

# SUSTAINABLE MOBILITY

HANKOOK TIRE CSR REPORT

2016/17

 **Hankook**  
driving emotion

# CONTENTS

## Interactive User Guide

The Hankook Tire CSR Report 2016/17 features dynamic functionalities and is published in an interactive PDF format. This allows our readers to more easily find and pinpoint any information they query, which adds to the pleasure of reading this report. With just a click on the icons within the report or the titles on the top of each page, the concerned page comes up immediately.

- HOME**  
Move to the cover page
- Table of Contents**  
Move to the table of contents page
- Previous Page**  
Flip back to the previous page
- Next Page**  
Flip to the next page
- Move to the Website**  
Navigate to the designated website
- Video Link**  
Navigate to the video

## INTRO

3

CEO Message  
Company Profile  
Brand Portfolio  
Sustainable Value Chain

## HIGHLIGHTS

9

Creation of Technodome

**Technodome,  
Our Journey towards Innovation**



Innovation of Our Corporate Culture

**Evolution of Proactive Culture that  
Values the Spirit of Challenge and  
Innovation**



## INTEGRATED CSR MANAGEMENT SYSTEM

16

Integrated CSR Management System  
Interview with Stakeholders  
CSR Vision 2020 Roadmap  
Materiality Analysis  
CSR Steering Wheel 2016/17

## CONSTANT MONITORING AREAS

29

## CSR FOCUS AREAS

36

## OUTRO

77

### CG

Responsible  
Corporate Governance



### IR

Integrated  
Risk Management



### FOCUS 01. CS

Customer Satisfaction  
& Quality  
Management



### FOCUS 02. CI

Community  
Involvement  
& Development



**FOCUS 03. BE**  
Transparency  
& Business Ethics



**FOCUS 04. IE**  
Integrated  
Environmental  
Management



**FOCUS 05. CC**  
Climate Change &  
GHG Management



**FOCUS 06. EV**  
Employee  
Value Creation



**FOCUS 07. HS**  
Employee Health &  
Safety Management



**FOCUS 08. SC**  
Win-Win Supply  
Chain Partnership



About This Report  
Performance Summary  
GRI Index

## APPENDIX 89

CSR Principle  
UN SDGs & UNGC  
Awards and Memberships  
Independent Assurance  
Statement  
Hankook Tire Employees  
Involved in the Creation of  
the CSR Report 2016/17,  
CSR Communication Channel



# ***INTRO***

CEO Message  
Company Profile  
Brand Portfolio  
Sustainable Value Chain



# CEO Message



Dear Valued Stakeholders,

First of all, let me express my heartfelt gratitude for your firm and ceaseless support for our sustainable growth at Hankook Tire.

The year 2016 was certainly challenging for Hankook Tire as the global economy has been stuck in low-growth trap, which aggravated competition in tire industry. Despite such unfavorable business conditions, Hankook Tire expand its OE tire supplies to high-end models of global premium car makers, such as BMW 7 Series and Audi Q7. Hankook Tire was also widely recognized by global customers as its high quality products and premium brand value through increasing sales of ultra high performance tires in advanced markets.

Furthermore, Hankook Tire Technodome, which will serve as the cradle of our fundamental and future technology, was successfully completed to solidify our R&D infrastructure while our Tennessee Plant, located at the heart of the global automotive market in the U.S., initiated its mass production, which demonstrates that we are fully ready to deliver the tires with unrivaled quality to customers across the globe. Indeed, it was through such dedication and commitment of our employees that made Hankook Tire possible to reach KRW 6.6218 trillion in sales and KRW 1.1032 trillion in operating profits last year.

In addition to financial performance, we also endeavor to create social and environmental value. This is evidenced in our success in joining the Dow Jones Sustainability Index World (DJSI World) for the first time in 2016. This is deeply meaningful as this honor is granted to only those companies who generate balanced yet outstanding outcomes in all of economic, social and environmental areas and thus prove their exceptional sustainability.

Through this 8<sup>th</sup> Report, Hankook Tire tried to disclose transparently its efforts and achievements in financial, social, and environmental areas as well as its mid-to long-term CSR Strategy. While declaring our endorsement for and faithful implementation of the UN Global Compact and the Sustainable Development Goals (SDGs).

Each of everyone of us at Hankook Tire is determined to build capability to become globally competitive in every possible area based on our creative and innovative corporate culture. This will surely drive our execution of sustainable growth strategy so that we strengthen our reputation as a global top tier brand. We would like to appreciate deeply your lasting interest and encouragement.

Thank you.



**Seung Hwa Suh**  
 Vice Chairman & CEO  
 Hankook Tire



# Company Profile

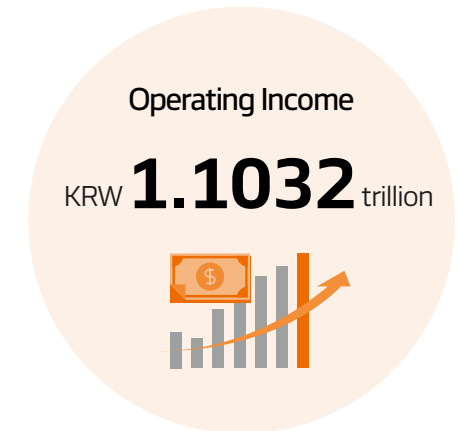
Established back in 1941, we emerged as the world's 7th largest tire company, building on our competitive edge in quality and brand value based on our technological leadership. Today, we deliver the best-possible driving experience to customers in more than 180 countries around the world.

## Company Overview

In the face of the challenging business conditions of 2016, we continued to invest in R&D and technological prowess to grow into a 'Leading Global Tire Company that Provides Customers with Value and Pleasure'. These endeavors drove us to reach KRW 6.6218 trillion in sales and KRW 1103.2 billion in operating income in 2016. We also faithfully fulfill our responsibility as a corporate citizen to usher in a sustainable society that delivers a contented and flourishing life for all.

<b>Company Name</b>	Hankook Tire Co., Ltd.
<b>Sales</b>	KRW 6.6218 trillion
<b>Operating Income</b>	KRW 1.1032 trillion
<b>Operating Margin</b>	16.7%
<b>Total Assets</b>	KRW 9.6220 trillion
<b>Total Equity</b>	KRW 5.9615 trillion
<b>Date of Establishment</b>	September 3, 2012 <sup>1)</sup>
<b>IPO</b>	October 4, 2012 <sup>1)</sup>
<b>(Initial Public Offering)</b>	
<b>CEO</b>	Seung Hwa Suh
<b>Type of Business</b>	Manufacturing, reproducing, processing and selling automobile tires, tubes and components
<b>Headquarters</b>	133, Teheran-ro, Gangnam-gu, Seoul, Korea (Yeoksam-dong)
<b>Telephone</b>	82-2-2222-1000

1) Established as a result of the spin-off of the tire operation of former Hankook Tire as of September 1, 2012, and listed on the stock market on October 4, 2012



## Mission & Vision

### Mission Frame



### Vision Frame





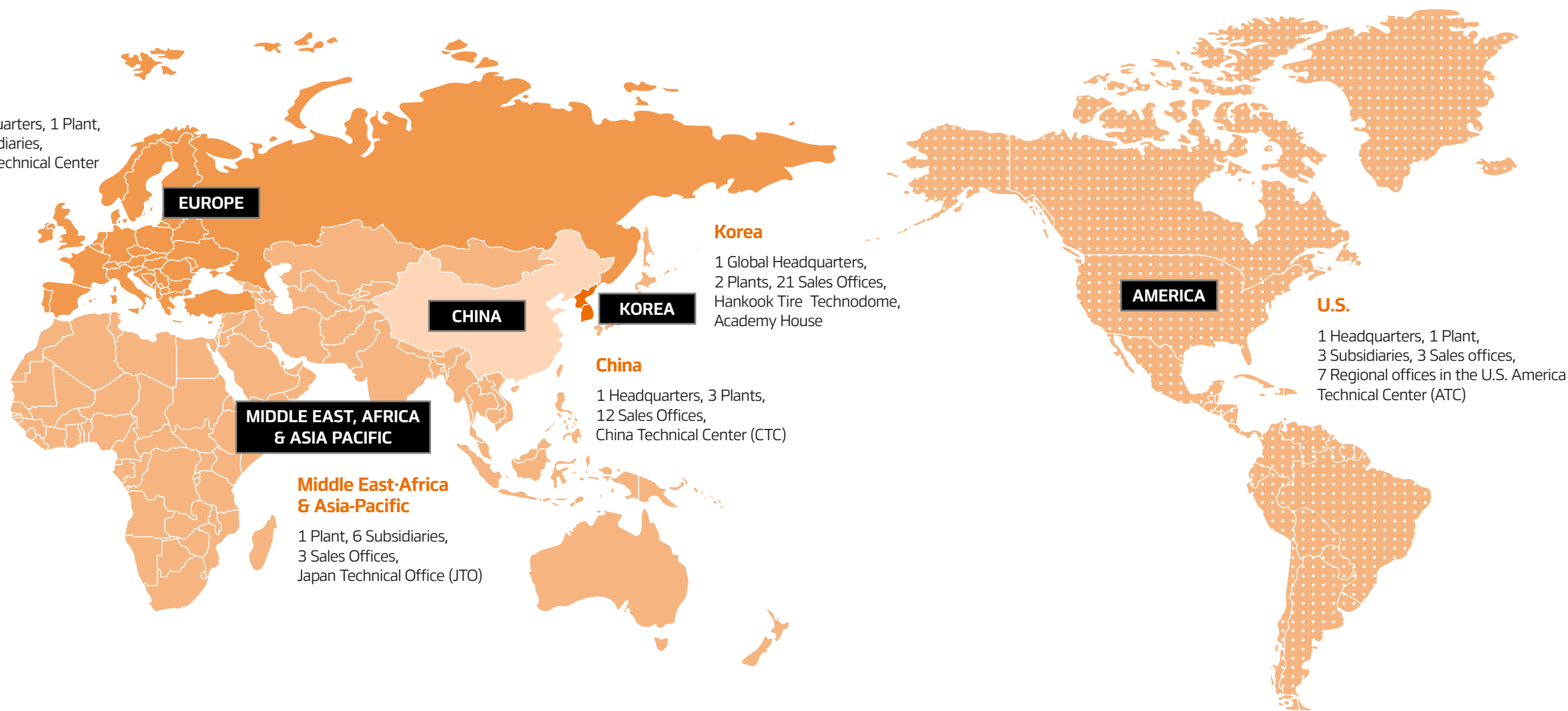
## Global Network

Our global operations are segmented in five different regions and we implement strategies that best meet the distinctive characteristics of these regions to pursue balanced growth, both in the advanced and emerging automobile markets. Our vast sales network spans across China, Europe, the Americas, the Middle East & Africa, and Asia-Pacific as well as Korea where we are headquartered, and this allows us to deliver products that meet local customer needs. Furthermore, our OE Office serves as a communication channel for our original equipment tire business in Korea, China, Germany, the U.S., Japan, and Indonesia in order to forge close partnerships with globally-renowned automakers.

<b>Korea</b>	Practicing an integrated management of key business locations across 30 countries and developing innovative technology for the future
<b>China</b>	Enhancing our corporate image as a premium brand by increasing our product supply and diversifying distribution channels
<b>Europe</b>	Delivering products and services that immediately reflect the needs of advanced markets
<b>Americas</b>	Continuously increasing our market share in the Americas through proactive marketing investments
<b>Middle East, Africa &amp; Asia Pacific</b>	Accelerating the down streaming of region-specific distribution operations to lay the basis to pursue both quantitative and qualitative expansion

### Europe

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



### Middle East-Africa & Asia-Pacific

1 Plant, 6 Subsidiaries, 3 Sales Offices, Japan Technical Office (JTO)

### China

1 Headquarters, 3 Plants, 12 Sales Offices, China Technical Center (CTC)

### Korea

1 Global Headquarters, 2 Plants, 21 Sales Offices, Hankook Tire Technodome, Academy House

### U.S.

1 Headquarters, 1 Plant, 3 Subsidiaries, 3 Sales offices, 7 Regional offices in the U.S. America Technical Center (ATC)



# Brand Portfolio

Driven by our brand strategy and distribution network that spans the globe, we deliver products of unrivaled quality that cater to local characteristics and customer needs. We have four strategically-positioned global tire brands, and we are building a cutting-edge total automobile service system that revolves around tires in order to get even closer to our global customers. Providing never-experienced-before driving value to customers across the world, we are evolving into a truly global top-tier brand.

## Product Portfolio



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

**ventus**

Ultra-high performance tires and racing tires

**Smart**

Economical tires for the domestic market

**KINERGY<sup>ECO</sup>**

Eco-friendly tires for the global market

**vanTRA**

Van tires

**entfren<sup>eco</sup>**

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

**Winter i\*Pike**

Winter tires (Stud)

**Dynapro**

SUV tires

**Winter i\*cept**

Winter tires (Studless)

**Laufenn**  
Journey in Style

Laufenn was created back in 2014 to deliver a practical and economical driving experience to drivers who pursue a simple yet sophisticated lifestyle. Laufenn is broadening its sales network, starting with the Americas and China in 2015 and then to Europe, the Middle East, and Asia in 2016. It also provides a wide spectrum of product offerings that are elaborately designed to cater to global customer requirements, from S Fit (high-performance and sports tires), G Fit (general passenger car tires), X Fit (LT and SUV tires), to I Fit (winter tires).

**S FIT G FIT X FIT I FIT**

**Aurora**

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

**RouteMaster**

**KINGSTAR**

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

**ROAD FIT**

## Distribution

**T'Station** 

T'Station represent our premium distribution service channel that provides 'Smart Care' specifically designed for passenger cars and small trucks. We opened our very first T'Station in January of 2005, and as of 2016, we operate nearly 560 T'Station branches across the nation. Our ultimate goal for 2017 is to open the 600th T'Station. Our T'Station branches are fitted with State-of-the-art equipment such as the Road Force Measurement (RFM) system, 3D wheel alignment, and ultra high-performance tire changers with an aim to deliver premium total services.

**Hankook Masters**

In 2011, we extended the scope of our Hankook Masters membership program - which previously was solely under operation in Europe - to the Middle East and Asia-Pacific to eventually build a comprehensive global retail network. Currently, this membership program includes approximately 3,200 Hankook Masters members in 10 major European countries, China, Saudi Arabia, Australia, and Indonesia. Furthermore, we are closely engaged in communicating with large-scale discount stores and automobile dealers in North America while launching localized marketing programs for key local distributors as a way to broaden our customer contact points.

**TBX<sup>PRESS</sup> Hankook Truck Masters**

TBX, our distribution channel dedicated to trucks and buses, serves to sell our Truck Bus Radial (TBR) tires and provide recycled tire services. In 2016, nearly 530 TBX branches were operated to effectively deliver both sales and after-sales services for large-size tires in Korea and China, and they are fitted with cutting-edge equipment. In major European countries, we operate Hankook Truck Masters as a service network specializing in truck and bus tires.

**T'Station**  **LUXTUDIO**

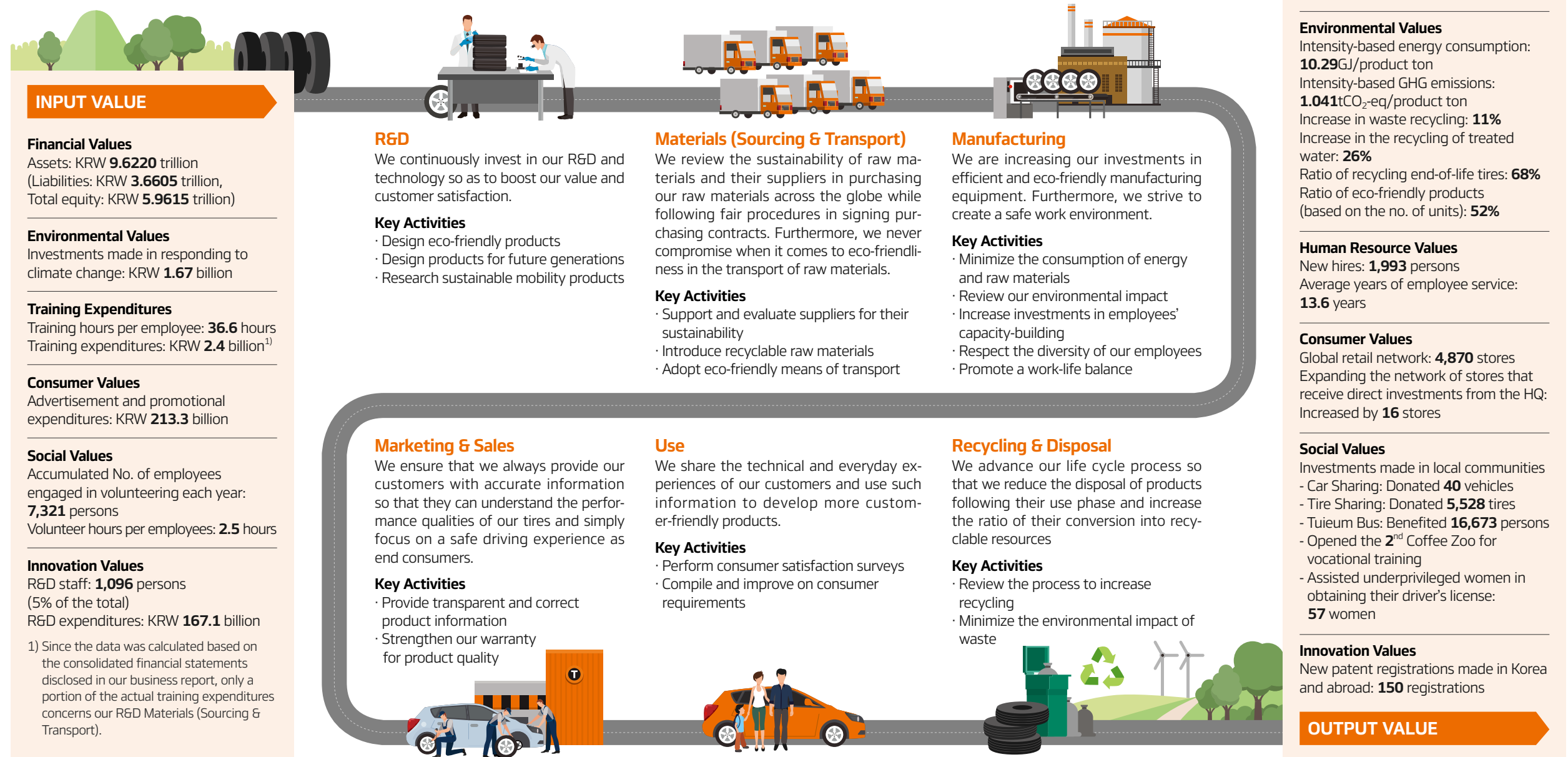
Luxtudio, whose brand name originates from combining 'Luxury' and 'Studio', provides high-end premium services. In line with the growing demand for premium high-performance vehicles, Luxtudio caters to the needs of customers who are looking for ultra high-performance tires through its specialized services.



# Sustainable Value Chain

## From Rubber to Mobility

At Hankook Tire, we create stakeholder values throughout the entire business process, from R&D and the procurement of raw materials to manufacturing, sales, use, recycling and disposal. In so doing, we strive to contribute to the sustainable growth of our society. We vow to share even greater values with our stakeholders and make progress as a corporate citizen that fulfills its social responsibility.





# HIGHLIGHTS

**HIGHLIGHT 1** Technodome, Our Journey towards Innovation

**HIGHLIGHT 2** Evolution of Proactive Culture that Values  
the Spirit of Challenge and Innovation

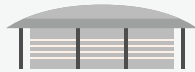


Creation of Technodome

# Technodome, Our Journey towards Innovation

Investments  
in Technodome

KRW **2,644** billion



Global R&D staff

**1,096** persons  
(5% of the total workforce)



Patents granted

**1,861** patents  
(in Korea and abroad)



Driving Simulation Center

## Continuous R&D Investments

### A Space of Reason and Emotion

Hankook Tire opened Technodome, a new high-tech R&D facility that represents the culmination of its advanced tire technology. Designed to become a premier R&D center, all its facilities are optimized according to the R&D characteristics of respective laboratories. The development of this new R&D center was preceded by a far-reaching and in-depth survey of individual researchers, and the survey results were used to create four distinctive spaces for Performance, Collaboration, Focus and Learning and to ensure that these spaces are allocated in the most optimal way.

**Driving Simulation Center** • Our researchers can use the simulations to immediately test the materials and tires they created for their characteristics and performance. Since the center enables us to replace a significant part of the vehicle testing with simulations, this helps save time and reduce costs while allowing for more proactive research.

### Suspension Parameter Measuring Machine (SPMM)

• The Suspension Parameter Measuring Machine (SPMM) digitizes and stores all vehicle characteristic values generated when a vehicle is driven with its tires on. Our driving simulations are enabled by these data and track characteristic values measured by the SPMM.

**Tire Noise Measuring Room** • The Tire Noise Measuring Room is insulated with a special sponge wall to completely cut out any outside noise so that only the sounds generated from rolling tires are heard inside. Tests can be performed with tires

on, and under a wide range of road surface conditions. The scope of such testing includes acceleration noises, which are critical to electric vehicles, as well as brake noises.

**Tire Workshop** • Our eight laboratories, where tires or real specimens are required, are equipped with the Tire Workshop. While our employees had to bring tires or specimens to their workshop previously, this new facility eliminated such need and thus creates the optimal research environment that encourages the generation of proactive ideas.

Furthermore, innovative work spaces such as the Focus Box assist our researchers to fully engage in their work, and the entire work environment is driven by a circulation strategy optimized for our tire research and development processes.

### Cradle of R&D Talent Who Sets the Trend of Tire Technology

In the face of the sluggish global job market spurred on by the economic downturn, we constantly increased our investment in human resources to reach our R&D vision and ultimately secured a 1,000-strong global R&D workforce (which accounts for 5% of our employees). Hankook Tire Technodome not only attracts attention on account of its fabulous architectural qualities, but also serves as a smart workspace that encapsulates the spirit of change & innovation and convergence & creation. The fresh and inspiring ideas generated by its top-notch talent will enable us at Hankook Tire to spearhead future tire technology and push the boundary of our R&D endeavors.



## Realizing Corporate Environmental Values

The value of eco-friendliness was embedded in each phase of the production of Technodome - from site selection to design and even construction. Furthermore, such value was realized by minimizing energy consumption through the use of natural energy sources. This made Technodome the only building in Korea that attained a LEED Gold rating in accordance with this most prestigious global green building certification program.

**Site Selection** • We intended to minimize the use of cars in selecting the location of Technodome. Its location lends to an easy commute by bicycle, and the center even has shower and changing rooms for the convenience of such bicyclists. We also provide ample storage for bicycles, which makes the commute even easier.

**Water Use** • There is a large pond in front of Technodome which in and of itself functions as a small ecosystem. The rainwater that falls from the round-shaped roof trickles into the pond and the collected water is used for landscape management. Furthermore, Technodome is equipped with its own treated water supply facility to fundamentally reduce our water consumption.

**Construction Materials** • When we transport materials from afar, our consumption of fossil fuel naturally increases. This is why we locally sourced more than 30% of the construction materials for Technodome. We also fully used recycled materials in order to reduce the environmental load generated when raw materials are developed and processed.

Attained a Gold Rating  
in accordance with the  
green building certification  
program LEED<sup>1)</sup>



1) LEED (Leadership in Energy & Environment Design)

**Energy Use** • The Technodome building uses geothermal energy and the dormitory is equipped with solar cells to independently source some of the energy. The building was elaborately designed to prevent the excessive penetration of sunlight, thereby preventing the building from turning into a greenhouse. We also increased the number of openable windows to improve ventilation and maintain a pleasant environment. Furthermore, high-performance insulation and natural lighting was installed to minimize energy consumption.

**Air Purification** • Technodome is fitted with carbon dioxide sensors and initiates air purification if a predetermined level of carbon dioxide is exceeded. Smoking is prohibited within the building and the center was constructed with certified paints and adhesives to refrain from the use of volatile organic compounds.

## Collaborating with Norman Foster, the World-Acclaimed Architect

As a result of our rigorous review of nearly 100 architects, we chose Norman Foster and Foster & Partners to construct our new R&D center with the belief that this partnership would allow us to embody our innovation at Hankook Tire in the most genuine way possible. Norman Foster is the famed architect behind such symbols of innovation as Apple's office building and the McLaren Technology Centre, and Technodome represents the beginning of our meaningful relationship with this world-acclaimed architect. The result of this close partnership is Technodome that brings out our new vision and innovative culture as well as an intuitive expression of our technological prowess.



Technodome

## Technodome, the Hardware That Leads Software Innovation

### Exhibiting a Communication-driven, Peer-to-Peer Corporate Culture

The word ‘Dome’ from Technodome symbolizes one company under one roof. ‘The Arena’, the central plaza located at the core of the building, is surrounded by 10 independent offices. As one enters the lobby, their eyes will immediately turn to the oval PODs and large diagonally-located escalators that embody Proactive Culture we pursue at Hankook Tire. Meanwhile, the round curve that encompasses the entire Technodome represents the value of flexibility that we seek to achieve. Another theme of Technodome is a ‘communication’-friendly work environment. The most distinctive feature of Technodome lies in the spatial elements that are

conducive to interactive ‘communication’: the flow of pedestrian walkways was designed to encourage our researchers to encounter and communicate with one another frequently, and spaces that are open and easily visible from the outside are located across the center. In so doing, we embedded Proactive Culture into the very fabric of Technodome.

**Meeting PODs** • Across the central Atrium are three oval PODs suspended within the entire height of the space. These open spaces can be used for making meeting arrangements and for spontaneous on-the-spot consultations.

**The BistroFine Cafeteria** • The cafeteria on the basement floor demonstrates the elaborately-designed details of the building. There are various dining tables in different forms and sizes - round tables

that people can sit across from each other at, basic round tables, and one-row tables that face the wall. This enables employees to make the most reasonable seating choice that best suits their needs, even at mealtimes.

**A Rest Area and a Minimalist Café** • On the fourth floor of Technodome is Barcool, arguably the most beautiful space of the entire building. A small artistic pond reflects the light from the holes on the dome roof. This space was initially reserved for VIPs, but we modified the design so that it can be used as a break area for all our employees, which again demonstrates the commitment of our top management to advance Proactive Culture.



POD

### Offering a Top-Notch Work Environment to Elevate Employees’ Sense of Pride and Work Engagement

As a way to establish creative and self-motivated research practices that assist R&D staff in fully engaging in their work, our Technodome comes with several amenities including The Residence (dormitory), a café, a daycare center and fitness centers. Doctors practicing western and/or oriental herbal medicine, as well as psychological and physical therapists who take care of the health of our employees, can be accessed at the Fitness and Wellness Centers located on the basement floor. The Residence, which is equipped with efficiently-designed storage spaces, serves as our dormitory for our R&D staff, clients who visit Technodome, and trainees. The Play Lounge serves as a café and a break area. Employees can watch movies or engage in other diverse activities in the Proactive Lounge, and the Donggeurami Daycare Center provides childcare services for our employees. We believe that these high-tech facilities and the optimized work environment will drive our development of innovative technology. Furthermore, we will attain a proactive corporate culture and then continuously build our R&D capacity to emerge as a global top tier company.



A Hallway inside Technodome



(Top) The Residence bedroom / (Bottom) Proactive Lounge



## Innovation of Our Corporate Culture

# Evolution of Proactive Culture that Values the Spirit of Challenge and Innovation

## Realizing Proactive Culture

At the core of our sustained growth and innovation lies our 'Proactive' corporate culture. Our employees embrace the essence of being proactive by taking the initiative in responding to new challenges, pursuing innovation and continuously developing themselves, and this Proactive Culture is put into practice through our company-wide systems and policies. While we as a company establish an institutional framework to help our employees reach their full potential, the implementation of our Proactive Culture is driven by all our employees at Hankook Tire.

### Proactive Leader, the Core Value of Hankook Tire

In 2016, we added 'Proactive Leader' ways of working to our set of core values and further elaborated on these values. Proactive Leaders understand and act on four core values, which consist of eight key words that best represent each of these values, along with 24 action principles. These values ensure that our employees become true Proactive Leaders who drive individual growth as well as corporate performance.

**Passion** • We fully engage in our work with entrepreneurship.

**Innovation** • We think creatively and rise to new challenges.

**Trust** • We communicate proactively, and develop integrity.

**Global** • We understand trends and seek to become our very best.

## Proactive Workstyle

### Less for Better Campaign

**PPT Less** • We banned the use of power point slides, and responsible departments closely monitored compliance across the board. This PPT-Less policy allowed us to swiftly and succinctly report, to emphasize key points and to more efficiently use our work time. Furthermore, such customary practices of writing monthly reports and business

trip summaries were also discontinued to save valuable employee work time.

**Removing Unnecessary Work** • We collected employee feedback regarding what employees termed as unnecessary work through our in-house idea suggestion program and reflected such feedback in our business conduct in real time. Those ideas expected to bring significant benefits are monitored for their pilot outcomes and promoted by the innovation department, and then are put into action following discussions at top management meetings. Streamlining the criteria of reaching consensus and shortening approval lead times were some of those ideas that were implemented immediately and generated satisfactory results.

**Improving Meeting and Reporting Practices** • Our top priority was the improvement of meeting and reporting practices which we knew would help us to establish a more creative and flexible corporate

culture. The decision was based on our belief that meetings serve as the source of creative ideas and the channel for these ideas to take form and further evolve. The responsible department monitors and feeds back the outcomes concerning meetings hosted by respective organizations. We defined and disseminated four meeting principles to ensure that our meetings are efficient and fit-for-purpose while banning the creation of unnecessary reports and developing and distributing guidelines to establish a more flexible and prompt reporting system.

Reduction in the use of power point slides


**93.75%**

(against 2015)








### Hankook Tire's Core Values





불필요함은 덜어내고, 결과는 더 뛰어나게 일하는 방법

 <p>PPT-Less</p>	 <p>Remove window-dressing documents</p>	 <p>Reduction in time invested in creating documents (identified as a result of employee surveys)</p>	 <p><b>Think outside the box</b> Report simply and effectively regardless of job position</p>
			 <p><b>Eliminate unnecessary work</b> Identify and eliminate unnecessary work without hesitation.</p>
			 <p><b>Reduce inefficiencies</b> Ban the use of power point slides and document frills and instead focus on key points in creating reports</p>
 <p>Ban the use of document holders</p>	 <p>Untie the necktie</p>	 <p>Promote peer-to-peer communication</p>	 <p><b>Correct mistakes</b> Host meetings in a more creative manner to generate outcomes that are more valuable</p>
			 <p><b>Take the initiative to perform better</b> Make better use of the time saved by removing unnecessary work and take the initiative to perform even better</p>

## Our In-house System to Realize Proactive Culture

### Proactive Awards

Each year, we grant our employees with Proactive Awards for their understanding and implementation of our core values to generate outstanding outcomes. These awards are recognized for their authority and prestige within Hankook Tire since the awardees are chosen out of our large pool of global employees. The awards are given in the four sections of Leadership, Performance, Challenge, and Innovation, and the awardees are provided with prize money and their performance is shared across varied in-house communication channels. The Proactive Awards serve to motivate our employees to take ownership in innovating the way they work and in generating outcomes while creating synergy to align all our employees towards new goals.

**Leadership** • Recognizes leaders who exercised Proactive Leadership to generate greater organizational outcomes and nurture talented individuals

**Performance** • Recognizes organizations who produced outstanding business performance and made significant contributions to the company

**Challenge** • Recognizes employees who succeeded in rising to new challenges through pioneering thinking and courageous enthusiasm

**Innovation** • Recognizes organizations that contributed to improving our corporate competitive edge through sustained innovation

### Proactive Friday

Every month, we spend our Fridays in a special way. On 'Proactive Friday', no executives or team leaders are expected to come to work, and our employees set their own action plans and autonomously use their work time, free from all the business-as-usual regulations or formats. They are free to move beyond the conventional work scope while planning and experiencing goals that are not necessarily work related. This enables some time for these employees to receive inspiration or create new ideas for their work. Any great new ideas that they could not implement due to their busy work schedule, can then be shared with rel-

evant departments and developed through casual meetings, and they can engage in such diverse activities as benchmarking other companies, test driving cars or attending exhibitions. Our in-house clubs join new cultural or activity programs or volunteer to lend a helping hand on this day. By broadening the window of creative thinking, Proactive Friday helps us generate wide-ranging outcomes in improving the quality of our products and services. It is through such Proactive Culture that we nurture creative talent at Hankook Tire.

### Proactive 1 Grand Prix (In-house Idea Suggestion Program)

We operate an in-house idea suggestion program to receive a wide array of ideas from our employees. Designed after car racing competitions, this virtual idea race website named 'P1 Grand Prix' accepts innovative ideas that relate to our general business operations from any employee. Since its inception in 2012, more than 6,000 ideas have been submitted each year. These ideas can be further elaborated through postings, and are screened by relevant departments prior to company-wide implementation. Notably, the 'Out-of-Box'

section ensures that individual ideas are directly reported to top management, and that the innovative ideas that are chosen through the screening process are entitled to unprecedented rewards.



P1 Grand Prix 2.0 Launching Ceremony

No. of suggestions  
made per person  
in 2016 under the Idea  
Suggestion Program

3.3



2016 Proactive Awards



Proactive Friday Activity



Proactive Friday Activity



## Proactive Communication, Peer-to-Peer Communication

### Proactive Concert, a Communication Channel between Hankook Tire and Its Employees

We host quarterly Proactive Concerts where employees of the same business division all sit together. These concerts serve as a communication channel to freely share information on quarterly business issues. The seats are not assigned according to job positions, which allows employees to mingle comfortably and enjoy snacks and refreshments in a pleasant and casual atmosphere. The most pressing issues employees ask about are put on the agenda and relevant details are shared at the concerts. Even during the concerts, questions from employees are submitted in real time

and answered by panelists on the spot in the Q&A session. If time constraints do not allow a question to be addressed, we make sure we provide feedback later on through the intranet. As such, Proactive Concerts serve as an effective communication channel between Hankook Tire and its employees: corporate policies and issues are fully understood, and employees are given a chance to voice their opinions independently about relevant policies so that they can be reflected in corporate policies. In so doing, we build deeper credibility between the company and our employees, which ultimately leads to best-possible outcomes.

### Digital Workplace, Arena

To support communication and collaboration among global employees whose importance is

## Arena

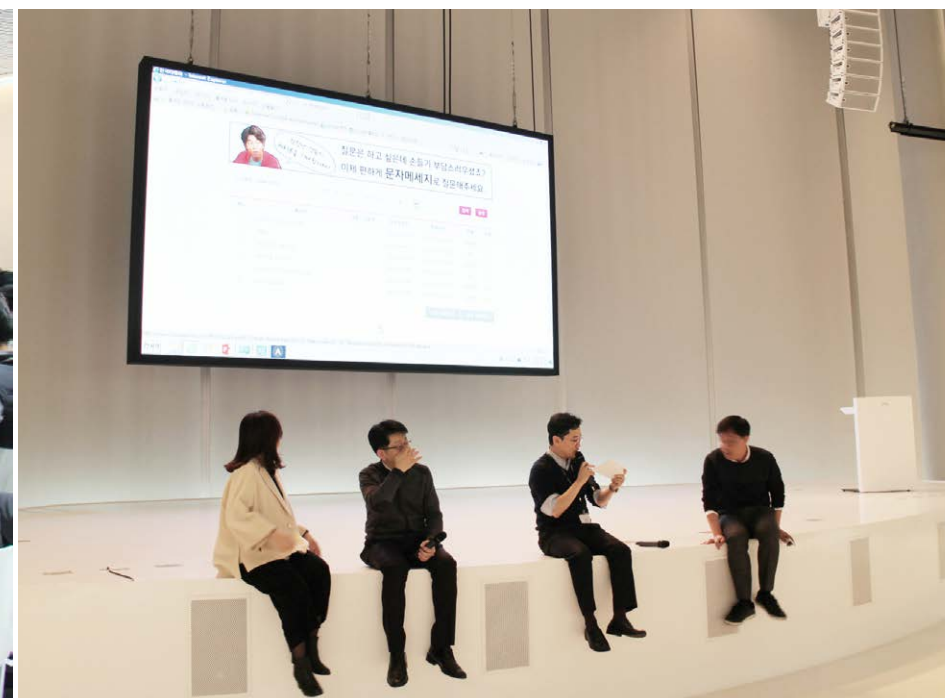
on the rise, we opened our new intranet ‘Arena’ in 2017. Arena is not merely an intranet but is a communication and collaboration platform used by all our global employees at Hankook Tire. This digital workplace enables our employees to openly communicate with one another, easily share information, and improve their work performance and autonomy. As part of our initiative to innovate the way we work, Arena was designed in a way that puts user experience first, and has positioned itself as a digital workplace where nearly 20,000 Hankook Tire global employees share internal information and communicate. As our global

presence broadens, Arena also serves to support communication and collaboration among our employees from diverse nationalities.

Digital Workplace  
Arena That Opened in  
January 2017



Proactive Concert





# ***INTEGRATED CSR MANAGEMENT SYSTEM***

IC. Integrated CSR Management System

Interview with Stakeholders

CSR Vision 2020 Roadmap

Materiality Analysis

CSR Steering Wheel 2016/17



# IC

## Integrated CSR Management System

### Declaration

At Hankook Tire, we aim to embed CSR into the fabric of our corporate culture and the daily operations of our employees. Our integrated CSR management is committed to delivering the greatest-possible value to wide-ranging stakeholders and to contributing to the sustainable development of the mobility industry.

### Management Responsibility and Governance

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

### CSR Committee

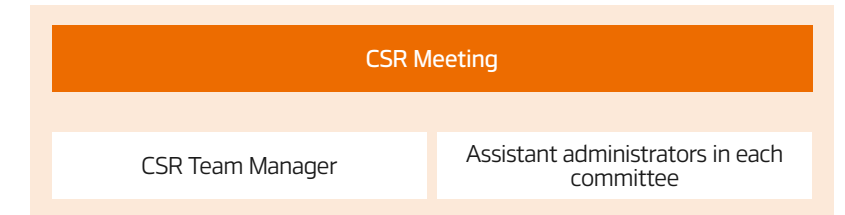
Our CSR Committee consists of the CSR Strategy Committee, the CSR Steering Committee, and the CSR Meeting. It is through the CSR Steering Committee which operates seven subcommittees that we consistently undertake company-wide CSR initiatives, and the CSR Strategy Committee reports our CSR outcomes to the top management to set the course of these initiatives for the future.

### CSR Strategy Committee

#### Members



### CSR Meeting



### CSR Steering Committee



1) The EHS Committee and the Energy & GHG Committee that had been operated until 2016 were integrated in 2017.

2) Our Corporate Strategy Team is responsible for managing risks across the board and regularly reports the relevant status to the Sustainability Committee under the BOD. This prompted us to change the name of the former Risk Management Committee, which was in charge of managing compliance-related matters, to the Compliance Committee in consideration of its primary mandate.

\* The Customer Committee, which was under operation until 2015, was discontinued in 2016 and its activities are now undertaken by respective teams as part of their daily operations.



## CSR Committee Operation and Monitoring

To ensure that our CSR initiatives are undertaken in an integrated manner across the board, we operate the CSR Strategy Committee and seven CSR Steering Committees under the supervision of our CEO. Through regular reporting and review, we strive to make achievements in accordance with the established plan.

Our CSR committees ensure that our CSR initiatives are seamlessly incorporated into the daily operations of our employees and are systematically undertaken. CSR Strategy Committee meetings are hosted every February to place on the agenda critical issues discussed by the CSR committees the previous year and to make decisions on how to address these issues. Each responsible team of the CSR Steering Committee is then notified of such decisions and adjustments made and is requested to undertake initiatives accordingly. To increase the efficiency

of our CSR operation, committee-specific CSR initiatives are selected out of the key managerial issues and their implementation plans are developed through consultations with the CSR Team.

These Steering Committees meet individually on a quarterly basis so that relevant departments can discuss the issues newly identified in undertaking CSR initiatives while consulting on the action targets and directions for the following year. The CSR Team attends such meetings to check on the progress made and offer advice on key

issues by analyzing internal-external stakeholder survey results and outcomes of the evaluations performed by external professional organizations, and by benchmarking industry leaders.

While we had been focused on the short-term annual strategy, we have established our mid-long-term strategy in respective CSR areas in December 2016 to reach our goal of becoming a top-tier company in the sustainability arena.

Joined in the DJSI World in 2016

MEMBER OF  
Dow Jones Sustainability Indices  
In Collaboration with RobecoSAM



### CSR Strategy Committee Meeting in 2017

#### Agenda

Item	Meeting Details and Follow-up Measures
Our status in respective CSR areas and improvement opportunity	<ul style="list-style-type: none"> <li>Reported on the key issues by area under the CSR Vision 2020 Roadmap</li> </ul>
Sharing of CSR trends	<ul style="list-style-type: none"> <li>Shared the three latest CSR trends along with general issues <ul style="list-style-type: none"> <li>Changes in the planet environment</li> <li>Tightening global regulations</li> <li>Integration of CSR with the capital market</li> </ul> </li> </ul>
Discussion	<ul style="list-style-type: none"> <li>Reviewed the above CSR trends and their implications on Hankook Tire</li> <li>Discussed preemptive measures and countermeasures</li> </ul>

#### Date

Feb. 24<sup>th</sup>, 2017

#### Attendees

Chair of the CSR Strategy Committee and its members, Chairs of the CSR Steering Committees, other relevant executives (corporate communication, G.SCM, etc.)

### CSR Committee Operation and Monitoring

Monitoring Process	Primary Activity	Meeting
<div>CSR Strategy Committee</div> <ul style="list-style-type: none"> <li>Attended by relevant departments</li> <li>Review progress and strategy</li> </ul>	<ul style="list-style-type: none"> <li>Review annual CSR outcomes and share key issues</li> <li>Review CSR guidelines and mid-long-term strategy</li> </ul>	Every year (Feb.)
<div>CSR Steering Committee</div> <ul style="list-style-type: none"> <li>Report on key issues</li> <li>Report on the achievements made this year and plans for the following year</li> </ul>	<ul style="list-style-type: none"> <li>Review CSR initiatives undertaken and achievements made, and offer feedback</li> <li>Share CSR issues and discuss their resolutions</li> <li>Report to the CEO biannually</li> </ul>	Quarterly
<div>CSR Improvement Initiatives</div> <ul style="list-style-type: none"> <li>Review progress and resolve issues</li> <li>Share progress and identify issues</li> </ul>	<ul style="list-style-type: none"> <li>Undertake CSR improvement initiatives on a team level in consideration of action plans</li> <li>Undertake improvement initiatives, and meet KPI targets</li> </ul>	Year-round



## Operation of the Chinese CSR Committee

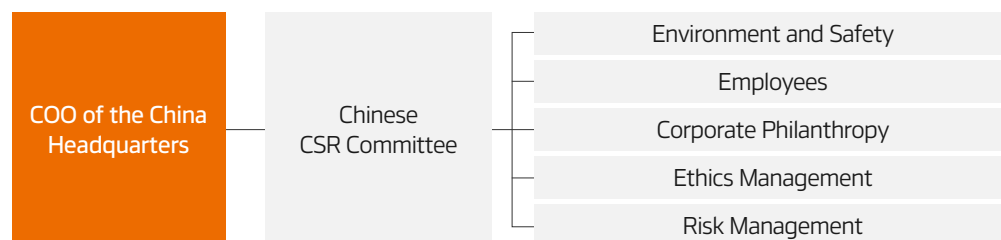
Hankook Tire operates the Chinese CSR Committee under the China Headquarters. The COO of the China Headquarters hosts the CSR Strategy Meeting every year and disseminates CSR establishment and operation in the Chinese market.

Our China Headquarters became the first among our overseas headquarters to establish its own CSR Committee in March 2012, and has since been engaged in a wide array of CSR initiatives. The Chinese CSR Committee consists of five committees around the five areas: Environment and Safety, Employees, Corporate Philanthropy, Ethics Management and Risk Management. Each committee meeting is supervised by the CHN) Corporate Strategy Team. Every year, the CSR Strategy Meeting is held to share CSR achievements and issues of each committee and to set the direction of CSR initiatives for the following year. Furthermore, our China Headquarters has published its own independent CSR Reports: internal reports were issued in 2013 and 2014 while external reports were officially disclosed in 2015 and 2016 as a way to broaden its communi-

cation with external stakeholders.

To promote an even closer communication between employees and the top management, the China Headquarters interviewed its executives and shared the outcomes with all its employees in 2016. It also made on-the-job training a standard component of its training curriculum in key areas while developing advanced training courses and fostering lecturers. Furthermore, Proactive Leadership courses were provided to all employees to help them learn the core values of Hankook Tire. Meanwhile, a whistle-blower reward program was created to promote ethics management at the China Headquarters, and a total of nine reports were submitted and handled in 2016. Regarding risk management, the scope of risk management was extended in its daily operations, and information sharing and team-based risk management was reinforced.

### Operational Organization



### Operational Status

Committee	Supervising		2016 Achievements	2017 Plans
	Team	Participating Team		
Environment and Safety	Environment & Safety Team	JP)HP)CP)Environment & Safety Team, JP)HP)CP)Facility Maintenance Team, CTC)Material Development Team	<ul style="list-style-type: none"> <li>Improved on the disposal treatment in the curing, calendaring and extruding process: Implemented at the CP)TBR Plant</li> <li>Progressed on investment for fire-fighting</li> <li>Disseminated MSDS<sup>1)</sup> in Chinese</li> </ul>	<ul style="list-style-type: none"> <li>Improve the disposal treatment in the curing, calendaring and extruding process</li> <li>Install improved fire-fighting facilities</li> </ul>
Employees	CHN)Human Resource Management & Education Team	JP)HP)Human Resource Operations & Education Team, CP)Environment & Safety Team	<ul style="list-style-type: none"> <li>Reinforced internal communication</li> <li>Performed the executive interview program 'Executives Insight'</li> <li>Advanced the job training</li> <li>Standardized common job training (completed by 1,585 employees)</li> <li>Fostered instructors for specialized job training (completed by 67 employees)</li> <li>Reinforced the Proactive Leadership (PL) training</li> <li>Training completed by 222 office staff and 3,008 operators</li> <li>Implemented an employee health care program</li> </ul>	<ul style="list-style-type: none"> <li>Set and manage HR indicator targets: Turnover rate</li> <li>Monitor and guide employee health care programs (every two weeks)</li> <li>Strengthen job training (Increase by 10 hours per employee from 2016)</li> <li>Initiate cultural programs (birthday parties, in-house clubs, etc.)</li> </ul>
Corporate Philanthropy	CHN)Human Resource Management & Education Team	CHN)Marketing Strategy Team, JP)HP)CP)Environment & Safety Team	<ul style="list-style-type: none"> <li>Scholarship program</li> <li>Employee volunteering activities</li> <li>Visited and sponsored welfare centers for senior citizens and the disabled, and orphanages</li> <li>Local communities engagement (sponsorship for cultural events)</li> </ul>	<ul style="list-style-type: none"> <li>Define mid-long-term corporate philanthropic plans</li> <li>Launch employee volunteering teams</li> <li>Volunteer for local communities</li> </ul>
Ethics Management	CHN)Corporate Management Team	JP)HP)Human Resource Team	<ul style="list-style-type: none"> <li>Developed and operated a whistle-blower reward system</li> <li>Operated the RMS system</li> </ul>	<ul style="list-style-type: none"> <li>Provide advanced ethics management training and facilitate communication</li> <li>Reinforce the dissemination of ethics management to suppliers</li> </ul>
Risk Management	CHN)Corporate Strategy Team	CP)Environment & Safety Team	<ul style="list-style-type: none"> <li>Improved the risk management system and process</li> <li>Extended the scope of risk management: 12 areas → 22 areas</li> <li>Daily management: Strengthened the sharing of risk information and team-based risk management</li> </ul>	<ul style="list-style-type: none"> <li>Reinforce the risk management system and ensure timely response</li> <li>Manage risk agents and manuals</li> <li>Establish an unexpected-risk management system</li> </ul>

1) Material Safety Data Sheet (MSDS): Designed to organize basic health and safety information concerning chemicals by segmenting relevant items and presenting them to employees while using such information to prevent injuries that occur in handling chemicals

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

## Operation of the CSR Committee in Europe

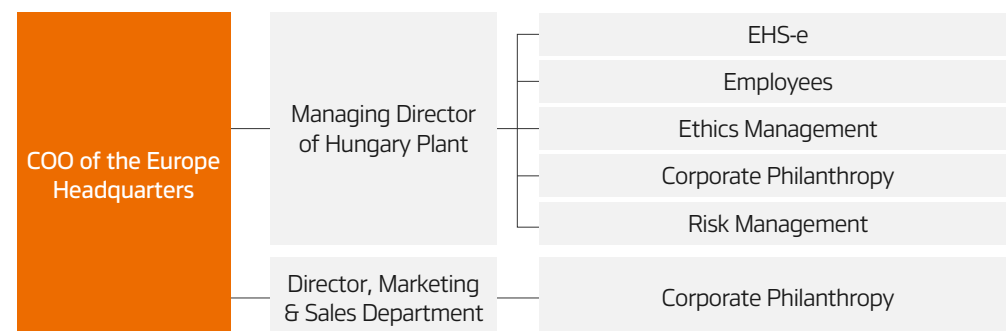
Our Europe Headquarters established a CSR operational system that spans the Hungary Plant and Marketing & Sales operations in Europe, and is engaged in broad-ranging CSR initiatives in six areas in consideration of its own local conditions and environment.

The CSR operation system of our Europe Headquarters, established in November 2013 to promote its integrated CSR management, consists of the six areas of EHS, Energy & EHS, Employees, Ethics Management, Corporate Philanthropy and Risk Management in consideration of its local conditions and environment. Its CSR operations are managed on a team level in respective work areas to ensure its operational efficiency, and CSR outcomes are reported quarterly to the Hungary Plant Manager. Furthermore, annual CSR achievements and plans for the following year are reported each year to the COO of the Europe Headquarters, who then approves the directions to undertake CSR initiatives in the upcoming years.

In 2016, the CSR Team at the Korean Head Office developed the strategic

guides developed by surveying internal-external stakeholders and benchmarking advanced businesses as well as on the outcomes of the evaluation performed by external professional organizations, and distributed them to assist the Hungary Plant in setting its own CSR plans and assuming follow up action accordingly. Furthermore, the team reviewed the plant for its CSR achievements through quarterly monitoring and discussed relevant issues. Such endeavors enabled us to launch effective CSR initiatives that reflected both our global CSR strategy and the local specificities of our Hungarian operations. Notably, the CSR initiatives undertaken by the Marketing & Sales Department of the Europe Headquarters were also added to the scope of our management at the Head Office to further boosted these initiatives.

### Operational Organization



### Operational Status

CSR Area	Responsible Team	2016 Achievements	2017 Plans
EHS-e	MP)Human Resource Operations & Education Team	<ul style="list-style-type: none"> <li>Operated the Safety Committee</li> <li>Made improvements based on internal audit outcomes</li> <li>Obtained the OSHAS18001 certification</li> <li>Invested in fire prevention-Conducted fire drills</li> <li>Conducted regular fire drills</li> <li>Operated and maintained the environmental equipment (RCO, CRCO, and CFRT0)</li> <li>Conducted monitoring of shop floor noise, and other work conditions</li> </ul>	<ul style="list-style-type: none"> <li>Perform internal regular EHS audits based on annual plans</li> <li>Launch the '10 Safety Principles' campaign to prevent accidents</li> <li>Invest in fire prevention at the substations</li> <li>Measure power safety in an integrated manner</li> <li>Improve the waste collection and treatment</li> <li>Launch smoking-cessation campaigns</li> <li>Conduct integrated EHS exercises (work safety, fire prevention, etc.)</li> </ul>
	MP)Human Resource Operations & Education Team	<ul style="list-style-type: none"> <li>Reduced LNG consumption</li> <li>Reduced power consumption by shifting to high-efficiency LED lighting</li> <li>Performed energy audits</li> </ul>	<ul style="list-style-type: none"> <li>Install a system to recover thermal energy from boiler fumes</li> <li>Perform ECS (Energy, Cost, Safety) audits</li> </ul>
Employees	MP)Human Resource Operations & Education Team	<ul style="list-style-type: none"> <li>Operated the Grievance Handling Committee</li> <li>Nurtured human rights managers and trained employees</li> <li>Operated mentoring and theme-based programs</li> <li>Managed HR diversity indicators</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen the operation of mentoring and theme-based programs</li> <li>Host meetings with shift-working employees</li> <li>Provide training according to annual plans</li> <li>Nurture human rights managers and train employees</li> </ul>
Ethics Management	MP)Human Resource Operations & Education Team (MP)Corporate Management Team <sup>1)</sup>	<ul style="list-style-type: none"> <li>Offered ethics management training to new hires and existing employees</li> <li>Published ethics management letters</li> </ul>	<ul style="list-style-type: none"> <li>Publish the Hungarian version of the Ethics Guidebook</li> <li>Offer ethics management training to new recruits</li> <li>Publish ethics management letters</li> </ul>
Corporate Philanthropy	MP)Corporate Management Team	<ul style="list-style-type: none"> <li>Expanded the operation of employee volunteer groups</li> <li>Undertook the Tire Sharing program</li> <li>Implemented the corporate philanthropic program (Thanks, Hankook!)</li> <li>Hosted the English Camp</li> <li>Supported sports activities for children as well as children with disabilities and the elderly</li> <li>Sponsored local festivals and cultural events</li> </ul>	<ul style="list-style-type: none"> <li>Continue the operation of employee volunteer groups</li> <li>Undertake the Tire Sharing program</li> <li>Implement the corporate philanthropic program (Thanks, Hankook!)</li> <li>Make mileage donations through the biking campaign</li> <li>Support sports activities for children as well as children with disabilities and the elderly</li> <li>Sponsor local festivals and cultural events</li> </ul>
Corporate Philanthropy	EUR)Corporate Communications Team	<ul style="list-style-type: none"> <li>Supported children with childhood cancer</li> <li>Offered road safety training and supported local children centers</li> <li>Launched environmental protection campaigns</li> <li>Supported children from low-income families with experience-based programs (invitation to DTM and etc.)</li> </ul>	<ul style="list-style-type: none"> <li>Donate tires to charity organizations and for ambulances</li> <li>Support children with disabilities and the elderly (donation programs, sponsorship for local children centers, etc.)</li> <li>Launch traffic safety projects (training for bus drivers, etc.)</li> <li>Continue the support for children from low-income families with experience-based programs</li> </ul>

1) MP)Corporate Management Team has been responsible for ethics management since 2017. / \* MP (Magyar Plant): Hungary Plant

2) DTM: Deutsche Tourenwagen Masters



## Facilitating CSR Operations at the Indonesia Plant and in the A.P.A.M<sup>1)</sup> Region

We established a CSR operational system at our Indonesia Plant and in the A.P.A.M region to undertake broad-ranging CSR initiatives in the areas of environment, health and safety, corporate philanthropy, employees, and ethics management in consideration of local specificities and conditions.

We have gradually established and disseminated the CSR operational system at the Indonesia Plant and in the A.P.A.M region since 2014. By taking into account local specificities and needs, the Indonesia Plant has undertaken CSR initiatives in the four managerial areas of EHS-e<sup>2)</sup>, corporate philanthropy, employees and ethics management while CSR management was initiated in 2016 primarily in the areas of corporate philanthropy and ethics management in the A.P.A.M region. Our Indonesia Plant was OHSAS 18001- certified for the first time in February 2017 following its establishment of the OHSAS 18001 (health and safety management system) in 2016 and successfully renewed its ISO 14001 certification, which recognizes its continuous management and improvement in the

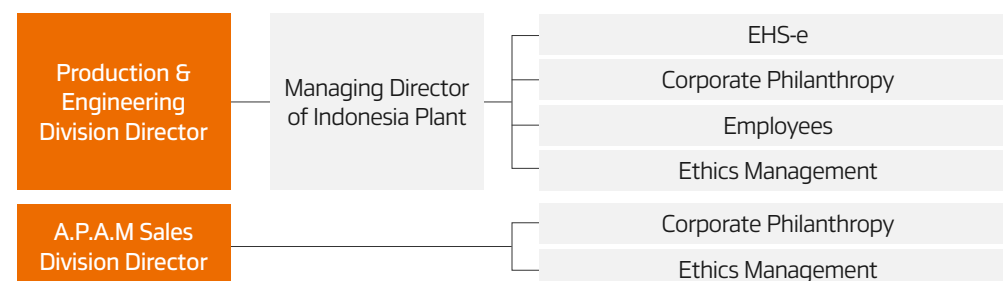
areas of health & safety and environmental management. Furthermore, the plant achieved zero accidents in 2016 thanks to its firm commitment to put safety first and prevent occupational accidents. The plant has also maintained Blue Grade for two consecutive years in a row under the Indonesian PROPER<sup>3)</sup> program which aims to evaluate and report zero accidents the environmental management performance of businesses.

1) A.P.A.M: Asia, Pacific, Africa, Middle East

2) EHS-e: The EHS-e committee is dedicated to the management of the workplace environment, the health and safety of employees and the management of energy & GHG.

3) PROPER: PROPER represents Indonesia's initiative to rate and report company's environmental management performance, which provides grades, Gold (highest) - Green - Blue - Red - Black (lowest), in accordance with its evaluation outcomes. To be graded Green or Gold, a company is required to maintain its Blue Grade for three consecutive years.

### Operational Organization



### Operational Status

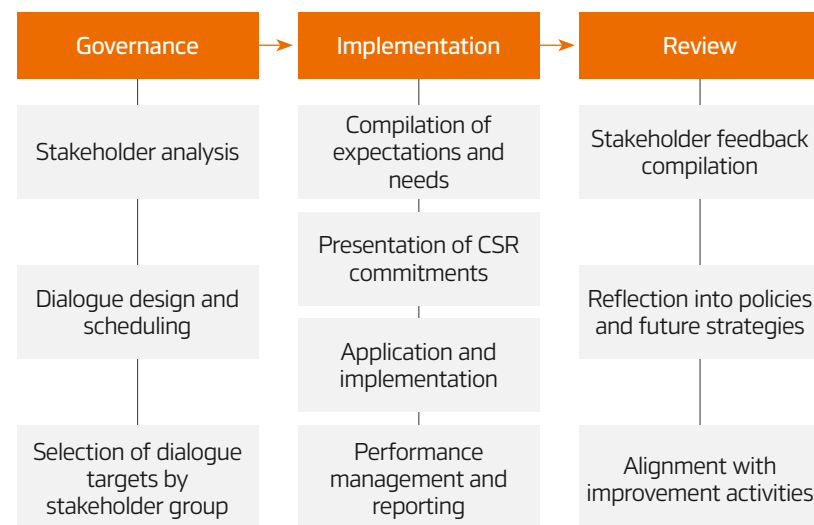
CSR Area	Responsible Team	2016 Achievements	2017 Plans
EHS-e	IP)Corporate Management Team	<ul style="list-style-type: none"> <li>Obtained the OHSAS 18001 certification and renewed the ISO 14001 certification</li> <li>Obtained the PROPER Blue grade for two consecutive years</li> <li>Obtained forklift driver's license (governmental licensing): By nearly 160 employees</li> <li>Achieved zero accident (no occurrence of any major injuries requiring medical treatment for 3 or more days)</li> <li>Provided medical supplies free-of-charge to kindergartens and elementary schools</li> </ul>	<ul style="list-style-type: none"> <li>Renew the OHSAS 18001 and the ISO 14001 certifications</li> <li>Maintain the PROPER Blue grade for three consecutive years</li> <li>Quadruple the size of safety campaigns</li> <li>Maintain zero accident</li> </ul>
Corporate Philanthropy	IP)Corporate Management Team	<ul style="list-style-type: none"> <li>Implemented cultural (religious) programs               <ul style="list-style-type: none"> <li>Donated food to low-income households by providing meals after fasting time during Ramadan period</li> <li>Donated sacrificial offerings for the Eid Al-Adha as well as daily necessities to low-income households</li> </ul> </li> <li>Implemented health care programs               <ul style="list-style-type: none"> <li>Provided free-of-charge medical treatment to local children</li> <li>Assisted the provision of clean water for local residents</li> </ul> </li> <li>Implemented environmental programs               <ul style="list-style-type: none"> <li>Launched the clean campaign for elementary school students</li> </ul> </li> <li>Launched talent donation programs               <ul style="list-style-type: none"> <li>Improved hygiene of elementary schools by assisting renovation and repair of restrooms</li> <li>Assisted nursery schools with building renovation</li> <li>Donated tires: About 250 tires</li> </ul> </li> <li>Supported making the traffic signs for public areas</li> <li>Created the Indonesia-Korean culture section at the Indonesia University of Education</li> </ul>	<ul style="list-style-type: none"> <li>Maintain the existing cultural (religious) programs</li> <li>Maintain the existing health care programs</li> <li>Maintain the existing environmental programs</li> <li>Maintain the existing talent donation programs and initiate new one               <ul style="list-style-type: none"> <li>Offer job training to local residents and the families of employees: Computer, Korean language, welding and grinding, etc.</li> <li>Plan to donate nearly 500 tires</li> </ul> </li> <li>Assist making traffic signs in public areas</li> <li>Offer scholarships (10 students from elementary schools)</li> </ul>
Employees	IP)Human Resource Operations & Education Team	<ul style="list-style-type: none"> <li>Reinforced employee communication channels               <ul style="list-style-type: none"> <li>Hosted female employee meetings with executives</li> </ul> </li> <li>Average training hours per employee: 77 hours for office staff, 26 hours for blue collars</li> </ul>	<ul style="list-style-type: none"> <li>Support communication channels driven by employees</li> <li>Reinforce the Small Group Activity (SGA) initiatives</li> <li>Reinforce support for in-house clubs (e.g. Korean Language Club, etc.)</li> <li>Continuously manage HR indicators</li> </ul>
Ethics Management	IP)Human Resource Operations & Education Team	<ul style="list-style-type: none"> <li>Provided ethics management training (code of ethics, property management, IT security, etc.)</li> <li>Distributed Code of Conduct booklets to encourage employees to comply with basic manners</li> </ul>	<ul style="list-style-type: none"> <li>Continuously provide ethics management training</li> <li>Train employees on illegal drugs (starting from Production Management Team)</li> </ul>
Corporate Philanthropy	APAM)Marketing Strategy Team	<ul style="list-style-type: none"> <li>Volunteered at nursery schools</li> </ul>	<ul style="list-style-type: none"> <li>Visit and volunteer at orphanages on a quarterly basis</li> </ul>
Ethics Management	APAM)Marketing Strategy Team	<ul style="list-style-type: none"> <li>Provided ethics management training to all employees</li> </ul>	<ul style="list-style-type: none"> <li>Continuously provide and update ethics management training</li> </ul>

# Stakeholder Communication and Engagement

At Hankook Tire, we categorize our stakeholders according to the size and scope of the impact they have on our business conduct. Furthermore, we identify material issues and stakeholder feedback through wide-ranging communication channels and then reflect them into our business management in order to create sustainable values.

We classify our stakeholder groups into core groups who are most closely related to our business conduct and directly interact with us, and into general groups who have indirect or potential impact on us. This helps us clearly identify CSR issues through stakeholder communication and the analyses of internal/external conditions. We also strive to share our CSR achievements and future plans with our stakeholders and operate broad-ranging communication channels to directly gather their candid and honest feedback.

## Annual Stakeholder Dialogue Process



## Stakeholder Model





# Interview with Stakeholders

We performed stakeholder interviews to identify sustainability issues that our stakeholders consider to be top priorities. Individual interviews were conducted by stakeholder group, and their outcomes will allow us to understand the distinctive needs of different stakeholder groups and reflect them into our business strategy and operation.



## Customers — A1

**Hey Gyeong Park, President of T'Station Incheon Seogu Shop**  
She has been operating a T'Station, (our franchise tire shop), in Seoknam-dong, Seo-gu, Incheon, since 2013.



## Employees — A2

**So Hyeon Kim, Senior Manager, in charge of establishing the direction for our corporate digital innovation**  
She is ceaselessly looking for digital ways to pursue innovation at Hankook Tire.



## Suppliers — A3

**Young Ho Choi, Manager, Sales Team Manager, Orion Engineered Carbons Co., Ltd.**  
Established as Korea's first carbon black manufacturer and supplier in 1969, Orion Engineered Carbons is currently supplying carbon black to Hankook Tire.



## Environment — A4

**Sun Tae Kim, Professor at Daejeon University**  
As a local environmental expert, professor Kim is spearheading the development of comprehensive environmental measures for the surrounding environment along with local residents.



## Local Communities — A5

**Yeon Ok Lee (Chair Director), Jong Seo Park (Managing Director, Moksang-dong Community Welfare Committee)**  
They are committed to promoting local volunteering and welfare services, and serve as a communication liaison for local environmental issues with our manager at the Daejeon Plant



## Shareholders & Investors — A6

**Young Jin Park, Fund Manager at SPARX Asset Management Korea**  
Having worked as an automobile sector analyst at Merrill Lynch Securities, Park is currently serving as an analyst in the hedge fund operations and industrial materials sectors at the Japan-based hedge fund manager SPARX Asset Management.

### Q1

**Please tell us how many of the necessary improvements you proposed during last year's interview have been reflected in our business conduct at Hankook Tire.**

**A1** I believe that sustained CSR initiatives helped improve Hankook Tire's brand value, and I feel extremely proud as a Hankook Tire seller. Still yet, I wish that these initiatives were more commonly known among our customers.

**A3** The one-on-one discussions hosted by Hankook Tire are significantly helpful. While it is less satisfactory in terms of interactive communication, gradual improvements could be made through mutual endeavors.

**A4** When we raised issues concerning the environment to Hankook Tire, the Company would voice the procedural difficulties it faced in resolving these issues. Today, however, Hankook Tire is showing an improved awareness on local environmental issues and a stronger commitment in handling them. A case in point is the installation of odor prevention equipment, which started at its Daejeon Plant and even at its overseas plants. This sets Hankook Tire apart from the competition in proactively responding to local environmental issues.

**A5** Hankook Tire has steadily made positive progress over the past three decades. Notably, its Donggeurami Co-prosperity Council meetings have been held quarterly since last year.

### Q2

**What does Hankook Tire still need to do to evolve into a sustainable company?**

**A1** It is small yet thoughtful interactions, not just the quality of tires, that truly touch the heart of customers. The old adage says that one satisfied customer recounts his/her story to three people, and that one angry customer does the same to 3,000 people. Thus, we need to focus on even seemingly insignificant details to prevent any customer complaints, and when they do have complaints, we need to listen wholeheartedly and strive to make any possible improvements.

**A2** Hankook Tire needs to dig deeper in thinking about the end user experience behind the wheel, rather than solely

focusing on the tire manufacture/seller's perspective. Gone is the era when businesses manufactured products before marketing them; today's market demands that products and services be specifically designed to cater to market needs. In adopting this new paradigm, businesses should develop their capability in swiftly understanding customer needs identified through digital channels.

**A3** Accurately analyzing market conditions, developing appropriate strategies and then sharing such information with suppliers in a timely manner can pave the way for shared growth between Hankook Tire and its suppliers. In this way, I believe that there needs to be an even greater exchange within the management and technology areas.

**A4** I've continuously stressed the need for 'sustained improvements' and 'progress assessments' as these are part of the present global trends. Notably, progress assessments can be best made within the local community context, and it is local communities that should take the initiative in addressing corporate environmental issues. Hankook Tire also needs to recognize such an emerging trend, and proactively respond to it accordingly.

**A5** If a company only labors to hold its head up in the short-term perspective to find solutions to local community issues, it will never generate positive outcomes. With commitment to improving on the inconveniences experienced by local residents through technology validations and other effective methods, the Co-prosperity Council will be helpful in bringing reasonably satisfactory outcomes.

**A6** A highly critical component to ensuring sustainable growth is to build partnerships with investors. While Hankook Tire is already on par with global top tier companies in terms of its business conduct, there is still a distance to match that of global competitors concerning dividend payments and other shareholder-friendly policies.

### Q3

**Are there any additional remarks you would like to make about Hankook Tire?**

**A1** I hope that the discussions held between agencies and

Hankook Tire will serve as an effective means of interactive communication. The Company can take feedback from the agencies and reflect meaningful proposals into its operations to bring true customer satisfaction and evolve into a sustainable company.

**A2** Today's market demands that a company do more than just manufacture and sell products; it must deliver the services that cater to customer needs. Thus, Hankook Tire needs to take the customer's perspective in every possible way and make decisions accordingly to fuel its sustainable growth.

**A3** Responding to ever-evolving business conditions requires that Hankook Tire move beyond a mere fragmented approach; it must facilitate real change throughout its chain of suppliers and society at large. To pursue such change, it is critical that Hankook Tire and its suppliers are engaged in even closer communication based on mutual trust.





**A4** Korea's integrated environmental management regulations took effect in 2015. The basic principle is to ensure the integrated management of our water, air and overall environment and their most important component is that assessments should be made by local communities every five years. Through this process, local communities could learn about their own environmental issues and resolve conflicts, and these new regulations could bring fundamental satisfaction.

**A5** In addition to environmental issues, we expect more jobs to be created, especially in the manufacturing sector. We hope that Hankook Tire execute its recruitment quota and other employment programs openly and transparently to contribute to resolving environmental issues and revitalizing the local economy.

**A6** As a stock market analyst, I analyze numerous companies for their business conduct. Still yet, as an investor, I can confidently say that Hankook Tire is one of the best companies to work with and that they swiftly answer any questions raised in the market. I expect Hankook Tire to maintain its current IR policy to increase its shareholder values.






# CSR Vision 2020 Roadmap

Rather than setting and executing annual targets from the short-term perspective, we are now taking a mid-long-term viewpoint in defining our strategy. Thus, we established our ultimate goal to be met by 2020 and our declaration to this end while setting annual milestones in order to strengthen our execution to reach this goal. Hankook Tire will strive to lay a firm foundation for CSR across the board from the mid-long-term perspective.

Area		Progress				2020 Commitment
		2017	2018	2019	2020	
<div>Integrated CSR Management System</div> 		Build a CSR operational system (Americas)	CSR Operations and Improvement (Americas) CSR Operations and Settlement (China, Europe, A.P.A.M <sup>1</sup> /Indonesia Plant)	Functional Integration and Operation of the CSR Committee		<ul style="list-style-type: none"><li>Disseminate and settle the CSR operational system abroad</li><li>Functional Integration and Operation of the CSR Committee</li></ul>
<div>Integrated Risk Management</div>		Expand the Business Continuity Management System (BCMS <sup>2</sup> ): (Hungary Plant, Indonesia Plant, Tennessee Plant, Jiaying Plant, Jiangsu Plant, Chongqing Plant)				<ul style="list-style-type: none"><li>Disseminate the crisis management system abroad</li></ul>
<div>Customer Satisfaction and Quality Management</div> 	Car Makers	Continuous communication				<ul style="list-style-type: none"><li>Elaborate on the technology and quality systems and build their capacity</li><li>Deliver customer satisfaction by strengthening technological capability for the future</li></ul>
		<ul style="list-style-type: none"><li>Strengthen communication with car makers: Diversify PRM<sup>3</sup> activities, Strengthen the PR activity of future tire technology, Expand our engagement in sponsorship events in alignment with car makers</li></ul>				
		Strengthen product competency				
	General Customers and Dealers	<ul style="list-style-type: none"><li>Swiftly develop products that meet the advanced performance requirements of major car makers: Expand the OE fitment supply of future-oriented-green tires</li></ul>				<ul style="list-style-type: none"><li>Provide customer-oriented services and expand communication channels by establishing our franchise leadership</li><li>Free-of-charge on-site care service provided on 200 occasions per year</li></ul>
		<ul style="list-style-type: none"><li>Develop a flawless quality assurance system: Review product designs and improve on identified issues, Reduce quality risks to zero by operating a dedicated quality assurance unit in the development phase</li></ul>				
		Co-prosperity with Customers: Disseminate SMART 7-Step customer service through e-learning				
Community Involvement and Development		Improve the mobility business				<ul style="list-style-type: none"><li>Volunteer hours per employee: 4.5 hours</li></ul>
		Launch and operate an IT system for employee volunteer groups				
		Communication guides for local community stakeholders (Application and evaluation in Korea)				
Transparency and Business Ethics		Develop detailed and segmented ethics regulations				<ul style="list-style-type: none"><li>Build ethics management into the fabric of our organizational culture through continuous communication</li><li>Obtain external certification for our ethics management system</li></ul>
		Provide regular ethics management training (common, position-specific, job-specific), Translate the Guidebook in more local languages				
		Facilitate communication on ethics management: Improve the efficiency of the Whistleblowing system				

1) A.P.A.M: Asia, Pacific, Africa, Middle East / 2) BCMS: Business Continuity Management System / 3) PRM: Partner Relationship Management



Area	Progress				2020 Commitment
	2017	2018	2019	2020	
<div>Integrated Environmental Management</div> <div></div>	<div>Improve the chemical management and evaluation system</div> <div>Establish the eco-design process and extend its scope</div>	<div>Increase the consumption of recycled carbon and rubber</div>	<div>Strengthen the IT system for chemical management</div> <div>Extend the scope of products subject to LCA<sup>1)</sup></div> <div>Introduce and expand Water Footprint</div>	<div>Ratio of eco-friendly products: 60%</div> <div>Intensity-based amount of waste: 40kg/production ton</div>	
<div>Climate Change and GHG Management</div> <div></div>	<div>Set mid-long-term GHG emissions reduction targets</div> <div>Establish and disseminate the e-Saver (IT system for energy management)</div>	<div>Introduce Energy Management System (ISO50001) (Daejeon Plant, Geumsan Plant)</div> <div>Construct GHG inventories with third-party verifications (for all production sites)</div> <div>Reduce GHG emissions and energy use: Improve efficiency and energy recycling</div> <div>Review and implement the adoption of renewable energy</div>	<div>Expand the Energy Management System (to overseas production sites)</div> <div>Obtain certification under the Carbon Neutral program</div>	<div>Intensity-based GHG emissions (tCO<sub>2</sub>-eq/production ton): 5% reduction from 2013</div>	
<div>Employee Value Creation</div> <div></div>	<div>Strengthen human rights management training and execution (Foster facilitators and develop training materials)</div> <div>Improve human rights assessments</div> <div>Expand the Grievance Committee</div> <div>Diversity management (Establishing and implementing plans to increase female managers and the disabled employees)</div>	<div>Take corrective action plans and track the follow-up of the assessments</div> <div>Operate Grievance Committee in each region</div>		<div>Expand and strengthen human rights management across our global operations</div> <div>Advance the diversity management system</div>	
<div>Employee Health and Safety Management</div> <div></div>	<div>Safety management (Design For Safety, Near Miss, subcontractors)</div> <div>Identify the status of musculoskeletal diseases and make improvements</div> <div>Employee stress management: Measure and analyze stress, provide psychological counseling services</div> <div>Strengthen workplace management: Continuously measure the fumes generated from the manufacturing process and improve on local ventilation equipment</div>	<div>Preventive programs</div>	<div>Continuous management and updates</div> <div>Continuous management and updates</div>	<div>Improve the work environment and strengthen employee health management</div> <div>Establish and operate a safety culture system</div> <div>Total injury index: 0.55</div>	
<div>Win-Win Supply Chain Partnership</div> <div></div>	<div>Reflect CSR factors in selecting suppliers</div> <div>Improve CSR evaluation and make it mandatory</div> <div>Supporting suppliers training</div>	<div>Regularly update CSR components within contracts and corporate regulations</div> <div>Update evaluation items consistently</div> <div>Initiate Sustainable Natural Rubber program</div> <div>Disseminate CSR in supply chain: Tier1 → Tier2</div>		<div>Disseminate CSR to Tier 2 suppliers</div> <div>Develop CSR support programs for suppliers</div> <div>Ratio of suppliers evaluated in CSR: 85%</div>	

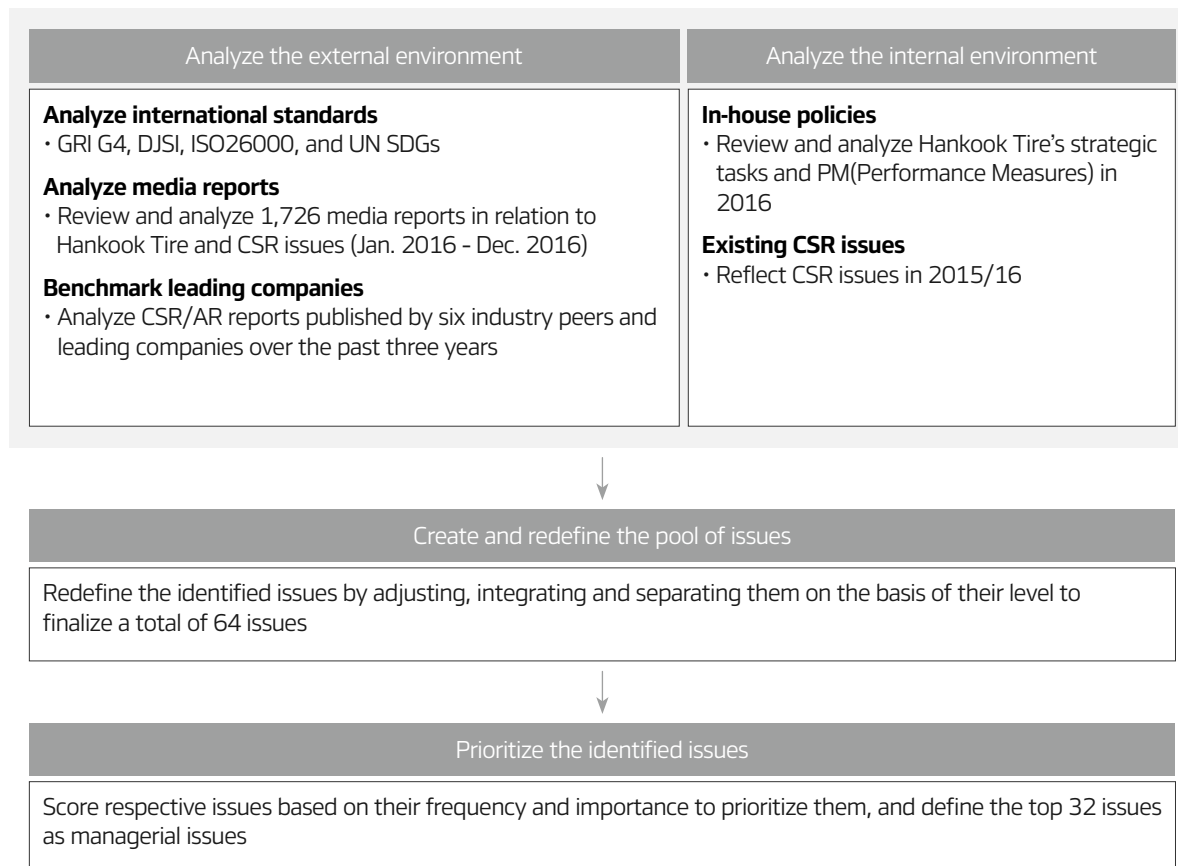
1) LCA: Life Cycle Assessment

# Materiality Analysis

At Hankook Tire, we perform the materiality analysis in accordance with the GRI guidelines. This year, we further improved this process: we conducted analyses on a sub-issue level to reflect emerging CSR trends, redefined our pool of issues accordingly and then studied stakeholder concerns and business impact to identify CSR issues. This report was structured around those CSR issues identified as such, and these issues were integrated into our CSR Vision 2020 Roadmap.

## STEP 1 Defining the Pool of Issues and Identifying Business Significance

We created our pool of issues by reflecting internal-external business conditions and sustainability management initiatives. To elaborate on detailed issues and to discover emerging CSR issues, we analyzed internal/external conditions on an issue level. Based on the identified pool of issues, we adjusted, integrated and then separated these issues based on their level to redefine the pool of issues.

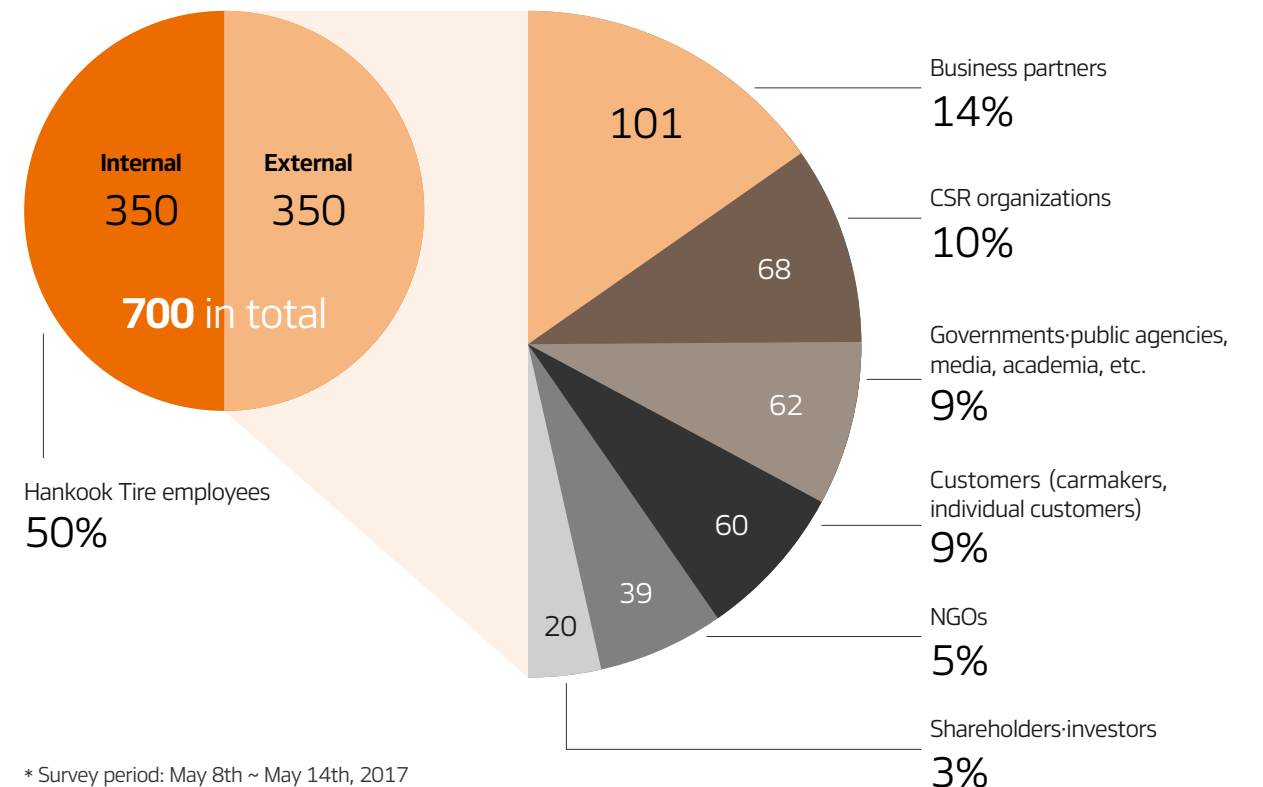


## STEP 2 Identifying the Level of Stakeholder Interest

We surveyed our stakeholders on the 32 managerial issues to identify their level of interest. The survey was conducted on approximately 700 stakeholders in six groups. The survey outcomes allowed us to identify stakeholder's level of interest in our CSR issues.

### Survey Target

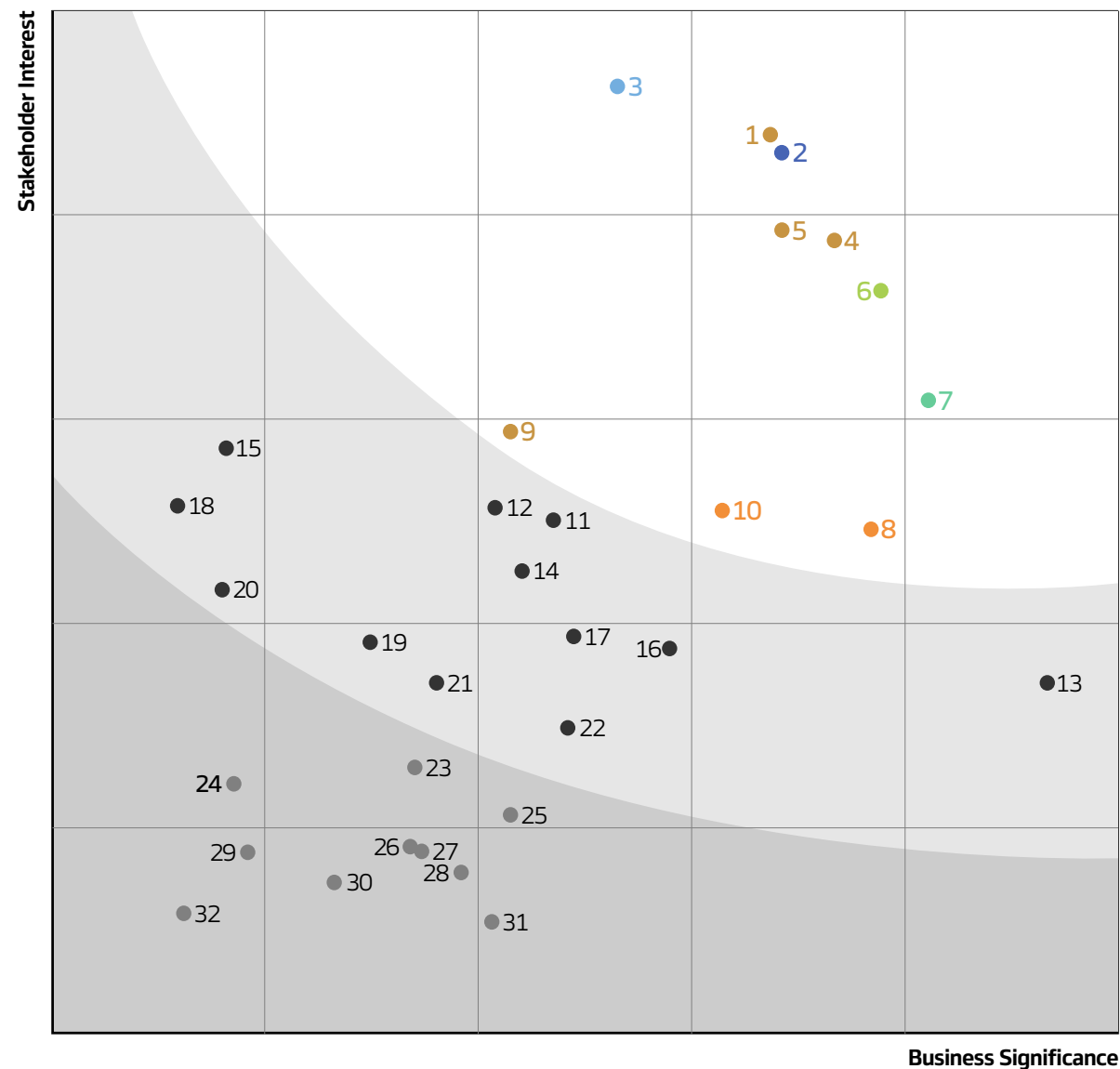
(Unit: No. of persons)





### STEP 3 Generating Analysis Outcomes and Selecting Key Issues

We prioritized 32 issues by combining the outcomes of step 1 (business significance) and step 2 (stakeholder interest). The top 10 issues were defined as key issues, and this report provides a detailed presentation of these issues on their importance, our operational status and achievements.

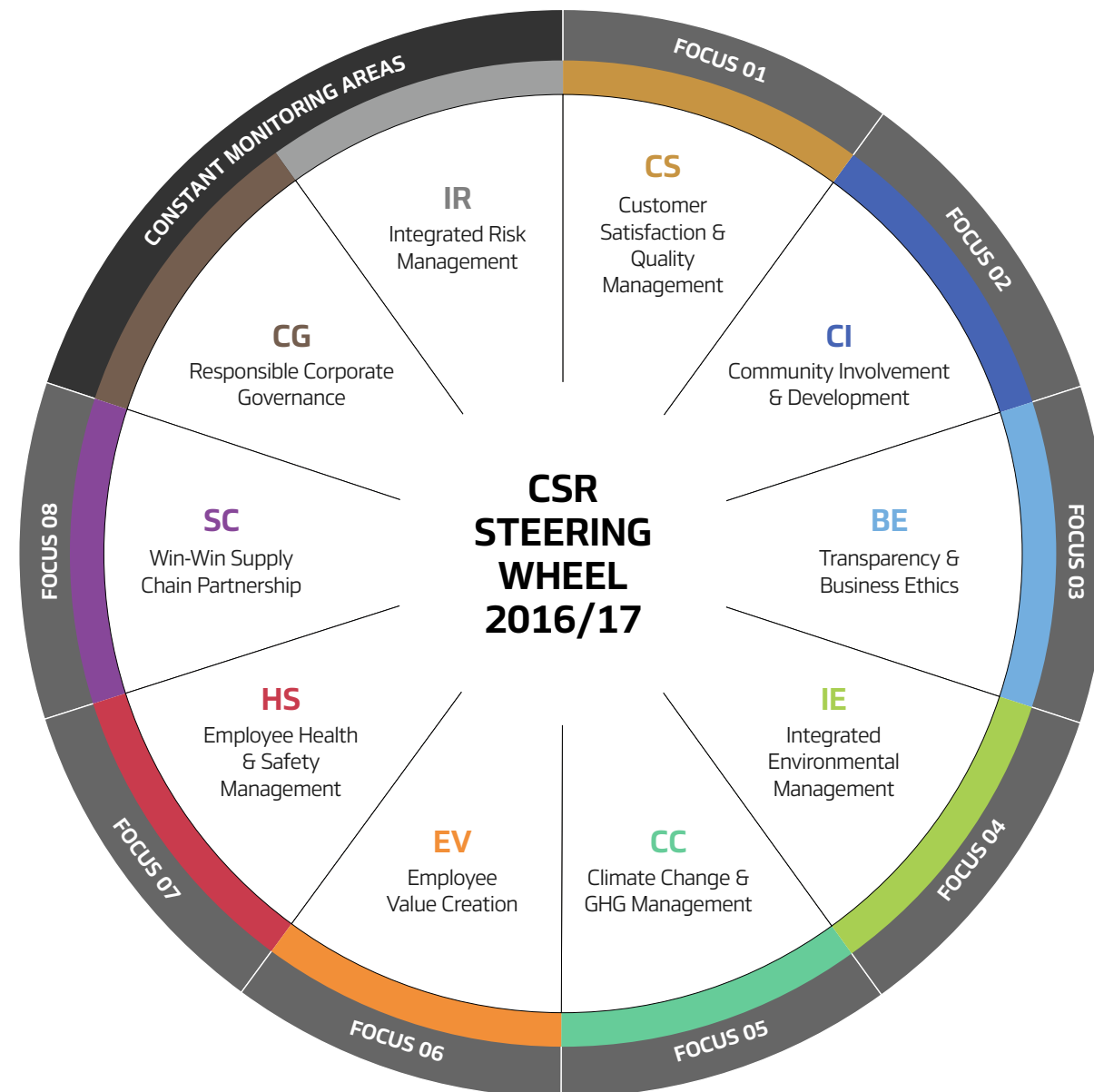


### Pool of Issues

Focus Areas	Key Managerial Issue	General Managerial Issue
Customer Satisfaction & Quality Management P. 37~44	1. Expand R&D investment 4. Develop products and services with customer safety in mind 5. Improve business efficiency and profitability 9. Expand customer satisfaction and communication	16. Reinforce our advancement into the global market 18. Sustainable mobility 24. Provide accurate information on products and services to customers
Community Involvement & Development P. 45~50	2. Conduct philanthropic initiatives in consideration of the specificities of local communities	17. Endeavor to revitalize the local community and economy
Business Ethics & Transparency P. 51~54	3. Strengthen the ethics management system	21. Prohibit unfair transactions and abide by relevant regulations 26. Facilitate the reporting system to handle unethical practices 28. Strengthen anti-corruption activities 32. Manage employees' political sponsorship
Integrated Environmental Management P. 55~58	6. Develop products with their environmental impact in mind (energy-saving products, etc.)	22. Use resources sustainably 25. Manage the discharge of waste water-waste 27. Protect ecosystems and biodiversity in the vicinity of our business sites 31. Manage water use
Response to Climate Change P. 59~61	7. Control the emission of GHG and harmful air pollutants	29. Manage energy use
Employee Value Creation P. 62~67	8. Ban discrimination on the grounds of gender, race or age and secure diversity 10. Offer training for employee capacity building	12. Reinforce the employee welfare and benefit programs 20. Increase employment and establish employment security 30. Ban child labor and forced labor
Employee Health & Safety Management P. 68~71		13. Reinforce the employee health & safety management system
Win-Win Supplier Chain Partnership P. 72~76		15. Win-win supplier programs 23. Support suppliers in performing CSR assessments and making necessary improvements
<b>Constant Monitoring Areas</b>		
Integrated Risk Management		Responsible Corporate Governance
11. Advance the company-wide risk management system		14. Secure soundness-transparency in the composition and operation of the BOD 19. Facilitate stakeholder communication

# CSR Steering Wheel 2016/17

Based on the integrated CSR management system, Hankook Tire defined the eight major CSR Focus Areas of: Customer Satisfaction & Quality Management, Community Involvement & Development, Transparency & Business Ethics, Climate Change & GHG Management, Employee Value Creation, Employee Health & Safety Management, and Win-Win Supply Chain Partnership.



Code	Area	Key Managerial Issues	Pages
<b>CONSTANT MONITORING AREAS</b>			
CG	Responsible Corporate Governance	1. Establishment of an advanced decision-making system based on the proactive integration of stakeholder feedback 2. Operation of the BOD on professionalism and strengthened accountability and responsibility	30~31
IR	Integrated Risk Management	1. Company-wide crisis management system 2. Risk management conducted on respective detailed issues	32~35
<b>FOCUS AREAS</b>			
CS	<b>Focus 01</b> Customer Satisfaction & Quality Management	<b>Car Makers</b> 1. Continuous communication 2. Reinforcement of product competency <b>General Customers &amp; Dealers</b> 1. Co-prosperity with customers 2. Impressive customer experience 3. Communication with customers	37~40 41~44
CI	<b>Focus 02</b> Community Involvement & Development	1. Company-wide expansion of social contribution 2. Employee engagement 3. Focusing on core competency 4. Supporting the growth of local communities	45~50
BE	<b>Focus 03</b> Transparency & Business Ethics	1. Training and communication on ethics management 2. Regular monitoring and evaluation 3. Dissemination of ethics management to affiliates	51~54
IE	<b>Focus 04</b> Integrated Environmental Management	1. Management of environmental production infrastructure 2. Resource management 3. Product environment	55~58
CC	<b>Focus 05</b> Climate Change & GHG Management	1. Energy & GHG management 2. Reduction of energy use and GHG emissions 3. Adoption of new technology	59~61
EV	<b>Focus 06</b> Employee Value Creation	1. Open communication 2. HR system to offer fair opportunities 3. Human rights and diversity management 4. Growth-fostering training system 5. Work-life balance	62~67
HS	<b>Focus 07</b> Employee Health & Safety Management	1. Establishment of a self-initiated safety management system 2. Enhancement of employee health management 3. Development of a fire safety system	68~71
SC	<b>Focus 08</b> Win-Win Supply Chain Partnership	1. Supplier management and relations policy 2. Establishment of procurement ethics 3. Improvement of supplier ESG management	72~76



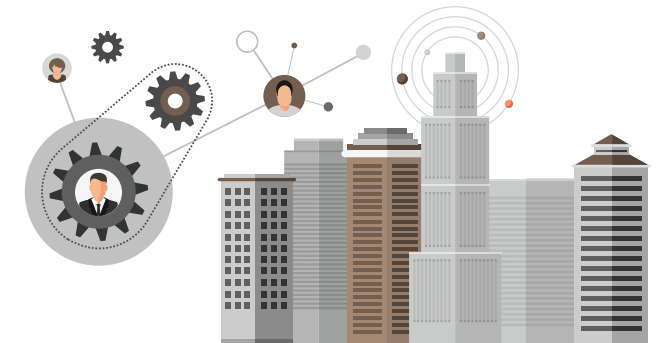
# CONSTANT MONITORING AREAS

CG. Responsible Corporate Governance  
IR. Integrated Risk Management

## Declaration

At Hankook Tire, we have set a great example in separating the ownership from the management of the company by adopting the Chief Executive Officer system early on. We constantly endeavor to maintain a sound corporate governance and to practice a reasonable and transparent business conduct.

# CG ————— Responsible Corporate Governance



## Major Shareholders

The following indicates the status of our major shareholders and their ownership as of December 31<sup>st</sup> of 2016.

Major Shareholders	No. of Shares	Ownership (%)
Hankook Tire Worldwide Co., Ltd.	31,174,527	25.16
Yang Rai Cho	13,007,897	10.50
Hyun Bum Cho	2,561,241	2.07
Hyun Shick Cho	799,241	0.65
Others	76,332,163	61.62
Total	123,875,069	100.00

## BOD Composition

Our Board of Directors (BOD) consists of five directors: two executive directors and three non-executive directors.

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

## BOD Evaluation and Remuneration

Our directors and auditors are compensated according to our corporate policy within the annual limit of KRW 10 billion, which was approved at the general shareholders' meeting, and their bonus pay is determined based on the measurements made in their economic, social and environmental performance indicators. Their annual remuneration is approximately 6.9 times the average wage of our employees. The annual salary level of all our employees including BOD members is finalized in light of the average market wage levels that are based on the outcomes of the research conducted by external consulting firms biannually as well as our internal rate of pay increases.

### Remuneration of the BOD Members and Auditors

(Unit: KRW million)

Director	No. of Persons	Total Remuneration	Average Remuneration per Person
Executive director	2	2,214	1,107
Non-executive director (Audit Committee member)	3	162	54
Total	5	2,376	475

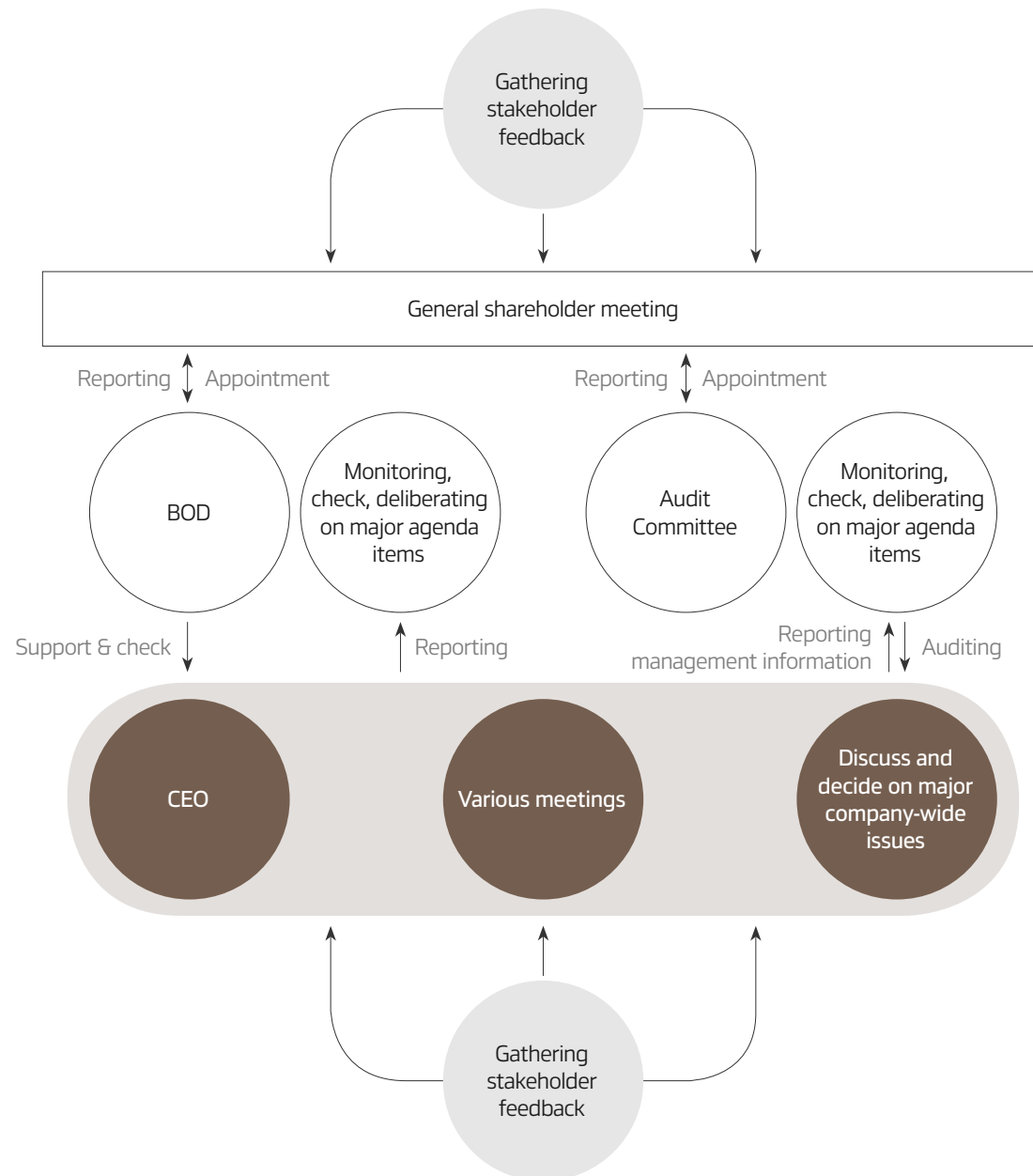
## BOD Operation based on Professionalism and Strengthened Accountability

Our non-executive members are required to have served in governmental positions or in companies for an extended period of time and to provide proof of their significant contributions to society. Non-executive directors account for more than half of the total BOD members, and their appointment follows transparent and fair procedures through the Non-executive Director Nomination Committee under the BOD. We ensure that our non-executive directors have ample experience in the fields of business administration, legal affairs and related businesses so that they serve to check and monitor our top management and to provide their advice and consultation in order to assist the CEO in making accurate decisions.



## Top Management's Decision-Making Process

The BOD is at the core of our decision-making process. We gather stakeholder feedback and identify necessary tasks at various meetings to produce tangible outcomes. We are building a corporate culture that enables us to reflect stakeholder feedback in the decision-making of our top management through proactive communication.



## BOD Meetings

In 2016, four regular and four ad-hoc BOD meetings were hosted.

### BOD Meetings for the Past Four Years

BOD Meetings	Regular Meetings	Ad-hoc Meetings	Attendance Rate of Non-executive Directors
2013	4	7	93.9%
2014	4	6	93.3%
2015	4	7	78.8%
2016	4	4	91.7%

## 2016 Operation of the BOD Committees

There are four committees operating under the BOD: the Audit Committee, Sustainability Committee, Non-executive Director Nomination Committee, and Internal Transactions Committee. These committees meet both on a regular and ad-hoc basis.

Committee	Composition	Responsibility	Operational Status
Audit Committee	Three non-executive directors	<ul style="list-style-type: none"> <li>Audit accounting and business operations</li> <li>Investigate corporate financial assets</li> <li>Handle matters stipulated in government regulations and the articles of incorporation as well as matters commissioned by the BOD</li> <li>Request directors to report business operations</li> <li>Request the appointment of non-executive directors</li> </ul>	Four regular and one ad-hoc meetings
Sustainability Committee <sup>1)</sup>	Two executive directors	<ul style="list-style-type: none"> <li>Deliberate and decide on general management matters</li> <li>Deliberate and decide on financial matters</li> </ul>	30 meetings
Non-executive Director Nomination Committee	Two executive directors and three non-executive directors	<ul style="list-style-type: none"> <li>Recommend non-executive director candidates</li> </ul>	None
Internal Transactions Committee	Three non-executive directors	<ul style="list-style-type: none"> <li>Approve large-scale internal transactions</li> </ul>	Three meetings

1) With an aim of preventing risks in overall business conduct and solidifying our sustainability as a company, we transformed the Management Committee into the Sustainability Committee in 2016. This newly-created committee is responsible for deliberating and deciding on those general business management and financial issues that occur with the highest frequency as well as on risk management and relevant issues in order to identify and prevent risks that may impact our corporate sustainability.

## Background of This Issue

As diverse natural disasters and safety accidents occur across the globe, businesses today are engaged in a wide array of activities to eliminate business-related risks. Furthermore, stakeholders are increasingly interested in how businesses respond and counteract to prevent such business risks.

## Risks & Opportunities

If we can preemptively identify, manage and predict natural disasters, safety accidents and other business-related risks, this will then enable us to immediately respond to unexpected events and to ensure stability in our financial/non-financial business operations.

## Hankook Tire's Policy

In 2015, we established our own 'crisis management system' to address unexpected risks and we have implemented this as an organically-aligned integrated system based on the three functional pillars of risk management, emergency response and crisis management. As for risk management, we identify each and every risk that may pose threats to our business conduct and develop plans to manage such risks.

## Management Responsibility & Governance

### Risk Management System

- Risk Management: Corporate Strategy Team
- Emergency Response: Machinery Engineering Team 3, Infrastructure Operations Team
- Crisis Management: CSR Team

### Compliance Committee [Legal Risk Part]

- Chaired by: Corporate Strategy Planning Division Director
- Supervised by: Legal Team
- Members: Audit Team, Purchasing Planning Team, Proactive University, CSR Team

# IR Integrated Risk Management



## Our Impact & Scope

In the event that any risk occurs, we will never avoid our responsibility to address such risks and we will strive to protect our employees and the general public, eliminating any fears or concerns that our stakeholders may have while focusing on turning our business operations back to normal. We will also turn the crises caused by these risks into an opportunity to take yet another step forward so that we can pursue the sustainable growth of our company.

## Key Achievements

Established the  
Business Continuity  
Management System  
(BCMS)



Offered sexual  
harassment prevention  
training in Korea and abroad

**7,146** employees  
(Including expatriate  
employees and resignees)



Offered fair trade training  
(for those responsible for  
fair trade operations)

**32** employees



## Future Plans & Outlook

Building on the 'crisis management system' established in 2015, we aim to develop a sustainable risk management and monitoring system. We will also designate departments in charge of the respective risks that were identified so that these risks are monitored as part of our daily operations. If deemed necessary, such risks can be proposed as critical agenda items for our committees and will be managed accordingly. By identifying potential risks and continuously endeavoring to establish a risk response system, we will surely address any unexpected events in a flexible manner.

## Overview of the Risk Management System

A number of accidents that occurred in Korea and abroad have alerted us to the need of company-wide crisis management, and we established the Crisis Management Headquarters in 2014 and defined its operational principles. In 2015, we made improvements to elevate the overall level of our risk management, emergency response and crisis management and to operate the crisis management system in a substantial and integrated manner. We are regularly updating this system every two years from the risk management aspect, and such update is slated in 2017.

### Overview of the Risk Management System

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

#### \* Risk Management:

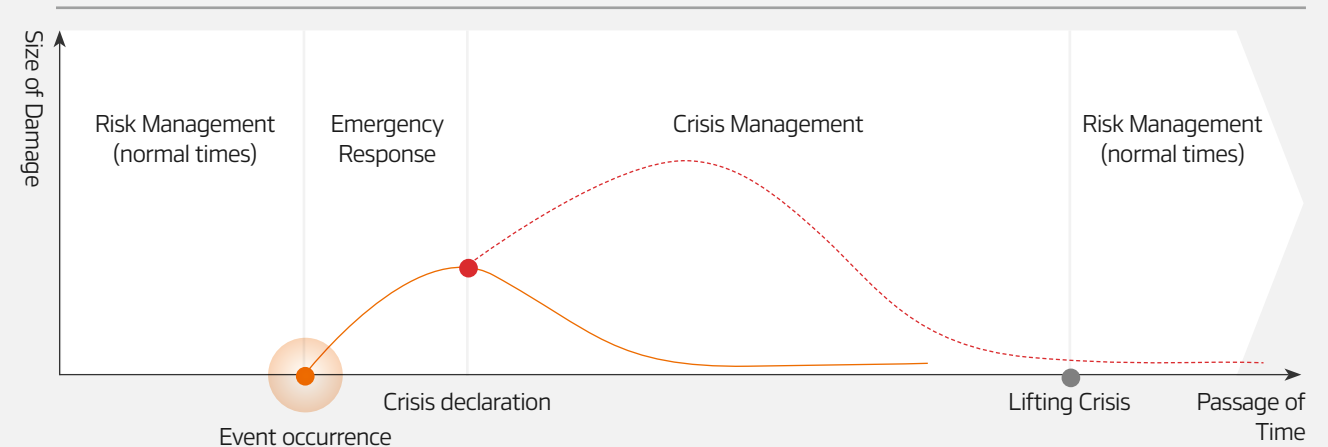
- Risks refer to uncertain future events that may impact the attainment of an organization's strategic, operational or financial goals. From a broader perspective, risks can be threats to corporate sustainability.
- Risk management is to identify and assess these risks and to lower their possibility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

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

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

\* **Crisis Management System:** The risk management system was created to effectively manage the risks and crises that a company could face through the organic alignment of risk management, emergency response and crisis management

### Crisis Management System



### Organizational Chart of the Crisis Management Headquarters





## Our Achievements in 2016

● Completed    ◐ Partially Completed    ○ Not Completed

Code	Key Managerial Issues	Goals	Achievements	Completion
IR1	Labor-management culture	Complete and distribute the Version 2.0 of the Guideline	<ul style="list-style-type: none"> <li>Completed the TP Employment-Labor Law Compliance Guideline, and distributed this to relevant departments</li> </ul>	●
IR2	Customer information protection	Review our compliance with personal data collection procedures <sup>1)</sup>	<ul style="list-style-type: none"> <li>Reviewed the status of collection procedures, storage and use of personal data (Q2)</li> <li>Held meetings: Human Resource Team and Environment &amp; Safety Team of the Daejeon and Geumsan Plants as well as relevant departments</li> <li>- Caution is needed in relation to personal data security in collecting evidence required for taking disciplinary measures or raising lawsuits</li> <li>- Imposed limitations in using and processing such sensitive information as joining or leaving the labor union</li> <li>- Requested to comply with personal data security regulations in providing such personal information as CCTV materials to third-parties</li> <li>Audited the status of managing customers' personal data (Q3)</li> <li>- Reviewed the status of customer data management among domestic working-level departments (marketing) to prevent any leaks of personal data</li> <li>- Prepared preliminary checklists concerning the collection, use, disposal and management of personal data, and interviewed respective employees in charge of such operations</li> <li>- Notified respective departments of necessary improvements, requested their outcomes in making such improvements, and identified their progress</li> </ul>	●
IR3	Sexual harassment prevention	Offer sexual harassment prevention training and improve training curriculum for overseas training	<ul style="list-style-type: none"> <li>Offered company-wide sexual harassment prevention training (to all employees)</li> <li>Conducted research on governmental regulations to improve training materials for major overseas regional headquarters</li> <li>Reflected local characteristics in training materials and methods</li> </ul>	●
IR4	Fair trade	Offer company-wide fair trade training and manage affiliates' fair trade operation <sup>2)</sup>	<ul style="list-style-type: none"> <li>Offered fair trade training (on subcontracting regulations) to all employees and affiliates (Jul.)</li> <li>- Offered to staff from departments responsible for subcontracting contracts at the Head Office and emFrontier</li> <li>- Disseminated training content across working-level departments through trainees</li> <li>Output: Training materials on subcontracting regulations (distributed to working-level departments following training)</li> </ul>	●
IR5	Business Continuity Management System (BCMS) development	Establish the ISO22301 system and obtain the certification at the Daejeon and Geumsan Plants	<ul style="list-style-type: none"> <li>Established the ISO22301 system and obtained the certification at the Daejeon and Geumsan Plants</li> </ul>	●

1) In line with the initiation of our e-commerce operation, including the sale of tires on the T'Station website, from 2017 onwards we will obtain the 'information protection management system certification' (supervised by the Audit Team).

2) This has been relocated to the 'Fair Trade' category and managed as such since 2016.

IR1

## Labor-Management Culture

### Completion and Distribution of the Version 2.0 of the Guideline

The ‘TP Employment·Labor Law Compliance Guideline’, developed in 2015 was revised with an emphasis on working-level shop floor operations to improve its practical usability. This Version 2.0 of the Guideline illustrates cautions to be taken in HR management practices in each phase of before, during and after employment, and it also reflected legal information and precedents in the State of Tennessee. The completed version was distributed to relevant departments so that responsible employees can refer to the guideline in their daily business conduct.

IR2

## Customer Information Protection

### Reviewing Compliance with Personal Information Collection Procedures

We reviewed our status in collecting, storing, using and managing the personal information of our employees and customers. This was followed by the notification to departments, working in relation to HR operation and general affairs, of the improvements required in complying with Korea’s personal information protection regulations, including limitations on the use and processing of sensitive information (e.g. HR information) and provision of CCTV materials and other personal data to third-parties. We also conducted one-on-one interviews with responsible staff from domestic marketing-related departments to identify our status in managing customer data. The interview

outcomes were used to notify respective departments of necessary improvements and to request them to send their improvement results so that substantial improvements could be made. While our initial goal for 2016 was to ‘meet the criteria of the information protection management system certification’ in accordance with the amendment of the Information & Communication Network Act that took effect in June 2016, we were not engaged in any e-commerce operation and thus the certification criteria did not apply to our business conduct. Thus, we revised this goal to ‘review the status in complying with personal information collection procedures’ and endeavored to reach this goal during the year 2016.

IR3

## Sexual Harassment Prevention

### Offering Sexual Harassment Prevention Training in Korea and Improving Teaching Curriculum for Overseas Training

We reflected country-specific sexual harassment prevention regulations and socio-cultural characteristics in the training curriculum and methodology in offering sexual harassment prevention training for domestic operations and major overseas regional headquarters. For instance, ban on discrimination in its wider meaning (race, age, gender, and other conditions) was added in addition to sexual discrimination in the training curriculum for our America and Europe regional headquarters while our China regional headquarters included sexual harassment prevention in the scope of general ethics training to make such training more effective in the regional context. Sexual harassment prevention training in Korea will be provided by

the training supervising team while the regional headquarters will be in charge of such training on their own.

IR4

## Fair Trade

### Offering Company-wide Fair Trade Training, and Managing Affiliates’ Fair Trade Operation

We provided legal training on fair subcontracting practices to relevant departments (working in relation to domestic subcontracting, purchasing and subcontractor management) as well as responsible staff at affiliates. The curriculum was designed in a way to assist trainees from Hankook Tire and its affiliates in developing in-depth knowledge on subcontracting-related regulatory requirements that may be relevant to their daily operations. This training was attended by 21 employees from our Head Office and 11 employees from four affiliates. Furthermore, we formed a network among staff in charge of fair trade operation at respective affiliates, and encouraged them to attend the fair trade training supervised by the Fair Competition Federation (concerning disclosures of corporate groups whose mutual investments are limited). As a result, all staff responsible for fair trade at our 13 domestic affiliates attended and completed such training as of the end of 2016.

IR5

## Business Continuity Management System Development

We established a Business Continuity Management System to expediently restore our key operations even when we face the possibility of business

discontinuation due to accidents, disasters and other unexpected crises so as to maintain the continuity of our business conduct.

### Establishing the ISO22301 System and Obtaining the Certificate at the Daejeon and Geumsan Plants

In 2016, our Daejeon and Geumsan Plants became the 1<sup>st</sup> in the domestic tire industry to obtain the ISO22301 (Business Continuity Management System, BCMS) certificate. These international standards aim to assist businesses in maintaining the continuity of their business conduct by restoring their key business operations within a short period of time even when they face the possibility of business discontinuation due to accidents, disasters and other unexpected crises. To obtain this certificate, we identified all business processes that make direct-indirect contributions to our production, from the purchase of raw and subsidiary materials to manufacturing and delivery to customers, assessed risks that may impact our business conduct and established our business continuity plans on top-ranking risks accordingly. We also created an emergency response organization to enable us to systematically follow the pre-determined procedures in case any accidents or disasters occur while conducting annual emergency mock drills to improve our agility and skills in responding to such events. Our goal is to make all our production bases ISO22301-certified by 2020 to protect the safety of our employees and turn our business operations to normal within the shortest-possible timeframe in case of emergencies so that we can minimize damage to our customers and stakeholders.



# CSR FOCUS AREAS

- FOCUS 01** — **CS.** Customer Satisfaction & Quality Management
- FOCUS 02** — **CI.** Community Involvement & Development
- FOCUS 03** — **BE.** Transparency & Business Ethics
- FOCUS 04** — **IE.** Integrated Environmental Management
- FOCUS 05** — **CC.** Climate Change & GHG Management
- FOCUS 06** — **EV.** Employee Value Creation
- FOCUS 07** — **HS.** Employee Health & Safety Management
- FOCUS 08** — **SC.** Win-Win Supply Chain Partnership





## Background of This Issue

Global car makers request that their suppliers conduct business responsibly in addition to fulfilling such essential requirements as quality, price, delivery, and CSR as part of their global business partnerships. Thus, we strengthen our communication with car makers while expanding our internal R&D endeavors and improving our production quality as our top priorities in order to satisfy the needs of our society and end consumers.

## Risks & Opportunities

Car makers increasingly demand that our products help reduce GHG emissions in line with tightening global environmental standards, and this directly affects the entire automobile component industry. Automobile component suppliers are required to meet even more stringent product performance requirements, and such shifting business conditions may pose limitations to broadening their market presence further. Thus, leaders in the automobile component industry are consistently developing technology and ensuring closer communication to satisfy the requirements of car makers.

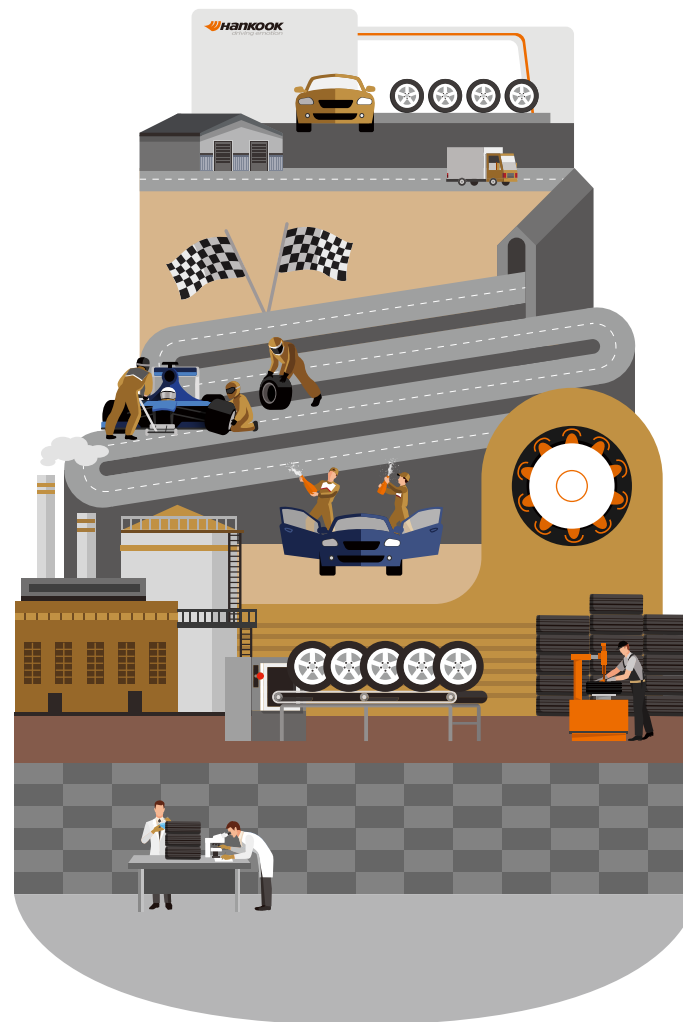
## Hankook Tire's Policy

As a business partner to global car makers, we at Hankook Tire are developing technology that satisfies their performance requirements on the basis of our organically-structured system developed in accordance with global standards. Meanwhile, we aim to secure our competitive edge in eco-friendliness and quality across our global operations so that we maintain sustainable and long-term partnerships with car makers.

## Management Responsibility & Governance

- Chaired by: Global OE Division Director
- Supervised by: Global OE Planning Team, Global OE Technical Team
- Cooperation members: Global OE Sales Team 1 & 2, OE Teams in Europe, America, China, Japan, and ASEAN & India, PC Development Team 1 - 3, TB Development Team 2, OE Quality Team, Technical Centers in Europe, America, Japan and China

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



## Our Impact & Scope

Our impact immediately spans car makers, who are the customers of our Original Equipment (OE) business, before reaching out to the end consumers in the automobile industry. The scope of such impact is not limited to specific regions but extends throughout the global market.

## Key Achievements

Communicated with car makers through multiple means (Attendance at the IAA and other auto shows)



Developed future-oriented tires by securing quality competitiveness



Offered quality mind-set training

14,657 employees



## Future Plans & Outlook

We will swiftly identify the technical requirements of car makers and relevant market trends while communicating with them from diverse angles, such as exhibitions and customer exchange meetings. In so doing, we will develop and deliver products with the optimal performance and quality desired by car makers. Specifically, we aim to expand our supply of future-oriented and eco-friendly tires while actively responding to the sustainability assessments increasingly performed by car makers. This will enable us to take the appropriate follow-up measures and to tighten our sustainable business relationships with car makers.

# Our Achievements in 2016

● Completed

◐ Partially Completed

○ Not Completed

Code	Key Managerial Issues	Goals	Achievements	Completion
CS1	Continuous communication	Strengthen mutual trust by facilitating communication with car makers	<ul style="list-style-type: none"> <li>Our customer relationship management initiatives: No. of customers and occasions <ul style="list-style-type: none"> <li>Undertook seven different types of partnership management and communication initiatives for a total of 11 car makers, including support for wide-ranging corporate philanthropic events, invitation to sponsorship sports events, and collaboration in producing concept tires</li> </ul> </li> <li>Strategic advertising and promotional initiatives: <ul style="list-style-type: none"> <li>Published ads in the magazines issued by car makers, distributed press release materials on more than 15 new OE fitment models, and hosted PR events on ‘Hankook Tire Experience Day’</li> </ul> </li> <li>Marketing communication based on attendance at major exhibitions on two occasions <ul style="list-style-type: none"> <li>Exhibited truck and bus tires at the ‘Thomas Built Buses Tradeshow’ in the U.S. and the ‘IAA Hannover’ in Germany</li> </ul> </li> </ul>	●
		Satisfy the requirements of car makers	<ul style="list-style-type: none"> <li>Took follow-up measures in response to sustainability assessments</li> </ul>	●
CS2	Reinforcement of product competency	Promptly develop products that meet the advanced performance requirements of major car makers	<ul style="list-style-type: none"> <li>Supplied eco-friendly OE tires for the Ford C-MAX plug-in-hybrid electric vehicle as well as the battery-powered EV and hybrid EV models of the Hyundai IONIQ</li> </ul>	●
		Build a flawless quality assurance system	<ul style="list-style-type: none"> <li>Monitored indicators and took action concerning compliance with testing schedules and the reduction of quality issues for mass-production and qualification products to zero</li> <li>Undertook initiatives to make new product development processes more reasonable and systemic and to improve wide-ranging issues</li> </ul>	●
		Elevate all employees’ quality-driven mind-set	<ul style="list-style-type: none"> <li>Distributed quality training curriculum to overseas plants to help them develop a quality-driven mind-set on par with domestic plants</li> </ul>	●

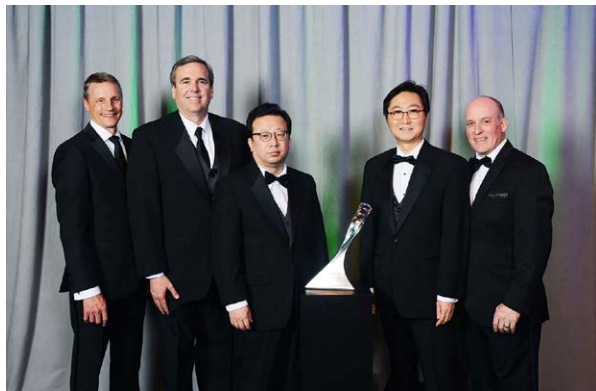
CS1

## Continuous Communication

We have strengthened strategic marketing communication to establish mutually-beneficial relationships with global car makers, and are now exploring new areas of partnerships - producing concept tires and undertaking partner relationship management initiatives - to build even stronger partnerships with these car makers.

### Strengthening Mutual Trust by Facilitating Communication with Car Makers

We have consistently been honored by global car makers as an excellent supplier since 2013, and again in 2016, we were chosen as the '2016 Supplier of the Year' by General Motors. To proactively respond to any special requirements from our customers, we are undertaking a wide range of marketing communication programs with car makers, in addition to business meetings, so that we can forge an even closer network with car makers.



Chosen as the '2016 Supplier of the Year' by GM

**Communication through Partner Relationship Management** • In 2016, we were engaged in six different types of partnership relationship management (PRM) programs for a total of 11 car makers. We attended a sponsorship event supervised by Ford for Juvenile Diabetes Research Foundation, a charity football match supervised by Volkswagen, and a charity concert supervised by Toyota as part of our corporate philanthropic initiatives. Meanwhile, we invited European car makers to such racing events as the 'DTM(Deutsche Tourenwagen Masters)' and the 'ADAC Zurich 24-Hour Race', where we serve as the official sponsor to strengthen our business relationships. We also participated in the concept car project undertaken by Volkswagen and exhibited our concept tire at the Paris Motor Show.

### Communication through Exhibitions and Events

• We diversified our OE fitment portfolio as we became the OE tire supplier for more than 15 models, including the BMW 7 Series, Audi Q7, Ford C-MAX, and the Nissan Frontier. We also launched strategic PR activities in both domestic and overseas newspapers and at such exhibitions as the 'Thomas Built Buses Tradeshow' in the U.S. and the 'IAA Hannover' in Germany. By hosting events to celebrate 'Hankook Tire Experience Day', we published our achievements in supplying our OE tires to the BMW 7 Series and other leading car makers while providing an opportunity to test drive our tires to strengthen our partnerships.



DTM (Deutsche Tourenwagen Masters)



IAA Hannover Exhibition

### List of New OE Fitment Supply in 2016

Brand	Model	Product Name
Audi	A4	Ventus S1 evo <sup>2</sup>
	A4 Avant	Ventus S1 evo <sup>2</sup>
	S4	Ventus S1 evo <sup>2</sup>
	Q7	Ventus S1 evo <sup>2</sup> SUV
	SQ7	Ventus S1 evo <sup>2</sup> SUV
BMW	7 Series	Ventus S1 evo <sup>2</sup> Runflat, Winter i'cept evo Runflat
Ford	C-MAX Energi	Enfren Eco
MAN	TGX, TGM, TGS, TGL	AL10+, DL10+ and etc.
Scania	R-Series and etc.	AL10+, DL10+ and etc.
Mercedes-Benz	The New Arocs Dump Truck	AH15, DH33+
Nissan	Frontier	Dynapro AT-M, Dynapro HT
Toyota	Sienta	Kinergy EX



## Satisfying the Requirements of Car Makers

Car makers are evaluating our sustainability as a supplier and are constantly monitoring our sustainability performance. In 2016, we responded to such evaluations performed by BMW, Chrysler, Ford, Honda, Toyota, Volvo and other car makers. These evaluations aimed to assess our overall status in CSR management in the areas of society, human rights, labor, safety, environment, suppliers, diversity management, and emergency-crisis response. The cases where we were found to be less than satisfactory on any of such evaluation items were reflected in the Vision 2020 Action Plan of respective CSR Steering Committees so that necessary improvements could be made. Meanwhile, we fully responded to Ford's request to make corrective measures on our ethics management. To establish a well-structured ethics management system that spans from audit plans to management checks, our Audit Team created our ethics management regulations which set forth rules to be followed along the Plan - Do - Check - Action cycle that consists of an ethics management organizational structure as well as action plans - implementation (training, communication, etc.) - check (internal audit) - and improvement (management check).

CS2

## Reinforcement of Product Competency

We develop technology for next-generation tires and ceaselessly pursue quality improvements to promptly deliver the optimal products car makers most desire. In so doing, we further solidify our

cooperative relationships with car makers as their strategic partners and contribute to the development of the automobile industry.

## Promptly Developing Products that Meet Advanced Performance Requirements

**Expanding Our Safety and Eco-friendly Tire Line-up** • We independently developed and delivered the 'Ventus Prime 2 SEALGUARD®', Korea's first-ever self-sealing tire made through the application of sealant materials. We had previously supplied the 'Ventus S1 evo<sup>2</sup> Runflat', a runflat tire that offers extended mobility for a specific amount of time above the speed of 80km/h even when punctured, to BMW and Mercedes Benz. In 2016, we supplied the 'Ventus S1 noble2' which adopted our 'sound absorber' technology to reduce tire noise for the Audi Q7 for the first time. In line with the increasing need to reduce GHG emissions across the globe, we also succeeded in supplying OE tires for electric vehicles, including Ford's C-MAX plug-in-hybrid EV (PHEV), and Hyundai's IONIQ (both battery EV and hybrid EV). Notably, Ford's C-MAX PHEV was fitted with our 'Enfren Eco', our eco-friendly tire recognized for its excellence in fuel efficiency, and this was positively received by both car makers and consumers for its contributions to improving fuel efficiency as well as for reducing GHG emissions.

## Building a Flawless Quality Assurance System

**Detailed and Systemic Quality Management** • Our top priority for 2016 was to establish a more detailed and systemized quality management system, and thus we realigned new product development processes and made improvements

across multiple domains. We also reorganized management indicators relating to test schedule compliance and to reducing quality issues to zero for mass-production & qualification products. This aided in our ability to make procedural improvements and thus raised the bar on our quality management in so doing.

## Elevating the Quality-driven Mind-set Among All Employees

Our company-wide quality-driven mind-set training is extending its scope each year. In 2016, com-

prehensive quality mind-set training was provided to 14,657 employees, or nearly 70% of the total global workforce, including both office workers and operators. This training allowed us to disseminate quality-driven awareness all the way down to the shop floor level.



Nissan Frontier fitted with the 'Dynapro AT-M'



Ford C-MAX Energi fitted with EV tires



Audi Q7 fitted with the 'Ventus S1 noble2'



BMW 7 Series fitted with the 'Ventus S1 evo2'

## Background of This Issue

Consumers are increasingly interested in tire and car management services. While tire manufacturers and maintenance service providers are expanding their advancement into the car and tire service market, a wide range of service quality issues are emerging. Specifically for 'safety' - the ultimate value that directly affects the life of our customers, the tire manufacturing industry is fully committed to improving service quality while consumers are raising the bar on monitoring and verifying service quality.

## Risks & Opportunities

Tire manufacturers, distributors, maintenance service providers, online sellers, and tuning specialists who constitute the car industry ecosystem are competing against one another fiercely for their very survival. False or exaggerated advertising, maintenance services provided by non-experts, and substandard after-sales services can easily breed distrust for the entire car industry. At Hankook Tire, we clearly realize our role as a member of this ecosystem, and understand the need to avoid excessive competition. Instead, we need to reach consensus on service quality guidelines to provide services that satisfy customer expectations.

## Hankook Tire's Policy

As Korea's No. 1 tire maker, we provide standardized car management services under our brand T'Station. We implement a standard pricing policy to enhance our credibility while providing safety consulting to strengthen customer management. Our employees are also trained with customer reception manuals to competently address each phase of the sales process. This enables us to undertake diverse customer satisfaction and safety initiatives and to pursue sustainable growth.

## Management Responsibility & Governance

- Chaired by: KOR)Marketing & Sales Division Director
- Supervised by: KOR)TBR Marketing Team
- Cooperation members: Global Sales Training Center, KOR)Retail Marketing Planning Team, KOR)Retail Marketing Operations Team

# CS ———

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



## Our Impact & Scope

It is in the 'customer' domain where the stakeholder value that we should place as our top priority regarding consumer safety lies. Given that we bear the responsibility to provide top-quality services to customers, our employees exert a critical impact. Meanwhile, the internet and other media channels are highly advanced in Korea, and this further highlights the importance of managing our reputation with customers.

## Key Achievements

Training for women  
who experienced career  
discontinuation as  
car managers

60 women



Free-of-charge  
mobile care service

109 occasions



Highway safety  
inspection campaign

6 occasions



## Future Plans & Outlook

We will extend the operation of our SMART CARE program to improve our service quality and customer satisfaction. With the acquisition of the Australian franchise 'JAX TYRES', we will develop a specialized franchise business optimized for the shifting distribution landscape in the mid-long term. Through sustained communication with customers, we will reach our ultimate goal of 'delivering the value of safe driving to customers'.

# Our Achievements in 2016

● Completed
 ● Partially Completed
 ○ Not Completed

Code	Key Managerial Issues	Goals	Achievements	Completion
CS3	Co-prosperity with customers	Offer training courses to help dealers better manage their shops	<ul style="list-style-type: none"> <li>• Training outcomes in 2016               <ul style="list-style-type: none"> <li>- Offered training to 646 T'Stations and The Tire Shops</li> <li>- Trained on how to attend to the needs of customers from the moment they arrive till the moment they leave</li> <li>- Explained how to effectively attend to customer needs in seven distinct steps</li> <li>- Aimed to improve the profitability of shops and their frequency of customer visits through effective customer service</li> </ul> </li> </ul>	●
		Provide mobile on-site training	<ul style="list-style-type: none"> <li>• Female car manager training program               <ul style="list-style-type: none"> <li>- Provided as part of the vocational training program launched by the Career Continuation Center under the Ministry of Gender Equality and Family in 2016</li> <li>- Target: 60 women who experienced career discontinuation</li> <li>- Courses: Basic theoretical knowledge on tires and wheel alignments, step-specific customer services (16 hours)</li> <li>- Training venue: Female Talent Development Centers at Seocho, Nowon and Guro in Seoul</li> </ul> </li> </ul>	●
CS4	Impressive customer experience	Operate the SMART CARE program	<ul style="list-style-type: none"> <li>• Reviewed compliance with the manuals on 10 major safety checks</li> <li>• Introduced the SMART ASSURANCE CARE (insurance policy)</li> <li>• Provided tire hotel service</li> </ul>	●
CS5	Communication with customers	Launch the safety inspection campaign at highway rest areas	<ul style="list-style-type: none"> <li>• Launched on six occasions               <ul style="list-style-type: none"> <li>- Performed inspections, including battery/tire air pressure checks while offering counseling on tire care tips at seven highway rest areas across the nation</li> </ul> </li> <li>• Conducted safety inspections during the summer vacation season (Jul.)</li> <li>• Helped publicize the Hankook Tire brand</li> <li>• Surveyed the ratio of different tire brands fitted with the cars and used the outcomes for marketing purposes</li> </ul>	●
		Provide free-of-charge mobile care service	<ul style="list-style-type: none"> <li>• Provided on a total of 109 occasions by sales office               <ul style="list-style-type: none"> <li>- Visited governmental offices and businesses to provide free-of-charge mobile care service</li> <li>- Offered additional promotional benefits, including welfare benefit partnership agreements, to increase the sales of T'Stations</li> </ul> </li> </ul>	●



CS3

## Co-Prosperity with Customers

We provide training for shop operators and for women in local communities who have discontinued their career. In so doing, we share the value of 'driving towards happiness' that we pursue at Hankook Tire and grow hand-in-hand with customers, dealers and local communities.

### Training Courses for Dealers to Improve Their Shop Management Capacity

We developed and are distributing manuals that illustrate each step of the entire customer service process, from the moment a customer enters the shop until the moment they leave. We also provide regular training to shop staff to improve their service quality, and establish standardized services at our franchise shops across the nation in order to improve our brand image. In addition to such training, we will identify any possible difficulties that dealers face in operating their shops, from legal issues to tax issues. As such, we pass along our shop management expertise and provide the range of information required for our shop man-

**Step 1** Develop manuals on the 7-Step Smart Customer Service

**Step 2** Offer collective training by region to approximately 80% of the total network

**Step 3** Produce e-learning content

agement to pave the way for shared growth with our dealers.

### Mobile On-site Training

As part of the support program launched by the Korean Ministry of Gender Equality and Family that assists women who experienced career discontinuation in restarting their career, we operate the 'Female Car Manager Training' program that offers maintenance technician license training and maintenance and tire training. This program ensures that these women learn theoretical and practical knowledge on car maintenance. They learn how to inspect their own vehicle and receive car maintenance training at reasonable prices while we contribute to reducing the social losses caused by the career discontinuation of women.



Poster Illustrating the 7-Step Smart Customer Service

CS4

## Impressive Customer Experience

T'Stations, which represent Hankook Tire's franchise shops, provide tailor-made car management services. These services range anywhere from free-of-charge 10 safety checks to tire compensation and tire hotel services. These stations help us to deliver greater customer satisfaction and reinforce our credibility as a trusted company.

### SMART CARE Operation

Our T'Stations span across the nation and provide SMART CARE services to improve customer satisfaction and trust. Free-of-charge safety inspections are performed on 10 key items - tire pres-

sure, wear, brake pads, batteries, engine oil, brake oil, washer liquids, anti-freeze, belts and lamps - to brief customers on the general status of their cars while such data is inputted into our database to encourage them to revisit the shop as a way to ensure continuity in offering total care solutions. In addition, any tire damage that occurs within one year of purchase or within 16,000km of driving is compensated by offering equivalent replacements within the KRW 500,000 limit. Meanwhile, customers who purchase more than two winter tires are eligible for our tire hotel service, which safely stores their non-winter tires. This adds a completely new layer in convenience and ensures a safer driving experience during the winter season.



Brochures on the Female Car Manager Program



SMART CARE Service

CS5

## Communication with Customers

We launch safety inspection campaigns at highway rest areas across the nation and provide free-of-charge mobile care services as a way to listen to the invaluable feedback of our customers and reflect such feedback in improving our service quality and developing products.

### Highway Safety Inspection Campaign

We launched the highway safety inspection campaigns at major rest areas across the nation on a total of six occasions (including summer vacation and national holiday seasons). Our service teams that consist of professional technical engineers provide free-of-charge inspections, ranging from the measurement of tire pressure and nail pen-

etration, to the status of tire wear and battery condition, to all customers who visit the campaign location.

### Free-of-Charge Mobile Care Service

Our inspection teams, made up of our in-house tire professionals, visit customers to provide free-of-charge care services to ensure their safe driving. In 2016, these teams visited governmental offices and businesses in the vicinity of their respective sales office on a total of 109 occasions to provide safety checks and car maintenance training. This enabled customers to learn essential information on car management and receive recommendations on appropriate tire products while allowing us at Hankook Tire to sign welfare partnership agreements to promote our B2B business.



Highway Safety Inspection



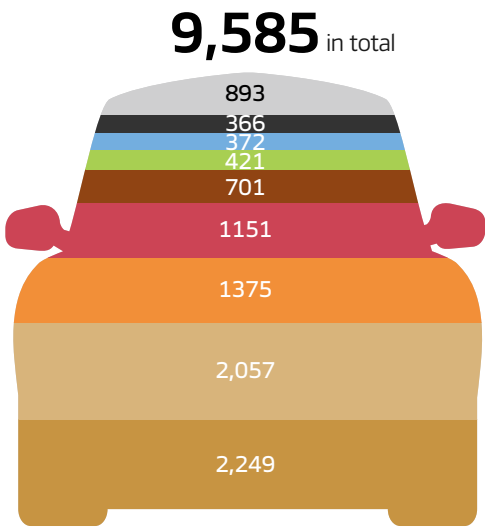
Hankook Tire Promotion Booth

### Details of the Highway Safety Inspection Campaigns

Category	Description
Inspection	Perform tire safety checks (air pressure, wear, puncture), battery checks, washer liquid replenishment
Counseling	Offer tire management tips (air pressure, wear), explain product features and recommend tires according to user experience
Event	Provide mobile tire discount certificates

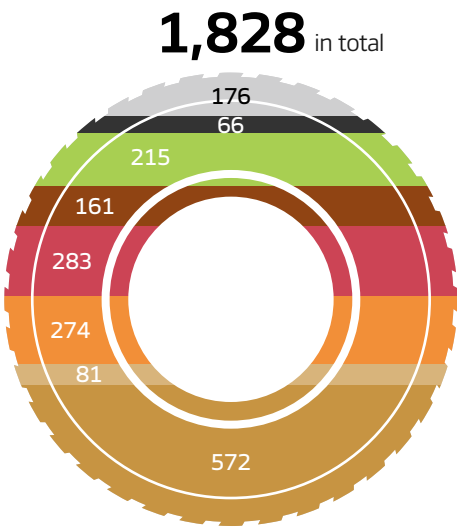
### 2016 Achievements of Our Free-of-Charge Mobile Care Service

Businesses Local residents Inspection venues Governmental offices Military bases Schools Rest areas Mini marts Others (welfare centers, hospitals, golf courses, apartments, etc.)



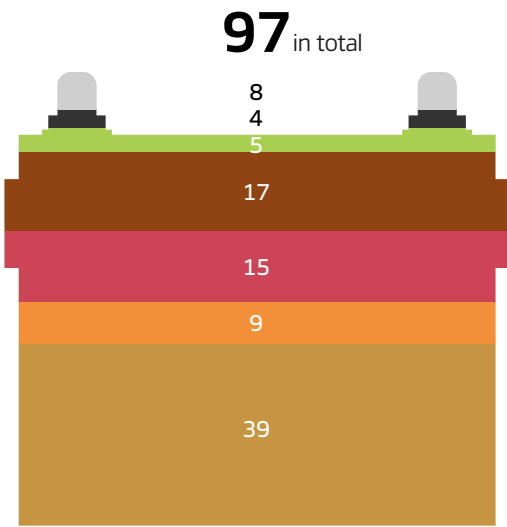
Car inspections

(Unit: No. of vehicles)



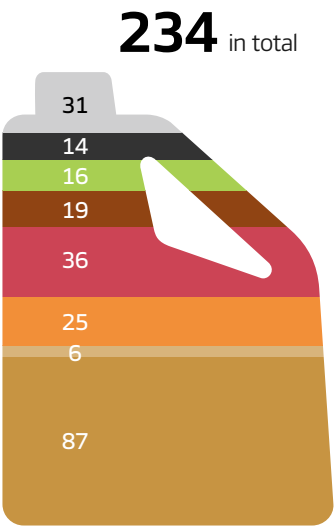
Tire replacements

(Unit: No. of tires)



Battery replacements

(Unit: No. of batteries)



Engine oil

(Unit: No. of units)

## Background of This Issue

In line with the growing concerns that highlight the importance of corporate social responsibility both in Korea and abroad, promoting communication and co-prosperity with local communities through corporate philanthropy remains a critical initiative for any businesses. It is in this context that companies are respected for their full commitment to sharing and expanding values as well as for their creation of economic values.

## Risks & Opportunities

Since the growth of any company is based on the local community where it is located, any failure to sincerely fulfill its role in community development and involvement may lose the social trust it established over the years and threat its very existence. We believe that sincerely communicating with our local communities and endeavoring to address social issues will help improve our corporate image and pave the way for our solid growth as a company.

## Hankook Tire's Policy

At Hankook Tire, we ensure that through our business conduct, we make direct/indirect contributions to the economic development of our nation and local community and spearhead the resolution of local issues through constant communication with local communities. Furthermore, we return the value we create to society so that it prospers with all members as a unified whole and so that we fulfill our responsibility and obligation as a corporate citizen and generate social value.

## Responsibility Management & Governance

- Chaired by: HR Division Director
- Supervised by: CSR Team
- Members: DP)Corporate Management Team, KP)Corporate Management Team, KOR)Culture Communications Team, Hankook Tire Welfare Foundation

# CI ——— Community Involvement & Development



## Our Impact & Scope

Our community development and involvement programs are undertaken in overseas regions, as well as in Korea. Each of our overseas headquarters develops their own programs in a way that meets local needs while implementing localized corporate philanthropic initiatives. Notably, as our Tennessee Plant in the U.S. initiated its mass production in the second half of 2016, this highlighted the need to identify the social needs of the local community where we operate and closely cooperate with the community.

## Key Achievements

Company-wide  
total social contribution  
expenditures

KRW **75.9** billion



Employee volunteer  
hours per person

**2.5** hours



No. of vehicles donated  
to social welfare centers  
through the Car Sharing  
initiatives (2008~2016)

**347** vehicles



## Future Plans & Outlook

In 2017, we will reinforce our 'Mobility' concept in planning our leading social contribution project and initiating their pilot operation. With this concept in mind, we will sincerely undertake our philanthropic initiatives, and will take a step closer to reaching our mid-long-term corporate philanthropic goal of 'contributing to the growth of local communities and to improving our brand value'.



## Our Achievements in 2016

● Completed   ● Partially Completed   ○ Not Completed

Code	Key Managerial Issues	Goals	Achievements	Completion
CI1	Company-wide expansion of social contribution	Communication guides for local community stakeholders	Developed communication manuals and completed the review of their applicability	●
		Undertake philanthropic initiatives at overseas sites	<ul style="list-style-type: none"> <li>• Key social contribution program at overseas sites</li> <li>- China: Scholarships for students from low-income families</li> <li>- Czech: Tire donations</li> <li>- Hungary: Tire donations, employee volunteering teams</li> <li>- Indonesia: Free-of-charge medical check-ups, school environment improvements, environmental clean-ups</li> <li>- U.S.: Support for the DAV (Disabled American Veterans)</li> </ul>	●
CI2	Participation of employee	Build a platform to facilitate employee engagement	Developed an IT system for employee volunteering	●
		Launch employee volunteering teams at overseas sites	Launched employee volunteering teams at the Indonesia Plant	●
		Overseas volunteering	To be implemented in 2017	○
		Expand volunteering by employees' families	Family volunteering (Seoul, Daejeon, Geumsan), volunteering at the Daycare Center No. of occasions: 11 / Participants: 633 volunteers, 203 families	●
CI3	Focusing on core competence	Develop traffic safety maps for children	Areas: Seoul, Gyeonggi, Gangwon, Daejeon / Participating schools: 20 classes, 4 primary schools / Participants: 536 children / Cooperating organization: Korean Association for Safe Communities	●
		Undertake three major Mobility projects (Car Sharing·Tire Sharing·Tuieum Bus)	Car Sharing: Donated 40 vehicles / Tire Sharing: Donated 5,528 tires (including overseas donations) / Tuieum Bus: Benefited 16,673 persons	●
CI4	Fostering Local Community's Sustainability	Execute the Social Housing Fund program	<ul style="list-style-type: none"> <li>• Laid the foundation: Initiated projects with four NPOs to facilitate social housing</li> <li>• Completed the renovation of private social housing, and 39 households moved in</li> </ul>	●
		Projects to protect at-risk youth and ensure their independence	<ul style="list-style-type: none"> <li>• Protection: Social family 'Wonderland'</li> <li>- Five female teenagers became members of the social family / One became independent: One family member landed a job at an NGO after 2 years of living with the family / Two teenagers joined the family</li> <li>• Self-reliance: Job training facility 'Coffee Zoo'</li> <li>- Six teenagers are working / 2<sup>nd</sup> Coffee Zoo was newly opened</li> <li>• Education: Humanities education at Life School</li> <li>- Completed by seven teenagers</li> </ul>	●
		Support for strengthening competence and foundation for economic independence	<ul style="list-style-type: none"> <li>• Support project for marginalized women in obtaining their driver's license<sup>1)</sup></li> <li>- Out of the 66 women supported, 57 obtained the license</li> <li>- Upgrade to 3GO: Offer these women career discovery opportunities through My job coaching</li> </ul>	●*

1) This project was terminated in 2016, and new projects are in the pipeline to promote the self-reliance of local communities.

C11

## Company-wide Expansion of Social Contribution

We developed manuals to ensure more systemic communication with local communities, and we believe that this will firmly allow us to identify the critical needs of our local communities and undertake our philanthropic programs more effectively. Furthermore, our overseas headquarters launched philanthropic initiatives that cater to their own local needs and in so doing, they strengthened communication between their business sites and the local communities where they are based.

### Communication Guides for Local Community Stakeholders

In 2016, we developed manuals to communicate with local communities in a more strategic and systemic manner, and reviewed their applicability on a portion of our domestic sites. The design of these manuals was guided by the three keywords of pre-emptive, strategic and systemic in consideration of target stakeholders and communication methods. In 2017, we plan to use them in our domestic sites to undertake highly-localized social contribution programs that truly reflect the needs of our local communities.

### Undertaking Philanthropic Initiatives at Overseas Sites

At Hankook Tire, not only our domestic sites but also our respective overseas headquarters, are actively engaged in philanthropic initiatives that cater to their local needs. In 2016, our China

Headquarters offered scholarships, the America Headquarters donated tires, and the Indonesia Plant provided free-of-charge medical check-ups and helped improve the school environment. Notably, our newly-established Tennessee Plant under the America Headquarters will broaden its communication channels with the local government and community from 2017 onwards to reinforce its philanthropic initiatives.

C12

## Employee Engagement

To facilitate our employees' engagement in social contribution initiatives, we created a new type of family volunteering. Our Indonesia Plant also launched its own employee volunteer team and officially initiated its operation.

### Building a Platform to Facilitate Employee Engagement

In 2016, we launched a website for our employee volunteer team 'Donggeurami Volunteering Team' to improve its operational efficiency and to facilitate employee engagement. The website was planned and designed with user convenience as



Screen shot of the Donggeurami Volunteer Team Website

its top priority, was tested sufficiently to minimize any possible errors, and was officially launched in March 2017. This website enables our employees to go through all the procedural steps seamlessly, from searching for volunteer information, to filling out applications and reporting, and departments can ensure accuracy and efficiency in managing volunteering outcomes. In 2017, we aim to stabilize our website operations to engage more employees in our volunteer initiatives.

### Launching Volunteer Teams at Overseas Sites

Our Indonesia Plant launched its own employee volunteer team 'Harmony Club' in May 2016 as a way to expand our corporate philanthropy at overseas sites. Since its inception, the volunteer team has been engaged in broad-ranging initiatives for the underprivileged: providing free-of-charge medical check-ups for people living in the vicinity of the plant, improving childcare facilities and donating supplies, and offering lunch boxes for low-income families. In 2017, our Indonesian volunteer team will be fully committed to philanthropic initiatives to improve the quality of life for less-privileged populations.



Launching of a Volunteer Team at Our Overseas Site

### Expanding Volunteering by Employees' Families

Our employee family volunteering extended its scope to daycare centers, and this new initiative was undertaken in Seoul, Daejeon and Geumsan. Children at our in-house daycare centers, along with their parents and our employees, cooked meals and donated these meals and other supplies to underprivileged individuals. They also visited senior nursing homes to make cakes with senior residents. Other family volunteer programs were mainly implemented during the school vacation season: our Seoul site invited children from multi-cultural families to Kizania, located in Jamsil, Seoul, to experience diverse career programs while our Daejeon and Geumsan Plants provided severely-challenged individuals with not-readily-available opportunities to visit aquariums and make cheese. In 2016, a total of 203 families and 633 employees and family members participated in such family volunteer programs, and they were highly welcomed by all. Not only did these opportunities offer children a chance to experience the value of sharing, but it also allowed parents to share quality time with their family while truly assisting the less-privileged within our society.



Volunteer Work Performed by the Families of our Employees

C13

## Focusing on Core Competency

At Hankook Tire, we developed traffic safety maps for children and implemented three major Mobility projects to make the best use of our core capabilities in undertaking these initiatives. Going forward, we plan to launch pilot philanthropic programs that can best represent our corporate identity as a tire manufacturer.

### Developing Traffic Safety Maps for Children

We have developed traffic safety maps for children since 2013 to assist elementary school students in coping with high-risk situations and to improve traffic conditions in order to establish practices conducive to children's safety. In 2016, this project was undertaken at four elementary schools in Gyeonggi, Gangwon, and Daejeon, and attended by 536 students. Since this year's project was aligned with the topic of 'Discover Our Neighborhood', which was part of the fourth grade school curriculum, our main target was fourth graders at respective schools. These students toured around their school commuting routes with traffic guidance teachers and helped us identify risk factors from their van-

tage point and develop and distribute safety maps accordingly. Concerning the risk factors identified by those students, we requested government offices to make improvements, which resulted in the installation of safety fences and the re-painting of crosswalks. The educational benefits were also demonstrated in the children's satisfaction with the project (which amounted to 90.3%), and all the teachers involved responded that they were willing to recommend this project. Building on such achievements, we will continue with this project and improve the usability of these maps in 2017.

### Undertaking Three Major Mobility Projects

**Car Sharing** • As part of our three Mobility projects that aim to improve the mobility convenience of social welfare centers, the Car Sharing program was initiated back in 2008. In 2016, we donated 40 compact cars to make such positive contributions to social welfare facilities as reducing their operational costs while enhancing their mobility. Not only does this program donate vehicles, but it also provides safe driving education to ensure that drivers operate those vehicles safely. Vehicle operational reports also enable us to award incentives to facilities and organizations that excelled in using this program as a way to increase its effectiveness. In 2017, we will increase the number of vehicles that we donate to 50.

**Tire Sharing** • Since 2008, we have initiated this Tire Sharing program to donate tires to social welfare centers across Korea for their business vehicles. In 2016, we donated 2,268 tires to be fitted with a total of 567 vehicles. In so doing, we assisted these facilities in ensuring safety and convenience

in their transport. This program is under operation in Hungary and Indonesia as well as in Korea, and it allowed us to donate 3,260 tires in 2016.

**Tuieum Bus** • Since its launching in 2013, our Tuieum Bus program has provided large-size buses to social welfare centers that are mobility-challenged. This helped provide these centers with a means to access culture, history, heritage, ecology and education. Thanks to highly favorable responses from beneficiaries, this program extended its scope from the general support of donating buses each month and special support of providing assistance to theme-based programs four times per year, into collaborative support that is offered in conjunction with such external organizations as the Korea Forest Service. In 2016, we allowed for never-before-possible experiences by donating a total of 492 buses to benefit 16,673 people. Through our Tuieum Bus program, beneficiaries can spend a pleasant time in enjoying unique experiences that are not readily available.

C14

## Supporting the Growth of Local Communities

To support the growth of local communities and help address social issues, we launched a project to provide housing support for the less privileged and opened a standard site to hire challenged individuals. Furthermore, we consistently endeavored to assist vulnerable populations within our society, such as at-risk youth and marginalized women.



Social Housing Single Room



Social Housing Community Room

### Social Housing Fund Program

Housing costs can be a considerable economic burden for certain populations in society and this can even threaten their residential stability. This eventually leads to the presence of a persistent obstacle to social mobility and a lack of social equality. To contribute to addressing this social issue, we initiated our 'Social Housing Fund Program (formerly Donggeurami House)' in 2016 to provide residential support for the underprivileged. This program aims to offer affordable housing to youth, at-risk teenagers and other vulnerable groups below market prices (40~80% of the market prices): three types of such housing - tailor-made housing offered by Seoul Housing &



Developing Traffic Safety Maps for Children



Communities Corporation, housing whose land is leased by Seoul City, and private social housing - were provided in four areas (Cheonho, Yongdap, Changcheon, Jangwi) of Seoul. In 2016, 39 vulnerable households moved in such housing located in Yongdap. This program enabled us to address the residential insecurity of vulnerable groups and to create jobs through social enterprises and present a new model of philanthropy. Our plan is to operate circular-type funds to increase the number of households that move in each year and to ensure the continuity of this program.

### ‘Hankook Donggeurami Partners’, Our Subsidiary Established as a Standard Site that Hires Challenged Individuals

We opened the ‘Hankook Donggeurami Partners’ in June 2016 as a subsidiary established as a standard site that hires physically/mentally-challenged individuals. Our intention is to provide stable jobs to these people who are often disadvantaged in the job market and thus contribute to resolving issues that are present in the market. The Hankook Donggeurami Partners is located at our Daejeon Plant in Korea and conducts 3 different types of businesses - cleaning centers, bakery centers and



Hankook Donggeurami Partners

coffee & beverage centers, employing 51 physically or mentally-challenged individuals (55% of the total 93 employees). In working with able-bodied colleagues, these challenged individuals gain confidence and realize their full potential. The subsidiary also cooperates with our Donggeurami Volunteer Team in volunteering for local communities: its employees helped vulnerable groups in nearby neighborhoods wash their bedding and provided them with snacks.

### Expanding Support for the Protection and Self-Reliance of at-Risk Youth

We have been protecting and supporting at-risk youth since 2015 so that these teens, who are often exposed to unfavorable family environments, school violence and/or other social issues, are able to flourish as able members of our society. In 2016, we allowed at-risk young women to join ‘Wonderland’, the social family that we support, and teenagers to work and receive vocational training at ‘Coffee Zoo’, a café that we established to assist in boosting the self-reliance of such individuals. In February 2016, the 2<sup>nd</sup> Coffee Zoo opened, and six teens are currently working there to expand the breadth of their social life. Furthermore, we provide humanities courses to help these teens grow intellectually. Through our continued interest in and proactive support for the social family, one of the teens who lived in ‘Wonderland’ for two years successfully landed a job at an NGO.

### Supporting Marginalized Women in Obtaining Their Driver’s License

Between 2014 and 2016, we worked with the

‘Women’s Human Rights Institute of Korea’ to assist underprivileged women in obtaining their driver’s license. This project was undertaken in three gradual steps: 1GO (getting driver’s license) - 2GO (capacity-building workshop) - 3GO (My job discovery). Out of the 66 participants, 57 obtained their driver’s license.

### Our Domestic and International philanthropic Initiatives and Expenditures in 2016

Category	Domestic	International
Key Initiatives	<ul style="list-style-type: none"> <li>Three major Mobility projects (Car Sharing, Tire Sharing, Tuieum Bus)</li> <li>Development of traffic safety maps for children</li> <li>Donggeurami Volunteering Team</li> <li>Protect at-risk youth and support their self-reliance</li> <li>Social Housing Fund Program</li> </ul>	<ul style="list-style-type: none"> <li>China: Offered scholarships to low-income students</li> <li>Europe <ul style="list-style-type: none"> <li>Turkey: Donated tires for vehicles driven by challenged individuals</li> <li>Italy: Made financial donations to help earthquake-affected regions</li> </ul> </li> <li>Hungary Plant: Sponsored local festivals, operated an employee volunteering team</li> <li>Indonesia Plant: Offered free-of-charge medical check-ups, donated tires, and provided lunch boxes for the less-privileged</li> <li>America: Supported the Disabled American Veterans (DAV)</li> </ul>
Expenditures	KRW 6,644,185,000	KRW 947,876,000
Ratio against Sales		0.10%

\* Volunteer hours converted into monetary value: KRW 607,799,810

### Donggeurami Volunteering Team’s Achievements in 2016

Category	Domestic	Indonesia Plant	Hungary Plant
Accumulated No. of employees engaged in volunteering each year (No. of persons)	6,703	340	278
Net participants (No. of persons)	2,921	183	140
Total volunteer hours (No. of hours)	26,093	664	4,119
Volunteering activities (No. of occasions)	559	67	89
Volunteer hours per employee (No. of hours) <sup>1)</sup>	3.8	0.3 <sup>2)</sup>	1.2

1) Calculation of volunteer hours per employees: Total volunteer hours / Total No. of employees of each site

2) As local circumstances allow only a small number of employees to join the volunteer team at our Indonesia Plant, our volunteer team there is likewise smaller and therefore the Plant’s volunteer hours per employee are significantly lower.

\* We aim to increase our volunteer hours per employee to approximately 4.5 hours by 2020

## Hankook Tire Welfare Foundation

We established the Hankook Tire Welfare Foundation in December 1990 with an aim to return the value we create through our business conduct and sincerely fulfill our corporate responsibility and obligation. Over the past 26 years, the foundation has been engaged in broad-ranging corporate philanthropic initiatives to bring positive change to our society. Today, the foundation is consistently endeavoring to bring value and happiness to local communities, children and teenagers mainly through its Mobility projects. The Hankook Tire Welfare Foundation pledges to pursue sustainable social value and keep ‘driving’ towards a better tomorrow.

### Mobility Projects

**Three major Mobility projects** • The foundation undertakes three major Mobility projects - Car Sharing, Tire Sharing and Tuieum Bus - in conjunction with Hankook Tire by putting Hankook Tire’s inherent business characteristics into their best use.

\* Please go to page 48 for further details.

### Community Engagement

#### Social Housing Fund Program

\* Please go to page 48 for further details.

**Support for free hospitals** • Since 1991, we have consistently supported free hospitals, which are fully operated on donations (without governmental assistance), in order to provide free-of-charge treatments, surgeries and prescriptions to socially underprivileged groups who are not protected within the institutional medical welfare boundary. In 2016, our support reached out to a total of five such hospitals (Seongga Bokji Hospital, Joseph Clinic, Raphael Clinic, Clinic for Immigrant Workers at the Sharing Love in the Global Village, and Daegu Seongshim Hospital) to help these individuals suffering diseases recover their health and to practice our value of respecting all people.

**Support for social welfare centers** • We hosted a camp for children undergoing cancer treatments (77 attendees) in the first half of 2016 while hosting a family camp for mentally-challenged individuals (75 attendees) and offering learning support for teenaged North Korean defectors (29 beneficiaries) in the second half of 2016.

### Support for Children and Teens

**Dream With** • ‘Dream With’ is a project that aims to elevate the capacity of local children centers by bringing together businesses, broadcasters, and volunteers (undergraduates and general public) to provide positive programs for children from these centers and to pursue shared growth between volunteers and beneficiary children. Between March and November of 2016, 325 volunteers visited a total of 21 local children centers to spend time with 348 children in science, traditional culture, mountain-climbing, humanities, and gardening programs. Thanks to its meaningful outcomes, the Dream With project is recognized as an exemplary collaboration model among businesses, broadcasters and NGOs.

**Support for at-risk teenagers** • The foundation develops comprehensive support programs for runaway teens, dropouts, and juvenile delinquents who face serious social, academic, economic and environmental issues. The foundation greatly assists these at-risk youths to return and participate in society as valued members.

\* Please go to page 49 for further details.

#### Support for children and teens from low-income families

• The foundation provides financial and mentoring support to children and teens who come from underprivileged families and thus face hardships in their education and career development with an aim to assist them in growing into a valued member of our society. In 2016, the foundation covered the monthly living expenses of 22 children and teens from low-income families while offering them emotional support such as experience-based programs and mentoring.



Dream With



Car Sharing

### 2016 Achievements and 2017 Plans

(Unit: KRW 1,000)

Category	Details	2016		Note
		Achievements	2017 Plans	
Mobility Projects	Three major Mobility projects <sup>1)</sup>	1,252,338	1,600,000	
Community	Social Housing Fund <sup>1)</sup>	3,050,000	3,100,000	
Engagement	Support for free hospitals	110,000	110,000	Integrate scholarship support programs
	Support for social welfare centers	40,000	100,000	
Support for	Dream With	250,000	250,000	
Children and Teens	Support for at-risk youth <sup>1)</sup>	406,913	300,000	The expenses not executed in 2015 were provided in 2016
	Support for children and teens from low-income families	42,000	33,000	Five high school graduates
	Support for North Korean defector teens (scholarship)	50,133	0	Integrate this program into support for social welfare centers
	New projects <sup>1)</sup>	0	300,000	Support the self-reliance of at-risk youth and reorganize the foundation website
Total		5,201,384	5,793,000	

1) The three major Mobility projects, support for at-risk youth, and Social Housing Fund Program, and new projects are implemented based on Hankook Tire budgets.

## Background of This Issue

As businesses exert an increasingly greater impact on nations and local communities, so does the level of ethics that society requires of these businesses. Driven by the global interest in anti-corruption, the international standards 'ISO37001' were established in October 2016 to call for businesses to develop and implement an anti-corruption management system.

## Risks & Opportunities

Ethics management constitutes one of the most critical values that determine a company's reputation and evaluate its competitive edge. While ethics management was initially represented as compliance management, its requirements have been increased to include satisfying wide-ranging stakeholders and fulfilling social responsibility. We believe that advancing ethics management will be the key to building a good reputation.

## Hankook Tire's Policy

We clearly recognize that ethics management is a critical factor in securing our competitive edge as a company and in advancing sustainability management. This is why we have consistently endeavored to practice ethics management as a way to earn trust from a wide array of stakeholders. We develop ethics regulations and relevant policies, provide various training programs, and operate the whistle-blower protection system to build a transparent and sound organizational culture.

## Management Responsibility & Governance

### Ethics Management Committee

- Chaired by: Audit Department Director
- Supervised by: Audit Team
- Members: Global Marketing Planning Team, Corporate Management Team 1, Purchasing Planning team, R&D Planning Team, Global Quality Assurance Team

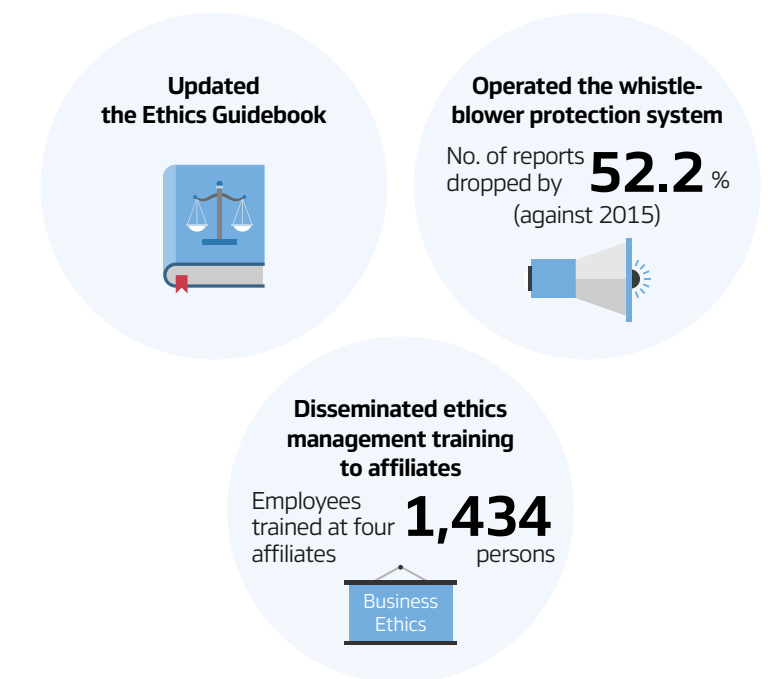


# BE ———— Transparency & Business Ethics

## Our Impact & Scope

As companies enter into the global arena and social networks develop, the scope of ethics management broadens even further. Therefore, we need to ensure interactive communication with internal-external stakeholders. In line with such a trend, we will advance ethics management in a way that caters to the needs of diverse stakeholders.

## Key Achievements



## Future Plan & Outlook

In this era of global competition, ethics management will serve as the key value that forms the fundamentals of a competitive edge and guarantees the continuity of our existence as a business. In 2017, we plan to revise our ethics regulations by further segmenting their details on money laundering, related transactions and political sponsorships. We will also facilitate the operation of our ethics management Help Desk to reinforce internal communication and the executorial capability of our ethics management.



# Our Achievements in 2016

● Completed

◐ Partially Completed

○ Not Completed

Code	Key Managerial Issues	Goals	Achievements	Completion
BE1	Training and communication on ethics management	Establish the ethics management framework	Set forth 'ethics management regulations' in 2016	●
		Update the Ethics Guidebook	Updated the Ethics Guidebook with a focus on case studies	●
		Offer regular ethics management training	Offered offline training to all office staff	●
		Disseminate ethics management training to overseas headquarters	Translated the Ethics Guidebook in local languages and distributed overseas sites (English, Chinese, Hungarian, and Indonesian)	◐
		Launch the ethics management Help Desk	Created the ethics management Help Desk menu on the intranet	●
		Send the E-ethics Letter	Posted notices on the Anti-Graft Act	●
		Launch the 'No Holiday Gift' campaign	Launched the 'No Holiday Gift' campaign during the New Year and Korean Thanksgiving holidays	●
BE2	Regular monitoring and evaluation	Operate the RMS <sup>1)</sup> in Korea and China	Operated the RMS in Korea and China	●
		Request suppliers to perform self-initiated evaluation on sustainability and ethics management	Performed self-diagnosis on ethics management	●
BE3	Dissemination of ethics management to affiliates	Launch the 'No Holiday Gift' campaign	Launched the 'No Holiday Gift' campaign	●
		Offer ethics management training to affiliates	Offered ethics management training to four affiliates (for office staff and operators)	●
		Request affiliates to perform self-initiated ethics management evaluations	Performed self-diagnosis on ethics management at affiliates	●

1) RMS: Risk Monitoring System

## BE1

## Training and Communication on Ethics Management

We re-established our Whistle-blowing System that allows our employees and even third parties to freely report any issues they may have, and promoted this system across the company. We also provided periodical ethics management training to further enhance our employee awareness regarding business ethics.

### Establishing the Ethics Management Framework

In September 2016, we implemented our 'ethics management regulations' to fully establish our ethics management system. These regulations are based on the standard approach of the PDCA (Plan-Do-Check-Act) management system, and aim to advance self-initiated ethics management. We believe that these regulations will enable us to consistently elevate the level of our ethics management by reducing ethics management risks at respective sites. Furthermore, we revised our in-

house policy that bans any acceptance of bribes to abide by Korea's Anti-Graft Act, which took effect in September 2016, to ensure our legal compliance. We also invited lecturers sponsored by the Anti-Corruption and Civil Rights Commission to train our team leaders and executives on the Anti-Graft Act. Such training addressed the intention behind the enactment of the act, its key details and countermeasures to be taken by businesses. We recommended that these trainees share what they learned with their team members when they go back to work.

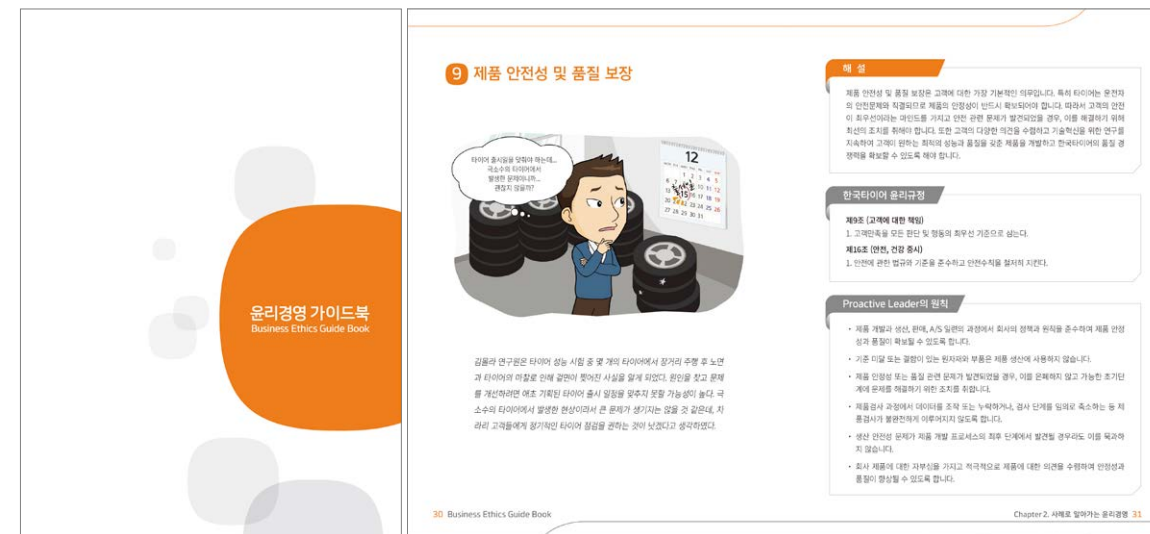
We agreed to be evaluated by the Korea Academy of Business Ethics to ensure that our ethics management is objectively assessed by such a third-party organization, and were honored with the Grand Prize of Ethics Management. This recognized our firm commitment to advancing ethics management as demonstrated in building our ethics management system, including general regulations, a Whistle-blowing system and training, and integrating such a system into the fabric of our organization.



Ethics Management Training



Awarded with the Ethics Management Grand Prize



Ethics Guidebook

### Updating the Ethics Guidebook

We published the Ethics Guidebook back in 2010 to improve employees' understanding of and engagement in advancing ethics management. In December 2016, we updated this guidebook by integrating ethics management trends and shifting business conditions into the book. The revised guidebook illustrated unlawful solicitations that could potentially occur in business conduct and violations of fair trade regulations. This assists our employees in developing an interest in and understanding of ethics management.

### Regular Ethics Management Training

In 2016, we provided department-level collective ethics management training to approximately 2,100 office employees. The training materials focus primarily on the theory and practice of ethics management, implementation methods, and glob-

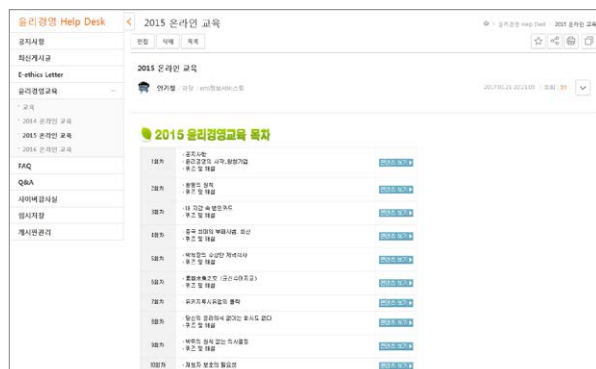
al ethics management trends. We also uploaded online ethics management training materials in the ethics management Help Desk section to enable all our office staff (including expatriates) with PC access to receive training year-round.

### Disseminating Ethics Management Training to Overseas Headquarters

While we updated our Ethics Guidebook with an emphasis on case studies in 2016, we translated it into local languages and distributed it to our overseas headquarters in the first half of 2017 in a move to disseminate ethics management training throughout our global operations. Training departments at respective business sites are using this guidebook for training to motivate our employees to practice ethics management in their business conduct.

## Creating the Ethics Management Help Desk

We created the ethics management Help Desk on our newly-launched intranet. We revamped the webpage design, and online training materials were linked and made available year-round. Furthermore, the link to the Cyber Audit, through which employee inquiries are immediately addressed and their anonymity is protected, was created within the ethics management Q&A section to reinforce our Whistle-blowing System.



Screen Shot of the Ethics Management Help Desk

## Sending the E-ethics Letter

Between 2011 and 2015, our E-ethics Letter served as a communication channel for all employees, including the company CEO, to understand Hankook Tire's message on ethics management. Since 2016, we have modified its operational method from sending individual e-mails to posting company-wide notices. Moreover, we revised our 'regulations on the acceptance of bribes' in line with the 'Anti-Graft Act' taking effect and made an in-house announcement to alert all our employees to such regulatory change.

## No Holiday Gift Campaign

At Hankook Tire, we strive to avoid any unfair

transaction with internal/external stakeholders and prevent wide-ranging ethical risks so as to establish fair and transparent business transactions. We even posted an announcement on the 'No Holiday Gift' campaign on our intranet to encourage all employees to join this campaign. We also made a notice of this campaign for suppliers through our Hankook Tire e-Procurement System (HePS): this was directly linked to a reporting channel to make reporting easier, and it was made clear that the campaign was operated independently of our procurement operation.

BE2

## Regular Monitoring and Evaluation

We endeavor to prevent ethical risks through the regular monitoring of our regulations and business processes, and we perform annual self-initiated surveys to evaluate our ethics management.

## Operating the RMS in Korea and China

As our organizational segmentation and integration accelerated, our risk exposure also rose accordingly. This prompted us to establish the Risk Monitoring System (RMS) as an early warning system, and we are constantly monitoring risks. Since its initiation in June 2011, the Korean RMS has monitored indicators in the five areas of HR, sales, accounting, expenditures and procurement. In 2012, we launched the Chinese RMS to extend the target of our risk monitoring, and added logistics to widen our monitoring scope to six areas in 2014. Our plan is to standardize the RMS across our global sites to establish our own risk monitoring system that befits our status as a global company.

## Self-Initiated Evaluation of Ethics Management

In 2016, we once again performed a self-initiated survey of our employees on our level of ethics management based on the evaluation indicators that were renewed back in 2014. The evaluation outcomes revealed that our overall score has remained the same over the past three years. The data pointed to the fact that, despite our endeavors to establish diverse systems and programs, vulnerable areas still existed and that not all of the sectors were uniform in their execution levels and performance. This places us in the 'institutionalization' phase in establishing ethics management. While last year's most vulnerable area requiring improvement was in the employee sector, this has since been replaced with the systems and programs sector, followed by the customer sector, as was the case last year. Our plan is to share such outcomes with relevant departments to bring fundamental improvements to our business process.

BE3

## Dissemination of Ethics Management to Affiliates

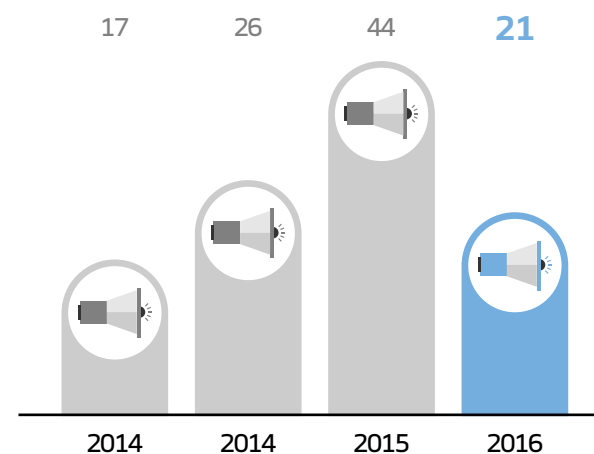
To improve the level of ethics management of our affiliates, we provide ethics management programs - ethics management campaigns, training and self-initiated evaluations - on par with those undertaken at Hankook Tire.

## Ethics Management Campaign, Training and Self-Diagnosis

In 2016, all our four affiliates launched the 'No Holiday Gift' campaign during the New Year and Korean Thanksgiving holidays. We also ensured that the online ethics management training materials that we developed in 2015 would be used in providing all affiliate employees - including office staff and operators - with ethics management training. Furthermore, we request that our affiliates perform self-initiated ethics management evaluations each year to allow for consistent monitoring.

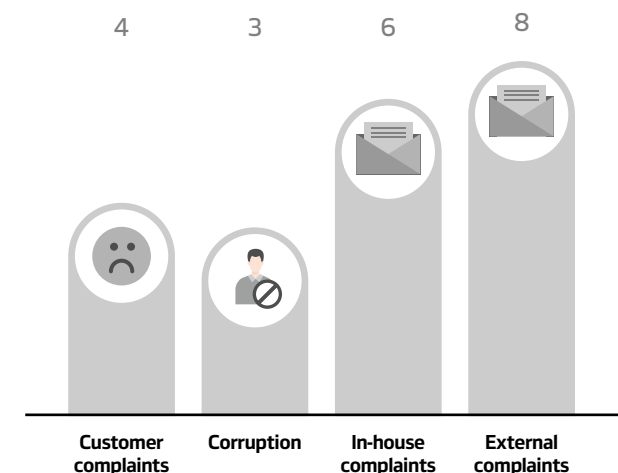
## Whistleblower Reports Submitted over the Past Four Years

(Unit: No. of reports)



## Whistleblower Reports Submitted in 2016 by Type

(Unit: No. of reports)





## Background of This Issue

Tire manufacturers consume raw materials and use energy such as electricity and steam, and tires create a significant impact on the fuel consumption of vehicles. Therefore, it is highly essential for these companies to recognize and minimize their environmental footprint throughout the entire product life cycle in order to ensure their sustainability.

## Risks & Opportunities

We face increasingly tightening regulations in Korea and abroad that govern the improvement of the manufacturing environment - management of air and water pollutants and waste treatment. Carmakers are also raising the bar on product environmental standards. This means that we are required to reduce and verify the environmental impact of our products. By preemptively responding to such requirements, we can widen the boundary of our business and create new business opportunities.

## Hankook Tire's Policy

All our domestic and overseas manufacturing sites are ISO14001-certified in accordance with these environmental management system standards, and we endeavor to reduce our environmental impact through sustained investments and improvements. We also operate committees to continuously manage and fully respond to environmental issues.

## Management Responsibility & Governance

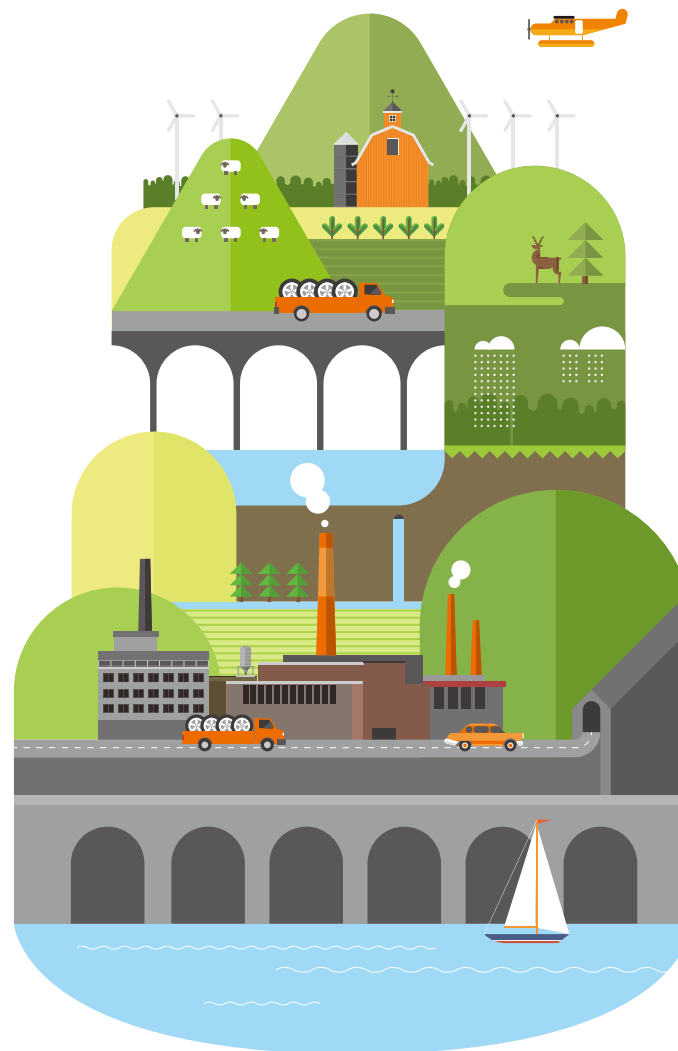
### EHS-e Committee [Workplace Environment Part]

- Chaired by: Production & Engineering Division Director
- Supervised by: Machinery Engineering Team 3
- Members: CSR Team, EHS Teams of respective plants, Facility Maintenance Teams of respective plants, R&D Corporate Management Team, Material Research Team 2

### Product environment Committee

- Chaired by: R&D Planning Department Director
- Supervised by: R&D Planning Team
- Members: CSR Team, Raw Material Development Team, Material Research 1 Team, Research 3 Team

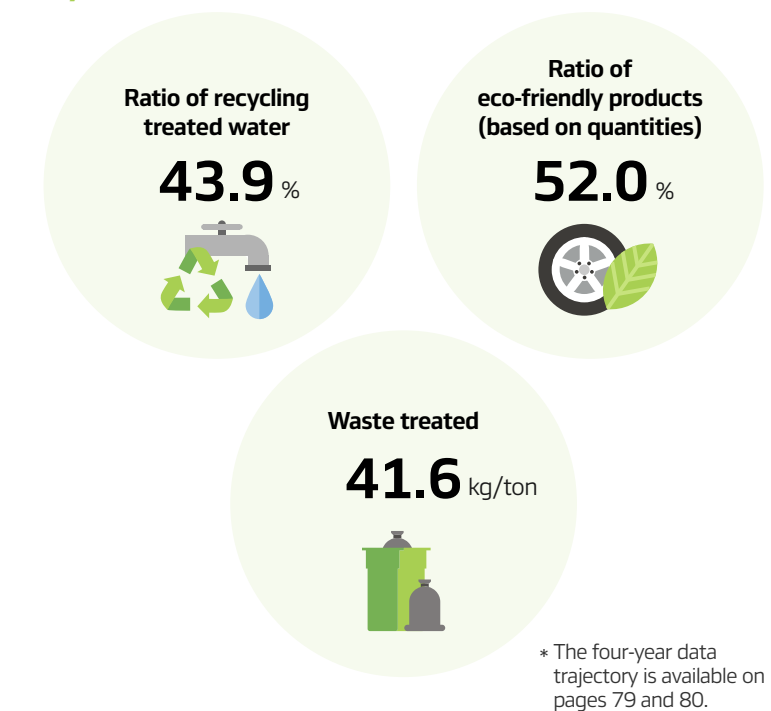
# IE Integrated Environmental Management



## Our Impact & Scope

Since we play a key role across the supply chain of carmakers, we are directly requested to advance environmental management. Notably, China is significantly tightening its environmental regulations. As we operate three plants in China, our top priority is to comply with these regulations to prevent any impact such regulations may have on the regular operation of our plants.

## Key Achievements



## Future Plans & Outlook

In line with increasingly tightening environmental regulations and the mainstreaming of technological convergence, we witness a significant growth in demand for electric vehicles and autonomous driving technology. We will take the initiative in developing products that cater to such needs and take into account environmental issues so that we can deliver even safer tires to consumers.

# Our Achievements in 2016

● Completed

◐ Partially Completed

○ Not Completed

Code	Key Managerial Issues	Goals	Achievements	Completion
IE1	Management of environmental production infrastructure	Strengthen our response to tightening environmental regulations	<ul style="list-style-type: none"> <li>• Took action based on the outcomes of the odor emissions status study</li> <li>• Introduced pre-clearing technology for odor prevention equipment (Under test)</li> </ul>	◐
		Prevent environmental accidents	<ul style="list-style-type: none"> <li>• Replaced the old TMS (Telemetering System) equipment at the Geumsan Plant (T-N, T-P)</li> <li>• Prevented accidents involving chemicals and bought environmental liability insurance policies</li> <li>• Introduced a free-of-charge sample management process at the R&amp;D Center</li> </ul>	◐
		Reinforce co-prosperity initiatives with local communities	<ul style="list-style-type: none"> <li>• Launched and operated the Donggeurami Co-prosperity Council</li> <li>• Supported local small businesses in receiving environmental consulting and nurturing environmental talent</li> </ul>	●
IE2	Resource management	Increase the use of recycled resources in product manufacturing	<ul style="list-style-type: none"> <li>• Obtained approval for our SRF (Solid Refuse Fuel) facilities</li> </ul>	◐
IE3	Product environment	Develop eco-friendly products	<ul style="list-style-type: none"> <li>• Expanded products graded high under diverse labeling schemes</li> <li>• Developed lightweight tires: Reduced weight by 3.6% against the K125 specifications</li> </ul>	●
		Develop eco-friendly raw materials	<ul style="list-style-type: none"> <li>• Identified natural resources and developed their application technology</li> </ul>	◐
		Develop safety-driven products	<ul style="list-style-type: none"> <li>• Developed run-flat tires</li> </ul>	●

Customer Satisfaction & Quality Management  
(Car Makers) (General Customers & Dealers)

Community Involvement  
& Development

Transparency  
& Business Ethics

**Integrated Environmental  
Management**

Climate Change  
& GHG Management

Employee  
Value Creation

Employee Health  
& Safety Management

Win-Win Supply  
Chain Partnership

IE1

## Management of Environmental Production Infrastructure

We conduct regular maintenance on our environmental equipment and introduce high-efficiency technology as a way to reduce the environmental impact our manufacturing operations have on the local communities where we are based.

### Strengthening Our Response to Tightening Environmental Regulations

**Taking Action based on the Outcomes of the Odor Emissions Status Study at the Daejeon Plant** • Between September 2015 and February 2016, we commissioned the Odor VOC Center at Woosong University to identify the root causes of odors and to measure the odor impact. It was discovered that the major causes of such odors were our major odor-releasing processes (mixing and curing processes), and area sources were the primary reasons behind such odors under the worst climate conditions. This prompted us to install shielding equipment in odor-generating facilities and develop airing control technology in order to maintain the efficiency of our high-efficiency combustion equipment and reduce odor releases from area pollution sources. It was also revealed that the number of complaints concerning odors was not correlated with the intensity of such odors, which highlighted the need to take a more personal approach to reducing these complaints, and to strengthen our partnership with the local community where our plant is based.

**Introducing Pre-clearing Technology to Improve the Efficiency of Odor Control Equipment at the**

**Mixing and Curing Lines at the Daejeon Plant** • Our Daejeon Plant has been operating high-efficiency combustion equipment to reduce odors from its mixing process. Due to the inherent features of the tire manufacturing process, the air that flows into odor control equipment contains a portion of oil substances, which reduces the efficiency of the equipment and shortens the life span of expendable components. To prevent these issues, we added slaked lime to the filter cloths of filter dust collectors. This helped eliminate the oil substances resulting from the mixing process, which translated into reduced odor releases and improved the durability of the equipment. Furthermore, we are studying new technology - wet-type electric precipitators - to reduce our odor generation.

**Improving the Chemical Management Process** • We witness increasingly stringent requirements and



Wet-type Electric Precipitator

during the automobile manufacturing process as well as the chemicals contained within products. While the management of chemicals previously focused on safety and storage in the workplace, its scope has been extended to include the management of restricted materials across the supply chain. This prompted us to conduct some preliminary screening before introducing any restricted

materials, and to assess our status of chemical management in 2017 to build a database of the chemicals used at our business sites.

### Preventing Environmental Accidents

**Preventing Environmental and Chemical Accidents** • Between June and August of 2016, we performed environmental assessments to review the impact caused by chemical accidents (hazardous chemical leaks) on surrounding areas, and their outcomes were submitted through the off-site consequence analysis report to the National Institute of Chemical Safety under the Ministry of Environment in September. Meanwhile, those drivers operating the vehicles carrying harmful chemicals are required to prepare their transport plan prior to departure and submit the plan to the raw/subsidiary materials officers. In so doing, we established procedures to prevent chemical leaks that may occur during transport, and respond quickly in the face of any such accident. Furthermore, protective equipment boxes were installed and protective equipment is always provided to protect the safety of operators in order to ensure the safe use of chemicals.

**Purchasing Environmental Liability Insurance Policies** • We purchased environmental liability insurance policies with an aim to swiftly relieve any damage caused when environmental accidents occur and to help break the vicious cycle of affected individuals suffering, responsible businesses filing bankruptcy and taxpayers' money injected to remedy the situation. Our Daejeon and Geumsan Plants are among our business sites eligible for domestic environmental liability insurance, and they purchased insurance policies as a way to compensate damage resulting from environmental contamination accidents.

**Replacing the TMS (Telemetering System) Equipment at the Geumsan Plant** • To better monitor the quality of effluent discharged from the sewage and wastewater treatment facility at our Geumsan Plant, we replaced two units (T-N, T-P) of its Tele-Monitoring System (TMS) that automatically measures water quality. In 2017, we plan to replace SS and pH measurement devices with new ones to consistently monitor the quality of effluent.

### Reinforcing Co-prosperity Initiatives with Local Communities

**Launching and Operating the Donggeurami Co-prosperity Council** • At our Daejeon Plant, the 'Donggeurami Co-prosperity Council' has been up and running since 2016 to form mutually beneficial partnerships and address odor issues in surrounding areas. The council members include the chair of the local resident welfare committee, the chair of the local administrative unit, former heads of districts, professors of Daejeon University, City Council members, District Council members, and Hankook Tire employees. They meet on a quarterly basis.

**Assisting Small Local Businesses in Receiving Environmental Consulting and Fostering Environmental Talent** • We provided environmental consulting to four small businesses in the Daejeon and South Chungcheong Province areas to assist them in complying with regulations and to improve their operational efficiency. We also offered an on-site practical training program to undergraduates majoring in environmental engineering - four at the Geumsan Plant and two at the Daejeon Plant - to help nurture local talent.



IE2

## Resource Management

We constantly strive to increase our use of recycled resources as a way to prevent the depletion of limited resources.

### Increasing the Use of Recycled Resources in Product Manufacturing

#### Increasing the Use of Recycled Rubber and Carbon

Recycled rubber is generated when end-of-life tires are shredded into crushing, and can be used as raw tire materials following the desulfurization process (eliminating sulfur substances within rubber). Recycled carbon is one of the byproducts generated through the pyrolysis of end-of-life tires. Using such recycled carbon for tires and other rubber products can help us reduce the depletion of resources that occur as part of the raw materials production process.

IE3

## Product Environment

To contribute to protecting our natural environment throughout the entire product life cycle, we take into account our environmental impact all the way from the product development phase. For instance, we added the eco design process in our product development phase, and plan to increase the ratio of green products to 60% by 2020.

### Developing Eco-friendly Products

**Reducing Tire Rolling Resistance** • We consistently conduct technology research on tire structures,

parts, raw materials and manufacturing to reduce tire rolling resistance to help improve vehicle fuel efficiency. Our research endeavors allowed us to reduce rolling resistance performance by 18% in PCR<sup>1)</sup> and 23% in TBR<sup>2)</sup> respectively. Meanwhile, simply reducing rolling resistance to increase fuel efficiency may degrade braking, handling and wear performance. With this in mind, we are researching optimized compounds that satisfy the balance between tire eco-friendliness, tire-surface contact pressure and performance. This enabled us to provide our users with safe tires as well as to develop our 'Kinergy Eco' line-up (which received an 'A' rating in both rolling resistance and wet grip).



Kinergy Eco

1) PCR: Based on the K114 model (specifications: 215/60R16H)  
2) TBR: Comparison of the TL10+ model against the TL20 model (specifications: 385/65R22.5)

**Developing Lightweight Tires** • Lightweight tires not only reduce raw material consumption, but also reduce the weight of vehicles to improve fuel efficiency. This is why we at Hankook Tire are constantly exploring the optimized structures of respective tire components with an aim to cut the use of resources and to develop lighter tires. Such

endeavors allowed us to reduce the weight of our passenger car tire K125 (Ventus Prime3) by 3.6% from its previous version with the same specifications, and we are adopting this lightweight technology at our domestic plants and even at our overseas plants for regular production. We aim to reduce the weight of our tires by a total of 7.2% by 2020 through consistent R&D efforts.

**Product Life Cycle Assessments** • Product Life Cycle Assessments (LCA) are an environmental impact assessment tool that spans each phase of the product life cycle, ranging from the acquisition of raw materials and their transport to manufacturing, distribution, use, disposal and recycling. Throughout the product life cycle, tires generate the greatest environmental impact - nearly 80~90% - when they are fitted to vehicles and used while fuel is consumed. Our LCA first began on our key products at the Geumsan Plant in 2012, and then at the Hungary Plant in 2013 and the Jiaxing and Jiangsu Plants in China in 2014. In accordance with the assessment outcome update cycle set for three years, we performed updated LCA on our Geumsan Plant in 2015 and on our Hungary Plant in 2016. Notably, our 2016 LCA included runflat tires, which are in high demand in Europe, and compared them against ordinary tires for environmental impact. In 2017, we plan to conduct such assessments on the key products manufactured in China. We ensure that LCA outcomes are shared with the plants that produce the concerned products as well as our R&D division, and that they are integrated in setting our green product development strategy. Furthermore, we developed a simplified LCA tool and are operating

### Worksites Subject to LCA Assessments

Category	2012	2013	2014	2015	2016
Geumsan Plant	●			●	
Hungary Plant		●			●
Jiaxing-Jiangsu Plants			●		

the eco design process that uses this tool along with the existing product development process.

### Developing Eco-friendly Raw Materials

#### Developing Alternative Raw Materials and Natural Resource Application Technology

• To adopt the eco-friendliness principle all the way from the raw material consumption phase, we are expanding relevant research operations. Notably, we identify our status concerning recently-emerging raw material issues, and conduct research to take a preemptive approach to materials that could be considered harmful or subject to regulations. We ensure that our consumption of such materials is reduced and that we search for alternative materials. Furthermore, R&D efforts are underway to use naturally-extracted oil that has less of an environmental impact while improving product performance in the manufacturing and use phases than artificial oil generated through chemical reactions.

## Background of This Issue

As the Paris Agreement took effect on November 4, 2016, the entire global community is engaged in responding to climate change, and this further highlights the role and responsibility of businesses to curb global temperature increases within 2°C against the pre-industrialized level.

## Risks & Opportunities

The sheer size of our operations is growing in line with increasing production and the expansion of global production sites. Meanwhile, this growth inevitably exposes us to such risks as GHG emission trading schemes and other regulations, along with the depletion of energy resources. We believe, however, that adopting diverse technology options to improve energy efficiency and reduce GHG emissions will bring about positive change, including production cost savings and improved brand value.

## Hankook Tire's Policy

We will never spare our company-wide investments or endeavors to reach our goal in reducing GHG emissions, nor will we ever cease to restrict our use of fossil fuel and contribute to the prevention of global warming by converting our energy sources into eco-friendly ones in the long term. Our EHS-e Committee is responsible for setting our improvement goals in relation to climate change response as well as taking action accordingly on a quarterly basis. We transparently disclose our annual GHG emissions and response to climate change through CDP (The former "Carbon Disclosure Project").

## Management Responsibility & Governance

### EHS-e Committee [Energy-GHG Part]

- Chaired by: Production & Engineering Division Director
- Supervised by: Machinery Engineering Team 3
- Members: CSR Team, Global Facility Maintenance Operations Team, Facility Maintenance Teams of respective plants MP)Human Resource Operations & Education Team, R&D Corporate Management Team

# CC ——— Climate Change & GHG\* Management

\* GHG: Greenhouse Gas.



## Our Impact & Scope

Climate change affects us all - the environment, the ecosystem and humanity, and therefore is related to diverse regions and stakeholders. With the Paris Agreement taking effect, the governments of each country are expected to gradually tighten their GHG emission regulations, which in turn may strengthen trade barriers and increase production costs and thus weaken our competitive edge in the market. In addition, the consumption of raw materials affects the GHG emissions generated by tires while in use; tires, in return, affect the GHG emissions generated by finished vehicles. This is why responding to climate change is a challenge that requires concerted endeavors across the entire supply chain, from suppliers to customers.

## Key Achievements

Completed the e-Saver  
at the Indonesia Plant



Reduced GHG  
emissions at domestic  
plants by

**7,488** tCO<sub>2</sub>-eq<sup>1)</sup>/year



Reduced costs at  
domestic plants by

KRW **2.14** billion/year



1) tCO<sub>2</sub>-eq:  
tonnes of CO<sub>2</sub>  
equivalent

## Future Plans & Outlook

We will set detailed plans to reach our mid-long-term GHG emissions reduction targets and take methodical action while we continuously review the introduction of alternative energy sources to shift our long-term energy use portfolio.

# Our Achievements in 2016

● Completed

◐ Partially Completed

○ Not Completed

Code	Key Managerial Issues	Goals		Achievements	Completion
CC1	Energy & GHG management	Set mid-long-term GHG emissions reduction targets		Set our company-wide intensity-based GHG emissions reduction targets: mid-term (2020), long-term (2030)	●
		Establish the e-Saver (IT system for energy management) at the Indonesia Plant		Completed the installation of this system at the Indonesia Plant	●
CC2	Reduction of energy use and GHG emissions	Have our early reductions made recognized under the Korea Emissions Trading Scheme and secure additional allowances		Early reductions of 133,546 tCO <sub>2</sub> -eq made between 2009 and 2014 were recognized (70,156 KAU <sup>1)</sup> were additionally allocated)	●
		Improve facility efficiency	Switch to high-efficiency lighting devices (LED)	Replaced ordinary fluorescent lights with LED lights	●
			Improve the pump control of the curing process by improving facility efficiency	Replaced heavy-energy-consuming pumps with high-efficiency ones in the curing process	●
		Recycle energy	Improve the waste heat reuse system in the curing process	Installed steam compressors that compress recovered waste heat into electricity for reuse	●
			Optimize the timing of emitting steam that serves as the thermal source for the curing process	Improved the timing of discharging condensate water in the curing process	●
			Install facility to reuse decompressed energy	Completed the feasibility review on adopting compressed turbine generators (delayed their adoption)	○
CC3	Adoption of new technology	Review the feasibility of adopting photovoltaic generation		Completed the feasibility review on adopting photovoltaic generation at the Geumsan Plant	●
		Review the feasibility of adopting the Energy Storage System (ESS)		Completed the feasibility review on adopting the ESS at the Daejeon Plant	●

1) KAU: Korean Allowance Unit



CC1

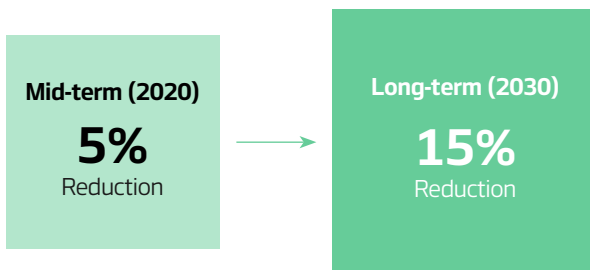
## Energy & GHG Management

We set mid-long-term reduction targets to systematically reduce our GHG emissions, and are establishing and expanding a real-time energy use management system at our plants.

### Setting mid-long-term GHG Emission Targets

Driven by the firm commitment to reduce our GHG emissions, we set our mid-long-term GHG emission reduction targets, and will reach these targets by taking action in an organized and systemic manner.

Intensity-based (tCO<sub>2</sub>-eq/production ton)  
GHG Emissions Reduction Targets (Base Year: 2013)



### Establishing the e-Saver (IT System for Energy Management) at the Indonesia Plant

In 2015, we became the first-ever tire maker in Korea to develop and operate the e-Saver (IT system for energy management) at our Daejeon and Geumsan Plants with an aim to systematically manage our energy use across production sites. Building on this achievement, we also established the e-Saver at our Indonesia Plant in 2016, which was the first system of its kind installed among our overseas production sites. Our plan is to build an integrated energy management infrastructure across all our production sites, including the Tennessee Plant in the U.S. by 2020.

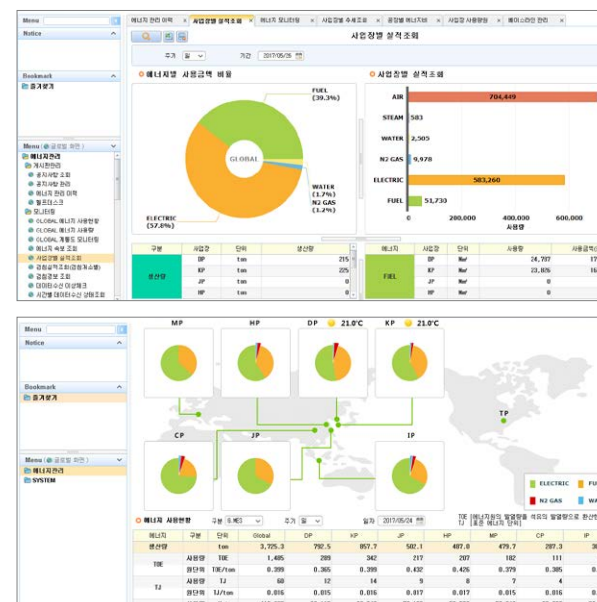
CC2

## Reduction of Energy Use and GHG Emissions

Through broad-ranging energy-saving initiatives (improving facility efficiency and recycling energy), we consistently endeavor to cut our production costs and achieve our GHG emission reduction targets.

### Having the Early Reductions We Made Recognized under the Korea Emissions Trading Scheme and Securing Additional Allowances

Concerning our GHG emissions reductions which amounted to 133,546tCO<sub>2</sub>-eq and were made between 2009 and 2014 prior to the launching of the Korea Emissions Trading Scheme (launched in 2015), these reductions were officially recognized as early reductions, and we secured 70,156 KAU in additional allowances for the year 2016.



Screen Shot of the e-Saver

### Improving Facility Efficiency

We raise the bar on our efficiency management standards of respective facilities while constantly identifying necessary improvements to increase our energy efficiency. We replaced heavy-power-consuming pumps with high-efficiency ones within our plants, and installed inverters to minimize energy leaks. Since 2014, we have been replacing fluorescent lights with more energy efficient LED lights, and in 2016 alone, nearly 7,000 lights were replaced. The sum of all these efforts allowed us to save our energy and carbon costs by nearly KRW 1.04 billion per year and reduce our GHG emissions by 3,732tCO<sub>2</sub>-eq/per year.

### Recycling Energy

We prevent the leakage of heat energy used in the tire manufacturing process while recovering and reusing the waste heat energy in order to maximize our energy recycling. For instance, we reduced our fuel consumption by minimizing the amount of steam used to maintain the temperature of external thermal sources concerning tire molds in the curing process, and we also installed steam compressors to recover the waste heat generated from the tire manufacturing process and compress the heat into electricity so that it could be used again in the curing process. Such energy recycling endeavors enabled us to save approximately KRW 1.09 billion per year in costs, and reduce our GHG emissions by 3,757tCO<sub>2</sub>-eq per year. Meanwhile, we completed the feasibility review on our adoption of compressed turbine generators: our initial plan was to install them in 2016 but this was delayed and their adoption will

be determined in the near future in line with the power market conditions.

CC3

## Adoption of New Technology

At Hankook Tire, we are consistently reviewing ways to develop and adopt new technology that will help us reduce our GHG emissions in an innovative manner (e.g. renewable energy).

### Feasibility Review on the Adoption of Photovoltaic Generation

In 2016, we completed the feasibility review on adopting rooftop photovoltaic generation at our Geumsan Plant. We plan to conduct additional reviews on its operation and application, and to make our decision regarding its adoption in 2017. Once implemented, we expect this new technology to help us reduce GHG emissions by approximately 2,116tCO<sub>2</sub>-eq/per year.

### Feasibility Review on the Adoption of the Energy Storage System

In 2016, we conducted the feasibility review on the adoption of the Energy Storage System (ESS) at the Daejeon Plant as a way to contribute to the stability of our national power supply in conjunction with our involvement in the new energy industry convergence system distribution project. The review outcomes revealed that the adoption of the ESS will save us nearly KRW 170 million per year in costs while helping stabilize the power supply network of Korea.

## Background of This Issue

Respecting human rights has become norms and standards globally for companies, not to mention the growing interest and expectation of stakeholders. As human rights management is emerging as a key issue, this highlights the need for transparent and responsible corporate practices.

## Risks & Opportunities

If we fail to respect the human rights of employees and fail to fully engage them in communication, it will result in the outflow of human resources, which are the key to our growth, and finally, it could even tarnish our reputation. On the other hand, if we embody in ourselves human rights management practices and develop our competence through open communication and fair HR systems, it would become the drive for us to grow.

## Hankook Tire's Policy

Following our Human Rights Declaration in 2015, we evaluated our status of human rights management to pave the way to establish a human rights management system. Our plan is to foster facilitators at each of our headquarters to efficiently identify relevant issues in Korea and abroad and to develop an effective grievance mechanism. We will also improve our human rights training materials to raise employees' awareness on human rights across the board.

## Management Responsibility & Governance

### Employee Committee

- Chaired by: Human Resource Management Department Director
- Supervised by: Human Resource Management Team
- Members: CSR Team, Human Resource Planning Team, Proactive University, Corporate Communications Team, DP(KP)Human Resource Operations & Education Team, KOR)Culture Planning Team, DP(KP)Labor Relations Team, KOR)Culture Communications Team, KOR)Culture Planning Team, R&D HR Resource Team, Production & Engineering Corporate Management Team

# EV Employee Value Creation



## Our Impact & Scope

Various stakeholders are paying their attention to human rights policy at Hankook Tire. As we exert an increasingly wider influence on our investors, rating institutions and the local communities including where our overseas subsidiaries are located, as well as our internal stakeholders, (employees and car makers), it is crucial that we take a proactive approach to manage and respond to diverse risks.

## Key Achievements

Conducted human  
rights impact assessments

**40** sites



Provided  
core value training

**6,572** employees



Innovation of  
working style 'HR 3.0'



## Future Plans & Outlook

To protect the human rights of our employees, we established human rights management system and we are strengthening our human rights competence. We will extend the scope of our human rights management to our suppliers and across the entire supply chain. As part of our human rights policy, we will increase the ratio of disabled employees and female managers to bring diversity to our employee portfolio and advance our employee diversity management system in the long term.

## Our Achievements in 2016

● Completed    ◐ Partially Completed    ○ Not Completed

Code	Key Managerial Issues	Goals	Achievements	Completion
EV1	Open communication	Enhance global communication contents	<ul style="list-style-type: none"> <li>Produced the Executives' Insight for global employees</li> <li>Published 10 times a year</li> </ul>	●
		Improve the mobile corporate magazine	<ul style="list-style-type: none"> <li>Completed the development and improvement of the mobile corporate magazine in 2016</li> <li>Transferred to the intranet in November 2016</li> </ul>	●
		Facilitate global communication in Production & Engineering Division	<ul style="list-style-type: none"> <li>Implemented Great Work Place (GWP) initiative</li> <li>GWP declaration by the Director of Production &amp; Engineering Division</li> </ul>	●
EV2	HR system to offer fair opportunities	Reform the HR system (HR 3.0)	<ul style="list-style-type: none"> <li>Introduced role-based job positions and a peer to horizontal titles</li> <li>Reform the evaluation and promotion systems with a focus on work style and individual competence</li> </ul>	●
EV3	Human rights and diversity management	Expand human rights training	<ul style="list-style-type: none"> <li>Established the global HK human rights management system and expanded human rights training</li> <li>Supplemented the human rights training materials, developed manuals and offered training</li> </ul>	◐
		Establish and consistently manage a diversity management system	<ul style="list-style-type: none"> <li>Analyzed the status of our company-wide employee data and segmented management indicators</li> <li>Monitored indicators related to the ratio of senior employment and disabled employees</li> </ul>	●
EV4	Growth-fostering training system	Expand Proactive Leadership (PL) course throughout the company	<ul style="list-style-type: none"> <li>Rolled out PL course in China</li> <li>Rolled out MP PL course</li> </ul>	◐
		Enhance capacity building to foster engineering experts	<ul style="list-style-type: none"> <li>Planned and operated GTR (Global Training Room) equipment training and equipment assembly courses</li> <li>Provided license courses for operators to improve facilities and create a learning-driven atmosphere</li> </ul>	●
EV5	Work-life balance	Implement flexible work hour programs	<ul style="list-style-type: none"> <li>Outcomes in implementing a "Alternative Day off Program": Used by 28 researchers (72 days in total)</li> <li>Implemented reduced work hours for female employees in pregnancy and facilitated their use: Benefited eight employees in total</li> </ul>	●



## EV1

## Open Communication

At Hankook Tire, our greatest competitive edge lies in our trust-based labor relations. We take a joint journey to discover and communicate diverse improvements that will maximize employee value so that we can further solidify our labor relations.

### Enhancing Global Communication Contents

Opening the Digital Workplace Arena, an Icon of Innovation • ‘Arena’ represents our new intranet to be commonly used by all our global employees to improve their communication, collaboration and work efficiency across multiple geographies.



Screenshot of Arena

### Enhancing Global Communication Contents through Arena

Key Activities	Expected Benefits
Facilitate communication among all global employees	Reinforce the One Company identity among Hankook Tire employees
Enable the convenience of document creation while adding the social network function on the intranet	Improve work efficiency and productivity
Align in-house systems to introduce an integrated search system	Facilitate the sharing of knowledge by assisting employees in finding accurate information easily
Promote communication in the in-house club, volunteering and other employee life areas	Achieve work & life balance and the Proactive Culture through which employees enjoy their work

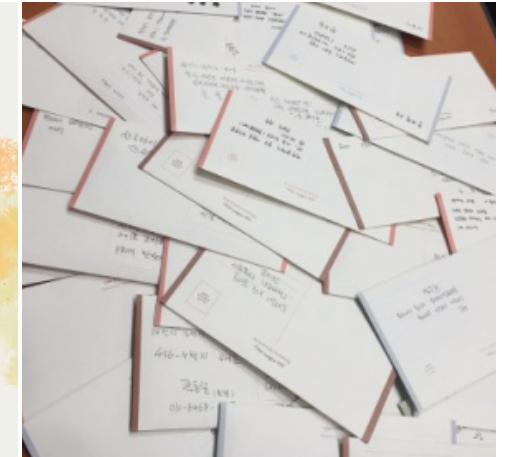
Optimized for both PC and mobile environments, Arena is expected to create a more friendly, comfortable and enjoyable workplace for all our employees.

### Improving the Mobile Corporate Magazine

Publishing the Global Mobile Corporate Magazine ‘Hankook Tire Magazine’ • Since the launching of the global mobile corporate magazine, Hankook Tire Magazine, in June 2015, we have consistently facilitated communication with employees until October 2016. In November 2016, we changed its platform to Arena, the new intranet. This allowed us to shift from monthly publications to developing and sharing content whenever needs arise so that we communicate with our employees in a more timely fashion with the content optimized for the digital era. The Hankook Tire Magazine available on Arena addresses three to five topics every week in the Message from the Top Management, Strategy, Proactive Culture, and Life sections.



‘Our Story’, published as digital corporate news



Writing a Letter of Love to My Parents

### Facilitating Global Communication in the Production Technology Sector

We endeavor in multiple ways to create a communication-friendly environment and an efficient work infrastructure. In 2016, we set our action plans in the three areas of facilitating communication by diversifying channels to collect employee feedback, creating an efficient work infrastructure, and improving the work-life balance through the organizational culture based on gratitude and trust. Firstly, we designated Great Work Place (GWP) Agents in respective teams to diversify employee feedback channels and then gathered their feedback through the GWP Workshop. We also published digital corporate news to share information among respective divisions and hosted meetings between division heads and employees to discuss how to set the priority in improving employee’s organizational engage-

ment. Secondly, we provided job-related journals required by employees and operated division-level information-sharing folders to compile necessary materials to improve work efficiency and to create an efficient work infrastructure. Thirdly, we hosted the event to ‘Write a Letter of Love for Your Parents’ on Day of Family and each team developed and shared plans to create a GWP to constantly remind themselves of such need as a way to achieve work-life balance. These endeavors moved beyond Korea as we set and implemented plans for our Indonesia Plant to improve its own organizational engagement as a way to strengthen our support for overseas worksites. In so doing, we will gather employee feedback on any complaints or unreasonable practices, develop plans to make constant improvements and then disseminate domestic best practices across our entire business operations.

## EV2

## HR System to Offer Fair Opportunities

Hankook Tire implements fair and transparent HR policy in accordance with the business principle that the company's growth comes from the talent and capability of employees. Notably, we changed the way we work with a focus on our key values and established a flexible and agile HR system in order to encourage our employees to move towards challenging goals.

### HR 3.0, Innovation of Work Style

**Introducing Role-based Positions and Horizontal Titles** • In January 2017, we set our HR 3.0 goals of eliminating seniority, fostering self-motivated talent, and reinforcing flexibility, and we overhauled our HR systems spanning from positions & titles to promotion and evaluation. As the initial step, we streamlined our job position system to place competent employees on the fast track to be promoted into manager positions. We also defined positions based on roles rather than hierarchy to help change employee's conventional perceptions on the vertically-aligned position system. In line with such change, we also modified our title system: while our employees addressed one another in such seniority-oriented job titles as a Rookie, a Junior, a Senior, and a Leader, we abolished all of these titles and instead ensured that all employees address one another as 'Mr. or Ms.'. In so doing, they respect and appreciate each other with dignity and address each other in their name, not their job positions. This helps build closer ties among colleagues and also ensures that anyone can express and present their ideas regardless of

job position or age, which makes flexible thinking possible and thus great ideas come through. By revising our job position and title systems, we are establishing an innovative and creative corporate culture that enables horizontal communication.

**Promotion and Evaluation Systems that Allow for Diverse Opportunities based on Individual Competency** • We introduced a new system that promotes employees based on their competency in order to make the best use of human resources that we have at Hankook Tire. While our employees previously had to stay for a pre-determined period of time in specific positions, this was abolished so that anyone whose competency is verified can be promoted to higher positions faster than others. For instance, the previous promotion system demanded that our employees stay for four to five years in specific positions once they were promoted to such positions. The HR 3.0 promotion system eliminated such limitations and this allows for fast-track promotion so that our employees can unleash their full potential and find the right position according to their competency. Furthermore, the HR 3.0 performance management system strengthened evaluation and feedback on 'how our employees work' from the process aspect, rather than the outcome aspect. In so doing, we aim to bring innovative change to the way we work and strengthen our fundamental capacity in generating outcomes. Our year-round performance management system named 'Live-on Chat' was designed to effectively assist such transformation. This system ensures that leaders and employees communicate with one another whenever they need to, and supplement one an-

other's shortcomings while complimenting what was done well in order to keep our employees motivated consistently and to directly improve work performance. These new promotion and evalua-

tion systems represent just another way that we assist our employees to become fearless pioneers and fully tap into their potential.

### HR 3.0 Goals

#### Culture Driven HR

- Pursue innovation in HR operation to change the way we work and to embed such innovation into our corporate culture
- Recruit and foster self-motivated talent

#### Performance & Innovation Focused HR

- Eliminate seniority factors and instead focus on performance and capacity in selecting talented people

#### Agile & Flexible HR

- Do not blindly stick to conventional methods and practices but instead stay flexible and agile in responding to shifting business conditions and employee needs



'Call Each Other Mr. or Ms.' Campaign Poster

### Key Improvement Areas of HR 3.0

#### Proactive Leader

#### Position and title systems

Create a horizontal organizational culture



#### Evaluation and remuneration systems

Manage employee performance based on capability and innovation



#### Promotion system

Make assignments based on competency and roles





## EV3

## Human Rights and Diversity Management

We comply with international standards on the human rights of our employees and increase our recruitment of disabled employees as a way to establish an organizational culture that respects human rights and promotes diversity.

### Expanding Human Rights Training

Our human rights management aims to reinforce the fulfillment of our responsibility in respecting human rights, preventing any human rights infringements that may occur in our business conduct, and implementing remediation if any such violations occur. In 2015, we developed our human rights management system in conformity with the UN Guiding Principles on Business and Human Rights (UNGPs) and declared our global commitment to human rights management. In 2016, we supplemented our human rights management training materials with the advice of the National Human Rights Commission of Korea. We also added human rights training into our leadership courses for each job position and offered such training to 185 employees below a team manager position on a total of 11 occasions. Meanwhile, we consistently abided by the human rights management guidelines set forth by the National Human Rights Commissions by integrating the human rights guidelines of international organizations into our corporate structure. We also conducted human rights assessment so as to establish and disseminate our human rights management system throughout the company.

### Implementation of Human Rights Management

To stay true to our commitment to contributing to the sound development of our society, we have upheld our respect for human rights in our business conduct ever since we announced our human rights management declaration in 2015. We endorse the UN Guiding Principles on Human Rights and operate our own human rights management system to fulfill our responsibility in respecting human rights. We conduct human rights impact assessments in all our business sites (the global-regional Headquarters, domestic-overseas plants, the R&D Center, and overseas offices and subsidiaries) once in a year using the checklist developed by the National Human Rights Commission of Korea. The assessments are performed by each business site and deals with non-discrimination in employment, freedom of association and the right to collective bargaining, prevention on forced labor and child labor, and occupational health and safety. After the assessments, we develop corrective action plans along with the result of each area to prepare for and manage potential risks in a proactive way. These assessments were conducted on a total of 40 departments in 2016, and it was discovered among overseas subsidiaries that our human rights management system was not sufficiently communicated and that relevant remedy procedures were not adequately established. This prompted us to create plans to foster human rights management facilitators at respective business sites as a way to disseminate and internalize human rights management. We shared this goal in the Employee Committee and planned to initiate its pilot operation among our domestic sites and then extend its scope into our overseas sites.



Hankook Donggeurami Partners\_Cafe D&amp;P



### Establishing and Consistently Managing the Diversity Management System

In 2015, we established a subsidiary 'Hankook Donggeurami Partners' as part of our endeavors to facilitate the employment of the disabled and this subsidiary was officially certified as the subsidiary company for the disabled on April 5th, 2016. Including indirect employment, we doubled our recruitment of disabled persons from 87 in 2015 to 169 in 2016 and provided them with employment security. Meanwhile, we are implementing wide-ranging policies to comply with the the mandatory ratio of employment of disabled as stipulated by the Act on the Employment Promotion of Persons with Disabilities. Besides this, we also comply with the standard ratio of employment of elderly employees as specified in the Act on Elderly Employment Promotion. As part of this, in 2016, we introduced an salary peak through

which salary levels gradually decrease for an extended retirement age for office staff as a way to retain elderly employees. This also enabled us to exceed the legal threshold of 2% in retaining employees 55 years old or older, and reach 6.8%.



Hankook Donggeurami Partners



EV4

## Growth-Fostering Training System

Since it is our belief that our employees are the determining factor in our competitive edge, we provide basic leadership courses and job training in accordance with required capabilities to assist them in building competency and engaging more fully in their work. We are also building our global HRD network to promote their growth on a global level.

### Expanding Proactive Leadership (P/L) Courses throughout the Company

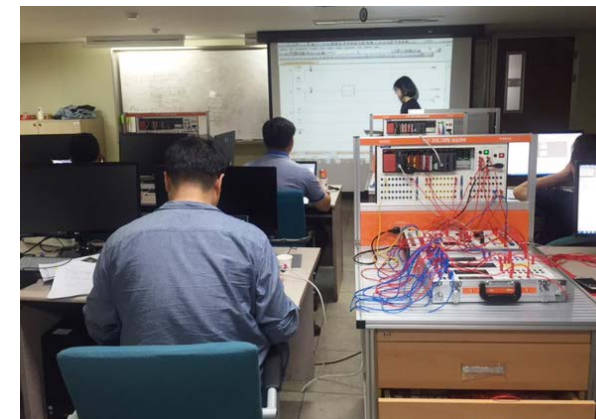
We are engaged in a wide array of initiatives to elaborate our core values and embed these values into the fabric of our organization. This will truly

assist us in swiftly responding to the ever-shifting business landscape and motivate our employees to engage more earnestly in their work. Such endeavors were strengthened in 2016 and our key value training was provided to 5,650 operators in China (Jiaxing, Jiangsu, Chongqing) and 922 operators from the Indonesia Plant: first, we discovered materials and case studies that sync with local cultures to develop customized teaching plans by country and plant as well as interview videos on best practices; second, we chose 13 top-performing employees in China and Indonesia as our in-house instructors, who then received guides from our global HQ and instructor training. These employees were then appointed as official in-house

instructors, and this motivated them to spread our core values.

### Capacity-Building to Foster Working-level Engineering Experts

We have been focused on building practice-driven training infrastructure and training courses with an aim to enhance employee job competency and to strengthen the leadership capacity of our global plants in the Production & Engineering Division. We identified the training needs of working-level employees, and then planned and operated Global Training Room (GTR) equipment practice courses as well as equipment assembly courses so that such training could offer substantial assistance to trainees. Furthermore, we planned and operated license training courses for operators to help them develop their capacity and secure their own competitive edge. This was also aligned with our in-house instructor training courses, which helps improve their skills in communicating training contents and strengthen their loyalty as Hankook Tire employees.



Electric Practice Session at the GTR

EV5

## Work-Life Balance

We provide wide-ranging benefits to ensure our employees attain a fair work-life balance and thereby improve the quality of their life. We believe that such endeavors will be translated into increased trust and engagement in our company as well as improved employee health and mental stability.

### Implementing Flexible Work Hour Programs

Since 2015, we have implemented a flexible work hour program to support our employees to engage in their work and improve their work-life balance. A three-month pilot project was also initiated in 2015 at our R&D Center for departments whose workload increased in developing new products or responding to overseas operations. This flexible work hour program we adopted ensures that any employee who inevitably works overtime at night or has to adjust the time they come to work for business reasons, can freely choose when to come to or leave work. This allowed our researchers to prevent fatigue caused by increased workloads and to engage more fully in the task at hand. In 2017, we plan to introduce such flexible work schedules for all R&D office staff regardless of their work by responding to their individual needs. Meanwhile, we initiated and facilitate reduced work hours for pregnant women to create a more caring and sustainable work environment for these employees. A total of eight women benefited from this flexible work hour program.

### History of Globally Expanding Proactive Leadership (P/L) Courses

2009~2010

#### Set and Disseminate the Mission-Vision System

- Developed domestic online courses
- Produced and distributed CDs containing training materials for overseas operations

2011~2014

#### Develop Courses for Office Staff and Offer Training

- Offered training for domestic office staff
- Offered training for office staff at China HQ

2015~2016

#### Roll-out P/L Courses for Operators across the Globe

- Offered training to domestic operators
- Offered training to overseas operators (IP/CHQ)

### Achievements in Operating Proactive Leadership (P/L) Courses in 2016

Sites	In-house Instructors (No. of persons)	Target Trainees (No. of persons)	Actual Trainees (No. of persons)	Completion (%)	Note
Indonesia Plant	2	614	922	150	Those who did not
Jiangsu Plant	4	1,868	2,281	122	receive training in
Jiaxing Plant	5	2,057	2,024	98	2015 were given
Chongqing Plant	2	1,206	1,345	112	additional training in
Total	13	5,745	6,572	114	2016.

## Background of This Issue

The increasing frequency of health and safety accidents, as well as disasters, prompted us to turn our attention to the health and safety of our employees. This also urges businesses to remain focused and do their utmost to prevent avoidable accidents and protect the health and safety of their employees.

## Risks & Opportunities

It is essential to guarantee a safe and pleasant work environment to protect human resources which constitute the key value of any company. Employee health and safety issues may pose direct·indirect threats to a company's reputation and business conduct. Therefore, sustained endeavors are required to build a corporate culture where employee health and safety comes first.

## Hankook Tire's Policy

Employee health and safety is at the heart of our business philosophy and is also the key driver of our sustainable growth as a company. We at Hankook Tire will place top priority on employee health and safety and strive to create the optimal work environment for all our employees.

## Management Responsibility & Governance

### EHS-e Committee [Health & Safety Part]

- Chaired by: Production & Engineering Division Director
- Supervised by: Machinery Engineering Team 3
- Members: KP)DP)Environment & Safety Team, DP)Environment & Safety Team, Material Research Team 2, R&D Corporate Management Team, CSR Team

# HS ————— Employee Health & Safety Management



## Our Impact & Scope

Commitment to ensuring the health and safety of employees is considered a critical requirement by all global car makers. Furthermore, there are consistent inquiries made and audits performed by car makers on business activities that aim to deliver a safe and pleasant work environment in addition to product quality. Regulatory restrictions are also increasingly strengthened as safety accidents are emerging as a significant issue on a national level.

## Key Achievements

Established fire safety  
management regulations



Developed a fire  
safety system



Revised emergency  
scenarios



## Future Plans & Outlook

At Hankook Tire, we have a strong sense of responsibility to provide a better work environment to all our employees. In addition to delivering unrivaled product quality as a global tire maker, we will also endeavor to help our employees enjoy an even safer and healthier lifestyle.

# Our Achievements in 2016

● Completed

◐ Partially Completed

○ Not Completed

Code	Key Managerial Issues	Goals	Achievements	Completion
HS1	Establishment of a self-initiated safety management system	Build a system to regularly monitor compliance management	• Identified 1,375 safety & health risk factors	●
		Help employees obtain emergency medical technician license	• Decided not to implement the emergency medical technician licensing program	○
		Revise emergency response scenarios and expand the scope of drill	• Revised 13 emergency response scenarios • Emergency drills and monitoring	◐
HS2	Enhancement of employee health management	Improve equipment that puts strain on the musculoskeletal system	• Studied musculoskeletal risk factors • Invested in the mixing and molding processes	●
		Operate health improvement programs to manage metabolic syndrome	• Offered regular training on metabolic syndrome to employees	●
		Improve the work environment (local ventilation equipment, noise-generating process)	• Installed exhaust gas reducing equipment on diesel forklifts • Improved noise-generating processes	●
HS3	Development of a fire safety system	Continuously invest in advancing the fire safety system	• Invested in improving fire safety equipment (Nearly KRW 23.7 billion in accumulated investment between 2015 and 2016)	●
		Establish global fire safety management regulations	• Developed process-specific fire safety standards (15 standards) • Established fire safety management standards on equipment vulnerable to fires (10 standards)	●
		Strengthen the global fire safety assessment and technical support system	• Hosted monthly global video conferences	●



HS1

## Establishing a Self-initiated Safety Management System

At Hankook Tire, both labor and management are engaged in multiple programs designed to identify and improve risk factors to create a safe work environment, which in turn strengthens mutual trust and communication. We also revised our emergency response scenarios and conducted training accordingly to reinforce our safety management capabilities.

### Joint Labor-Management Health and Safety Inspection

In 2016, we performed joint labor-management safety inspections to eliminate risk factors from our manufacturing process. This resulted in the discovery of 1,375 health & safety risk factors, and we are consistently working to improve these factors. Such joint endeavors further elevated the level of interest and safety awareness among our employees. From 2017 onwards, these joint safety assessments will be performed quarterly to create a safe work environment and to provide an opportunity to improve communication and build trust between labor and management.

\* Joint labor-management safety assessment: Employees in charge from labor and management cooperate in identifying and improving shop-floor safety risk factors

### Revising Emergency Response Scenarios and Expanding the Drill Scope

In 2016, we developed response scenarios against a total of 13 possible emergencies ranging from fires to chemical leaks, and offered training to our employees. Notably, we developed annual

training plans in preparation for fire scenarios, and conducted training and monitoring. This allowed our employees to strengthen their capacity to respond to such emergencies. We plan to review the emergency scenarios that require additional revisions and develop new ones if necessary. We also plan to conduct periodical drills under all possible emergency response scenarios in order to raise our employees' safety awareness and response capabilities.

HS2

## Enhancing Employee Health Management

We protect the health of our employees from potential risk factors and help prevent musculoskeletal diseases, metabolic syndrome and other diseases from occurring.

### Improving Equipment that Strains the Musculoskeletal System

We are consistently improving our shop-floor equipment and the work environment to prevent musculoskeletal diseases that may develop among employees engaged in repetitive work or have worked for extended periods of time. Our work conditions are regularly monitored for any possible musculoskeletal risk factors, and the outcomes are used in improving equipment and offering training. In 2016, intensive investments were made in our mixing and molding equipment. We also provided 166 employees suffering from musculoskeletal symptoms with a wide array of medical support and management - herbal therapy, physical therapy, exercise therapy, psychological coun-

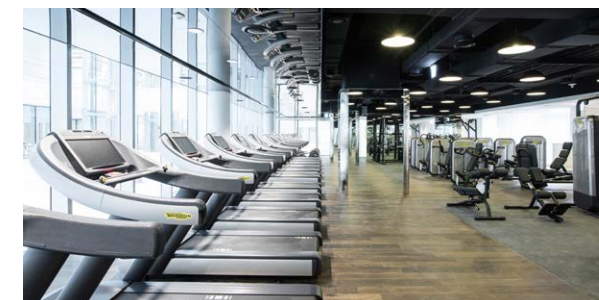
seling, and rehabilitation hospital treatment - as well as training. We will operate diverse musculoskeletal disease improvement programs to foster a safe and healthy lifestyle for our employees.

### Operating Health Improvement Programs to Manage Metabolic Syndrome

To prevent dyslipidemia, hypertension, diabetes and other metabolic syndrome-related diseases, we provide health improvement programs customized for severely overweight employees. Our in-house clinic conducts quarterly blood tests to monitor the health of individual employees, and we offer a psychological counseling program to raise employee awareness regarding healthy lifestyle choices. We also invite doctors specializing in occupational and environmental medicine to regularly educate our employees on the hazards of metabolic syndrome and prevention tips. We will constantly develop and operate health improvement programs to ensure the health management of all our employees.

### Improving the Work Environment (Local Ventilation Equipment, Noise-Generating Process)

We constantly invest and endeavor to improve the work environment of our employees. We installed exhaust-reducing devices on the diesel forklifts that we use in order to improve the quality of indoor air, while replacing them with exhaust-free electric ones. We additionally installed shielding and local ventilation devices in the mixing process to eliminate particle matters and fumes. We also consistently inspected those processes that generate noise and installed Silencer to protect our employ-



Techno Dome Fitness Room

ees from hearing impairments. Furthermore, we make semi-annual work environment measurement to monitor illumination, noise, air quality, humidity, temperatures, etc. In so doing, we commit ourselves to delivering a pleasant work environment for our employees.

### Operating Psychological Counseling Centers

To help our employees manage personal and professional stress, we provide counseling programs operated by licensed psychologists at our domestic sites (Daejeon and Geumsan Plants). Not only our employees, but also the families of employees who apply, can benefit from such counseling and therapy programs. Furthermore, we provide counseling to employees returning to work following safety accidents. Specifically, we identify and visit employees highly sensitive to stress to encourage them to receive stress evaluations and psychological counseling as a way to fully motivate our employees to benefit from our counseling programs. In 2016, we offered training to 624 employees on understanding stress, its causes and management to help our employees at domestic sites better manage their stress. We plan to implement wide-ranging programs that support our employees with stress management.

Customer Satisfaction & Quality Management  
(Car Makers) (General Customers & Dealers)

Community Involvement  
& Development

Transparency  
& Business Ethics

Integrated Environmental  
Management

Climate Change  
& GHG Management

Employee  
Value Creation

**Employee Health  
& Safety Management**

Win-Win Supply  
Chain Partnership

HS3

## Developing a Fire Safety System

We continuously make facility investments to build a fire safety system while developing stringent internal regulations to improve our fire safety management capability.

### Continuously Investing in Advancing the Fire Safety System

In accordance with the outcomes of the company-wide fire control system assessments performed in 2014, we are continuously making facility investments in seven plants located in

Korea and abroad. Between 2015 and 2016, our accumulated investments amounted to KRW 23.7 billion: our fire partitions and fire alarms were overhauled, and sprinklers were reinforced or newly added for our raw·subsidiary material warehouses and mixing, curing and logistics operations.

### Establishing Global Fire Management Regulations

We established our internal fire management regulations by significantly raising the bar on the criteria that had been used at our worksites in installing fire-fighting equipment and by newly developing criteria on fire-fighting equipment instal-

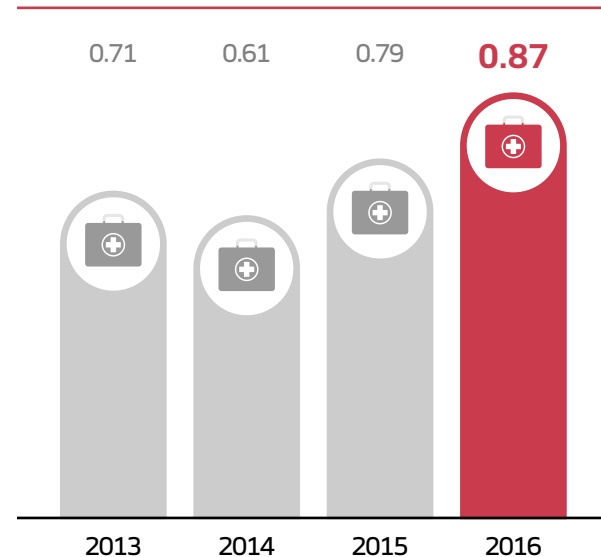
lation and fire prevention activity concerning those processes and facilities that are prone to fires. In so doing, we developed fire safety standards on each of the 15 total processes and fire safety management standards on 10 types of equipment vulnerable to fires. We will consistently improve our internal regulations above the legal threshold and to significantly elevate our level of fire safety management across our global worksites.

### Strengthening the Global Fire Safety Assessment and Technical Support System

In 2016, we conducted fire safety assessments on all our plants in Korea and abroad, which en-

abled us to review wide-ranging items, from hazard management and fire-fighting equipment to emergency response drills, and to make necessary improvements. Furthermore, we host monthly global video conferences to consult on the operational status of respective plants and to provide guidelines on installing fire safety equipment and modifying fire safety designs.

**Injury Rate<sup>1)</sup>** (Unit: %)



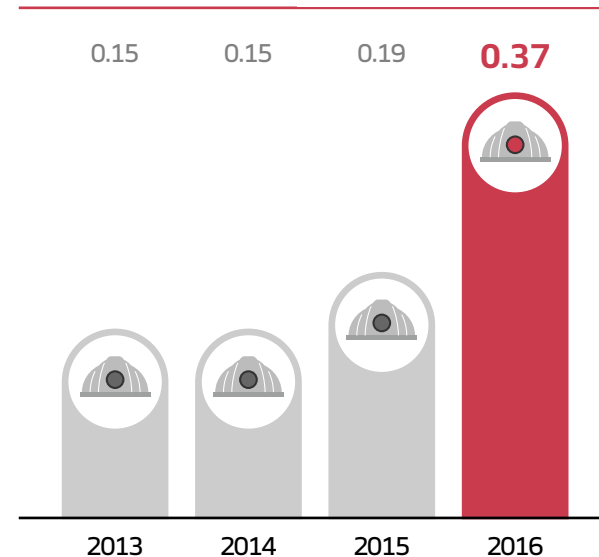
1) Injury rate:  
Ratio of injured employees per 100 employees  
=(No. of injured employees / No. of employees)x100

\* 2015 average in the manufacturing industry: 0.65  
(Source: Ministry of Employment and Labor)

\* 2015 average in the rubber product manufacturing industry:  
0.83 (Source: Ministry of Employment and Labor)

\* We aim to reduce our injury rate to 0.33 by 2020

**Severity Rate<sup>2)</sup>** (Unit: %)

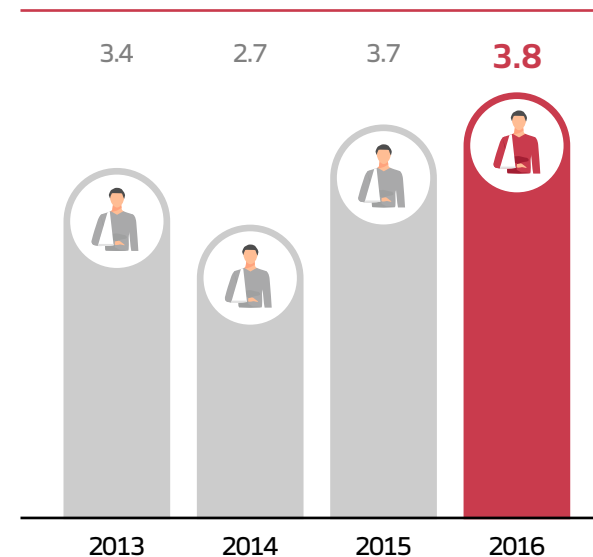


2) Severity rate:  
Lost working days caused by injuries per 1,000 work hours  
=(Total lost working days/annual work hours)x1,000

\* 2015 average in the manufacturing industry: 1.69 (Source:  
Ministry of Employment and Labor)

\* 2015 average in the rubber product manufacturing industry: 2.15  
(Source: Ministry of Employment and Labor)

**LTIFR<sup>3)</sup>** (Unit: %)



3) LTIFR:  
Lost-Time Injury Frequency Rate,  
=(No. of injuries/total work hours)x1,000,000

## Background of This Issue

Stakeholders, including consumers, of global companies care not only about company's own sustainability (such as ethics management or eco-friendly business practice), but also about suppliers' sustainability issues (such as human rights and environment, etc.). This prompted global carmakers to go beyond simply improving and strengthening their own corporate social responsibility initiatives to expanding such CSR initiatives to their suppliers.

## Risks & Opportunities

If a company fails to manage suppliers' CSR issues properly, which leads to difficulties in the stable procurement of materials and the management of its own supply-demand, it will naturally weaken the company's competitiveness. Meanwhile, expanding stable suppliers who can manage their sustainability outstandingly can lead the company to improved production efficiency and competitiveness. Ultimately, this will increase the reliability of the company's products and contribute to generating long-term business outcomes.

## Hankook Tire's Policy

Hankook Tire pursues stable and long term competitiveness through expanding supplier CSR evaluations and assisting suppliers' sustainability policies with mutual trust.

## Management Responsibility & Governance

### Supplier Committee

- Chaired by: Purchasing Department Director
- Supervised by: Purchasing Planning Team
- Members: Purchasing Team 1 & 2, Raw Material Development Team, Global Quality Assurance Team, Engineering-related Team

# SC ———— Win-Win Supply Chain Partnership



## Our Impact & Scope

As a global company, Hankook Tire has responsibility to consistently manage such ethical issues as human rights of its suppliers and environmental issues. An example of such an issue can be found at the rubber plants in non-OECD countries in the Southeast Asian region from which we source our rubber materials. These plants are not equipped with automated machines and thus require human labor for production and packaging. This further highlights the importance of human rights of employees as well as environmental destruction caused by expanding plantations.

## Key Achievements

Suppliers surveyed  
on their status of process  
establishment

**65** Companies



Revised Items  
of the CSR  
Evaluation Sheet

**58** Items



## Future Plans & Outlook

In evaluating our suppliers, we will gradually increase the ratio of CSR evaluations and directly perform CSR audits to strengthen the monitoring of our supplier CSR management. We also plan to benchmark leading companies to establish our green procurement system over the long term. Given that price fluctuations of raw materials - such as butadiene, coal, and others - are intensifying, we will expand our support to raw material suppliers to ensure the stability of their business operation.



# Our Achievements in 2016

● Completed

◐ Partially Completed

○ Not Completed

Code	Key Managerial Issues	Goals	Achievements	Completion
SC1	Supplier management and relations policy	Identify the current status to develop green sourcing policy	<ul style="list-style-type: none"> <li>Continuously monitored our procurement ratio in regions where our plants are located</li> <li>Benchmarked best practices</li> </ul>	◐
SC2	Establishment of ethics in purchasing	Disseminate ethics management to suppliers	<ul style="list-style-type: none"> <li>Identified suppliers who have not yet established their own code of conduct through a survey and are working on development guides in consideration of the size of suppliers</li> </ul>	●
SC3	Improvement of suppliers' ESG	Enhance support for suppliers' sustainability management	<ul style="list-style-type: none"> <li>Analyzed the sustainability risks of suppliers through the gradual expansion of our CSR evaluations</li> <li>Conducted CSR evaluations on 65 critical suppliers and will gradually expand the target suppliers</li> </ul>	◐
		Reinforce the corrective action/follow-up management process following supplier CSR evaluations	<ul style="list-style-type: none"> <li>Revised a total of 58 questions of the CSR evaluation sheet</li> </ul>	●
		Request the setup of BCP (Business Continuity Planning) to critical suppliers	<ul style="list-style-type: none"> <li>Identified the status of 65 critical suppliers in establishing BCP</li> <li>Developed step-by-step plans to help suppliers set up BCP</li> </ul>	◐

## SC1

## Supplier Management and Relations Policy

Under our long-term goal of implementing Green Sourcing, we identify the ratio of purchasing in each region while developing and implementing purchasing policies that promote the development of the local communities where operate the business.

### Developing Purchasing Policies for Local Community Development

We pursue mutually beneficial partnerships to grow hand-in-hand with suppliers located in areas where our plants are based. We analyze our purchasing status by region each year, and in so doing, we monitor our contributions made to vitalize the local economy. In 2016, our transactions with local suppliers in Korea, China, Hungary, Indonesia, and the U.S. where our plants are located amounted to 87% of the total, which translates into approximately 70% of our total purchasing. In non-OECD countries, 44% of our transactions were made with local suppliers, which amounted to nearly 47% of our total purchasing. We are determined to maintain our local purchasing policy to contribute to the development of local communities where we are based.

### Benchmarking Best Practices

We have been studying best practices on green sourcing policies implemented by other companies, and we plan to benchmark these practices with the help from professional organizations to establish our own green sourcing strategy. As part

of such endeavors, we surveyed our critical suppliers for their definition of green sourcing as well as any activities undertaken or processes established in relation to green sourcing. The survey data will be used to base our development of strategy in the upcoming years.

## SC2

## Establishment of Ethics in Purchasing

We disseminate our Code of Ethics to our critical suppliers and relevant employees in order to establish and expand ethics in purchasing. Furthermore, we identify suppliers who have not yet established their code of ethics and support and encourage them to develop such ethics regulations.

### Disseminating Ethics Management to Suppliers

To ensure that purchasing ethics becomes part of our corporate mindset, we provide ethics training to our suppliers and relevant employees more than once a year. For those suppliers who have not yet established their code of ethics, we consistently encourage them to develop their own ethics pledge or code of ethics to abide by. On October 2016 Hankook Partner's Day, which invited our suppliers, we highlighted the importance of ethics management.

### Purchasing Ratio by Region in 2016

(Unit: %)

Category	Country		Ratio of Purchasing Spend	Ratio of Suppliers
OECD	Asia	Korea	36.7	31.4
		Others	4.6	2.4
	Europe	Hungary	3.3	13.3
		Others	8.4	5.9
	North America		0.4	3.0
	Subtotal		53.4	56.0
Non-OECD	Asia	China	23.9	32.9
		Indonesia	5.8	6.4
		Others	16.7	4.4
	Africa		0.2	0.2
	Subtotal		46.6	44.0
Total			100	100
	(Ratio of OECD countries against non-OECD countries)		53:47	56:44

\* The location of suppliers is based on the location of plants.



2016 HANKOOK Partner's Day

## SC3

## Improvement of Suppliers' ESG

We have been evaluating the corporate social responsibility performances of our suppliers since 2012 to assist them in improving their ESG (environment, society, governance) capability. We will also implement Business Continuity Planning (BCP) for critical suppliers to pursue sustainable management that ensures co-prosperity of both Hankook Tire and its suppliers.

### Enhancing Support for Suppliers' Sustainability Management

We are gradually broadening our supplier CSR evaluations to analyze their sustainability risks. In 2016, Hankook Tire conducted comprehensive supplier evaluations on a total of 448 suppliers, and among them, 289 suppliers or 64.5% of the total, completed CSR evaluations. Specifically, our in-house CSR evaluations were conducted on 65 critical suppliers. Meanwhile, we will continuously encourage suppliers who did not receive CSR evaluations to go through these evaluations and will reach 85% in the ratio of suppliers who are evaluated in CSR in 2020. We plan to reflect the evaluation outcomes in our future transactions and use such outcomes to assist our suppliers in making progress on their ESG performance.

### Reinforcing Corrective Action/Follow-up Management Process following Supplier CSR Evaluations

We promptly respond to supplier CSR evaluation outcomes so that our suppliers can make progress each year. Our in-house CSR evaluation sheet was

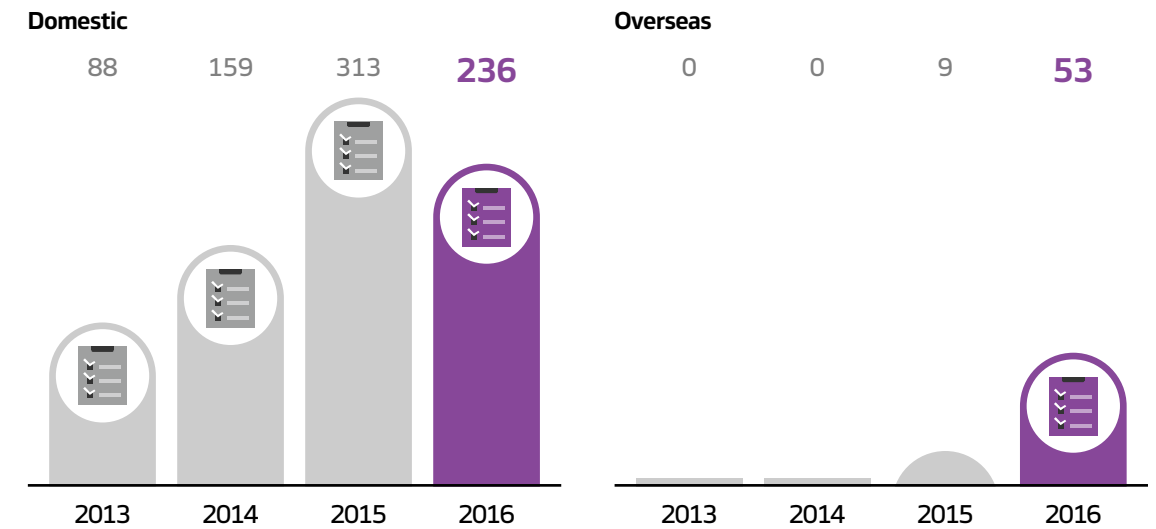
revised by reflecting evaluation results in 2016, which supplemented existing items and added new items. The CSR operational system that consists of CSR policy, responsibility and communication was added, and the official monitoring of human rights and labor conditions were also added to reinforce the human rights inspection sector. Additionally, items, regarding ethics management including ethics management system, training and assessment, were also added to ensure that we can seamlessly respond to any supply chain CSR evaluations performed by global carmakers.

### Requesting the Setup of BCP to Critical Suppliers

We encourage our critical suppliers to implement Business Continuity Planning (BCP) as a way to deliver consistent value and satisfaction to our customers. We plan to set forth BCP criteria and development plan for critical suppliers by identifying the status of BCP establishment. The criteria we used in selecting critical suppliers are: raw material suppliers who deal with technology-intensive items who are in a monopolistic position, or whose number is limited in the market and machinery suppliers which have great impacts on our production by requiring long periods of time for maintenance and taking measures. We surveyed chosen suppliers to identify their level of awareness on BCP, as well as their status of implementation (ISO 22301), and we will perform advanced analyses with the help of external organizations to assist our suppliers in establishing their long-term BCP.

## Suppliers Subject to CSR Evaluations

(Unit: No. of companies)



## CSR Evaluation Items

Category		Description
Human Rights / Labor /	Human Rights	· Accept and guarantee the freedom of association and the right for collective bargaining
	Prohibition of Labor Discrimination	· Child labor, Working hours and minimum wage*, Employment contract*, Forced labor, Hotline & follow-up
Ethics	Prohibition of Discrimination and Sexual Harassment	· Prohibition of discrimination, Prohibition violence*, Prevention of sexual harassment
	Ethics Management System and Implementation	· Establishment of the code of ethics, ethics trainings, Elimination of corruption and bribery, Philanthropic activities*
	Monitoring & Follow-up on Ethics Management	· Regular audit on ethics management, Follow-up in case of violation
	Information Protection	· Protection of client or customer information
Safety / Health	Safety	· Safety inspection, Personal protective equipment, Safety and Health Committee, Safety management of suppliers
	Fire Prevention	· Fire prevention management
	Health	· Measurement and improvement of working environment, Treatment of chemical substances
Environment / Greenhouse Gas	Environment	· Management of air and water pollution, Prevention of soil contamination, Disposal of wastes
	Greenhouse Gas	· Energy and greenhouse gas management

\* New additions in 2016



## Response to Conflict Minerals

### Conflict Mineral Regulations

Conflict mineral regulations were initiated to prevent the profits generated through the sale of minerals mined in conflict-affected or high-risk areas from getting into the wrong hands of armed groups in such areas. These regulations require that businesses report on their use of minerals mined in the areas mentioned above (tin, tantalum, tungsten, gold, etc.)

### Definition of Conflict Minerals

- Conflict minerals are natural resources extracted from conflict-affected and high-risk areas where various armed groups and rebels have profited from mining while committing severe human rights violations and exploitation
- Conflict-affected or High-risk Areas (10 areas): Democratic Republic of the Congo, Sudan, the Central African Republic, (the People's Republic of) Congo,, Angola, Zambia, Tanzania, Burundi, Rwanda, and Uganda
- Conflict Minerals: Tin, tantalum, tungsten and gold which are extracted from the 10 areas mentioned above

### Progress on the Enactment of Conflict Mineral Regulations

On July 21st of 2010, the 'Dodd-Frank Act' that includes restrictions on the use of conflict minerals was passed in the U.S. Congress, and on August 22nd of 2012, the U.S. Securities and Exchange Commission (SEC) members approved 'Section 1502'. This section is the final rule making it mandatory for businesses to disclose information on their use of conflict minerals and whether such minerals were mined in the 'Democratic Republic of the Congo and Covered Countries'.

### Hankook Tire's Response

Since we are not listed on the U.S. Stock Exchange, we are not directly subject to these regulations. Carmakers, however, in-

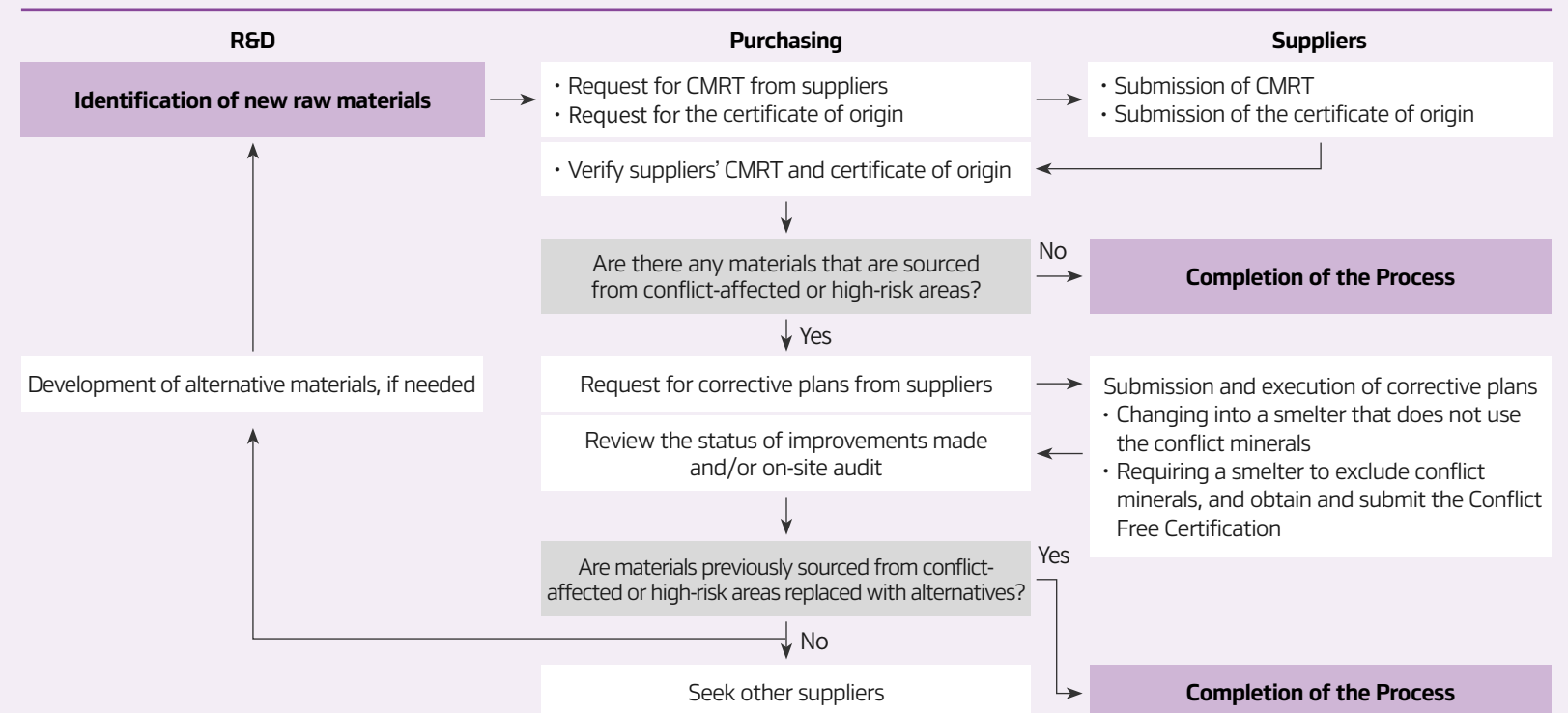
creasingly demand that we, as a tire supplier, check on our use of conflict minerals. While tin, one of the regulated minerals, is contained in the bead wires of tires, we ensure that such bead wires come from suppliers who procure tin from the smelters certified by independent third-party auditors to be 'Conflict Free'. In a move to comply with conflict mineral regulations, we set our purchasing policy to ban the use of such minerals and developed regulations to evaluate the suppliers on their use of conflict minerals as part of our on-site audit process. We made notice of these regulations across our supply chain to call for our suppliers to ban their use of conflict minerals, and we require that the suppliers who provide us with concerned minerals submit their Conflict Minerals Reporting Template (CMRT) as well as the certificate of origin every year.

### Hankook Tire Policy on Conflict Minerals

Regulation: Regulation on the Selection and Management of Raw and Subsidiary Materials suppliers, Article 8, Chapter 3 (Conflict Minerals)

- All the suppliers who provide materials to Hankook Tire shall not use the minerals extracted from conflict-affected or high-risk areas.
- Suppliers must submit the certificate of origin to prove that they source conflict-free minerals.
- Hankook Tire may conduct an on-site audit of supplier practices, if needed.

### Conflict Minerals Verification and Risk Assessment Process



# OUTRO

About This Report  
Performance Summary  
GRI Index

# About This Report

## Report Overview

This report aims to transparently disclose our CSR (Corporate Social Responsibility) outcomes and mid-long-term strategy during the year 2016 and to proactively gather stakeholder feedback. At Hankook Tire, we have been publishing our CSR reports annually since 2010, and the latest report came out in June 2016. This is our eighth CSR report and we will publish such reports every year.

## Reporting Principles

This report was prepared in accordance with the 'Comprehensive' option of the GRI (Global Reporting Initiative) G4 guidelines. We complied with the International Financial Reporting Standards (IFRS) to set criteria and definitions in reporting financial data.

## Reporting Period

This report officially spans the period between January 1<sup>st</sup> of 2016 and December 31<sup>st</sup> of 2016. For a portion of the data, however, the reporting period extends to the first half of 2017. To illustrate time-series changes in our quantitative achievements, this report also contains data over the past four years starting from 2013.

## Reporting Scope

This report focuses on the accomplishments and plans of Hankook Tire Worldwide (holding company) and Hankook Tire that operates the tire business. Concerning Hankook Tire, this report covers its Korean business sites at the Head Office in Seoul, plants in Daejeon and Geumsan, and the R&D Center, as well as information and data on its overseas worksites 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.

## Third-Party Assurance

To secure the reliability of the report content, this report was assured by the Korea Productivity Center, an independent assurance service provider. For assurance standards and assurance outcomes, please go to the Independent Assurance Statement section of this report on pages 94~95.

## Detailed Information on the Report

For more information or inquiries on this report, please contact us at:

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# Performance Summary

## Economic Performance (consolidated)

Item	Unit	2013	2014	2015	2016
Sales	KRW million	7,069,238	6,680,848	6,428,173	6,621,762
Cost of sales	KRW million	4,710,851	4,280,801	4,084,046	4,045,028
Gross income	KRW million	2,358,387	2,400,047	2,344,127	2,576,734
Operating income	KRW million	1,031,006	1,031,637	884,990	1,103,228
Income before tax	KRW million	989,675	935,634	839,374	1,092,416
Income tax	KRW million	254,644	236,339	182,870	213,326
Net income	KRW million	735,032	699,295	656,504	879,090
Other comprehensive income	KRW million	17,159	(57,417)	17,352	(8,858)
Total comprehensive income	KRW million	752,191	641,878	673,856	870,232
Total assets	KRW million	7,776,713	8,320,082	9,496,138	9,621,973
Total liabilities	KRW million	3,852,578	3,803,609	4,355,350	3,660,494
Total equity	KRW million	3,924,136	4,516,473	5,140,788	5,961,479
Patent registration	Domestic	Items	206	273	79
	Overseas	Items	29	25	19
Patent application	Domestic	Items	141	116	62
	Overseas	Items	43	44	49

## Environmental Performance

Item	Unit	2013	2014	2015	2016
Ratio of eco-friendly products <sup>1)</sup> (based on quantities)	%	24.12	41.77	47.34	52.00
Ratio of products that received LCAs (based on quantities)	%	5.56	26.26	20.74	15.26

1) Re-established the eco-friendly product calculation criteria in 2014

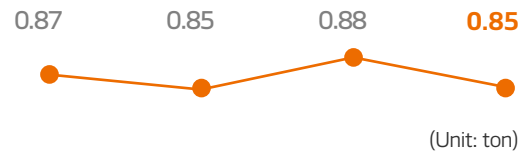
## Environmental Performance

### Use of Major Raw Materials<sup>1)</sup>

Our consumption of major raw materials rose as our production increased in 2016 from 2015.

#### Intensity

(Unit: Use of raw materials (ton)/production (ton))



Raw Materials	2013	2014	2015	2016
Natural Rubber	312,692	297,994	306,394	319,368
Synthetic Rubber	238,875	230,526	251,255	257,862
Carbon Black	268,791	259,115	265,971	277,247
Textile-Cord	41,011	42,155	45,590	49,624
Steel-Cord	114,547	111,628	115,086	117,848
Bead Wire	47,297	47,253	46,482	42,437
Total	1,023,214	988,671	1,030,779	1,064,386

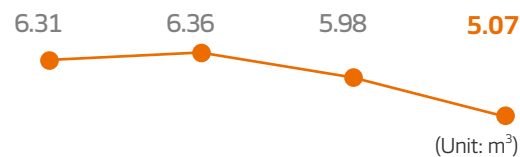
1) The major raw materials consumed in manufacturing tires include rubber, carbon black, steel cords, textile cords and bead wires.

### Water Withdrawal

Our use of recycled water rose in 2016 and this reduced our water intake volume, which resulted in a 20% intensity-based improvement from 2014.

#### Intensity

(Unit: Water withdrawal (m<sup>3</sup>)/production (ton))



Sites	2013	2014	2015	2016
Daejeon Plant	1,768,189	1,587,821	1,585,372	1,521,426
Geumsan Plant	1,627,982	1,662,331	1,542,081	1,327,978
Jiangsu Plant	1,458,024	1,740,099	1,358,341	937,015
Jiaxing Plant	1,593,809	1,491,204	1,149,976	1,007,119
Chongqing Plant	256,774	321,351	493,872	625,986
Hungary Plant	324,965	342,075	423,340*	421,612
Indonesia Plant	372,524	275,483	463,776	512,823
Total	7,402,267	7,420,364	7,016,758	6,353,959

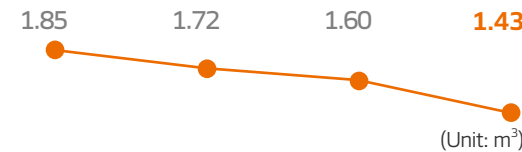
\* The intensity-based figure for the year 2015 was modified in our CSR Report 2015/16 due to the errors made in calculating water intake at our Hungary Plant.

### Discharge of Treated Water

A 10% intensity-based improvement was made from 2015 as our recycling of treated water rose in 2016.

#### Intensity

(Unit: Discharge of treated water (m<sup>3</sup>)/production (ton))



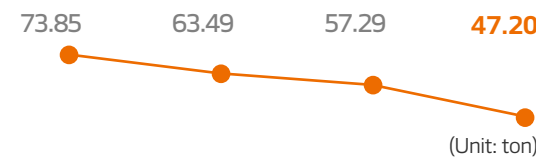
Sites	2013	2014	2015	2016
Daejeon Plant	295,399	253,185	268,262	194,592
Geumsan Plant	446,286	569,614	455,443	279,955
Jiangsu Plant	227,200	154,930	211,267	375,734
Jiaxing Plant	869,131	742,769	608,292	502,455
Chongqing Plant	167,620	168,140	224,299	287,269
Hungary Plant	96,260	110,359	101,627	150,301
Indonesia Plant	65,936	11,102	3,342	1,496
Total	2,167,832	2,010,099	1,872,532	1,795,392

### COD Emissions

A 17% intensity-based reduction was made from 2015 as our discharge of treated water declined.

#### Intensity

(Unit: COD emissions (g)/production (ton))

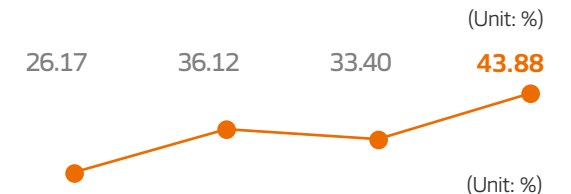


Sites	2013	2014	2015	2016
Daejeon Plant	3.3	3.1	4.0	3.1
Geumsan Plant	3.9	4.8	3.6	2.3
Jiangsu Plant	9.3	6.1	11.0	9.4
Jiaxing Plant	61.5	55.1	43.6	34.8
Chongqing Plant	4.2	1.3	3.1	6.2
Hungary Plant	2.9	3.3	1.9*	3.2
Indonesia Plant	1.5	0.2	0.1	0.0
Total	86.6	74.0	67.2	59.2

\* The intensity-based figure for the year 2015 was modified in our CSR Report 2015/16 due to the errors made in calculating water intake at our Hungary Plant.

### Recycling Rate of Treated Water

In 2015, our recycling of treated water increased, and we recycled 44% of the total wastewater generated. We aim to increase this ratio to 50% by 2020.



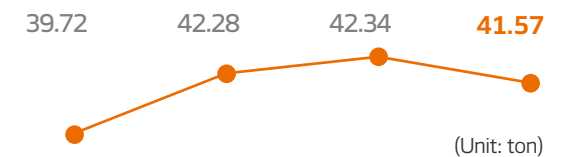
Sites	2013	2014	2015	2016
Daejeon Plant	51.69	55.46	51.50	68.51
Geumsan Plant	39.04	34.57	31.47	56.04
Jiangsu Plant	0.00	57.23	34.57	38.01
Jiaxing Plant	0.00	0.00	0.00	0.00
Chongqing Plant	16.86	24.40	24.66	20.40
Hungary Plant	0.00	0.00	0.00	0.00
Indonesia Plant	66.75	95.89	98.73	99.53
Total	26.17	36.12	33.40	43.88

### Waste Treated

Our intensity-based waste discharge declined by 1.7% in 2016 from 2014. We will improve our intensity-based waste discharge by 5% by 2020 from the 2014 base year.

#### Intensity

(Unit: Waste treated (kg)/production (ton))



Treatment	2013	2014	2015	2016
Consigned recycling	35,855	38,576	38,408	42,570
Consigned incineration	5,528	4,565	4,995	4,546
Consigned landfill	5,171	6,157	6,273	5,034
Total	46,554	49,298	49,676	52,150

## Environmental Performance

### GHG Emissions and Energy Consumption

#### GHG Emissions

##### Intensity

(Unit: tCO<sub>2</sub>-eq/production ton)

1.029

1.013

1.025

1.041

Sites	2013		2014		2015		2016	
(Unit: tCO <sub>2</sub> -eq)	Scope 1	Scope 2	Scope 1	Scope 2	Scope 1	Scope 2	Scope 1	Scope 2
Daejeon Plant	100,546	149,198	95,036	146,151	84,161	143,065	82,638	145,209
Geumsan Plant	82,325	191,953	80,433	188,916	76,051	189,141	75,153	191,341
Jiangsu Plant	8,852	219,101	8,647	197,733	9,188	198,473	7,704	201,940
Jiaxing Plant	2,740	255,511	2,335	258,185	2,075	231,503	1,988	243,339
Hungary Plant	33,688	42,147	36,626	47,912	45,508	61,635	46,488	62,709
Chongqing Plant	8,974	44,827	8,180	38,169	11,319	48,480	22,951	80,174
Indonesia Plant	16,278	49,714	16,642	56,086	22,551	79,101	32,587	111,355
Total	253,403	952,451	247,899	933,152	250,853	951,398	269,509	1,036,067

\* In spite of our full-fledged endeavors to reduce our GHG emissions, our intensity-based GHG emissions and energy consumption continuously increased over the past two years due to the expansion of our plants, change in product mix, and increase in silica compounds consumption.

#### Energy Consumption

##### Intensity

(Unit: GJ/production ton)

10.11

10.08

10.10

10.29

Sites	2013	2014	2015	2016
(Unit: GJ <sup>1)</sup> )				
Daejeon Plant	2,884,249	2,822,958	2,604,220	2,750,547
Geumsan Plant	2,938,769	2,885,363	2,810,085	2,951,778
Jiangsu Plant	1,903,075	2,144,818	1,928,908	1,791,706
Jiaxing Plant	2,149,917	1,804,304	1,781,512	1,975,978
Hungary Plant	1,082,671	1,200,848	1,513,743	1,543,530
Chongqing Plant	367,232	322,363	428,545	786,059
Indonesia Plant	524,289	568,606	778,031	1,110,268
Total	11,850,202	11,749,260	11,845,044	12,909,866

1) GJ: Giga Joule

### Reduction of GHG Emissions and Energy Consumption (in Korea)

#### Reduction of GHG Emissions

(Unit: tCO<sub>2</sub>-eq)

2,121

6,075

6,514

7,488

Sites	2013	2014	2015	2016
Daejeon Plant	974	1,931	3,896	3,426
Geumsan Plant	1,147	4,144	2,618	4,062
Total	2,121	6,075	6,514	7,488

#### Cost Savings

(Unit: KRW in billions)

0.64

1.18

1.79

2.14

Sites	2013	2014	2015	2016
Daejeon Plant	0.36	0.58	1.10	0.92
Geumsan Plant	0.28	0.60	0.70	1.22
Total	0.64	1.18	1.79	2.14

#### Investments

(Unit: KRW in billions)

1.35

3.21

1.12

1.67

Sites	2013	2014	2015	2016
Daejeon Plant	0.43	1.18	0.84	1.23
Geumsan Plant	0.92	2.03	0.28	0.44
Total	1.35	3.21	1.12	1.67



## Social Performance

Item			Unit	2013	2014	2015	2016
Employees	Total	Domestic	No. of persons	6,897	6,911	6,933 <sup>1)</sup>	6,909
	employees	Overseas (Expatriates)	No. of persons	270	295	303 <sup>1)</sup>	274
		Overseas (Locally-hired)	No. of persons	13,759	14,134	14,500	13,868
		Total	No. of persons	20,926	21,340	21,736	21,051
	New hires	Office staff (Korea)	No. of persons	266	194	185	186
		Operators (Korea)	No. of persons	311	62	32	1
		Office staff (Local)	No. of persons	550	478	373	461
		Operators (Local)	No. of persons	3,776	3,564	2,785	1,345
	Job category	Office staff	No. of persons	5,010	5,153	5,268	5,298
		Operators	No. of persons	15,916	16,187	16,468	15,753
	Employment type (Korea)	Regular	No. of persons	7,146	7,178	7,210	7,139
		Non-regular	No. of persons	21	28	26	44
		Ratio of non-regular employees	%	0.3	0.4	0.4	0.6
	Parental leave (Korea)	Applicants	No. of persons	22	19	26	31
		Employees who returned to work	No. of persons	20	16	24	26
		Rate of return	%	90.9	84.2	92.3	83.9
	Parental leave (Overseas)	Applicants	No. of persons	35	43	66	29
		Employees who returned to work	No. of persons	29	38	13	13
		Rate of return	%	82.9	88.4	19.7	44.8
	Female employees	Office staff	No. of persons	878	927	948	949
		Operators	No. of persons	601	573	577	627
		Ratio of female employees	%	7.1	7.0	7.0	7.5
		Ratio of female managers	%	6.3	6.5	7.1	7.8
		(in Senior Manager position or above)					
		Ratio of female managers	%	10.9	12.2	13.1	14.1
		(in Manager position or above)					
		New hires (Korea)	No. of persons	72	51	22	25
	Diversity	Disabled employees (Korea)	No. of persons	83	82	88	169
	Local recruitment	Total employees overseas	No. of persons	14,029	14,429	14,802	14,142
		Expatriates	No. of persons	270	295	302	274
		Locally-hired employees	No. of persons	13,759	14,134	14,500	13,868
		Ratio of locally-hired employees	%	98.1	98.0	98.0	98.1
		Local managers	No. of persons	618	677	735	814
		Ratio of local managers	%	4.4	4.7	5.0	5.8
	Employees by region	Korea	No. of persons	6,897	6,911	6,933	6,909
		China	No. of persons	9,192	8,751	8,285	7,549
		Europe	No. of persons	3,028	3,742	3,876	3,804
		Americas	No. of persons	263	287	351	570
		Middle East, Asia-Pacific	No. of persons	1,546	1,649	2,291	2,219
		Total	No. of persons	20,926	21,340	21,736	21,051
Local employees by region	China	No. of persons	9,109	8,668	8,202	7,480	
	Europe	No. of persons	2,943	3,655	3,794	3,730	
	Americas	No. of persons	228	232	279	499	
	Middle East, Asia-Pacific	No. of persons	1,479	1,579	2,225	2,159	
	Total	No. of persons	13,759	14,134	14,500	13,868	
Retirement	Office staff	No. of persons	375	491	593	524	
	Operators	No. of persons	2,163	2,130	2,475	1,851	

1) The data discrepancy from our CSR Report 2015/16 occurs due to the errors made in data calculation.

Item			Unit	2013	2014	2015	2016
Employees	Average service years (Korea)		No. of years	11.5	12.0	12.7	13.6
	Performance and remuneration (Korea)	Ratio of employees subject to regular performance assessments	%	99.7	99.6	99.6	99.4
	Grievance handling (Korea)	No. of grievances handled	No. of cases	16	19	45	29
	Labor union (Korea)	No. of employees eligible for union membership <sup>2)</sup>	No. of persons	5,470	4,942	4,853	5,152
		Union members (1st Labor Union)	No. of persons	4,813	4,801	4,337	4,191
		Union members (2nd Labor Union)	No. of persons	-	-	-	314
		Total unionized employees	No. of persons	4,813	4,801	4,337	4,505
	Health and safety	LTIFR (Employees) <sup>3)</sup>	-	3.4	2.7	3.7	3.8
		LTIFR(Contractors)	-	4	2.3	1.4	3.3
		OIFR (Employees) <sup>4)</sup>	%	0.05	0.33	0.36	0.64
Employee Training	Training hours per capita (Company-wide)	Office staff	No. of hours	-	62.64	66.53	79
		Operators	No. of hours	-	24.14	24.52	23
		Total	No. of hours	-	33.3	34.3	36.6
	Training on prevention of sexual harassment (Korea)	Office staff	No. of persons	-	1,356	1,773	1,905
	Human rights training		No. of persons	-	-	129	185
Suppliers	Ratio of local purchasing	Raw materials	%	-	61.86	63.17	62.78
		Machinery	%	-	86.97	97.21	95.40
		Indirect	%	-	97.47	96.06	98.64
		Total	%	-	67.93	69.34	69.96
	Supplier CSR evaluations	Raw materials	No. of units	13	14	30	49
		Machinery	No. of units	57	71	183	192
		Indirect	No. of units	18	74	109	48
		Total	No. of units	88	159	322	289
Customers	Customer satisfaction		Point	85.3	86.6	88.8	89.9
	Customer complaints regarding data privacy		No. of cases	2	3	0	1
Ethics Management	No. of reports		No. of reports	17	26	44	21
	Self-assessment score		Point	82	75	73	72
	Regulatory violation		No. of cases	0	0	0	0
	Violation of fair trade regulations****		No. of cases	0	0	1	0
Corporate Philanthropy	Corporate philanthropy expenditures		KRW million	4,166	4,835	7,339	7,592
	Corporate philanthropy expenditures against sales		%	0.06	0.07	0.11	0.10
	Volunteer activities (Korea, Hungary, Indonesia)	Total volunteer hours	No. of hours	21,654	29,330	27,353	30,876
		Accumulated No. of employees engaged in volunteering each year	No. of persons	5,382	7,597	6,365	7,321
		Total volunteer activities	No. of cases	355	414	379	715
		Volunteer hours per employee	No. of hours	2	3	2.7	2.5

1) The number of employees eligible for labor union membership was calculated in accordance with the provisions that define our union members under Article 13 of the Hankook Tire Collective Agreement.

2) LTIFR: Lost-Time Injury Frequency Rate=(No. of injuries/total work hours)x1,000,000

3) OIFR: Occupational Illness Frequency Rate=(No. of occupational illness/work hours)x1,000,000

4) Concerning prize events hosted for customers, the prizes we offered to customers exceeded the limit set by relevant regulations and we were given a corrective order not to exceed this limit by the Fair Trade Commission in March 2015. We accepted this corrective order and we have been constantly monitoring our actions to prevent any such reoccurrence.

Government-led R&D Projects and Governmental Investments

(Unit: KRW in thousands)

Name of Project	Details	Supervising Team	Total R&D Period	Government Investment		Role
				Total Expenditures during the Development Period	2016 Budget	
Carbon-Reducing Ketone-based Premium Fiber and Resin	Developing composite materials based on polyketone fiber	Raw Material Development Team	Sep. 1 <sup>st</sup> , 2010 - Mar. 31 <sup>st</sup> , 2019	684,470	37,500	Participation
Development of Grade Y Fuel-Saving Runflat Tires for Passenger Vehicles	Developing grade Y fuel-saving runflat tires for passenger vehicles	Runflat Project Team	Dec. 1 <sup>st</sup> , 2011 - Aug. 31 <sup>st</sup> , 2016	2,153,000	378,000	Supervision
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	Research 4 Team	Sep. 1 <sup>st</sup> , 2013 - Aug. 31 <sup>st</sup> , 2017	2,390,000	536,667	Supervision
Development of Core Platform Technology for Foam-Type Polymer Fuel Cell Stacks	Developing graphite metal-form hybrid separators	Proactive LAB	Dec. 1 <sup>st</sup> , 2014 - Nov. 30 <sup>th</sup> , 2017	180,000	60,000	Participation

# GRI Index

## General Standard Disclosures

Category	Indicator	Contents	Page	Assurance	Note	GRI Standards
Strategy and Analysis	G4-1	A statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability	4, 17~18	✓		102-14
	G4-2	A description of key impacts, risks, and opportunities	32~35	✓		102-15
Organizational Profile	G4-3	Name of the organization	5	✓		102-1
	G4-4	Primary brands, products, and services	7	✓		102-2
	G4-5	Location of the organization's headquarters	5~6	✓		102-3
	G4-6	The number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report		✓		102-4
	G4-7	Nature of ownership and legal form		✓		102-5
	G4-8	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)		✓		102-6
	G4-9	Scale of the organization		✓		102-7
	G4-10	Total number of employees by employment contract, gender, region, work scope of non-permanent employees, significant changes in number of employees	82	✓		102-8
	G4-11	Percentage of total employees covered by collective bargaining agreements		✓		102-41
	G4-12	The organization's supply chain	72~76	✓		102-9
	G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership or supply chain	10~12	✓		102-10
	G4-14	Reporting whether and how the precautionary approach or principle is addressed by the organization	32~33, 90	✓		102-11
	G4-15	Externally developed economic, environmental and social charters, or other initiatives to which the organization subscribes or which it endorses	92	✓		102-12
	G4-16	Memberships of association and national or international advocacy organizations	93	✓		102-13
Identified material Aspects and Boundaries	G4-17	Entities included in the organization's consolidated financial statements or equivalent documents	79	✓	Please refer to the business report	102-45
	G4-18	Process for defining the report content and the Aspect Boundaries and how they are implemented	26~27	✓		102-46
	G4-19	All the material Aspects identified in the process for defining report content		✓		102-47
	G4-20	Report the Aspect Boundary within the organization		✓		103-1
	G4-21	Report the Aspect Boundary outside the organization		✓		
	G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	80, 82	✓		102-48
	G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	10~12	✓		102-49
Stakeholder Engagement	G4-24	List of stakeholder groups engaged by the organization	22~23, 26~27	✓		102-40
	G4-25	Basis for identification and selection of stakeholders with whom to engage		✓		102-42
	G4-26	The organization's approach to stakeholder engagement		✓		102-43
	G4-27	Key topics and concerns that have been raised through stakeholder engagement and how the organization has responded to those key topic and concerns	22~23, 26~27	✓		102-44
Report Profile	G4-28	Reporting period for information provided	78	✓		102-50
	G4-29	Date of most recent previous report		✓		102-51
	G4-30	Reporting cycle		✓		102-52
	G4-31	Contact point for questions regarding the report for its contents		✓		102-53
	G4-32	Report on 'in accordance' option the organization has chosen, the GRI Content Index for the chosen option, the reference to the External Assurance Report, if the report has been externally assured	84~88, 94~95	✓		102-54, 102-55 102-56



## General Standard Disclosures

Category	Indicator	Contents	Page	Assurance	Note	GRI Standards
Report Profile	G4-33	Report on the organization's policy and current practice with regard to seeking external assurance for the report, the relationship between the organization and the assurance providers, and whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report	84~88, 94~95	✓		102-56
Governance	G4-34	The governance structure of the organization, including committees of the highest governance body	17~23, 30~31	✓		102-18
	G4-35	The process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees		✓		102-19
	G4-36	1) Report on whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics 2) System that enable responsible executives directly report to governance organization		✓		102-20
	G4-37	Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body		✓		102-21
	G4-38	Composition of the highest governance body and its committees	30~31	✓		102-22
	G4-39	Report on whether the Chair of the highest governance body is also an executive officer		✓		102-23
	G4-40	Report on the nomination and selection processes for the highest governance body and its committees and the criteria used for nominating and selecting highest governance body members		✓		102-24
	G4-41	Report on processes for the highest governance body to ensure conflicts of interest are avoided and managed		✓		102-25
	G4-42	The highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	17~21, 30~31	✓		102-26
	G4-43	Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	18	✓		102-27
	G4-44	The processes and actions for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics	17~21, 30~31	✓		102-28
	G4-45	The highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities		✓		102-29
	G4-46	The highest governance body's role and impact in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics		✓		102-30
	G4-47	The frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities		✓		102-31
	G4-48	The highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered		✓		102-32
	G4-49	The process for communicating critical concerns to the highest governance body	30~31	✓		102-33
	G4-50	The nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them		✓		102-34
	G4-51	The remuneration policies for the highest governance body and senior executives		✓		102-35
	G4-52	Report on the process for determining remuneration and relationship which the remuneration consultants have with the organization		✓		102-36
	G4-53	Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.		✓		102-37
Ethics and Integrity	G4-54	The ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country		✓		102-38
	G4-55	Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country	-	✓	Please refer to the business report	102-39
	G4-56	The organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	51~54	✓		102-16
	G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as advice lines		✓		102-17
	G4-58	Internal and external mechanisms for reporting concerns on unethical and unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines		✓		102-17

## Specific Standard Disclosures

Category	Aspect	Indicator	Contents	Page	Assurance	Note	GRI Standards
Economic		DMA	Disclosures on Management Approach	32, 45, 72	✓		103
	Economic Performance	G4-EC1	Direct economic value generated and distributed	8, 79	✓		201-1
		G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	59~61	✓		201-2
		G4-EC3	Coverage of the organization's defined benefit plan obligations	-	✓	Retirement pension program (DC and DB types)	201-3
		G4-EC4	Financial assistance received from government	83	✓		201-4
	Market Presence	G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	-	✓	No difference for the same position	202-1
	Indirect Economic Impacts	G4-EC7	Development and impact of infrastructure investments and services supported	8, 45~50	✓		203-1
		G4-EC8	Significant indirect economic impacts, including the extent of impacts		✓		203-2
	Procurement Practices	G4-EC9	Proportion of spending on local suppliers at significant locations of operation	74	✓		204-1
Environmental		DMA	Disclosures on Management Approach	55, 59, 72	✓		103
	Materials	G4-EN1	Materials used by weight or volume	80	✓		301-1
		G4-EN2	Percentage of materials used that are recycled input materials	79~80	✓		301-2
	Energy	G4-EN3	Energy consumption within the organization	59~61, 81	✓		302-1
		G4-EN4	Energy consumption outside of the organization	-	✓	Disclosed separately through the CDP	302-2
		G4-EN5	Energy intensity	81	✓		302-3
		G4-EN6	Reduction of energy consumption	59~61, 81	✓		302-4
		G4-EN7	Reductions in energy requirements of products and services	59~61, 81	✓		302-5
		G4-EN8	Total water withdrawal by source	80	✓		303-1
	Water	G4-EN9	Water sources significantly affected by withdrawal of water	80	✓		303-2
		G4-EN10	Percentage and total volume of water recycled and reused	80	✓		303-3
		G4-EN15	Direct greenhouse gas (GHG) emissions	81	✓		305-1
	Emissions	G4-EN16	Energy indirect greenhouse gas (GHG) emissions	81	✓		305-2
		G4-EN17	Other indirect greenhouse gas (GHG) emissions	-	✓	Disclosed separately through the CDP	305-3
		G4-EN18	Greenhouse gas (GHG) emissions intensity	81	✓		305-4
		G4-EN19	Reduction of greenhouse gas (GHG) emissions	59~61, 81	✓		305-5
		G4-EN20	Emissions of ozone-depleting substances (ODS)	-	✓	No emissions occurred	305-6
		G4-EN21	NOx, SOx, and other significant air emissions	-	✓	Emissions are only minimal given the characteristics of the tire manufacturing industry	305-7
	Effluents and Waste	G4-EN22	Total water discharge by quality and destination	80	✓		306-1
		G4-EN23	Total weight of waste by type and disposal method	80	✓		306-2
		G4-EN24	Total number and volume of significant spills	N/A	✓	Not available given the characteristics of the tire manufacturing industry	306-3
		G4-EN25	Weight of transformed, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and VIII, and percentage of transported waste shipped internationally		✓		306-4
		G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	57	✓		306-5
	Products and Services	G4-EN27	Extent of impact mitigation of environmental impacts of products and services	55~58	✓		N/A
		G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	8, 58	✓		301-3

## Specific Standard Disclosures

Category	Aspect	Indicator	Contents	Page	Assurance	Note	GRI Standards
	Compliance	G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	-	✓	No violation	307-1
	Transport	G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	57	✓		N/A
	Overall	G4-EN31	Total environmental protection expenditures and investment by type	81	✓		N/A
	Supplier Environmental	G4-EN32	Percentage of new suppliers that were screened using environmental criteria	75	✓		308-1
	Assessment	G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	75	✓		308-2
	Environmental Grievance Mechanisms	G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	82	✓		103-2
Social		DMA	Disclosures on Management Approach	37, 41, 45, 51, 62, 68, 72	✓		103
Labor Practices and Decent Work	Employment	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	82	✓		401-1
		G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	62~71	✓		401-2
		G4-LA3	Return to work and retention rates after parental leave, by gender	82	✓		401-3
	Labor-Management Relations	G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	-	✓	In compliance with relevant regulations	402-1
		G4-LA5	Percentage of total work force represented in formal joint management-worker health and safety commitments that help monitor and advise on occupational health and safety programs	-	✓	100% of the legally applicable workforce represented	403-1
	Occupational Health and Safety	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and gender	68~71	✓		403-2
		G4-LA7	Workers with high incidence for high risk of diseases related to their occupation		✓		403-3
		G4-LA8	Health and safety topics covered in formal agreements with trade unions		✓		403-4
	Training and Education	G4-LA9	Average hours of training per year per employee by gender, and by employee category	82	✓		404-1
		G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	66, 82	✓		404-2
		G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	65, 82	✓		404-3
	Diversity and Equal Opportunity	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	66, 82	✓		405-1
	Equal Remuneration for Women and Men	G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	-	✓	No difference for the same position	405-2
	Supplier Assessment for Labor Practices	G4-LA14	Percentage of new suppliers that were screened using labor practice criteria	75	✓		414-1
		G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	75	✓		414-2
	Labor Practices Grievance Mechanisms	G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	82	✓		103-2
Human Rights	Investment	G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	66	✓		412-3
		G4-HR2	Total number of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	66, 82	✓		412-2



## Specific Standard Disclosures

Category	Aspect	Indicator	Contents	Page	Assurance	Note	GRI Standards
Human Rights	Non-discrimination	G4-HR3	Total number of incidents of discrimination and corrective actions taken	-	✓	No violation	406-1
	Freedom of Association and Collective Bargaining	G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	66	✓		407-1
	Child Labor	G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	66	✓		408-1
	Forced or Compulsory labor	G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	66	✓		409-1
	Assessment	G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	66	✓		412-1
	Supplier Human Rights	G4-HR10	Percentage of new suppliers that were screened using human rights criteria	75	✓		414-1
	Assessment	G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	75	✓		414-2
	Human Rights Grievance mechanisms	G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	82	✓		103-2
Society	Local Communities	G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	45~50	✓		413-1
		G4-SO2	Operations with significant actual or potential negative impacts on local communities		✓		413-2
	Anti-corruption	G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	51~54	✓		205-1
		G4-SO4	Communication and training on anti-corruption policies and procedures		✓		205-2
		G4-SO5	Confirmed incidents of corruption and actions taken		✓		205-3
	Public Policy	G4-SO6	Total value of political contributions by country and recipient/beneficiary	-	✓	None	415-1
	Anti-competitive Behavior	G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	82	✓		206-1
	Compliance	G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	-	✓	No violation	419-1
	Supplier Assessment for Impacts on Society	G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	75	✓		414-1
		G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken		✓		414-2
	Grievance Mechanisms for Impacts on Society	G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	82	✓		103-2
Product Responsibility	Customer Health and Safety	G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	79	✓		416-1
		G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	-	✓	No violation	416-2
	Product and Service labeling	G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	79	✓		417-1
		G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	-	✓	No violation	417-2
		G4-PR5	Results of surveys measuring customer satisfaction	82	✓		102-43, 102-44
	Marketing Communications	G4-PR6	Sale of banned or disputes products	-	✓	None	102-2
		G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	82	✓		417-3
	Customer Privacy	G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	82	✓		418-1
	Compliance	G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	-	✓	No violation	419-1



# APPENDIX

CSR Principle

UN SDGs & UNGC

Awards and Memberships

Independent Assurance Statement

Hankook Tire Employees Involved in the Creation of the CSR Report 2016/17,  
CSR Communication Channel



# CSR Principle

## Corporate Social Responsibility Principle

### Purpose and Intent

The CSR Principles serve as fundamental guidelines that define our corporate social responsibility and build CSR into the fabric of our corporate culture so that it forms the basis of our business conduct. We at Hankook Tire vow to act on these principles to deliver the best-possible value to our stakeholders and fulfill our roles and responsibilities as a corporate citizen in leading the sustainable development and growth of the entire mobility industry as well as the tire industry.

### Regular Review and Improvement

Our CSR Strategy Committee performs annual reviews and makes modifications or improvements on detailed operational guidelines as deemed necessary through the materiality analysis, including stakeholder interviews.

### Integrated CSR Management System

To advance CSR management systematically on a company-wide level, we established an integrated CSR management system as follows: the CSR Strategy Committee serves as the top CSR decision-making body attended by BOD members and the top management; the CSR Steering Committee is operated under the integrated management system as a working-level implementation and consultation body attended primarily by executives and employees in charge of respective CSR issues; dedicated CSR Teams are responsible for defining CSR roles and responsibilities, including planning and operating our company-wide CSR initiatives and publishing CSR Reports.

### CSR Policy Stipulation

We verify that CSR-related operational policies, systems, and issue-specific action plans are clearly stipulated and fully dis-

seminated, both internally and externally to ensure their company-wide application and implementation.

### Regular CSR Diagnosis and Monitoring

We develop and use our in-house CSR self-evaluation model that includes global standards and wide-ranging regulations, and perform annual diagnoses and evaluations. Meanwhile, CSR Teams continuously monitor the progress made and issues to be addressed through the CSR Steering Committee.

### Company-Wide CSR Training and Consensus Building

We set and implement company-wide training plans to disseminate CSR and build employee consensus.

### Stakeholder Dialogue and Information Disclosure

We define our key stakeholders as customers, employees, suppliers, local communities, nature-ecology-climate and shareholders & investors. We constantly develop communication channels with these key stakeholders, as well as annual communication plans, so as to create regular and official communication opportunities to implement in our future business conduct and CSR operations. Furthermore, we disclose our achievements and CSR and business management plans in a transparent and thorough manner through our annual CSR Reports, websites, and diverse communication channels optimized for respective stakeholder groups.

### Integrated Risk Management

Not only do we constantly manage financial risks, but also we systematically manage and respond to non-financial risks. Notably, the entire CSR Focus Areas are included in the scope of our risk issue management, and are addressed on a company-wide level through the integrated management system of the CSR Steering Committee.

## Environmental Policy

We take preemptive action in advancing environmental management across the entire spectrum of our business operations, from production to sales and services, in accordance with our corporate management philosophy and vision so that we fully commit to creating a cleaner environment. To this end, we are determined to adhere to the following policies.

1. We recognize the environment as a critical factor in our management strategy.
2. We fundamentally minimize the emission of environmental pollutants and promote recycling through sustained investments, process improvements and the adoption of optimized and appropriate technology.
3. We apply in-house environmental regulations, rules and other requirements in our manufacturing, sales, service and disposal that are even more stringent than what is legally required.
4. We perform preliminary environmental impact assessments to define and implement environmental goals and targets so that we make sustained improvements.
5. We provide all our employees with general environmental information and thorough training to help them recognize their own responsibility.
6. When deemed necessary, we make our environmental policy available for our stakeholders so as to ensure the transparency of our environmental management and to encourage any businesses related to our business conduct to care for the environment in their own operations.



## Social Contribution Charter

### Our Statements

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

### Characteristics and Directions

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

## Human Rights Policy

### Hankook Tire Human Rights Policy

Hankook Tire recognizes the significance of human rights as a universal value of humankind. Moreover, we acknowledge that such value can be realized through business activities. With such acknowledgement, Hankook Tire will respect and protect the rights of its own employees and stakeholders associated with its operations, products and services.

In order to fulfill the responsibility to respect human rights, Hankook Tire shall support and endeavor to observe the principles of the Universal Declaration of Human Rights, the UN Global Compact and the International Labor Organization Declaration on Fundamental Principles and Rights at Work.

Hankook Tire shall also support the UN Guiding Principles on Business and Human Rights and implement its own human rights management system which includes making assessments, taking appropriate action and tracking responses, promoting internal and external communications and operating grievance mechanisms and remediation procedures.

Hankook Tire, as an enterprise dedicated to fulfilling its social responsibilities and pursuing the happiness of all employees and stakeholders, shall comply with the laws of each country where it operates under all circumstances, and by protecting and respecting human rights, it will contribute to the healthy development of society.

### Hankook Tire Human Rights Principles

Hankook Tire supports and respects the protection of internationally proclaimed human rights and makes sure that we are not complicit in Human rights abuses.

**Prohibition of Forced Labor** • Hankook Tire shall not force labor against the free will of its employees through physical and mental suppression of freedom.

**Prohibition of Child Labor** • Hankook Tire shall comply with the minimum employment age regulations of each country where it operates and not designate tasks with safety and health hazards to individuals under the age of 18.

**Prohibition of Discrimination** • Hankook Tire shall not discriminate against its employees based on race, age, gender, nationality, religion, disability, pregnancy, unionization, or marital status in its employment procedures.

**Guarantee of Freedom of Association** • Hankook Tire shall offer opportunities for communication between the company and its employees, guarantee the freedom of association, and shall not retaliate its employees for their unionization activities.

**Fair Wage Payment and Stabilization of Livelihood** • Hankook Tire shall contribute to the stabilization of the livelihood of its employees by complying with the minimum wage, overtime, health insurance and employee rest and leave regulations of each country where it operates.

**Health and Safety** • Hankook Tire shall establish a safe and clean work environment for its employees and protect its employees against various harmful substances.



Seung Hwa Suh

Vice Chairman & CEO, Hankook Tire

May 2015

# UN SDGs & UNGC

## UN Sustainable Development Goals (SDGs)



We at Hankook Tire fully endorse the UN Sustainable Development Goals (SDGs) and commit ourselves to make progress in reaching these goals. In particular, we will further focus on the following major four goals: achieve gender equality and empower all women and girls; promote inclusive and sustainable economic growth, employment and decent work for all; reduce inequality within and among countries; and take urgent action to combat climate change and its impacts.



### Achieving Gender Equality and Empowering All Women and Girls

- Eliminate gender discrimination through sexual harassment prevention trainings and monitoring by the Compliance Committee
- Ensure gender equality and empower women and girls by establishing the human rights management system based on the UN Guiding Principles on Business and Human Rights



### Promoting Economic Growth and Job Creation

- Invested a total of KRW 705,209,200,000 in 2016 to contribute to economic growth
  - ① Korea: KRW 268,304,000,000
  - ② China: KRW 64,407,000,000
  - ③ Americas: KRW 322,614,000,000
  - ④ Europe: KRW 31,073,000,000
  - ⑤ Asia: KRW 16,117,000,000
  - ⑥ Others: KRW 2,777,000,000
- Hired a total of 1,993 new employees in 2016 to contribute to job creation
  - ① Korea: 187 hires
  - ② China: 526 hires
  - ③ Americas: 294 hires
  - ④ Europe: 822 hires
  - ⑤ Asia: 164 hires



### Reduce Inequality Within and Among Countries

- Assisted in resolving the economic and cultural inequalities experienced by people from local communities, people with disabilities, the elderly and members of low-income households through employee volunteering: 7,321 employees / 715 occasions / 30,876 hours invested
- Assisted underprivileged women in obtaining their driver's license to become more self-reliant in five regions across the nation: (Seoul and Gyeonggi, Jeolla, Chungcheong, Gyeongsang, and Gangwon)
- Directed the Alkidstra Geumsan-Chubu Brass Band whose members consist of culturally underprivileged children: Attended by 42 children
- Assisted in developing traffic safety maps for children who are often at risk for traffic accidents which helped them build their capacity to respond and prevent such accidents: Attended by 536 students from four elementary schools in Seoul, Gyeonggi, Kangwon and Daejeon
- Donated 40 compact cars to low-income group facing mobility challenges: Donated a total of 347 compact cars between 2008 and 2016
- Donated tires to assist social welfare centers in improving their mobility and to address risks caused by old tires: Donated a total of 14,024 tires for 3,506 vehicles between 2010 and 2016
- Provided vehicles to benefit people living in culturally underprivileged areas through the Tuieum Bus program: Provided a total of 1,792 vehicles between 2012 and 2016
- Undertook the 'Dream With' initiative to promote shared growth between local children's centers and undergraduate volunteers: 325 volunteers joined a wide range of programs with 348 children at 21 local children's centers
- Operated shelters and cafes to ensure the safety and boost the independence of at-risk teens: Nine teens attended our program designed to ensure residential safety and learn barista skills



### Taking Urgent Action to Combat Climate Change and Its Impacts

- Reduce more than 60,000 tCO2-eq GHG emissions annually by replacing boiler fuels at plants with LNG, installing high energy-efficiency equipment, recovering waste heat, and improving processes
- Reduce GHG emissions in transporting finished products by optimizing transport routes
- Improve fuel efficiency through continuous R&D: Our Enfren Eco and Kinergy Eco tires which are low carbon products save 16% fuel consumption and reduce more than 2,022,400 tCO2-eq GHG emissions compared with existing tires.

## UN Global Compact



Since joining the UN Global Compact in 2012, we have respected and complied with all of its 10 principles. We disclose relevant details through this report, and will be fully committed to abiding by these principles so that we fulfill our role as a responsible corporate citizen.

### Human Rights

- Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights
- Principle 2. Businesses should ensure they are not complicit in human rights abuses.

#### Report Content

#### Page

Employee Value Creation	62 ~ 67
Win-Win Supply Chain Partnership	72 ~ 76

### Labor

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

Employee Value Creation	62 ~ 67
Employee Value Creation	62 ~ 67
Win-Win Supply Chain Partnership	72 ~ 76
Employee Value Creation	62 ~ 67

### Environment

- Principle 7. Businesses should support a precautionary approach to environmental challenges.
- Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility.
- Principle 9. Businesses should encourage the development and diffusion of environmentally friendly technologies.














Integrated Environmental Management	55 ~ 58
Climate Change and GHG Management	59 ~ 61

### Anti-Corruption

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

Business Ethics & Transparency	51~ 54
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## Awards

Area	Awards	Description	Host Organization
Sustainability Management		Dow Jones Sustainability Indices Listed in the DJSI World for the first time, Listed in the DJSI Asia-Pacific for four consecutive years, and in the DJSI Korea for six consecutive years	Dow Jones & Robeco SAM
		Korea CSR Film Festival Hankook Donggeurami Partners honored with the Prime Minister's Award	Korea CSR Film Festival Committee, Ministry of Government Administration and Home Affairs, Ministry of Trade, Industry and Energy
Corporate Reputation & Culture		Korea's Most Admired Companies Ranked 1 <sup>st</sup> in the tire business sector, awarded for seven consecutive years	Korea Management Association Consulting
		Mercury Excellence Awards Hankook Tire corporate magazine 'MIU' named the Grand Winner	MerComm Inc.
Quality & Technology		Excellent Quality Competitiveness Enterprise Awarded for seven consecutive years	Korean Standards Association
		Korean Standard-Quality Excellence Index (KS-QEI) (Hankook Tire, T'Station) Ranked 1 <sup>st</sup> in the automobile tire sector for eight consecutive years	Korean Standards Association
Brand Value		Service Quality Certification (SQ) Certified for the 2 <sup>nd</sup> time in 2014 and has remained certified ever since	Korea Association for Service
		Korea Brand Power Index (K-BPI) (Hankook Tire, T'Station) Passenger car tire sector - Hankook Tire ranked 1 <sup>st</sup> for 14 consecutive years Tire service center sector - T'Stations ranked 1 <sup>st</sup> for eight consecutive years	Korea Management Association Consulting
		National Brand Competitiveness Index (NBCI) Ranked 1 <sup>st</sup> in the tire sector for eight consecutive years	Korea Productivity Center
		Best Korea Brands Awarded for four consecutive years	Interbrand
Design		Red Dot Award Award winners Product - Winter i*cept iZ2 A / Winter i*cept iZ2 (Winner) - Smart flex AH35 / Smart flex DH35 (Winner) - Ventus Prime 3 (Winner) Concept - DynaSYNC (Winner)	Design Zentrum Nordrhein Westfalen
		Japanese Good Design Award Award winner Winter i*cept iZ <sup>2</sup> A (Winner)	Japan Institute of Design Promotion
		iF Design Award Award winners Product - Winter i*cept evo <sup>2</sup> (Winner) Concept - hyBlade (Gold), Alpike (Winner), Boostac (Winner)	iF International Forum Design GmbH

## Associations and International Organization Memberships

Korea Industrial Technology Association
Korea Fire Safety Association
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
Korea Academy of Business Ethics (KAUBE)
BEST Forum
UN Global Compact
Korea Business Council for Sustainable Development
World Business Council of Sustainable Development (WBCSD), TIPG <sup>1)</sup>

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



# Independent Assurance Statement

## To the Stakeholders of Hankook Tire

The Korea Productivity Center (hereinafter the “Assurer”) was appointed by Hankook Tire (hereinafter the “Company”) to provide independent assurance of its “Hankook Tire 2016/17 Sustainability Report” (hereinafter the “Report”), and hereby presents the following assurance statement.

## Responsibility and Independence

The Company is fully responsible for the reliability and accuracy of all the information and opinions presented in the Report. The Assurer is responsible solely for the third party assurance of the content in the Report. As an independent assurance agency, the Assurer was neither involved in the process of preparing the Report, nor in any conflicts of interest that may undermine our independence.

## Assurance Standard

This assurance was conducted in accordance with the ISAE 3000 / AA1000AS (2008) to provide Type 2 assurance and AA1000APS (2008) to confirm compliance with the principles of inclusivity, materiality, and responsiveness. It means that a comprehensive review was conducted on the effectiveness and reliability of the reporting standards. The level of assurance is based on the reduction of risk at a limited degree as defined in the ISAE 3000 which is the same as the Moderate Level defined in the AA1000AS(2008).

## Limitations

The Assurer verified the Report based on the aforementioned assurance standards. The on-site verification was carried out at the headquarters in Seoul and the plant in Daejeon. The financial data in the Report was verified through the financial statements and disclosure information which was audited by an auditor, while the aggregated

data at the corporate level are used for the verification of Environmental and Social performance. Disclose that the results may vary if further verification procedures are performed. The Assurer expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

## Methodology

This assurance was conducted through the following methods:

- Verified if the requirements for Comprehensive options of GRI G4 Guidelines were fulfilled.
- Verified the compliance with the principles of the Report contents and quality based on GRI G4 Guidelines.
- Verified the selection of material issues covered and the appropriateness of the technical content through media research and benchmarking analysis.
- Verified the suitability of the contents and any errors in expression through comparison analysis with other sources.
- Verified the basis of Comprehensive data and information and the internal process and system through on-site inspection at the headquarters in Seoul and the plant in Daejeon.

## Findings and Conclusion

It is the Assurer’s opinion that the Report represents the sustainability efforts and performance results of the Company in a fair and accurate way. In addition, the Assurer verified if the requirements for Comprehensive options of GRI G4 Guidelines were fulfilled and the Company is preparing to respond to the transition to GRI Standard. General Standard Disclosures were prepared in full compliance with the requirements for Comprehensive options while Specific Standard Disclosures were reviewed in line the DMA (Disclosure on Management Approach) and indicators of the material issues identified

through the process of determining report content as follows:

### • Inclusivity: Stakeholder Engagement

The Assurer confirmed that the Company defines customers, shareholders · investors, employees, business partners, nature · ecology · climate and local communities as its key stakeholders and classifies their material issues and communication channels. It is also verified that the Company conducts annual surveys with stakeholders and interviews for selecting key issues and reflects these results in the management decision-making process.

### • Materiality: Identification and Reporting of Material Issues

The Assurer verified that the Company used a materiality test process for identifying the key issues regarding its industries and corporation. In particular, the Company reflects annual internal environmental analysis and external environmental analysis including GRI G4, DJSI and ISO26000 in the selection of key issues. This is a part of its efforts to implement sustainability management at a corporate-wide level. The selected issues are reported in accordance with the CSR Steering Wheel 2016/17 to represent its response to these issues.

### • Responsiveness: Organization’s Response to Issues

The Assurer verified that the Company identified material issues that affect the stakeholders’ performance and took necessary measures in response to them. The annual interviews conducted with the stakeholders provide valuable insights into their response to the issues. The Company fully disclosed its responsive activities and performance on sustainability issues.

Material Issues	Material Aspect (DMA & Indicators)
Customer	Customer Health and Safety (DMA, PR1~2)
Satisfaction & Quality Management	Product and Service Labeling (DMA, PR3~5) Marketing Communications (DMA, PR6~7) Customer Privacy (DMA, PR8), Compliance (DMA, PR9)
Community Involvement and Development	Economic Performance (DMA, EC1~4) Indirect Economic Impacts (DMA, EC7~8) Local Communities (DMA, SO1~2) Grievance Mechanisms for Impacts on Society (DMA, SO11)
Transparency and Business Ethics	Investment (DMA, HR1~2) Non-discrimination (DMA, HR3) Freedom of Association and Collective Bargaining (DMA, HR4), Child Labor (DMA, HR5) Forced or Compulsory Labor (DMA, HR6) Assessment (DMA, HR9) Human Rights Grievance Mechanisms (DMA, HR12) Anti-corruption (DMA, SO3~5), Public Policy (DMA, SO6) Anti-competitive Behavior (DMA, SO7) Compliance (DMA, SO8)
Integrated Environmental Management	Materials (DMA, EN1~2), Energy (DMA, EN3~7) Water (DMA, EN8~9), Emissions (DMA, EN15~21) Effluents and Waste (DMA, EN22~26) Products and Services (DMA, EN27~28) Compliance (DMA, EN29), Overall (DMA, EN31) Supplier Environmental Assessment (DMA, EN32~33) Environmental Grievance Mechanisms (DMA, EN34)
Climate Change and GHG Management	Emissions (DMA, EN15~21)
Employee Value Creation	Employment (DMA, LA1~3) Labor-Management Relations (DMA, LA4) Training and Education (DMA, LA9~11) Diversity and Equal Opportunity (DMA, LA12) Equal Remuneration for Women and Men (DMA, LA13) Labor Practices Grievance Mechanisms (DMA, LA16)

Material Issues	Material Aspect (DMA & Indicators)
Employee Health & Safety Management	Occupational Health and Safety (DMA, LA5~8)
Win-win Supply Chain Partnership	Procurement Practices (DMA, EC9) Supplier Environmental Assessment (DMA, EN32~33) Supplier Assessment for Labor Practices (DMA, LA14~15) Supplier Human Rights Assessment (DMA, HR10~11) Supplier Assessment for Impacts on Society (DMA, SO9~10)

## Recommendation

The Assurer recognizes the diverse efforts and performance made by the Company and suggests the following for the Company's publication of the Report in the future and the improvement of its sustainability standards:

- It is verified that the Company is systematically managing the social and environmental performance of each material issue. It is advised that the Company converts the social and environmental values into the economic aspect based on the financial standard to report the performance information of integrated value creation in advanced level of objectivity.
- The Company uses various channels to promote communication with its stakeholders and their engagement based on the characteristics of groups. It is advised to report its policies and activities in response to the stakeholders' input on a regular basis.




May 2017  
CEO Sun-jick Hong



Dong-soo Kim  
Director



Yang-ho Lee  
Team Manager



Seung-tae Cheong  
Team Manager



AA1000  
Licensed Assurance Provider  
000-81

The Sustainability Management Center of the Korea Productivity Center is a fully qualified independent assurance agency. It is officially certified by Accountability that established AA1000, the international standard for stakeholder engagement and assurance. It has the Assurance Committee with of experienced experts who are qualified for the consultation and assurance of sustainability practice.

\* AA1000AS (2008): AA1000 Assurance Standard (2008) is the global assurance standard established by Accountability to provide a comprehensive way of verifying an organization's management, compliance with the principles and reliability of performance data for reporting its sustainability issues.

\* AA1000APS (2008): AA1000 Accountability Principles Standard (2008) is the global assurance principles established Accountability to provide the basis for the AA1000 Assurance Standard.

# Hankook Tire Employees Involved in the Creation of the CSR Report 2016/17

## General Management of the CSR Report

Category	Responsible Staff
General Management of the Report Publication	Jong Yune Kim, Seong Ha Yoon
Planning of the Report Publication	Min Seo Kim, Won Il Kang
General Design Management	Dong Wook Kim
Design Planning	Hye Soo Kim

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Community Involvement & Development	Myung Geum An, Yoon Mo Yang
Transparency & Business Ethics	Soo Eon Lee
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# CSR Communication Channel

## CSR Communication Channel

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## Hankook Tire Website

Global





