cooperative relationship with car makers through strategic marketing communication		
		To respond to the sustainability evaluation made by car makers and satisfy their requirements	- Response and execution	Dec.	CSR Team
CS5	Reinforcement of Product Competency	To proactively respond to the high-level performance requirements made by major car makers	- Technology development to meet high-level performance requirements	Year-round	OE Development Team, OE Technical Team
		To sophisticate our OE quality management system	- Building of premium OE quality base in Chinese plants for global OE quality system innovation	Year-round	OE Quality Team

CS-4 Continuous Communication

We undertake strategic marketing communication to form mutually beneficial relationships with global car makers while attending international auto shows to interact with car makers.

Regular B2B Communication

Improving Our Brand Image By Promoting Our OE Fitments with Premium Brands • In September 2013, we hosted press conferences to announce our success in gaining OE fitments with such premium brands as Mercedes-Benz (S-Class, E-Class) and BMW (5 Series) as well as with Japanese brands of Toyota, Nissan and Honda, which widely publicized our achievement as a OE tire supplier domestically and internationally. This made headlines in Korea on more than 100 occasions and major media outlets and auto magazines produced hundreds of articles on this feat in the U.S., Europe and China, which served to promote our technological prowess across the globe and enhance our brand image.

Strategic Communication through Attendance at Exhibitions

We attended major international exhibitions, such as IAA in Germany, as well as regional and national exhibitions to promote our tires supplied to car makers and to display our tires mounted on concept cars through the collaboration with car makers. To improve our brand image, we placed a total of 27 advertisements in premium magazines published by Audi, Mercedes-Benz and BMW in 2013 alone. In so doing, we made efforts to forge positive relationships with these premium brands, help the owners of premium brand cars gain better understanding of the Hankook Tire brand and improve our brand image. In addition, we continued to externally communicate our achievements in OE opera-

tions through media PR activities (distribution of press releases, featured articles and interviews) and social network service (four postings on our official blog and 25 postings on our Facebook account).

Receiving Supplier Awards Granted by Car makers • Our continued attempts to form closer cooperative relationships with car makers were recognized by supplier awards that we received, again in 2013. In September 2013, we were honored with the 'Perfect Quality Award' given by Chrysler to its top-performing supplier every year. In October that year, we also received an appreciation plaque that Daimler of Germany awards to its excellent supplier each year.

PRM Activities to Strengthen Communication with Car makers

• Our PRM (Partner Relationship Management) invites car makers to visit our R&D Center and plants to tour these facilities and directly communicate with our staff as a way to improve communication with suppliers and as well as promote mutual understanding on business operations. In 2013 alone, we invited six Chinese car makers on seven occasions. They visited our R&D Center to verify our level of R&D performance and discuss ways to improve technological capabilities with our researchers. They also toured our plants and test tracks to better understand our systemic production lines and performance verification process.

List of New OE Fitments in 2013

Name of Car makers	Vehicle Model	Product Name	Product Features
Mercedes-Benz	S-Class	Ventus Prime2	High-performance tire that satisfies most advanced performance requirements
	E-Class	Ventus S1 evo2	High-performance tire that delivers the highest-possible performance
BMW	5 Series	Ventus S1 evo2	High-performance tire that delivers the highest-possible performance
	X5	Ventus S1 evo2 SUV	High-end, high-performance tire specially designed for SUVs
	New MINI	Kinergy eco	Hankook Tire's eco-friendly tire brand
Nissan	Altima	Optimo H426	All-season tire that delivers outstanding performance in grip, abrasion resistance and fuel economy
	Rogue	Dynapro HT	Premium all-season tire specially designed for light trucks, vans and SUVs
Toyota	Corolla	Optimo H426	All-season tire that delivers outstanding performance in grip, abrasion resistance and fuel economy
	Vios	Optimo K415	High-performance tire that delivers safety and ride comfort
Honda	Civic	Optimo H426	All-season tire that delivers outstanding performance in grip, abrasion resistance and fuel economy
Ford	Fiesta	Optimo K415	High-performance tire that delivers safety and ride comfort
	Ecosport	Ventus Prime2	High-performance tire that satisfies most advanced performance requirements
	New Transit	Vantra LT	Summer radial tire for commercial vans

CS-5 Reinforcement of Product Competency

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

Timely Development and Supply of High-Performance Tires and Cutting-Edge Tire Technology

Supply of High-Performance Eco-Friendly Tires for Premium Brand Vehicles • In 2013, we supplied high-performance, eco-friendly tires that satisfy the requirements of such premium brand vehicles as the Mercedes-Benz S-Class and E-Class as well as the BMW 5 Series. We also supplied our run-flat tires manufactured through our latest technology to the BMW MINI and Mercedes-Benz C-Class for the first time ever. To meet the run-flat tire requirements of car makers, we applied reinforced side walls to improve durability while reducing rolling resistance. In addition, we developed tires that meet highly stringent anti-abrasion performance requirements of the North American market. Presently, joint research with Audi is underway to develop OE tires for three to four vehicle models.

Reinforcement of Cooperation with Japanese Car makers • In 2013, our business relationship with Japanese car makers was initiated. We began our supply of tires to such popular models of the three largest Japanese car makers—Toyota Corolla, Honda Civic and Nissan Altima. In 2014, we expect to continue with our OE fitments to Japanese car makers.

Commitment to the Development and Supply of Optimal Products • Not only do we build technological capabilities, we also strengthen our mass production capacity to ensure the seamless supply of our products. For premium tire operations, responsible staff in each area cooperate on a project level to improve their work efficiency while monthly meetings are hosted to strengthen the collaboration between the R&D center and plants to facilitate collaboration and collective results among all relevant departments.

Advancement of the OE Quality Management System and Its Global Expansion

Development of a Premium OE Quality Optimization System • In line with our growing OE fitments to premium brands, we developed a system to optimize our product quality. Relevant processes were also established to ensure optimized uniform quality in three phases of materials, facilities and processes.

Application of Quality Manuals • To eliminate any quality-related problems from the development to the mass-production and shipment of OE tires for premium brands, we developed quality manuals for each of the manufacturing phases to perform thorough quality verification.

Quality Mindset Training • In our Hungary Plant, which mainly produces premium tires, we offered two sessions of 'quality mindset improvement' training to 68 employees including office staff as well as operators. In addition, three sessions of quality training were provided to nearly 200 employees at plants in China and Korea.

From the development to the production and supply phases, we realigned our processes and complied with quality manuals to establish even stricter quality management discipline. In addition, we continue to build a stronger quality employee mindset at domestic and overseas plants to continue with our OE fitments to premium brands as planned.

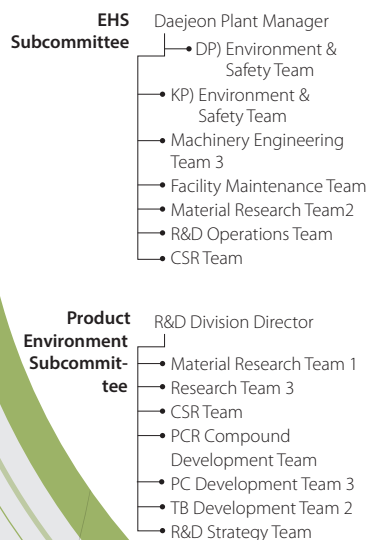
FOCUS 05

Environmental Management

1. Integrated Environmental
Management System

IE Integrated Environmental Management System

Management Responsibility and Governance



Context

Our consumption of limited resources and our impact on the environment constitutes an important CSR issue that we should be keenly aware of as a corporate citizen. Specifically, environmental issues are recognized as a risk by numerous companies in spite of their sustained efforts for improvement.

Risk & Opportunity

Addressing environmental issues requires a life cycle perspective. While it is critical that we improve on each phase of product development/manufacturing/transport/product use/disposal, handling environmental trade-offs demands that we not only focus on improving the process that determines our eventual environmental footprint but also invest in developing eco-friendly tires. Furthermore, reduced waste and improved efficiency achieved through cleaner production will minimize our environmental impact and save production cost.

Declaration

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

Key Managerial Issues

- 01 / Green Purchasing
- 02 / Cleaner Production
- 03 / Product and Environment
- 04 / Management of Resources

Achievements



Recycling of
Wastewater
26%



Recycling of
Waste
79%



Ratio of
Green Products
27.2%

Future Plans and Outlook

We will move beyond merely reducing pollutant generation towards a more preventive and systemic management process. We will also clearly recognize our environmental impact throughout the entire product life cycle (acquisition of raw materials, manufacturing, distribution, usage and disposal) and minimize our environmental pollution load.

2013 Achievements

● Completed ● Partially Completed ○ Not Implemented

Code	Key Managerial Issues	Goals	Achievements	Completion	Pages
IE1	Green Purchasing	To ensure an eco-friendly supply chain management	· Target suppliers were selected. · Support programs were developed.	●*	70
IE2	Cleaner Production	To prepare to obtain the Green Company certification	· The Green Management Report was submitted (Geum River Basin Environmental Office).	●	70
		To prevent environmental risks	· Water pollutant monitoring was reinforced and pollutant load was improved · Pollution levels were monitored in real time. · Equalization tanks at wastewater treatment plants were expanded (500 tons).	●	70
			· Monitoring of air pollutant emissions was reinforced. · The applicability of odor sensors was tested, and atmospheric diffusion modeling was operated and evaluated	●	70
		To minimize the discharge of environmental pollutants	· Pollution control facilities were improved in operational efficiency. · High-efficiency control facilities (CRCO, CFRTO) improved their efficiency · Consumables(filling materials, activated carbon) were replaced · Curing process was compartmentalized (Improvement in local ventilation)	●	70
			· Odor-control facilities were expanded for the buffing process (two units). · Local ventilation system for the extrusion process was improved.	●	70
			· Management of non-point pollution sources was reinforced. · Window ventilation odor reduction facilities were optimized · Capture hoods installed near odor sources were improved	●	70
IE3	Product and Environment	To establish an 'Eco Design Process'	· Eco-design guidelines were distributed. · Eco-design tools were used (LCA, check list).	●**	71
		To conduct Product Life Cycle assessment (LCA)	· LCA was conducted for products manufactured in Hungary.	●	71
		To reduce tire rolling resistance	· A 64.7% reduction from 2007 ('Optimo K415' model)	●	72
		To produce lightweight tires	· A 11.3% reduction from 2007 ('Optimo K415' model)	●	72
		To expand the use of eco-friendly raw materials	· A 34.2% increase in the consumption of full silica compounds from 2012	●	72
		To improve wet grip performance	· A 18.4% improvement in performance from 2007 ('Optimo K415' model)	●	72
IE4	Management of Resources	To expand the recycling of waste	· Thermal decomposition facilities were stabilized early on. · Recycling of waste resources was expanded and waste sources were reduced.	●***	73
		To save resources	· Compounds containing recycled rubber were developed.	●	73

* This will be undertaken following the analysis of our capabilities and the development of support guidelines

** Guidelines were distributed and the pilot tool application was completed. Their migration to our full range of products is slated for 2014

*** The installation of thermal decomposition facilities is under progress

2014 Plans

Code	Key Managerial Issues	Commitments	Key Index	Deadline	Department in Charge
IE1	Management of Green Production Infrastructure	To strengthen response to tightening environmental regulations	· Develop and revise standards · Evaluate our EHS compliance	· Respond to the planned integration of governmental environmental regulations · Maintain the ISO 14001 certification	Year-Round CSR Team, DP) KP) Environment & Safety Team, Material Research Team2
		To obtain the Green Company certification	· Green Management Report	· Green Company certification	May. DP) KP) Environment & Safety Team
		To advance the integrated EHS management system	· Improve and facilitate IT programs · Manage EHS indicators · Improve investment processes	Nov.	CSR Team, DP) KP) Environment & Safety Team
IE2	Product and Environment	To reduce tire rolling resistance	· Expand green products · Expand smartway-certified products (U.S. certification)	Dec.	PC Development Team3, TB Development Team2
		To produce lightweight tires	· Expand the application of major NT 10 items	Dec.	CSR Team, Research Team3
		To develop eco-friendly products	· Conduct R&D on EV(Electric Vehicle) tires · Conduct LCA of products manufactured in China · Establish an 'Eco Design Process'	Dec.	CSR Team, Research Team3
IE3	Management of Resources	To expand the recycling of waste	Strengthen 5S activities concerning waste	Oct.	DP) KP) Environment & Safety Team
		To ensure preliminary management that leads to a stable TTS boiler operation	Introduce stabilized thermal decomposition facilities	Nov.	Machinery Engineering Team 3, KP) Environment & Safety 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.

Eco-friendly Supply Chain Management

In 2013, we trained our purchasing staff on eco-friendly supply chain management to disseminate its background and purpose. Since new environmental regulations—an emissions trading scheme and regulations on chemical registration and evaluation—will take effect from 2015 onward, we are exploring ways to assist our sup-

pliers in appropriately responding to such regulations. The environmental management category of our annual supplier evaluation will extend its scope from mere evaluations into requests for corrective actions and monitoring of improvement so that we support our suppliers in areas in need of improvement.

IE-2 Cleaner Production

We strive to prevent environmental risks and reduce the discharge of environmental pollutants so as to minimize our environmental footprint from the manufacturing process.

Green Company Certification

To develop a self-initiated environmental management system, we have been working to obtain the Green Company certification since the end of July 2013. In February 2014, we submitted our Green Management Report to the Geum River Basin Environmental Office. Between April and May of 2014, certification examinations were conducted by the office and our Geumsan Plant acquired the certification.

Prevention of Environmental Risks

Installation of a Real Time Monitoring System (TMS) at the Wastewater Treatment Plant • Our Daejeon Plant has been operating its own wastewater treatment plant since 1997 to process wastewater from its manufacturing process and environmental facilities before being discharged. In 2013, the plant deployed a Tele Metering System (TMS) to monitor discharged water pollutants in real time. Such real-time pollution data measured through the TMS are used to adjust the operational conditions of the treatment plant, which include any abnormal operations or the amount of chemical input. Such major facilities as sewage/wastewater outlets, air flotation units, pump rooms, hazardous chemical storage units and drainage channels are equipped with CCTVs to detect any environmental accidents early on.

Expansion of Equalization Tanks at the Wastewater Treatment Plant • Our Daejeon Plant has continued to expand its environmental facilities (wet scrubbers) to reduce its generation of odors while shortening the cleansing liquid replacement cycle to improve the efficiency of existing environmental facilities. This inevitably led to a nearly 864m³/day increase from the initially-approved wastewater discharge limit of 1,135m³/day. Its equalization tanks were also expanded to maintain their treatment efficiency regardless of any abrupt increase in the inflow of wastewater. This prolonged the detention time of wastewater from 4.5

hours to 9.9 hours to ensure the stability of the plant's wastewater treatment operations.

Test of the Application of Odor Sensors • In 2013, we performed a correlation analysis between measurement data from odor sensors and composite odor dilution rates to more efficiently calculate the generation of odors and manage environmental facilities. The outcomes informed our development of guidelines for calculating the generation of odors from point/area pollution sources. In 2014, a sensor will be installed at the top of the curing process facility of our Daejeon Plant to test its durability and stability. In addition, the plant will conduct a modeling assessment in its surrounding influenced areas in alignment with the weather data measured by weather monitors installed within the plant.

Minimization of Environmental Pollutant Discharge

Development of Non-point Pollution Sources* Management System • At our Geumsan Plant, rainwater from the plant flows directly into nearby streams, which implies that pollutants on the surface may flow into these streams together with initial rainwater. This is why the plant regularly dredges its drainage channels to eliminate accumulated pollutants. In April 2014, a non-point pollution reduction facility (filter type, 2,000m³/hour) was installed to process and discharge initial rainwater around the carbon tanks used for the scouring process. In the second half of 2014, such a facility will be deployed in the logistics section of the plant.

* Non-point pollution sources Sources of water pollution that occur at non-specified locations in urban areas, roads, mountains, and construction sites

Improvement of the Efficiency of High-Efficiency Air Pollution Control Facilities (CRCO) • To reduce odors from the scouring process, our Daejeon Plant has been operating high-efficiency combustion facilities (three units of CRCOs*) since 2009. In the two older units of these CRCOs, the seal of concentrators (zeolite) was

deteriorated and sticky oil substances formed on heat concentration materials, which eventually decreased their efficiency. Our remedy was to replace the heat concentration materials, catalysts, and seal parts and repair rotors as well as modify the operational conditions of ventilators. We also introduced an automated control system with reinforced preliminary monitoring functionality.

Compartmentalization of the Curing Process • Since 2012, our Daejeon Plant has been operating high-efficiency CRFTOs** that fuel LNG to burn and remove pollutants in an effort to reduce

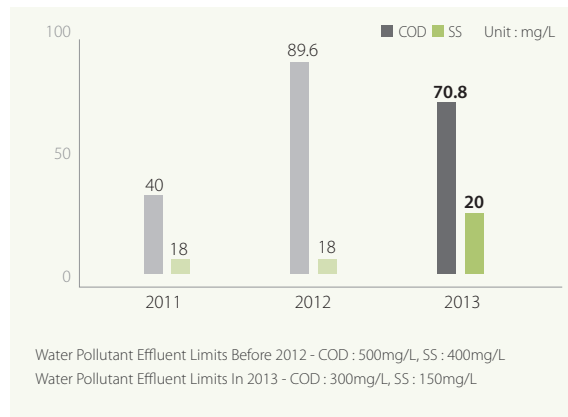
odors from the curing process. In 2013, the plant shifted from general to localized ventilation to handle odors from the curing process. Furthermore, by increasing its ability to capture odors and pollutants, the plant further improved its work environment.

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

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

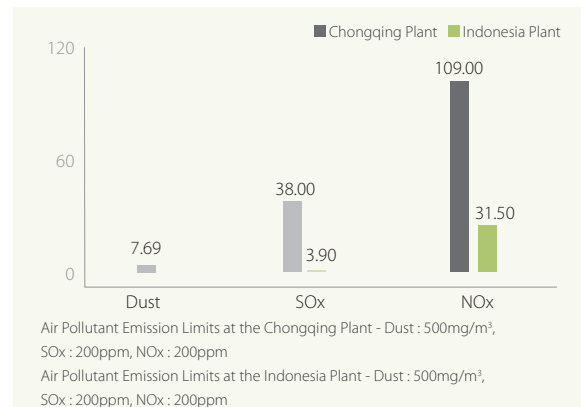
Concentration of the Water Pollutants Discharged from the Jiaxing Plant

Our Jiaxing Plant has been subject to more stringent regulatory COD and SS effluent limits since 2013. This prompted the plant to increase the operational efficiency of its water pollution control facility and reduce its discharge of wastewater so as to reduce COD.



Concentration of the Air Pollutants Emitted from the Chongqing and Indonesia Plants

Our Chongqing and Indonesia Plants have been gathering relevant data since 2013. These two plants presently emit pollutants that are fairly below the emission limit.



IE-3 Product and Environment

We are committed to protecting the environment throughout the entire product life cycle from product design to use and disposal. It is from the initial product development phase that we establish an 'Eco Design Process' reflecting our potential environmental impact. This process continues to be the foundation of our R&D on eco-friendly tires. As a result, the ratio of our eco-friendly products, in terms of numbers, is continually on the rise from 24.2% in 2012 to 27.2% in 2013.

Establishment of an 'Eco Design Process'

It is in the initial product development phase, where most of the environmental impact throughout a product's life cycle is determined, that we established an 'Eco Design Process' to identify and reduce a product's environmental footprint. In May 2013, we developed such eco design tools as eco-friendly design guidelines & checklists, as well as a simplified LCA Tool. In November, targets were selected for their pilot application; target products and previous models were compared in terms of their eco-friendliness and these tools were reviewed and improved through it. In 2014, we will use the outcomes of this pilot application to include the expansion of the scope of target products as well as a relevant modification process into our corporate policy.

Product Life Cycle Assessment

In 2012, we conducted life cycle assessments of each PCR* and TBR** that were manufactured at our Geumsan Plant in 2011. In 2013, such life cycle assessments were made of each winter and summer tire manufactured at our Hungary Plant in 2012. As a result of the LCA performed on tires made at our Hungary Plant, it was revealed that the greatest environmental impact was caused by the consumption of fuel in the product use phase. When environmental impacts in the raw material acquisition phase of the entire product life cycle were compared by replacing natural rubber with synthetic rubber, and carbon black with silica at the ratio of 1:1, respectively, it was confirmed that the use of natural rubber and carbon black produced less environmental impact. Since most of the environmental impact of tires occurs in the use phase, however, it was discovered that silica can be more eco-friendly

for its effects in improving tire performance in terms of rolling resistance from the life cycle perspective, and these findings were shared with our R&D Center. To verify the reliability of such results, this life cycle assessment was compared against that of ETRMA*** performed on tires manufactured in Europe in terms of methodology and outcomes. It was revealed that our LCA was sufficiently credible as it produced similar trends in each LCA phase and that our tires produced in Hungary were slightly lower or similar to reference tires in terms of impact on climate change, a representative category of environmental impact.

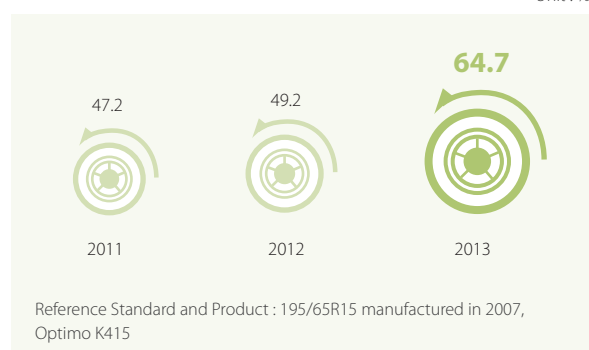
- * PCR(Passenger Car Radial Tire) Passenger Car Radial Tire
- ** TBR(Truck Bus Radial Tire) Truck Bus Radial Tire
- *** ETRMA European Tyre and Rubber Manufacturers' Association

Reduction of Tire Rolling Resistance

To design tires with reduced rolling resistance and contribute to automobile fuel efficiency, we continue to research platform technology concerning structures, raw materials, ingredients and manufacturing. The outcomes enabled us to improve our rolling resistance performance by 64.7% from the base year 2007 ('Optimo K415' model). Meanwhile, simply reducing rolling resistance may hamper braking, handling and wear performance. As such, we continue to research compounds that optimize the balance between tire-surface contact pressure and performance that will ultimately ensure both consumer safety and the eco-friendliness of tires that we produce. These efforts allowed us to develop nine types of new compounds in 2013, which are presently used in the tires that are delivered to our consumers.

Reduction in Tire Rolling Resistance

Unit : %

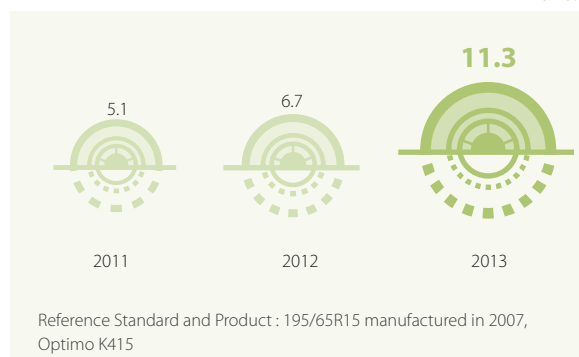


Lightweight Tires

Lightweight tires not only help cut down on the consumption of raw materials but also reduce vehicle weight to improve fuel efficiency. To utilize fewer resources and develop lighter tires, we have been working to determine the optimized structure of each tire component since 2008. We have been officially applying lightweight tire technology that delivers an 11.3% reduction in weight against the base year 2007 ('Optimo K415' model). Our goal is to increase this number to 16% by 2017 through the reduction of tread weight.

Improvement in Making Lightweight Tires

Unit : %



Expanded Use of Eco-friendly Raw Materials

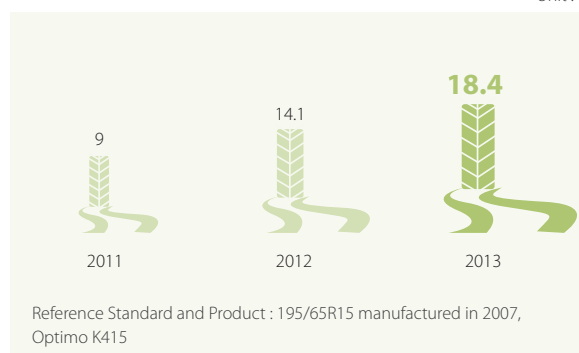
The use of silica reduces tire rolling resistance when compared to carbon black, thereby reducing the consumption of vehicle fuel. This prompted us to conduct R&D on the compatibility and mixture of silica to gradually decrease the use of carbon black and shift to a more eco-friendly silica. Since our new products mainly use silica compounds, the use of fully silica-based compounds rose by 34.2% in 2013 over the previous year.

Improved Wet Grip Performance

Our research and diverse tests conducted on improving the wet grip performance of our tires aim to ensure the safety of our consumers. When it comes to our 'Optimo K415' model, our officially applied wet grip technology has delivered an 18.4% improvement since 2007. In addition, we plan to build a 'Hankook Tire Test Engineering Center' in Sangju, North Gyeongsang Province, to perform research and tests under wider-ranging conditions.

Improvement in Wet Grip Performance

Unit : %



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.

Introduction of a TDF Pyrolysis Facility • We plan to adopt a new technology that burns carbon, oil and gas generated through the pyrolysis of Tire Derived Fuel (TDF) to allow for both energy recovery and the sales of byproducts. This breakthrough technology turns waste into useful resources and thus helps recycle byproducts. To minimize any environmental impact from the operation of the planned pyrolysis facility on its surrounding areas, we will install and enclose pollution control facilities.

Development of Compounds Containing Recycled Rubber •

Recycled rubber is generated by removing impurities from waste tires, followed by desulfurization. The recycled rubber can be used for treads and sidewalls as a way to conserve limited resources. We continue to improve on such issues as reduced processibility and quality defects that may come from using recycled rubber, in hopes that our use of recycled rubber will more than triple by 2015 from the 2013 base year.

Recycling of Wastewater

With the addition of 2013 data from our Chongqing and Indonesia Plants that also recycle wastewater, our total recycling of wastewater increased significantly. Furthermore, our Daejeon and Geumsan Plants continue to increase their recycling of wastewater.



Discharge of Wastewater

Since our Jiaying Plant reduced its discharge of wastewater and our Daejeon and Geumsan Plants gradually increased their recycling of wastewater, this led to improvement in discharge intensity in 2013.

Unit : 10³ m³	2011	2012	2013
Daejeon Plant	350	329	295
Geumsan Plant	372	365	446
Jiangsu Plant	211	229	227
Jiaying Plant	1,123	1,091	869
Hungary Plant	49	49	49
Chongqing Plant	-	-	168
Indonesia Plant	-	-	66

Discharge Intensity of Wastewater




Unit : Discharged waste water(m³)/product ton



Water Consumption

The operation of new plants naturally led to increases in water consumption. Thus, we strive to expand the recycling of wastewater to protect our precious water resources.

Unit : m³	2011	2012	2013
Water Consumption	7,182,047	7,100,860	7,402,267

Water Consumption Intensity	Unit: Water consumption(m³)/product ton		
6.71	6.54	6.56	
			
2011	2012	2013	

Consumption of Major Raw Materials

Tires are primarily manufactured by consuming rubber, carbon black, steel cords, textile cords and bead wires. As our production volume grows, so has our consumption of raw materials.

Unit : Ton/product ton	2011	2012	2013
Intensity	0.85	0.86	0.89

Ratios and Amounts of Different Waste Treatment Methods

While the ratio of recycling rose as a waste treatment method, the intensity increased as a result of the integration of 2013 data from newly launched plants. We expect that improvement in defect rates in these new plants will lead to improvement in intensity.

Unit : Ton	2011	2012	2013
Consigned Recycling	31,484	31,494	36,897
Consigned Incineration	6,018	5,824	4,561
Consigned Landfilling	5,227	4,997	5,096

Waste Discharge Intensity	Unit : Treated waste(kg)/product ton		
	39.92	38.93	41.26
			
	2011	2012	2013

FOCUS 05

Environmental Management

2. Climate Change & GHG Management

CC

Climate Change
& GHG Management

Management Responsibility and Governance

Energy & Greenhouse Gas Subcommittee

Production & Engineering Division
Director

- Machinery Engineering Team 3
- CSR Team
- Global Facility Maintenance
- Operations Team
- DP) KP) Energy Operations Sub Team
- R&D Operations Team
- Global Supply Chain Execution Planning Team

Context

As global warming worsens environmental crises and the depletion of energy resources, this highlights the need for a global-level response to climate change. Specifically, companies today more than ever are expected to fulfill their responsibility in mitigating climate change.

Risk & Opportunity

Our rapidly growing production volume as well as expansion of global production locations inevitably expose us to risks in responding to environmental regulations (emissions trading scheme) and in addressing depleting energy resources. We believe, however, that by fulfilling our responsibility to reduce GHG(Greenhouse Gas) emissions through the improvement of energy efficiency, we will be able to bring such positive benefits as production cost savings.

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 committed to turning each crisis into opportunity.

Key Managerial Issues

- 01** / Energy & Carbon Management
- 02** / Execution and Reduction
- 03** / Supply Chain Carbon Management

Achievements



Reduction in GHG Emissions
2,121 tCO₂-eq/year



Reduction in Energy Cost
KRW **642** million/year



We Exceeded the Energy
Intensity Target by
3.3%

Future Plans and Outlook

Emissions trading schemes and other relevant regulations will tighten further in the upcoming years, and this will impose greater responsibility on companies to address climate change. Meanwhile, shortages of energy resources and rising energy cost will cause severe crises in energy supply and demand. Since we clearly recognize this reality, we are determined to respond to domestic and international environmental regulations and achieve next-generation low carbon plants by reviewing the introduction of self-sustained generators and new & renewable energy and by discovering and adopting new energy-saving technology.

2013 Achievements

● Completed ● Partially Completed ○ Not Implemented

Code	Key Managerial Issues	Goals	Achievements	Completion	Pages
CC1	Energy & Carbon Management	To design the basics of EMS(Energy Monitoring System)	- The basic design of EMS was completed.	●	75
		To develop a mid/long-term plan to reduce energy consumption	- The draft of the mid/long-term energy reduction plan was completed.	●	76
		To review the introduction of ISO 50001	- The introduction of this ISO standard will be initiated after the establishment of EMS as a result of internal reviews.	●	76
CC2	Execution and Reduction	To improve on energy leaks	- An absorption chiller utilizing waste heat from the curing process was installed. - Platen drain from the curing process was reused following pressure rising. - International consulting was conducted on energy and GHG emission reduction technology.	●	77
		To introduce renewable energy and new technology-based energy	- LED lighting was installed for the chamfering process. - The installation of an eco-friendly TDF (Tire Derived Fuel) pyrolysis facility was reviewed	●	77
		To use high-efficiency devices	- High-efficiency, high-capacity boilers and chillers were adopted. - High-efficiency, high-capacity air compressors were adopted.	●	77
CC3	Supply Chain Carbon Management	To lay the basis for a supplier carbon management system	- This was not implemented due to the change in our priorities in supporting our suppliers (To be reviewed).	○	77

2014 Plans

Code	Key Managerial Issues	Commitments	Commitments	Deadline	Department in Charge
CC1	Energy & Carbon Management	To set mid/long-term GHG/energy targets (intensity)	Standardize management indicators Set quantifiable targets for between 2015~2018	Oct.	CSR Team, Global Facility Maintenance Operations Team, Machinery Engineering Team 3
		To establish EMS (Energy Monitoring System) - Phase 1	EMS	Oct.	Global Facility Maintenance Operations Team, Machinery Engineering Team 3, DP) KP) Energy Operations Sub Team
		To respond to the allocation of allowances during the 1st planning period (2015~2017) of the Korean emissions trading scheme	Emissions trading scheme	Oct.	CSR Team, Machinery Engineering Team 3, DP) KP) Energy Operations Sub Team
CC2	Execution and Reduction	To undertake the 4Re Initiative 1) Renovation (High energy efficiency devices) - Increase the efficiency and capacity of boilers and air compressors 2) Reuse (Maximize energy recovery) - Recover waste heat from the curing process, develop a device to raise the pressure of reused steam, remove white lead, install absorption chillers - Introduce AWUs(Air Washing Unit) that reuse indoor air 3) Recycling (Recreate value from waste) - Introduce and stabilize a pyrolysis facility 4) Replace (Review alternative energy) - Review the economic feasibility of new & renewable energy	4Re Initiative	Sep. (by 2015 for specific commitments)	Machinery Engineering Team 3, Global Facility Maintenance Operations Team, DP) KP) Energy Operations Sub Team
CC3	Supply Chain Carbon Management	To review the validity of GHG emissions calculation methods for logistics operations (transport/delivery)	Other indirect emissions (Scope 3)	Dec.	CSR Team, Global Supply Chain Execution Planning Team

CC-1 Energy & Carbon Management

Presently, we are building our own EMS(Energy Monitoring System) to improve the transparency of our energy consumption. This will enable us to track and manage energy consumption in each manufacturing process in real time and to lay the groundwork for energy & carbon management.

Design of the EMS Basics

The basics of EMS were designed at our Daejeon and Geumsan Plants to quantify and monitor process-specific energy consumption in real time. Previously, only total energy consumption was

measured and thus it was difficult to identify energy consumption of each process and those processes in need of improvement. The development of EMS will allow us to focus our efforts in improving processes and facilities that are heavy energy consumers.

Development of a Mid/Long-term Energy Conservation Plan

It is through the combination of our knowledge accumulated by operating seven production sites across the globe and cutting-edge energy saving technology that we are developing a five-year mid/long-term energy conservation plan. The draft of this plan was completed in 2013 and the plan will be finalized in 2014. We believe that our commitment to optimizing our energy consumption will generate savings in manufacturing cost.

Review of the Introduction of ISO50001 (Energy Management System)

As a result of our review of whether to introduce an energy management system, we realized the need to first establish a monitoring system, as it is the most fundamental building block of any energy management system. Thus, we will complete the development of EMS first before introducing an energy management system.

Trajectory of GHG Emissions and Energy Consumption between 2011 and 2013

Our GHG emissions and energy consumption data prior to 2012 were from two domestic and three overseas production sites. From 2013 onward, such data were compiled from a total of seven production sites including two overseas plants that initiated operations in 2013. Our Daejeon and Geumsan Plants specifically have their data verified by a third party each year to ensure their credibility. For the two newly initiated plants, their op-

erations have not been fully stabilized and thus their energy consumption efficiency is relatively low. Meanwhile, the restructuring of manufacturing facilities (replacement of old facilities) and the remodeling undertaken in each of our plants in 2013 inevitably led to increases in the consumption of fuel and electricity and this resulted in a slight increase in energy consumption intensity.

GHG Emissions

Unit : tCO ₂ -eq/year	2011		2012		2013	
Business Site	Scope 1	Scope 2	Scope 1	Scope 2	Scope 1	Scope 2
Company-Wide	239,651	791,026	233,356	829,392	252,343	952,451
Total	1,030,677		1,062,748		1,204,794	

The GHG emissions from our domestic sites were re-calculated in accordance with the announcement of the national emission factor because of discrepancies between this report and the CSR Report 2012/13 concerning our overseas sites. This was due to the re-application of country-specific emission factors of purchased electricity.

GHG Emission Intensity

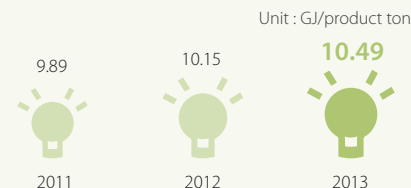


Energy Consumption

Unit : GJ/year	2011	2012	2013
Total	10,589,691	11,027,811	12,292,696

In our CSR Report 2012/13, our electricity consumption was converted into primary energy equivalents. In this report, however, our energy consumption was re-calculated according to a globally acceptable conversion factor in consideration of power losses.

Energy Consumption Intensity



CC-2 Execution and Reduction

To minimize impact from shifting energy prices at home and overseas and to advance energy & carbon management, we place our top priority on reducing energy used for manufacturing as well as GHG emissions through utility improvement, the recovery of waste heat energy and recycling.

Reaching the Energy Intensity Target

All our sites are continually committed to reducing energy consumed in manufacturing processes by improving old processes, installing high-efficiency energy saving facilities and adopting an innovative process management system. In addition, each of our sites manages their intensity-based monthly energy perfor-

mance. In 2013, we exceeded our global energy intensity target* by 3.3% (10.014 GJ/product ton → 9.681 GJ/product ton).

* This energy intensity target concerns energy consumption that has a direct impact on our manufacturing in five production sites and thus is different from the total energy consumption intensity

Reduction in GHG Emissions and Energy Consumption Between 2012 and 2013 (Korea)

Year	Site	Reduction in GHG Emissions (tCO ₂ -eq/year)	Reduction in Energy Consumption (TJ/year)	Investment (KRW million/year)	Cost Savings (KRW million/year)
2012	Daejeon Plant	1,354	27	373	416
	Geumsan Plant	14,847(354)	7	1,367(137)	2,562(92)
	Total	16,201(1,708)	34	1,740(510)	2,978(508)
2013	Daejeon Plant	974	19	432	361
	Geumsan Plant	1,147	23	921	281
	Total	2,121	42	1,353	642

In 2012, the project to shift the boiler fuel from Bunker C oil to LNG at the Geumsan Plant¹ made tremendous contributions to reducing GHG emissions and resulted in a significant performance gap between 2012 and 2013. Investment outcomes that exclude this project appear in brackets.

Success Stories in Execution and Reduction

Improvement in Energy Leaks

Geumsan Plant¹ Installation of an Absorption Chiller Utilizing Waste Heat from the Curing Process • While the surplus waste heat from the curing process was only emitted into the atmosphere during the change of seasons and in summer months, we installed freezers that absorb such waste heat in 2013. The absorbed heat was used to power cooling devices in nearby plants and to cool down extrusion outcomes. This resulted in approximately 444 tCO₂-eq in annual GHG emissions reduction and KRW 90 million in saved power cost.

Geumsan Plant¹ Reuse of Platen Drain from the Curing Process After Raising Its Pressure • The plant installed a steam ejector along the low-pressure steam line of the curing process to collect waste low-pressure steam and raise its pressure to 10 bar to be used as platen steam. This allowed us to reduce our annual GHG emissions by 246 tCO₂-eq and save KRW 97 million in fuel cost.

Geumsan Plant¹ International Consulting on Energy Use and GHG Emissions Reduction Technology • Under the supervision of Korea Management Consulting, we worked with professional overseas consultants to evaluate the GHG emissions and energy use at our Geumsan Plant. This identified a total of eight new areas to be addressed. We intend to set a master plan to reflect these areas in our business plan for the next year and make continuous improvement. Once completed, this master plan will be disseminated and implemented in all our seven plants.

Introduction of Renewable Energy and New Technology-based Energy

Geumsan Plant¹ Installation of LED Lighting for the Chamfering Process

• We launched a pilot project to replace fluorescent light bulbs with LED bulbs for the chamfering process at the Geumsan Plant. This pilot project led to nearly 72 tCO₂-eq in annual GHG emissions reduction as well as KRW 15 million in saved power cost.

Geumsan Plant¹ Review of the Installation of an Eco-friendly TDF Pyrolysis Facility • Detailed design work is underway to introduce a TDF pyrolysis facility at the plant. This facility generates gas and oil through thermal decomposition at low temperatures and uses such gas and oil to power boilers as a way to replace fossil fuels and eventually to reduce GHG emissions. In addition, byproducts generated through the decomposition of waste can be sold and supplied as feedstock to other industries to contribute to promoting resource circulation.

Deployment of High-Efficiency Devices

Daejeon Plant¹ Adopting High-Efficiency, High-Capacity Boilers and Chillers • The plant replaced old boilers and chillers with high-efficiency and high-capacity ones. The replacement of conventional 20 ton/h boilers with 60 ton/h boilers is expected to stably supply steam required for heating in winter months and for the curing process. This, in turn, is forecast to lead to 974 tCO₂-eq in annual GHG emissions reduction as well as KRW 361 million in saved cost.

Geumsan Plant¹ Adopting High-Efficiency, High-Capacity Air Compressors • The plant replaced old, inefficient and deteriorated air compressors with high-efficiency ones while expanding supply capacity to reduce 384 tCO₂-eq in annual GHG emissions and save KRW 79 million in electricity charges.

CC-3 Supply Chain Carbon Management

We constantly review the operation of carbon reduction programs in conjunction with suppliers and strive to establish a carbon management system along the supply chain by forging a cooperative network.

Laying the Basis for a Supplier Carbon Management System

We communicate with our suppliers to examine ways for mutually beneficial partnerships. Shifting external conditions, however, such as the enactment of new regulations, prompted us

to change our priorities in supporting suppliers. As a result, the planned development of a supplier carbon management system was not implemented. This plan will be reviewed and implemented in the upcoming years.

Appendix

Corporate Social Responsibility Principle

Purpose and Intent

The CSR Principles are fundamental guidelines to redefine our corporate social responsibility and build CSR into our company culture that serves as the bedrock of our business operations. These principles are the essence of our endeavors for providing the best-possible 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.

Regular Review and Report

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

Integrated CSR Management

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

Stipulation of CSR Policy

Our CSR policies, systems and issue-specific action plans must be clearly stipulated and disseminated both internally and externally

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 service 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 service 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.

so that they are executed across the board.

Regular CSR Diagnosis and Monitoring

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

Company-Wide CSR Training and Consensus-Building

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

Dialogue with Stakeholders and Information Disclosure

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

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.

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.

Awards

(As of Dec. 31, 2013)

Green/Sustainability Management		Brand Value	
 <ul style="list-style-type: none"> • Dow Jones Sustainability Indices • Included in the DJSI Asia Pacific 		 <ul style="list-style-type: none"> • Best Korea Brands • Supervised by Interbrand • KRW 778.1 billion in brand value in 2013 (Ranked 26th) 	
 <ul style="list-style-type: none"> • Carbon Disclosure Project • Awarded with a special award for carbon disclosure improvements 		 <ul style="list-style-type: none"> • Korea Brand Power Index • Supervised by the Korea Management Association Consulting • Ranked 1st for 11 straight years • Verified as Golden Brand for maintaining No. 1 ranking for more than 10 years 	
 <ul style="list-style-type: none"> • Green Star • Supervised by the Korea Management Association • Ranked 1st for two straight years 		 <ul style="list-style-type: none"> • Highest Brand of the Year • Supervised by Brandstock under the Yonsei Business Research Institute • Ranked 1st for four straight years 	
Corporate Reputation			
 <ul style="list-style-type: none"> • Korea's Most Admired Companies • Supervised by the Korea Management Association Consulting • Ranked 1st for four straight years 		 <ul style="list-style-type: none"> • National Brand Competitiveness Index • Supervised by the Korea Productivity Center • Ranked 1st for five straight years 	
Quality/Technology			
 <ul style="list-style-type: none"> • Korean Standard-Quality Excellence Index (KS-QEI) • Supervised by the Korean Standards Association • Ranked 1st for five straight years 		 <ul style="list-style-type: none"> • Excellent Quality Competitiveness Enterprise • Supervised by the Korean Standards Association • Awarded for four straight years 	

Government-led R&D Projects and Governmental Investment

Name of Project	Details	Total R&D Period	Governmental Investment	Category
Development of Intelligent Tire Systems	Developing intelligent tire technology for intelligent vehicles	Jun. 1, 2009 ~ May 31, 2014	KRW 962,300,000	Participation
Development of Clean Industrial Source Technology	Developing eco-friendly tire manufacturing technology through the use of urethane Uni-material	Jun. 1, 2010 ~ Mar. 31, 2015	KRW 4,338,870,000	Participation
Carbon-Reducing Ketone-Based Premium Fiber and Resin	Developing polyketone fiber composite materials	Sep. 1, 2010 ~ Mar. 31, 2019	KRW 2,354,470,000	Participation
Development of Biogas-Enabled 20KW Polymer Electrolyte Fuel Cell Systems for Buildings	Developing large-area molding separators for 20KW fuel cells	Dec. 1, 2011 ~ Nov. 30, 2014	KRW 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	Dec. 1, 2011 ~ Nov. 31, 2015	KRW 2,503,000,000	Supervision
Research Specialized in Next-Generation Military Power Systems	Developing lightweight thin separators for high-output fuel cell stacks	Jun. 5, 2012 ~ Dec. 31, 2014	KRW 105,000,000	Commission
R&D Project to Develop High-End Automobile Parts Brands under the Economic Region-Specific Base Organization Support Project	Securing core technology for motorsports tires and developing ultra high-performance racing tires that meet F1 requirements	Sep. 1, 2013 ~ Aug. 31, 2014	KRW 5,600,000,000	Supervision

Membership

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

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

Employee Data Summary

1. Total Staff

In the face of the global economic recession, we increased the number of new recruits. This proactive employment policy drove the number of our total staff including locally hired staff to rise nearly 7.4% in 2013 from 2012.

Company-wide

Unit : No. of persons

Category	2011		2012		2013	
	Number	Ratio	Number	Ratio	Number	Ratio
Korean	6,510	37.3%	6,837	34.6%	7,135	33.7%
Locally Recruited	10,962	62.7%	12,900	65.4%	14,059	66.3%
Total	17,472	100.0%	19,737	100.0%	21,194	100.0%

2. Staff by Employment Type

In 2013, the number of our office staff and operators increased by 1,013 and 444 respectively. Specifically, the expansion of subsidiaries and production bases resulted in an increasing ratio of office staff.

Company-wide

Unit : No. of persons

Category	2011		2012		2013	
	Number	Ratio	Number	Ratio	Number	Ratio
Office Staff	4,240	24.3%	4,433	22.5%	5,446	25.7%
Operators	13,232	75.7%	15,304	77.5%	15,748	74.3%
Total	17,472	100.0%	19,737	100.0%	21,194	100.0%

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.

Global Staff by Region (Company-wide)

Unit : No. of persons

Category	2011		2012		2013	
	Number	Ratio	Number	Ratio	Number	Ratio
Korea	6,292	36.0%	6,597	33.4%	6,865	32.4%
China	8,210	47.0%	9,130	46.3%	9,506	44.9%
Europe	2,480	14.2%	2,695	13.7%	2,992	14.1%
America	230	1.3%	235	1.2%	263	1.2%
Middle East/Asia Pacific	260	1.5%	1,080	5.5%	1,568	7.4%
Total	17,472	100.0%	19,737	100.0%	21,194	100.0%

Locally Hired Staff by Region (Company-wide)

Unit : No. of persons

Category	2011		2012		2013	
	Number	Ratio	Number	Ratio	Number	Ratio
Korea	0	0.0%	0	0.0%	0	0.0%
China	8,147	99.2%	9,042	99.0%	9,423	99.1%
Europe	2,398	96.7%	2,633	97.7%	2,907	97.2%
America	200	87.0%	204	86.8%	228	86.7%
Middle East/Asia Pacific	217	83.5%	1,021	93.7%	1,501	95.7%
Total	10,962	62.7%	12,900	65.4%	14,059	66.3%

4. Female Staff and Their Reinstatement After Maternity Leave

As part of our commitment to hiring more female employees, we are increasing our recruitment of women in departments related to manufacturing operations as well as placing women in production-related positions such as semi-finished product manufacturing and inspection. As a result, the number of our female workers rose by 182 in total in 2013 : the number of our female office staff and female operators increased by 94 and 88 respectively.

Employment of Female Staff (Company-wide)

Unit : No. of persons

Category	2011		2012		2013	
	Number	Ratio	Number	Ratio	Number	Ratio
Female	1,176	6.7%	1,393	7.1%	1,575	7.4%
Male	16,296	93.3%	18,344	92.9%	19,619	92.6%
Total	17,472	100.0%	19,737	100.0%	21,194	100.0%

New Female Recruits (in Korea)

Unit : No. of persons

Category	2011		2012		2013	
	Number	Ratio	Number	Ratio	Number	Ratio
Female	59	9.6%	75	13.0%	72	12.5%
Male	553	90.4%	501	87.0%	504	87.3%
Total	612	100.0%	576	100.0%	577	100.0%

Female Staff by Employment Type (Company-wide)

Unit : No. of persons

Category	2011			2012			2013		
	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%	847	4,944	17.1%
Operators	488	13,232	3.7%	640	15,304	4.2%	728	16,250	4.5%
Total	1,176	17,472	6.7%	1,393	19,737	7.1%	1,575	21,194	7.4%

Reinstatement of Female Staff after Maternity Leave (In Korea and Overseas Plants)

Unit : No. of persons

Category	2011			2012			2013		
	Those Who Took Maternity Leave	Those Who Returned to Work	Reinstatement Rates	Those Who Took Maternity Leave	Those Who Returned to Work	Reinstatement Rates	Those Who Took Maternity Leave	Those Who Returned to Work	Reinstatement Rates
Korea	10	8	80.0%	15	15	100.0%	22	20	90.9%
Overseas Plants	24	18	75.0%	31	24	77.4%	35	29	82.9%

5. Staff with Disabilities

To advance diversity management, we will conduct job analyses to broaden the scope of work that can be performed by staff with disabilities and expand our employment of such challenged individuals.

In Korea

Unit : No. of persons

Category	2011	2012	2013
	Number	Number	Number
Disabled Staff	81	83	83

6. Resignation

We are committed to encouraging our staff to fully engage in their job and the company based on our talent-centered management philosophy. Such efforts resulted in a slight drop in resignation rates in 2013 from 2012.

In Korea

Unit : No. of persons

Category	2011	2012	2013
	Number	Number	Number
Office Staff	169	119	118
Operators	92	123	130
Resignation Rates(%)*	4.0	3.5	3.4

* Resignation Rate(%) = No. of resignees during the concerned period / No. of current employees at the reference point x 100

7. Average Length of Service

We guarantee stable employment based on our sustained growth.

Company-wide

Unit : No. of persons

Category	2011	2012	2013
Korea	11.4	11.6	11.4
Locally Hired	4.5	5.3	4.7

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

8. Average Wage and Gender Equality 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 without gender discrimination in terms of other policies, defined by benefit pension plans and welfare & benefits in addition to wage.

GRI G4 Index Table

Standard Disclosures	Indicators	Index Number	Report Content	Pages
General Standard Disclosures				
Strategy and Analysis	Sustainability organization, CEO statement on sustainability	G4-1	Message from the CEO, Integrated CSR Management System	4~5, 10~13
	Description of key risks and opportunities	G4-2	Integrated Risk Management, Disclosures on Management Approach (DMA)	24~28, 34, 38, 44, 50, 58, 64, 68, 74
Organizational Profile	Basic data on the reporting organization	G4-3, G4-4, G4-5, G4-6, G4-7, G4-8, G4-9	Company Profile	6~9
	Employee data on the reporting organization	G4-10, G4-11	Employee Value Creation, Appendix	40, 80~81
	Change in and management of the supply chain and the reporting organization	G4-12, G4-13, G4-14	Responsible Corporate Governance, Integrated Risk Management, External Stakeholder Satisfaction Management, DMA	22~28, 34, 38, 44~50, 58, 64, 68, 74
	Major initiatives and memberships	G4-15, G4-16	Appendix	79, 83
Identified Material Aspects and Boundaries	Material issue identification process and list	G4-17, G4-18, G4-19	Company profile, Materiality Analysis	6, 16~17
	Reporting scope of each material issue	G4-20, G4-21, G4-22, G4-23,	About This Report	2~3
Stakeholder Engagement	Key stakeholders and their engagement	G4-24, G4-25, G4-26, G4-27	Integrated CSR Management System, Materiality Analysis	10~17
Report Profile	Report content and scope	G3-28, G4-29, G4-30, G4-31	About this report	2~3
	GRI Index Table	G4-32	Appendix	82~83
	Assurance	G3-33	Appendix	84~85
Governance	The role of the top decision-making body and committees	G4-34, G4-35, G4-36, G4-37, G4-38, G4-39, G4-40, G4-41, G4-42, G4-43, G4-44, G4-45, G4-46, G4-47, G4-48, G4-49, G4-50	Integrated CSR Management System, Responsible Corporate Governance	10~15, 22~23
	Remuneration policy	G4-51, G4-52, G4-53	Responsible Corporate Governance	22
	Ratio of total annual compensation and ratio on increase in total annual compensation	G4-54, G4-55	Responsible Corporate Governance	22(G4-55 Not reported)
Ethics and Integrity	Code of ethics, Help Line	G4-56, G4-57, G4-58	Transparency & Business Ethics	28~33
Specific Standard Disclosures				
Disclosures on Management Approach		G4-DMA	Disclosures on Management Approach	28, 34, 38, 44, 50, 58, 64, 68, 74
Economy	Economic performance	G4-EC1, G4-EC2, G4-EC3, G3-EC4	Company Profile, Environmental Management, Appendix	6, 77, 80~81(EC1 was partially reported)
	Market presence	G4-EC5, G4-EC6	Appendix	80~81
	Indirect economic impacts	G4-EC7, G4-EC8	External Stakeholder Satisfaction Management	52~55
	Procurement practices	G4-EC9	External Stakeholder Satisfaction Management	66~69
Environment	Materials	G4-EN1, G4-EN2	Environmental Management	73
	Energy	G4-EN3, G4-EN4, G4-EN5, G4-EN6, G4-EN7	Environmental Management	75~77
	Water	G4-EN8, G4-EN9, G4-EN10	Environmental Management	73
	Biodiversity	G4-EN11, G4-EN12, G4-EN13, G4-EN14	-	Not reported
	Emissions	G4-EN15, G4-EN16, G4-EN17, G4-EN18, G4-EN19, G4-EN20, G4-EN21	Environmental Management	70~71, 76~77
	Effluents and Waste	G4-EN22, G4-EN23, G4-EN24, G4-EN25, G4-EN26	Environmental Management	73
	Products and services	G4-EN27, G4-EN28	Environmental Management	71~72
	Compliance	G4-EN29	-	N/A
	Transport	G4-EN30	-	Not reported
	Overall	G4-EN31	Environmental Management	77
	Supplier environmental assessment	G4-EN32, G4-EN33	External Stakeholder Satisfaction Management	66~69
	Environmental grievance mechanisms	G4-EN34	Environmental Management	70~71, 77
Labor Practices and Decent Work	Employment	G4-LA1, G4-LA2, G4-LA3	Employee Value Creation , Appendix	40~43, 80~81
	Labor/management relations	G4-LA4	Employee Value Creation	40
	Occupational health and safety	G4-LA5 G4-LA6, G4-LA7, G4-LA8	Employee Health & Safety Management	36~37

Standard Disclosures	Indicators	Index Number	Report Content	Pages
Labor Practices and Decent Work	Training and education	G4-LA9, G4-LA10, G4-LA11	Employee Value Creation	42
	Diversity and equal opportunity	G4-LA12	Employee Value Creation, Appendix	40~43, 80~81
	Equal remuneration for women and men	G4-LA13	Appendix	80~81
	Supplier assessment for labor practices	G4-LA14, G4-LA15	External Stakeholder Satisfaction Management	66~69
	Labor practices grievance mechanisms	G4-LA16	Employee Value Creation	40
Human Rights	Investment	G4-HR1, G4-HR2	Integrated Risk Management, External Stakeholder Satisfaction Management	26~27, 66~69
	Non-discrimination	G4-HR3	-	N/A
	Freedom of association and collective bargaining	G4-HR4	Employee Value Creation	40
	Child labor	G4-HR5	-	N/A
	Forces of compulsory labor	G4-HR6	-	N/A
	Security practices	G4-HR7	-	N/A
	Indigenous rights	G4-HR8	-	N/A
	Assessment	G4-HR9	Integrated Risk Management	26~27
	Supplier human rights assessment	G4-HR10, G4-HR11	External Stakeholder Satisfaction Management	66~69
	Human rights grievance mechanisms	G4-HR12	Employee Value Creation	40
Society	Local communities	G4-SO1, G4-SO2	External Stakeholder Satisfaction Management	52~55
	Anti-corruption	G4-SO3, G4-SO4, G4-SO5	Transparency & Business Ethics	30~33
	Public policy	G4-SO6	-	N/A
	Anti-competitive behavior	G4-SO7	-	N/A
	Compliance	G4-SO8	-	N/A
	Supplier assessment for impacts on society	G4-SO9, G4-SO10	External Stakeholder Satisfaction Management	66~69
	Grievance mechanisms for impacts on society	G4-SO11	External Stakeholder Satisfaction Management	62~63
Product Responsibility	Customer health and safety	G4-PR1, G4-PR2	External Stakeholder Satisfaction Management, Environmental Management	61~63, 71~72
	Product and service labeling	G4-PR3, G4-PR4, G4-PR5	Brands & Products, External Stakeholder Satisfaction Management	7, 63, 67
	Marketing communications	G4-PR6, G4-PR7	-	N/A
	Customer privacy	G4-PR8	-	N/A
	Compliance	G4-PR9	-	N/A

UN Global Compact

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

Principle	Report Content	Page
Human Rights	Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights.	Employee Value Creation 38~43
	Principle 2. Businesses should ensure they are not complicit in human rights abuses.	Win-Win Supply Chain Partnership 44~49
Labor	Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	Employee Value Creation 38~43
	Principle 4. Businesses should uphold the elimination of all forms of forced and compulsory labor.	Employee Value Creation 38~43
	Principle 5. Businesses should uphold the effective abolition of child labor.	Win-Win Supply Chain Partnership 44~49
	Principle 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.	Employee Data Summary 80~81
Environment	Principle 7. Businesses should support a precautionary approach to environmental challenges.	
	Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility.	Environmental Management 68~77
	Principle 9. Businesses should encourage the development and diffusion of environmentally friendly technologies.	
Anti-Corruption	Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery.	Transparency & Business Ethics 28~33

Independent Assurance Statement

To the Management of the “Hankook Tire CSR Report 2013/14”

The Institute for Industrial Policy Studies (hereafter “Auditor”) was engaged by Hankook Tire to review information specified in its Hankook Tire CSR Report 2013/14 (hereafter “Report”) to provide an independent third-party assurance on the reported content. On the basis of the above, the Auditor presents the following independent statement of assurance.

Responsibility and Objective

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

Assurance Criteria and Standards

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

Assurance Scope	Contents of the “Hankook Tire CSR Report 2013/14” by Hankook Tire
Assurance Type & Level	Type II, Moderate
Assurance Criteria	- “IPS Assurance Manual” to verify compliance against AA1000AS (2008) standard's three core principles - “IPS Performance Indicators Assurance Criteria” to assess the reliability of performance indicators - GRI Guideline's “in accordance” options - B.E.S.T Guideline's “reporting level”

* AA1000AS is a sustainability assurance standard developed by the UK-based Institute of Social and Ethical Accountability (AccountAbility) in November 1999 to assure organization-wide sustainability performance and accountability by improving the quality of accounting, auditing and reporting practices in the social and business ethics domain. The revised 2008 version has been in effect since 2010

** The GRI G4 Guideline was established by the GRI, convened by the Coalition for Environmentally Responsible Economies (CERES) and UNEP in 1997. After the first universal GRI sustainability reporting guidelines for multinationals was released in 2000, the latest G4 version was introduced in May 2013, with enhancements in supply chain, governance, ethics & integrity, anti-corruption, GHG emissions & energy disclosures

***The B.E.S.T Guideline was jointly developed by the Ministry of Commerce, Industry, and Energy (MOCIE), the Korea Chamber of Commerce and Industry (KCCI), and the Institute for Industrial Policy Studies (IPS) in 2006 as a sustainability reporting and assurance guideline, and provides for five levels of reporting rigor (Level 1 ~ 5)

Work Undertaken and Scope

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

- Review of the Company's materiality assessment processes and results
- Review of the Company's stakeholder engagement processes
- Interviews with persons responsible for each performance dimension and individuals in charge of collecting performance data to determine the adequacy of the reported content
- On-site review of the Head Office and business establishment (Daejeon Plant) to assess systems and processes in place for the collection and reporting of raw performance data (March ~ April, 2014)
- Review of reference materials underlying key economic, social, and environmental performance data
- Sample test to ascertain the completeness and accuracy of information contained in the Report with regard to material issues
- Review of the Report's compliance against GRI/B.E.S.T reporting guidelines

Limitations

The scope of this undertaking was limited to:

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

Assurance Findings

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

[Inclusivity]

Is the Company's stakeholder engagement strategy-setting and related processes adequate?

Recognizing the importance of stakeholder participation in CSR, the Company was found to have established a process for stakeholder engagement to better reflect engagement findings in its management activities. The Auditor noted work by Hankook Tire to build up engagement channels for key identified stakeholder groups and efforts to gather and compile their views.

The Auditor took particular note of the variety of communication channels being managed by the Company for key stakeholder groups (ex. meetings with the CEO, customer roundtables, quality and CSR training for suppliers, collecting grievances from the local community, etc.), as well as efforts by Hankook Tire to assess core stakeholder demands from these engagement channels so that they can be reflected back into the Company's business activities. Also, consistent with the principle of inclusivity, the Company has established an annual dialogue process as a platform for sharing its CSR plans and outcomes with all stakeholders.

[Materiality]

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

It is the Auditor's view that the Report does not omit or exclude issues of importance to the CSR activities of Hankook Tire. The Auditor confirmed efforts by the Company to identify and report on issues of material importance to its stakeholders via a three-step process (data collection for relevant issues, assessment of interest and importance, prioritization of issues) to uncover and report on

issues of importance to Hankook Tire's business and stakeholders. Notably, with regard to its materiality assessment process, the Company has expanded the scope of stakeholders to include external stakeholders, while working to provide a balanced and inclusive account of issues at a level above the "thresholds" outlined in the GRI G4 Guideline, which is consistent with the principle of materiality.

[Responsiveness]

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

The Auditor found Hankook Tire to be responding adequately to issues of concern and interest to its stakeholders. It has established various stakeholder communication channels, while trying to provide a better account of the Company's response to issues identified via stakeholder communication as well as their outcomes.

Notably, as part of its efforts to better identify and respond to core stakeholder demands, Hankook Tire has been utilizing diverse stakeholder-specific communication channels including an internal company channel, customer satisfaction surveys, round-table meetings with the local community etc., while also disclosing the Company's position on issues with weak performance, its response to date, and future plans - in line with the principle of responsiveness.

[GRI "In Accordance" Criteria]

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

[Reliability of Performance Indicators]

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

Category	Aspect	Performance Indicator
Economic performance	Indirect economic impact such as local job creation and increase in tax revenue	Strengthening brand image through B2B communication (p.66)
Ethics management	Eradicating all forms of corruption and bribery	Assessment score on ethics management : 82 points (settled/established phase)
Value creation for management and employees	A safe and healthy workplace	Safety inspections and campaigns : 121 counts
Product accountability and sound marketing activities	Development and sales of products that care about customers' health and safety	Expressway safety inspection campaign : 21,571 vehicles
Environmentally-friendly management and "green" workplace	Greenhouse gas reduction and energy conservation	Greenhouse gas reduced : 2,121 tCO ₂ eq/year

Listed above are performance indicators for select "Aspects"; the performance indicators for all 26 "Aspects" have been reviewed

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

In view of the coverage and reliability of the information provided, the Auditor finds the Report to fulfill 94.2% of the reporting requirements necessary to qualify for a Level 4 Report (on a scale of Level 1 to 5) relative to the B.E.S.T Guidelines.

Recommendations

The Auditor found the "CSR Report 2013/14" by Hankook Tire commendable in the following respects. The Report 1) represents a higher level of DMA disclosure, providing a detailed account of its CSR initiatives - background, management, performance, and plans - by respective "Aspect"; 2) reflects the "CSR Steering Wheel" based on the Company's integrated CSR management system, enabling systematic identification, management, and reporting of key CSR issues; and 3) applies the latest reporting guidelines to be responsive to new developments in CSR reporting.

For future reports, the Auditor recommends considering the following.

- Develop a monitoring system and feedback process for CSR initiatives and outcomes
- Strengthen development, management, and reporting of potential "issues" taking into consideration stakeholder interests and business impact
- Strengthen reporting on the Company's response to stakeholder demands and expectations
- Quantify, manage, and report on "qualitative activities" undertaken for CSR-related issues

Independence

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

Qualifications of the Auditor

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



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May 26, 2014

Chairman, The Institute for Industrial Policy Studies

Lee, Yoon-Cheol

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