

SUSTAINABLE MOBILITY

HANKOOK TIRE CSR REPORT 2017/18

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Interactive User Guide

The Hankook Tire CSR Report 2017/18 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 left of each page, the concerned page comes up immediately.

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CEO Message



Dear Valued Stakeholders,

I would like to express my deepest gratitude for your unwavering support for Hankook Tire in our pursuit of sustainable growth.

The year 2017 saw some challenges around business environment stemming from protectionism across the world. At the same time, it clearly showed the necessity of innovation in future automobile industry such as self-driving vehicles or electric vehicles. Faced with these business conditions, Hankook Tire increased the supply of OE tires for high-performance models such as Audi RS5 and opened the Tennessee Plant in the U.S. in 2017, recording KRW 6.8129 trillion in sales and KRW 793.4 billion in operating profit.

Moreover, we acquired Australia’s largest distributor Jax Tyres in preemptive response to the fast-changing business environment and invigorated horizontal communication based on our unique “Proactive Culture,” laying the foundation for sustainable growth.

We spared no efforts to create social and environmental values as well. While carrying out localized CSR activities in Korea, China, Europe, and Asia-Pacific region, we completed the establishment of CSR management system even to the America Headquarters. These efforts have resulted in Hankook Tire being entered the Dow Jones Sustainability World Index for the second consecutive year. We also became the first company placed in CDP¹⁾’s “Supplier Engagement Leader Board” in Korea.

1) CDP: Formerly known as Carbon Disclosure Project

Hankook Tire publishes its 9th CSR report this year, through which we intend to transparently show

our commitment to sustainability as well as key achievements in 2017 and our plans for the following year. We also pledge to contribute to the sustainable development of our community by upholding UNGC and SDGs (Sustainable Development Goals) with faithful implementation.

Lastly, we promise not to remain content with what has been achieved so far but to deliver strategic innovation aimed at solidifying our prestige as a global premium brand. Hankook Tire will make a concerted effort to develop into an even more competitive business. Your lasting interest and encouragement would be greatly appreciated.

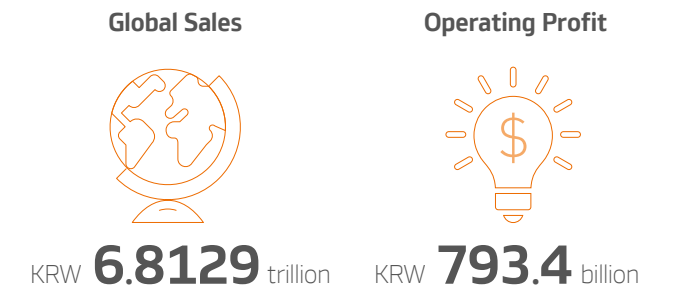
Thank you.

Hyun Bum Cho
Hankook Tire, President & CEO

Company Profile

Company Overview

Hankook Tire, established in 1941, has highly recognized for its quality competitiveness and brand value based on its technological leadership. Today, we demonstrate our status as the world’s 7th largest tire maker delivering the best-possible driving experience to customers in more than 180 countries.



Company Status

Company Name	Hankook Tire Co., Ltd.
Global Sales	KRW 6.8129 trillion
Operating Profit	KRW 793.4 billion
Operating Margin	11.6%
Total Assets	KRW 9.5188 trillion
Total Equity	KRW 6.3735 trillion
Date of Establishment	September 3, 2012 ¹⁾
IPO (Initial Public Offering)	October 4, 2012 ¹⁾
CEO	Hyun Bum Cho, Soo Il Lee
Main Business	Manufacturing, reproducing, processing and selling automobile tires, tubes, and components
Headquarters	133, Teheran-ro, Gangnam-gu, Seoul, Korea (Yeoksam-dong)
Telephone	82-2-2222-1000

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

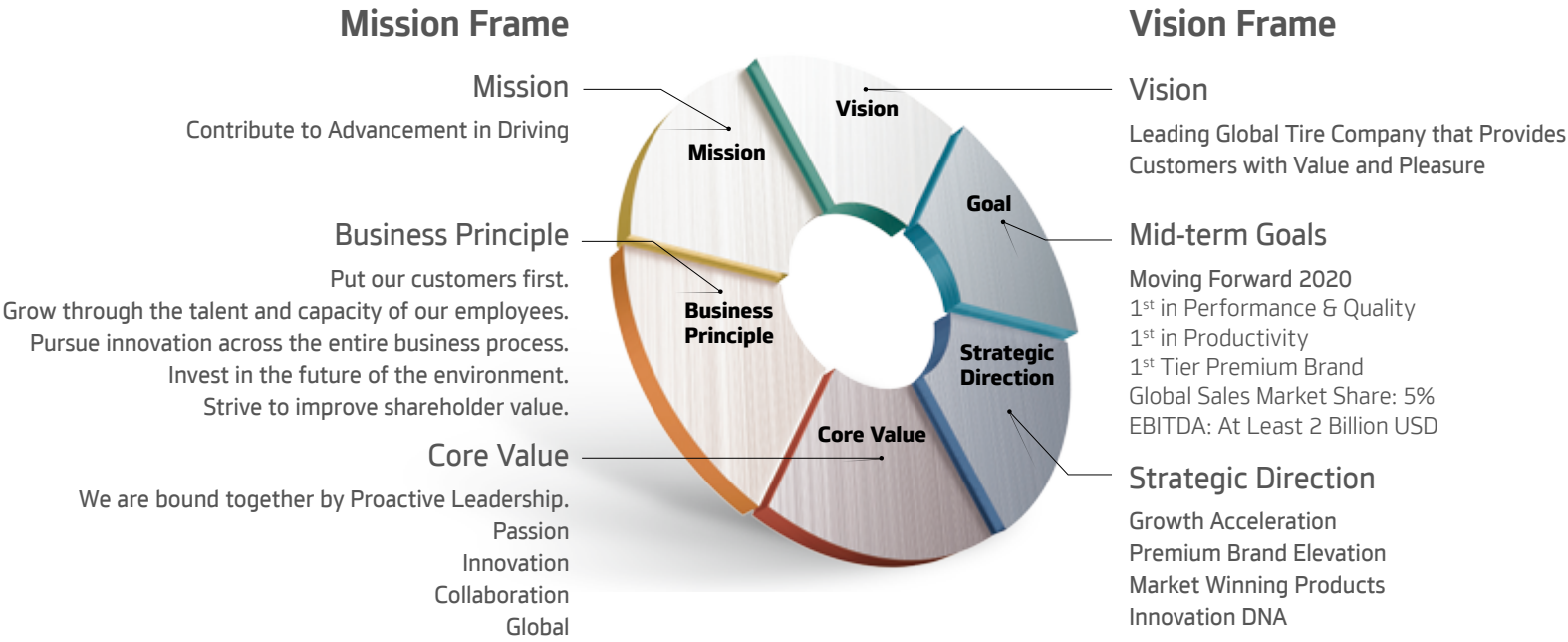
Global Network

Based on business strategies optimized to regional features, Hankook Tire is attaining a balanced growth in both advanced and emerging car markets. Our global operation is conducted through widespread business networks in Korea, China, Europe, the Americas, the Middle East & Africa, and Asia-Pacific regions. We supply products tailored to the needs and characteristics of local customers through vast sales network in each region. The OE Office, a communication channel for OE tire sales, established in Korea, China, Germany, America, Japan, and Indonesia helps us keep close cooperation with global leading car makers.



Company Profile

Mission & Vision



Product



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

ventus
Ultra high performance
tires and racing tires

KINERGY ECO
Eco-friendly tires for
the global market

enfren eco
Korea's first
eco-friendly tires

Dynapro
SUV tires

Smart
Economical tires for
the domestic market

vanTRA
VAN tires

Winter i*cept
Winter tires (Studless)

Winter i*Pike
Winter tires (Stud)



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



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



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

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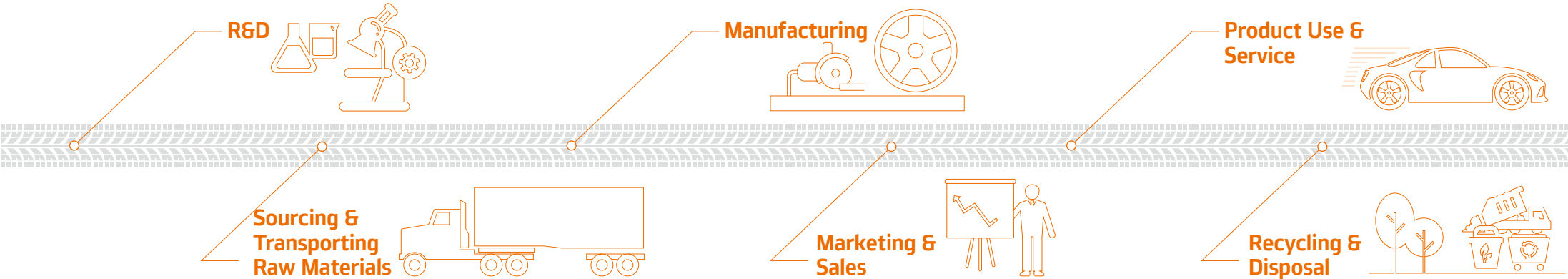
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Sustainable Value Chain

From Rubber to Mobility

Hankook Tire creates stakeholder values throughout entire value chain, ranging from R&D and purchasing of raw materials to manufacturing, sales, use, recycling, and disposal, which contributes to the sustainable growth of our society. As a corporate citizen that fulfills its social responsibility, we are committed to sharing even greater values and making progress with our stakeholders.



INPUT VALUE	OUTPUT VALUE
<div><div></div><div>Financial Value Assets: KRW 9,518.8 billion Liabilities: KRW 3,145.3 billion Equity: KRW 6,373.5 billion</div></div>	<div><div></div><div>Financial Value Corporate taxes: KRW 136.6 billion Dividends: KRW 49.5 billion Wages: KRW 190.1 billion Donations to local communities: KRW 2.27 billion¹⁾ Purchasing of raw materials: KRW 2,602.7 billion</div></div>
<div><div></div><div>Environmental Value Investments in responding to climate change: KRW 2.1 billion</div></div>	<div><div></div><div>Environmental Value Energy consumption intensity: 1001 GJ²⁾/production ton Ratio of eco-friendly products (quantity-based): 47.8% GHG emissions intensity: 1043 tCO₂-eq³⁾/production ton Waste recycling: 38,740 tons Ratio of treated water recycling: 40.4% Ratio of waste tire recycling: 74.4%</div></div>
<div><div></div><div>HR Value Training hours per employee: 60.9 hours Training expenditures: KRW 1.2 billion¹⁾</div></div>	<div><div></div><div>HR Value New recruitments: 1,975 persons Average years of service: 14.3 years</div></div>
<div><div></div><div>Consumer Value Advertising expenditures: KRW 226.5 billion</div></div>	<div><div></div><div>Consumer Value No. of global retail networks: 5,092 stores No. of increase in HQ-invested networks (Korea): 3 stores</div></div>
<div><div></div><div>Social Value No. of volunteers for the year (accumulative): 6,904 persons Volunteer hours per employee: 2.4 hours</div></div>	<div><div></div><div>Social Value Car donation: 50 vehicles Tuieum Bus: 18,364 beneficiaries Tire donation: 5,398 tires Wonderland program: Self-reliance of 5 youths Social Housing Program: 27 households</div></div>
<div><div></div><div>Innovation Value R&D staff: 1,079 persons Percentage of R&D staff: 5% R&D expenditures: KRW 177.7 billion</div></div>	<div><div></div><div>Innovation Value No. of new patent registrations at home and abroad: 138 items</div></div>

Tax Management

Hankook Tire is fulfilling its duty to return the profit to the communities faithfully paying taxes under the principles as follows.

- Hankook Tire complies with laws and regulations of tax in each business site it operates, and duly fulfill its tax obligations.
- Hankook Tire does not use any tax structure or system intended to avoid tax, not to mention transfer of created value to low tax jurisdictions.
- Hankook Tire which is established as manufacturer and distributor located globally adopts Transfer Pricing Policy as following.
 - Hankook Tire selects TNMM (Transactional Net Margin Method) as principle among five specific methodologies from OECD Guideline.
 - Hankook Tire, taking into account transaction parties, examines the arm's length price based on the operating profit earned from comparable uncontrolled transaction by an independent entity.
 - According to economic characterization, manufacturers adopt FCMU (Full Cost Mark-up) or similar analysis as profit level indicator, and distributors which mainly undertake sales function to 3rd party adopt OPM (Operating Margin) or Berry Ratio as profit level indicator.

1) Since the data was calculated based on the consolidated financial statements disclosed in our business report, real training expense and donation were partially reflected. 2) GJ: Giga Joule 3) tCO₂-eq: tonnes of CO₂ equivalent

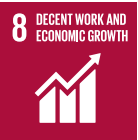
SDGs (Sustainable Development Goals)

Hankook tire not only supports the SDGs implemented by the UN and international community but also pledges to actively engaging in solving universal issues of mankind and global environment. Particularly, we will focus on the following four goals - gender equality, decent work and economic growth, reduced inequalities, and climate action - to seek opportunities for the contribution to the development of our community.



Achieve gender equality and empower all women and girls

- Eradicated discrimination against women by sexual harassment prevention training and monitoring (No. of participants in training on sexual harassment: 2,134persons)
- Enhanced capability of women by gender equality and empowerment based on human rights management system that follows the UN Guiding Principles on Business and Human Rights



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

- Contributed to economic growth by investing KRW 464,690 million in 2017 (Unit: KRW in millions)
 - ① Korea: 214,805
 - ② China: 74,439
 - ③ Europe: 22,672
 - ④ America: 128,297
 - ⑤ Asia-Pacific: 19,288
 - ⑥ Other regions: 5,189
- Contributed to job creation by newly hired 1,975 persons in 2017
 - ① Korea: 132 persons
 - ② China: 413 persons
 - ③ Europe: 512 persons
 - ④ America: 821 persons
 - ⑤ Asia-Pacific: 97 persons



Reduce inequality within and among countries

- Employee volunteer activities: 6,904 persons / 614 cases / 28,330 hours
- “Development of traffic safety map for children” program: 587 elementary school students
- Three Mobility projects aimed at ensuring mobility of low-income groups
 - ① Car donation: 50 vehicles
 - ② Tire donation: 5,398 tires
 - ③ Tuieum Bus: 550 buses
- “Dream With” project that supports local childcare centers and clubs: 371 children of 19 local childcare centers guided by 191 volunteers
- House and café that assist safety and self-reliance of at-risk youth: 5 young residents, 16 teenagers who participated in training of barista skill.



Take urgent action to combat climate change and its impacts

- Reduced GHG emissions of 24,319 tCO₂-eq for the year by adopting high energy-efficiency facilities, recovering waste heat, and improving manufacturing processes
- Reduced GHG emissions by optimizing logistics routes when transporting finished products
- Increased fuel efficiency of products through consistent R&D: Our flagship low-carbon tire “Kinergy Eco” and “Enfren Eco” contributed to reducing GHG emissions by around 15% or 406,000tCO₂-eq for the year compared with existing tires (reduced approximately 2,277,000 tCO₂-eq GHG emissions under the assumption of all low-carbon tires)

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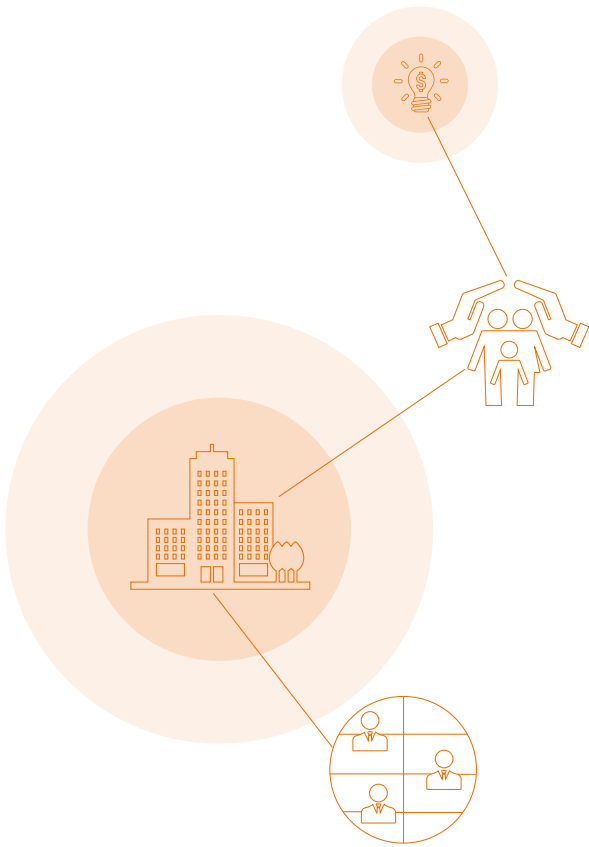
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Integrated CSR Management System



Declaration

Hankook Tire pursues its sustainable growth increasing corporate value, fulfilling its social responsibility, and growing together with all stakeholders including customers, business partners, local communities, and employees. To this end, we intend to make CSR management rooted in both our corporate culture and employees' daily routine. We pledge to deliver the best value to stake holders and fulfill the role and responsibility as a corporate citizen that lead the development of entire mobility industry beyond tire business by committing to the integrated CSR management.

Management Responsibility and Governance

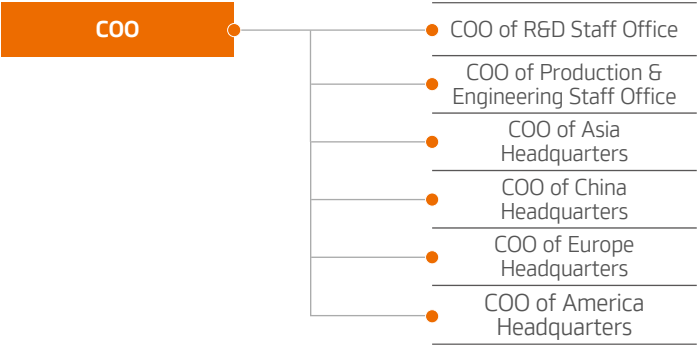
Our company-wide CSR initiatives are undertaken through the integrated CSR management system which is supervised by the CSR Team. CSR policy, operation, activities, and performances are planned and monitored under the responsibility of Corporate Strategy Planning Division Director and reported to the top management for approval. CSR Team convenes the CSR Steering Committee to guide approved policy and direction and improves our CSR level through quarterly monitoring and consultation on issue and its resolution. CSR Team also assigns professional staffs to seven committees and manage them for efficient / effective strategy setup and operations. Professional staffs, consisting of one CSR Team member and one member of each committees' supervising team, play a role as CSR facilitators by suggesting ideas to quarterly committee meeting from the specialists' point of view.

CSR Committee

Our CSR Committee consists of the CSR Strategy Committee, the CSR Steering Committee and the CSR Meeting. The CSR Steering Committee, composed of

seven committees, is responsible for implementing company-wide CSR initiatives while the CSR Strategy Committee reports outcomes to the top management and discusses future CSR directions.

CSR Strategy Committee



CSR Steering Committee



1) EHS: Environment Health Safety
2) The Ethics Management Committee and Compliance Committee were integrated in 2018. The Ethics Management Committee controls guidance and trainings of legal compliance as well as existing business ethics compliance issues.

CSR Meeting



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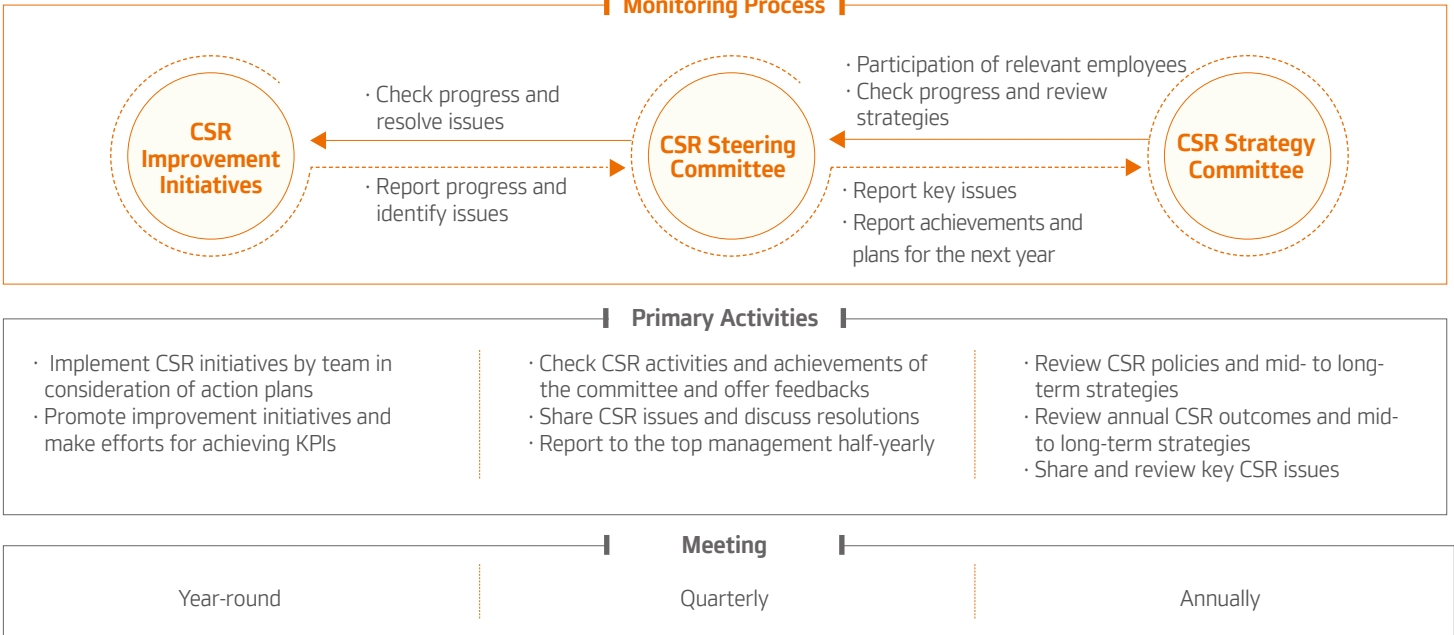
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CSR Committee Operation and Monitoring

To ensure an integrated implementation of CSR initiatives at the company level, we operate the CSR Strategy Committee and CSR Steering Committee comprised of 7 committees around essential areas under the supervision of our COO. Hankook Tire regularly monitors and reports its CSR activities to ensure alignment of each committee's achievements and the next year's plans.

Our CSR committee helps CSR initiatives be embedded in the daily operations of our employees and systematically carried out. The CSR Strategy Committee hosted by the COO and attended by top management in each division and other related executives is held every February or March to review critical issues discussed by the CSR Steering Committee in the previous year, share changing CSR trends at home and abroad, and make decisions on future directions. The decisions are delivered to each supervising team of CSR Steering Committee for their implementation. The CSR Steering Committee, the key element of Hankook Tire's CSR management, plays a role in aligning our CSR initiatives with daily operation of employees in core managerial areas upon the responsibility of seven divisions/departments' directors. Each Steering Committee has short- and mid-term CSR commitments by 2020 which are included in our CSR Vision 2020 Roadmap, and implements detailed execution plans to achieve those commitments. At the individual Steering Committee which is held every quarter, relevant teams discuss new issues identified in the process of executing short-to mid-term tasks, and targets and directions of the following year. CSR Team also attends the meetings to check the progress of plans and offer advices on critical issues identified through internal and external stakeholders' opinions, evaluation results of specialized institutions, and benchmarking on advanced companies.

Operation and Monitoring of the CSR Committee



2018 CSR Strategy Committee

Date: March 20, 2018		Attendees: Chairman of the CSR Strategy Committee and its members, chairmen of CSR Steering Committee, and relevant executives (Directors of Corporate Management & Finance Division, SCM Division, Marketing Division, OE Division, Material Department, and Communications Department.)	
Agenda		Item	
		Details and Follow-up Measures	
		1. Hankook Tires CSR status	- Review of our CSR status evaluated by external stakeholders and professional institutions - Review of previous CSR accomplishments and 2020 Commitment - Discussion on the latest CSR trends and our future strategies
		2. Discussion on CSR trends and issues	① NRS ¹⁾ trend in the entire natural rubber value chain ② R&D and investment in sustainable materials ③ Changes in capital market: Stewardship code, reinforcement of small shareholders' voting right ④ Impact Valuation ²⁾
		1) NRS (Natural Rubber Sustainability): Aim to enhance the sustainability of natural rubber suppliers and entire value chain 2) Impact Valuation: Measure and management of corporate integrated value by evaluating and monetizing both financial value and non-financial values (social and environmental values)	

In 2018, the CSR Strategy Committee reviewed our efforts and performances since the establishment of an integrated CSR management system and checked the progress of the 2020 targets of each Steering Committee. And then, the committee shared recent CSR trends that can have effects on Hankook Tire. The participants including the COO reviewed how the CSR trends would influence the Company and what we should prepare for the future. Other subjects included in-depth discussion on the NRS and sustainable materials issues which can be directly connected to our business and review of external stakeholders' requirements and expectations to the Company, competitors' major responses, and potential CSR risks. Based on the discussion, the committee concluded to establish Hankook Tire's own NRS policy, elevate the CSR level of natural rubber suppliers, and reinforce the R&D and investment on sustainable materials with execution of 2045 roadmap.

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Operation of the Chinese CSR Committee

Hankook Tire has operated the Chinese CSR Committee under the China Headquarters since 2012. 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, Employee, Corporate Philanthropy, Ethics Management, and Risk Management. Each committee meeting is supervised by the Corporate Strategy Team in China Headquarters. 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 since 2015 as a way to broaden its communication with external stakeholders.

In 2017, each plant under the China Headquarters has specified the safety indicators to be managed, and signed the Safety Responsibility Statement with employees and suppliers. Also the China Headquarters focused on the overall reinforcement of ethics management, which led to the business ethics training for managers in the headquarters, and employees' signing on the written pledge for business ethics. It also announced and made an agreement its code of ethics for suppliers, and distributed to them. As part of the corporate philanthropy, the China Headquarters along with other plants implemented various local community investment as well as employee volunteering activities. In employee area, it published on-line company magazine for open communication, expanded the common job training curriculum for fostering employees' capabilities, and provided the Proactive Culture training. Lastly, the China Headquarters strengthened its risk management capabilities making the emergency response scenarios and setting the emergency response system.

Operational Organization



Operation Status

Committee	Supervising Team	Participating Team	Achievement in 2017	Plans in 2018
Environment and Safety	HP(JP)(CP) ¹⁾ Environment & Safety Team	HP(JP)(CP) Facility Maintenance Team, CTC ²⁾ Material Development Team	<ul style="list-style-type: none">Established autonomous safety management systemSet an annual safety management object for each teamSigned the Safety Responsibility Statement by all employeesImprovement of managing special equipments/ special operators (forklift/fire engine drivers, etc.)Improved health management for employeesImprovement health care and follow-up service, and EHS special training to raise awareness on employees' healthReinforcement of radiation compliance management and its trainingVerification on OHSAS³⁾18001 certificate in Chongqing Plant	<ul style="list-style-type: none">Operate autonomous safety management systemManagement of safety/fire safety risks: participation of all employees to identify potential risksIdentification of unsafe behaviors and sharing in supervisor meetingField-diagnosis by top management by monthlySigning of Fire Safety Responsibility for suppliers and its trainingIdentification of fire risks and improvement of facilitiesInstallation of gas extinguishers (condensed plate, mixing pipes)Installation of sprinkler extinguishers on local ventilators
Ethics Management	CHN) Corporate Management Team	HP(JP) Human Resource Operations & Education Team	<ul style="list-style-type: none">Implemented ethics management training and communicationSigning on the written pledge for business ethics by employees, and Announcement and signing on code of ethics for purchasingSpecial ethics training (for managers in the China Headquarters), and Sharing practicesDisseminated and reinforced business ethics for suppliers: distributing official letters, etc.	<ul style="list-style-type: none">Implement ethics management training and communicationSpecialized ethics training (for all employees in the CHQ)Expansion of sharing ethics management practices to all sites (incl. operators using WeChat)Disseminate and reinforce business ethics for suppliers consistently
Corporate Philanthropy	CHN) Human Resource Management & Education Team	CHN)Marketing Strategy Team, HP(JP)(CP) Environment & Safety Team	<ul style="list-style-type: none">Invested total RMB 1,672,000 for local communitiesScholarship programs, Charitable donations, Community engagements (supporting local residents), and Community engagements (sponsorship for events, etc.)Employee volunteering activitiesSupporting book-donations for migrant children school in Jiaxing, Supporting in-kind donations for Chongqing's poor students, and running factory touring programs, etc.	<ul style="list-style-type: none">Launch employee volunteering teamsOperate the Heard Fund for all four business sites in ChinaRun factory touring programs for local community residents
Employee	CHN) Human Resource Management & Education Team	HP(JP) Human Resource Operations & Education Team, CP)Environment & Safety Team	<ul style="list-style-type: none">Preparing for establishing fair performance evaluation system (HR 3.0)Advanced HRD: expanding common job training curriculumOpen Communication: publishing on-line magazines through WeChatTrained on proactive cultureImproved meeting and reporting practices	<ul style="list-style-type: none">Establishing job system, and improving employee welfare benefitsTraining: Training on innovative workstyles, and Building capabilities for employees in quality division through specialized trainings, etc.Open Communication: running apps. for operators, and holding the Proactive Concertsintroducing Proactive Friday activities
Risk Management	CHN) Corporate Strategy Team	All the related teams in China	<ul style="list-style-type: none">Updated the manuals for risk prevention management manuals: renewal of the whole 22 areasMade the emergency response scenarios and set the emergency response system.	<ul style="list-style-type: none">Organize and run a CFT⁴⁾ for establishing risk management systemExpansion and supplementation of risk management areas in CHQ: establishment of overall risk management system to respond to emergency (unexpected incidents, etc.) more efficientlyRisk awareness for all employeesSupplementation of emergency response scenarios and process

1) HP: Jiangsu Plant / JP: Jiaxing Plant / CP: Chongqing Plant 2) CTC: China Technical Center 3) OHSAS: Occupational Health & Safety Management System
4) CFT: Cross Functional Team

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Facilitating CSR Operations
in Europe

Our Europe Headquarters established a CSR management system spanning the Hungary Plant and Europe Marketing & Sales Department and is engaged in broad-ranging CSR initiatives in five areas in view of local business conditions.

The CSR management system of our Europe Headquarters, established in November 2013 for the integrated CSR management, is managed by each team for more efficient operation. In order to swiftly adopt changes in CSR operation system, CSR Team of the headquarters in Korea has been proactive in offering initiative guides and comprehensive supports, which has helped implement effective CSR activities meeting the features of local areas including Hungary. In 2018, we plan to extend the scope managed by Europe Marketing & Sales Region from social contribution even to employees and ethics management issues with the aim of further enhancing CSR competence in Europe.

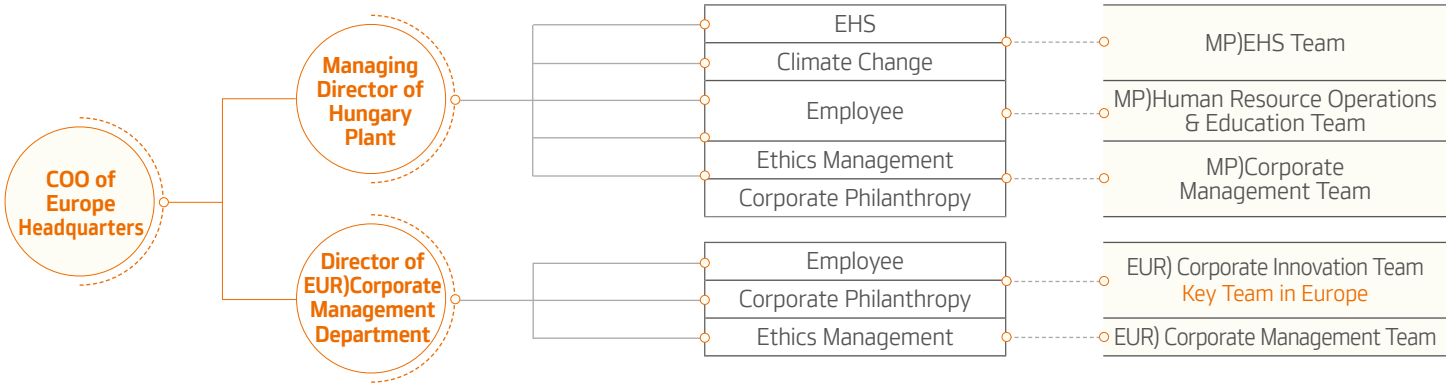


Visiting a nursery school for volunteer works



Tire donation

Operational Organization



Operation Status

Category	Manage-ment Area	Responsible Team	Achievement in 2017	Plans in 2018
Hungary Plant (MP)	EHS	MP)EHS Team	<ul style="list-style-type: none">Achieved the BCMS certificationCarried out a campaign to observe the “10 Safety Rules”Upgraded safety plans for early firefighting to substation fireExecuted the first and second stages of integrated power safety check projectImproved waste collection, handling process, and emission rateConducted an antismoking campaignAppointed EHS staff and operated the Safety Committee	<ul style="list-style-type: none">Increase the number of regular in-company EHS diagnosisImprove air pollutants treatment facility operationImprove working environment in mixing processEstablish EHS AwardDeliver special lectures with the tile of “Keep it up!” for employees’ motivation and self-managementImplement employee health promotion program “Health Days” for three daysBlood Donation Day: April and September in 2018
	Climate Change	MP)EHS Team	<ul style="list-style-type: none">Undertook the project to install a system to recover thermal energy from boiler fumesHad a regular audit on ECS aimed at reducing energy consumption and costs and improving safetyConducted activities to reduce natural gas and power consumption	<ul style="list-style-type: none">Optimize the LED lighting project and nitrogen gas reduction projectExecute ECS activities to reduce thermal energy consumption and auditsInvest in new energy sources for high energy efficiency
	Employee	MP)Human Resource Operations & Education Team	<ul style="list-style-type: none">Strengthened the operation of mentoring and theme-based programsHosted meetings with shift-working employeesNurtured human rights staff and trained employees	<ul style="list-style-type: none">Hold regular meetings employees and seniors to improve working environment“Factory Open Day” for employees and their familiesImplement the Recruiting Open Day
	Ethics Management	MP)Human Resource Operations & Education Team	<ul style="list-style-type: none">Published the Hungarian version of the Ethics GuidebookTrained new recruits and employees (around 3,000 persons) about ethics management	<ul style="list-style-type: none">Disseminate ethics management guides through proactive presentationOffer ethics management trainings to new recruitsDeliver ethics management trainings to managers and supervisors to ensure diversity
	Corporate Philanthropy	MP) Corporate Management Team	<ul style="list-style-type: none">Donated 2,758 tires to 383 institutionsVolunteered 1,953 hours for 34 projects by 200 persons (accumulative)First built a dog park in local community around the plantBicycle mileage program: 216,000km by 200 participantsEducational support: Offering of skill training equipment to four high schoolsSponsored sports activities for children and children with disabilities and senior citizens	<ul style="list-style-type: none">Continue tire donationExecute an integrated volunteer work programEncourage the participation in the bicycle mileage programExpand educational support programsSponsor sports activities for children and children with disabilities and senior citizens
EUR) Marketing & Sales Department	Employee	EUR) Corporate Innovation Team	1)	<ul style="list-style-type: none">Appoint responsible staff and establish mid- to long-term plans
	Corporate Philanthropy	EUR) Corporate Innovation Team	<ul style="list-style-type: none">Donated part of revenue from tire sales to children with cancerDonated tires for patrol car, fire truck, and ambulance	<ul style="list-style-type: none">Donate part of tire sales revenues to children with cancerExecute social contribution activities in conjunction with Real Madrid C.F.
	Ethics Management	EUR) Corporate Innovation Team	1)	<ul style="list-style-type: none">Appoint responsible staff and establish mid- to long-term plans

1) “Corporate Philanthropy” and “Ethics Management” areas in the Marketing & Sales in Europe will be managed from 2018.

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Facilitating CSR Operations at the
Indonesia Plant and in the
Asia-Pacific Region

We are carrying our diverse CSR activities meeting local features and conditions by establishing a CSR management system at the Indonesia Plant and in the Asia-Pacific region.

Hankook Tire has established and disseminated the CSR management system at the Indonesia Plant and in the Asia-Pacific region stage by stage since 2014. Currently, five areas at the Indonesia Plant and two areas in the Asia-Pacific region are being managed to implement locally-customized CSR activities.



Clean Campaign for local elementary school students



Supply of clean water to local people

1) PROPER: Indonesia Plant’s initiative to evaluate environmental management competence at worksite. The initiative provides three different grades - Gold (highest), Green, Blue, and Black (lowest). Maintaining the Blue grade for three consecutive years is required to obtain the Green and Gold grades.
2) SGA: Small Group Activity
3) TOP: Total Operational Performance

Operational Organization



Operation Status

Category	Manage-ment Area	Responsible Team	Achievement in 2017	Plans in 2018
Indonesia Plant (IP)	EHS	IP) Corporate Management Team	<ul style="list-style-type: none">Renewed the OHSAS18001 and ISO14001 certificationsObtained the PROPER¹⁾ Blue grade for three consecutive yearsCarried out the safety campaign three timesAchieved zero accident (zero serious accident needed for over 3-day medical treatment)	<ul style="list-style-type: none">Renew the ISO14001 certificationObtain the PROPER Green grade and aboveCarry out the safety campaign four times (March, May, July, and September)Maintain zero accidentHold the EHS Committee four times
	Corporate Philanthropy	IP) Corporate Management Team	<ul style="list-style-type: none">Offered meals to low-income families after RamadanSupported daily necessity to low-income families around the plantSupported sacrifices for the Eid Al-Adha	<ul style="list-style-type: none">Continue the existing programs
			<ul style="list-style-type: none">Offered free medical supports for local childrenSupported clean water for local people	<ul style="list-style-type: none">Continue the existing programs
			<ul style="list-style-type: none">Implemented the clean campaign for elementary school students	<ul style="list-style-type: none">Continue the existing programs
	Employee	IP)Human Resource Operations & Education Team	<ul style="list-style-type: none">Revamped restrooms of elementary schools to improve hygieneDonated 380 tiresRevamped local nursery school facilitiesMade traffic signs in public regionsSupported a Korean language training course for local peopleOffered food boxes to low-income familiesGranted scholarships	<ul style="list-style-type: none">Support Korean language training course for local peopleDonate 500 tiresGrant scholarships (30 students)Implement Home Coming campaign during Ramadan
			<ul style="list-style-type: none">Supported SGA²⁾Opened Holiday School for employees’ children (16 children for two days)Supported in-house clubs (24 Korean language club, 21 badminton club, and 16 yoga club members)Average training hours per employee: 40 hours for office staff, 24 hours for blue collars	<ul style="list-style-type: none">Connect SGA with the TOP³⁾ ProgramContinue Holiday School for employees’ childrenSupport in-house clubsInterview employees to solve grievances
Asia Pacific Sales Department	Ethics Management	IP)Human Resource Operations & Education Team	<ul style="list-style-type: none">Conducted trainings on prohibited drugs for vendorsOffered trainings on business ethics hand book (151 employees)Offered trainings on compliance with business ethics and basic public rules (1,587 production workers/7 hours)	<ul style="list-style-type: none">Continue the existing ethics management trainingsExpand trainings about complying with business ethics and basic public rules (for office staff)
	Corporate Philanthropy	AP) Marketing Strategy Team	<ul style="list-style-type: none">Volunteered at nursery schools and donated goods	<ul style="list-style-type: none">Volunteer at nursery schools (National Children’s Day & National Education Day)
	Ethics Management	AP) Marketing Strategy Team	<ul style="list-style-type: none">Provided ethics management trainings to all employees	<ul style="list-style-type: none">Continue ethics management trainings for all employees and upgrade training programs

Integrated CSR Management System

Stakeholder Communication & Engagement
CSR Vision 2020 Roadmap
Materiality Analysis
CSR Steering Wheel 2017/18

CONSTANT MONITORING AREAS

CSR FOCUS AREAS

APPENDIX

Establishment of CSR Management System in the Americas

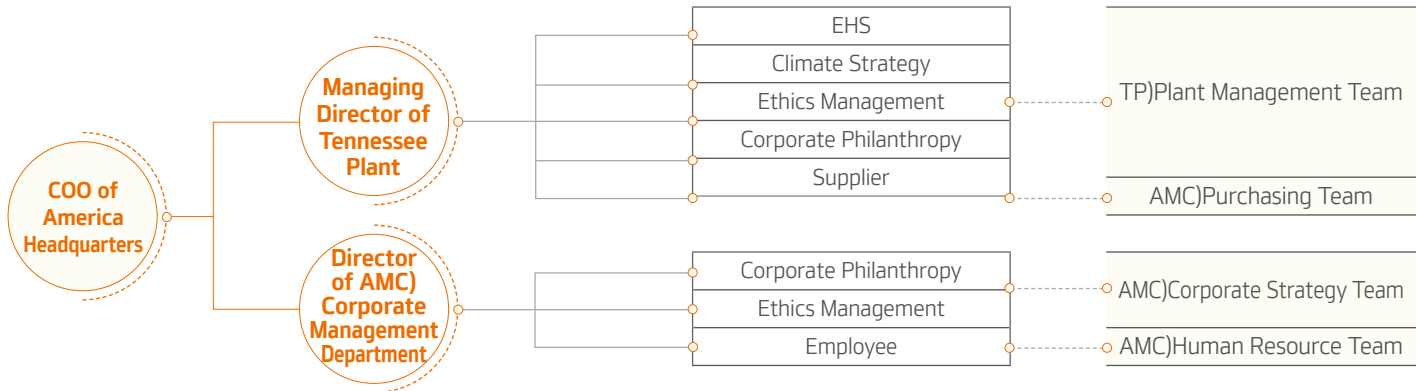
The CSR management system was established in America Headquarters (AHQ) and Tennessee Plant (TP), respectively, on November, 2017, which is planning its CSR activities from 2018. Hankook Tire hereby completed the establishment of global CSR infrastructure in all the overseas headquarters, including in Global Headquarter in 2010, China in 2012, Europe in 2013, and ASIA Headquarters and Indonesia Plant in 2014.

The Americas CSR management system is planning its CSR activities for AHQ and TP, respectively. Alike any others in the overseas regions, the CSR management system in the Americas was also established considering its regional characteristics and circumstances. Firstly, Hankook Tire conducted pre-assessment, to identify CSR status in AHQ and TP, which was self-assessed by the local staffs in key teams with the assessment tools made by CSR Team. Secondly, Hankook Tire supplement the results of self-assessment conducting on-site reviews and interviews with the local staffs. Lastly, the CSR tasks in each key managerial area were selected based on the overall results.

Hankook Tire CSR Team distributed CSR guide, including the objects from 2018 to 2020, for the Americas on January, 2018, and made AHQ and TP plan the CSR activities referring to this guide. Once planned, the 2018 initiatives and activities will be monitored through reporting quarterly to the AMC)Corporate Strategy Team manager and the director of TP, respectively, and also to the head of the AHQ half yearly.

1) OTR (Operation Time Research): A series of process for eliminating unsafe behaviors, which goes through 'Analysis of video recording → Analysis and identification of corrective actions from EHS Committee → Training and improvement activities of each team → Analysis of video recording after improvement'
2) DAV: Disabled American Veterans

Operational Organization



2018 Plans

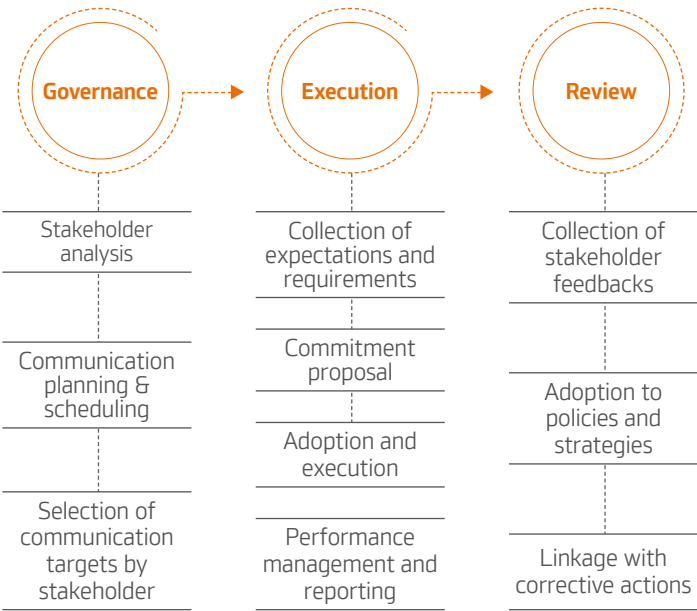
Focus Manage- Responsible Team ment Area		2018 Plans	
EHS	TP)Plant Management Team	· Establish the environmental management system	· Obtain ISO14001 certificate
		· Maximize the resources recycling	· Introduce reprocessing procedures/facilities for used oil · Recycle waste
		· Implement preventive safety management activities	· Implement OTR ¹⁾ activities · Train the case study of accidents and apply the corrective actions · Conduct safety inspection regularly
		· Involve employees in safety management activities	· Run a "Proposal system for safety" · Take the "Pledge for safety" · Set an Emergency Response System
		· Establish integrated EHS management system cooperating with related organizations	· Implement emergency evacuation drills · Train on fire safety
		· Develop health care programs	· Develop prevention programs for musculoskeletal diseases · Implement health training for employees
Climate Strategy	TP)Plant Management Team	· Participate in climate strategy response proactively	· Build up eco-friendly infrastructures: Change to LED lighting · Implement eco-friendly activities: Implement power-saving strategy
Employee	AMC)Human Resource Team	· Manage HR indexes: Training indexes, Diversity indexes, etc	
Ethics Management	AMC)Corporate Strategy Team	· Create written ethics policies. Explore options for developing Code of Conduct. · Establish protocol for employees to submit ethics questions and complaints to Ethics Officer. · Identify most critical ethics issues and train personnel. · Build an electronic ethics database to track the ethics issues and provide consultation with employees.	
	TP)Plant Management Team	· Devise code of ethics for Tennessee Plant · Enact code of ethics for internal/external customers · Train on ethics management for Leader-level employees · Distribute business ethics guide books to all employees · Carry on campaigns for fair trade among all employees	
Corporate Philanthropy	AMC)Corporate Strategy Team	AHQ	· Support DAV ²⁾ USD 150,000 · Support Salavation Army: Participate in Angel Tree Program USD 10,000
		TP	· Support Wings of Liberty Museum with donation for Korean War exhibit USD 25,000
			· Donate funds to United Way Tornado Relief USD 10,000
			· Support Montgomery County fire & EMS USD 5,000

Stakeholder Communication and Engagement

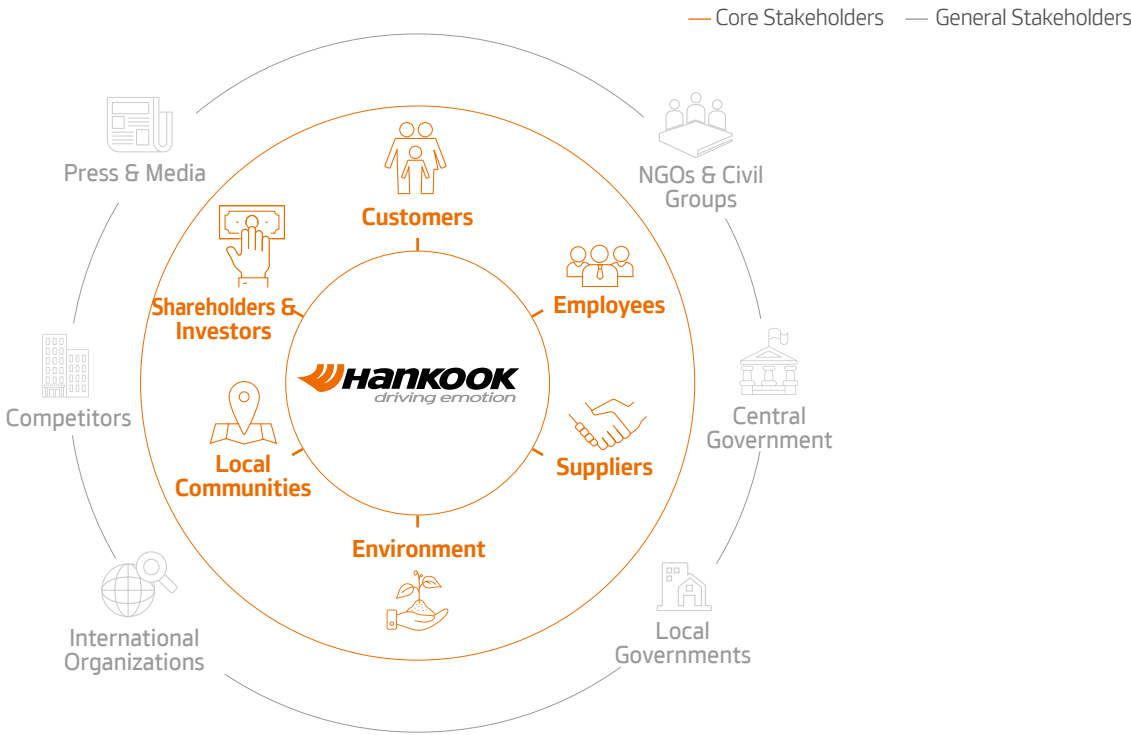
We categorize our stakeholders according to the size and scope of the impact they have on our business conduct. Their opinions and major issues identified through diverse communication channels are reflected in our management activities to create sustainable values.

At Hankook Tire, stakeholders are divided into two groups - core group who is closely related to our business conduct and directly interact with us and general group who has indirect or potential impact on us. We clearly identify our CSR issues through communication with two groups and analysis of internal and external business environment. We also strive to share CSR achievements and plans with stakeholders and operate broad-ranging communication channels to directly gather their feedbacks.

Annual Communication Process with Stakeholders



Stakeholder Model



Shareholders & Investors

- Communication Channel**
- BOD meeting, general shareholders' meeting, overseas conference, IR activities, etc.
- Major Issues**
- Maximize operating performance and shareholder value
 - Manage corporate transparency and sustainability
 - Ensure healthy corporate governance
 - Promote transparency and ethics in business and integrated risk management

Customers (Individuals & dealers, car makers)

- Communication Channel**
- Technology exchange, exhibition, Expo, sustainability assessment, meeting with agencies, CS Center, customer satisfaction survey
- Major Issues**
- Enhance consumer safety and health in product use
 - Strengthen product quality and secure safety
 - Reinforce product responsibility and conduct responsible marketing
 - Handle customer complaints and offer feedback

Employees

- Communication Channel**
- Labor-management council, grievance handling system, survey on organizational immersion, company intranet (Arena), in-house idea proposal system, quarterly Proactive Concert, etc.
- Major Issues**
- Establish win-win labor relation
 - Recognize diversity and prohibit discrimination
 - Reinforce growth-fostering training
 - Pursue work & life balance
 - Facilitate internal communication
 - Improve workplace safety and labor conditions, etc. and integrated risk management

Local Communities

- Communication Channel**
- Meeting with local residents, governments, and NGOs, collection of complaints from local communities, etc.
- Major Issues**
- Revitalize local economy
 - Address educational and livelihood needs of the underprivileged in local communities
 - Implement social philanthropy initiatives as a way of making social investments and integrated risk management

Environment

- Communication Channel**
- Meeting with officials from governments and regulatory authorities, listening to complaints from local communities, etc.
- Major Issues**
- Fulfill corporate environmental responsibilities (minimize environmental impact)
 - Engage in responding to climate change
 - Efficientate raw materials use and increase recycling
 - Efficientate energy and water use

Suppliers

- Communication Channel**
- Regular supplier assessment, quality and CSR training, Hankook Partner's Day, procurement portal (HePS)
- Major Issues**
- Offer supplier competitiveness enhancement programs (training, technological support, etc.)
 - Ensure fair trade and win-win partnership
 - Expand communication and information sharing, etc.
 - Efficientate energy and water use

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, through which we intended to understand their needs and reflect the results in our business strategy and operation.



Customers A1
Hee Young Kim, President of T Station Shintanjin Shop
“I’m operating the T’Station in Shintanjin, Daejeon.”



Employees A2
Seung Hwan Yoon, Head of Inorganic Growth Strategy Team
“My great concern is strategic direction and growth of Hankook Tire.”



Suppliers A3
Yoon Seok Chang, Manager of Synthetic Rubber Sales Team at LG Chem.
“Our company provides Hankook Tire with synthetic rubber and solution SBR.”



Environment A4
Sun Tae Kim, Professor at Daejeon University
“As a professional in local environment, I’m leading the establishment of a comprehensive environmental policy with local people.”



Local Communities A5
Shin Hee Lee, Head of Myeongam-ri, Jewon-myeon, Geumsan-gun
“I’m working for people in Myeongam-ri around Hankook Tire’s Geumsan Plant and communicating with them.”



Shareholders & Investors A6
Do Hyung Kim, Analyst of Research Team at CLSA Securities
“As an analyst covering auto parts sector, I’m in charge of analyzing Hankook Tire.”

Q1. Could you tell us what we should become a sustainable company?

- A1** I thought Hankook Tire was excellent in ethics management when a large company’s overuse of power became a critical issue. I believe Hankook Tire is making efforts to maintain amicable relationships with dealers who are at the front line of tire sales. Meanwhile, unfortunately, a lot of dealers are feeling that direct communication has become narrower than ever before.
- A2** Hankook Tire is focusing on diversifying growth engines through active business expansion. Enormous efforts regarding talent cultivation and corporate competence enhancement are prerequisite to this strategy. To this end, we are committed to sharing the strategy with all members and developing growth opportunities in a long-term perspective.
- A3** As rubber is a key material of tire, both businesses directly affect. Therefore, win-win partnership is very important. It is necessary for better win-win partnership to actively share market information, expand technology exchange, and strengthen collaboration from the stage of product development. In that sense, our company holds technology exchange with Hankook Tire more than

- once a month and expands mutual communication.
- A4** I feel that Hankook Tire has become more active in co-prosperity with local communities than ever before. And I like your company’s commitment to consistently thinking and practicing co-prosperity. Meanwhile, it is also necessary to expand the scope to joint research and evaluation of Hankook Tire’s environmental impacts with local communities.
- A5** Local people appreciate Hankook Tire’s efforts for maintaining desirable relationship with them. Particularly, supports for the elderly, no matter how small, become a great comfort to them who feel lonesome. I hope Hankook Tire will expand supports that reflect needs of local people going forward.
- A6** Hankook Tire has established a global top-tier position in the tire business. Therefore, it is required to pursue qualitative growth by leading the development of eco-friendly and higher-convenience tires meeting the needs of car makers instead of quantitative growth, which will ensure sustainable progress.

Q2. What are your solutions to those issues mentioned above?

- A1** Cost reduction and rearrangement of existing systems and organizations are indispensable to corporate sustainable growth in view of recent business trends. Dealers also empathizes with that direction. It is significant to understand and respond to market changes and needs at the right time, which can be further facilitated by active communication with dealers. Particularly, regular communication is needed to catch up with changes in market trend.
- A2** I think it is advisable for sustainable growth to establish and practice goals what we should achieve by function. One of best benchmarking cases includes Bridgestone’s policy for appropriate authority balance between the headquarters and local divisions. I also hope all employees have a sense of duty to contribute to both quantitative and qualitative growth of the company.
- A3** Preemptive response to market changes should be preceded before everything. We can set up and practice optimal strategies in advance when crosschecking market changes even though raw material price is fluid all the time. This attitude will lead to cost reduction and in the long-term, become a driving force of win-win growth.

- A4** I mentioned the necessity of “continuous improvement” and “performance evaluation” in an interview last year. Now, those should be promoted at the corporate policy level. If Hankook Tire establishes a system to execute improvement tasks and evaluate the results in which local people and professionals also participate, better environmental management will be achieved.
- A5** It is instrumental to understand the background of local people’s needs and make effort to reach an agreement. Generally, local people are concerned about environmental pollution if a plant is built in local region. Recently, the Geumsan Plant installed a display board to inform local people of the level of air quality in Jewon-myeon, easing their concerns about environmental issues. It is a great example.
- A6** Efficient capital allocation is very critical for qualitative growth amid rapidly-changing business environment. Continuous investments in core businesses and implementation of proactive shareholder-friendly policy will lead to enhancing your corporate value.

Q3. Please tell us what you would ask us to do.

- A1** Hankook Tire dealers are proud of Hankook Tire products. We hope the company will offer more diverse supports that can connect customer needs to field sales. I also look forward to consistent solicitude for and keen interest in dealers as usual.
- A2** Corporate sustainable growth is ensured when the One Company spirit is created by disseminating the strategy and direction to all members. To this end, detailed goals and action guides should be wholly shared among all members from the management to overseas staff. Efficient and effective communication is indispensable factor to sustainable growth as well.
- A3** Quality is the most essential factor for sustainable growth of a company. Hankook Tire’s product quality is very excellent today. Meanwhile, it is necessary to secure technological differentiation factors that can demonstrate the advantages of Hankook Tire to consumers. To ensure the production of differentiated high quality tires, we at LG Chem will make a concerted effort to deliver excellent quality rubber.

- A4** It is essential to proactively respond to changing needs of local communities instead of avoiding those. Even if your company satisfy environmental criteria, efforts for additionally improving environmental issues should be made. I wish Hankook Tire will achieve a virtuous circle in environmental management beyond traditional approach.
- A5** I look forward to keeping promises Hankook Tire has made with local people and creating more opportunities for co-prosperity such as preferential employment of local talents. Please continue to pursue co-prosperity with local communities through communication.
- A6** Swiftly providing investors with correct analysis of corporate information is one of analysts’ most significant duties. I am always appreciative of Hankook Tire which helps facilitate correct analysis through proactive IR activities. I wish Hankook Tire will make an assertive attitude toward IR going forward.



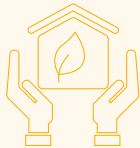


CSR Vision 2020 Roadmap

Hankook Tire established a new mid- to long-term strategy CSR Vision 2020 Roadmap in 2017 and has been making a concerted effort to realize the strategy. In 2018, we are committed to fulfilling the roadmap to solidify the foundation of CSR initiative at the company level.

Area	Progress				2020 Commitment
	2017	2018	2019	2020	
<div>Integrated CSR Management System</div> <div></div>	Completing the CSR management system in the Americas	Operating and improving CSR (the Americas) Operating and embedding CSR (China, Europe, Asia-Pacific/Indonesia Plants) Integrating the operation of the CSR Committee by function			<ul style="list-style-type: none">Disseminating and imbedding the CSR management system abroadIntegrating the operation of the CSR Committee by function
Integrated Risk Management	Completing the BCMS ¹⁾ at Hungary Plant	Expanding the BCMS (Indonesia, Tennessee, Jiaxing, Jiangsu, Chongqing Plants)			<ul style="list-style-type: none">Disseminating the crisis management system abroad
<div>Customer Satisfaction and Quality Management</div> <div>Car Makers</div>	Communication with car makers: Launching concept tires for VW's EVs	Continuous communication (diverse PRM ²⁾ activities, PR of future tire technologies, expansion of sponsorships linked with car makers)			<ul style="list-style-type: none">Materializing the technology and quality systems and enhancing competencePursuing customer satisfaction by strengthening future-oriented technologies
	Product competence enhancement: Winning new tire projects for eco-friendly vehicles	Product competence enhancement <ul style="list-style-type: none">Swiftly developing products that meet the advanced performance requirements of major car makers: Expanding the supply of future-oriented and eco-friendly OE tiresEstablishing flawless quality assurance system: Reviewing product designs, improving identified issues, and promoting zero quality risk by operating an organization dedicated to quality assurance in the development phase			
<div>General Customers and Dealers</div> <div></div>	Co-prosperity with customers: Offering trainings to enhance shop operation competence	Training courses to enhance shop operation competence			<ul style="list-style-type: none">Offering customer-centric services and expanding communication channels by securing franchise leadershipCarrying out the free mobile marketing service 200 times a year
	Impressive customer experience: Running the Smart Care service	Offering automotive total care service (establishing a standard system for franchise and developing more automobile-related services)			
	Communication with customers: Sophisticating the free mobile marketing service	Expanding communication with customers: qualitative growth 200 times a year, qualitative growth extending the service to companies and public offices and supporting events of local communities and welfare centers			
<div>Employee Safety and Health Management</div> <div></div>	Completing establishment of Self-Control safety management system	Safety management (Design for Safety, Near Miss, contractors)			<ul style="list-style-type: none">Improving working environment and strengthening employee health managementEstablishing and operating safety culture systemFSI (Frequency Severity Indicator): 0.55
	Improving facilities that put strain on the musculoskeletal system centered on mixing process	Identifying the status of musculoskeletal diseases and making improvements	Preventive programs	Continuous management and updates	
	Employee stress management: Offering counseling to 707 persons	Checking and analyzing the level of stress and providing psychological counseling services			
	Strengthening working environment management: Increasing exhaust efficiency by improving local ventilation system	Strengthening working environment management		Continuous management and updates	
<div>Employee Value Creation</div> <div></div>	Appointing six facilitators by division for human rights management and training five times	Strengthening human rights management training and the power of execution			<ul style="list-style-type: none">Expanding and reinforcing global human rights managementAdvancing the diversity management systemConducting human rights assessment at all worksite (100%)
	Improving and intensifying human rights assessment	Taking corrective action plans and monitoring			
	Checking the operation status of grievance treatment process by worksite	Expanding the operation of grievance treatment process throughout worksites			
	Managing diversity: 172 employees with disabilities (2.5% of total employees)	Continuing diversity management (Establishing and implementing plans to increase female managers and the disabled employees)			

1) BCMS: Business Continuity Management System
2) PRM: Partner Relationship Management

CSR Vision 2020 Roadmap

Area	Progress				2020 Commitment
	2017	2018	2019	2020	
<div>Transparency and Business Ethics</div> <div></div>	<div>Materializing and segmenting ethics regulations: Completed in August</div> <div>Providing regular ethics management training: Over 2,200 employees</div> <div>Vitalizing communication on ethics management: Ethics management awareness campaign</div>	<div>Ethics management risk assessment: Establishing management tools, develop procedures in proportion to risk levels, performing periodical risk assessments, and setting improvement plans based on assessment outcomes</div> <div>Providing regular ethics management trainings (common, position-specific, job-specific) and publishing the guidebook in more local languages</div> <div>Improving the efficiency of the whistle-blowing system and raising the awareness of ethics management</div>	<div>Introducing the ethics management system and obtaining ISO37001 certification</div>		<div>Embedding ethics management in organizational culture through continuous communication</div> <div>Obtaining external certification on ethics management system</div>
<div>Win-Win Supply Chain Partnership</div> <div></div>	<div>Reflecting CSR factors in selecting suppliers</div> <div>Improving and regularizing CSR assessment: Conducting CSR audit and upgrading items</div>	<div>Updating assessment items consistently</div> <div>Running Natural Rubber Sustainability program</div> <div>Disseminating CSR in supply chain: Tier1 → Tier2</div>	<div>Regularly updating CSR components within contracts and corporate regulations</div>		<div>Disseminating CSR to Tier2 suppliers</div> <div>Developing CSR support programs for suppliers</div> <div>Ratio of suppliers assessed in CSR: 85%</div>
<div>Integrated Environmental Management</div> <div></div>	<div>Completing the improvement of chemicals management and evaluation system</div> <div>Renewing the eco-design simplified tool</div> <div>Waste disposal: Reducing 8% from 2016</div>	<div>Continuously improving</div> <div>Establishing the eco-design process and extending its scope</div> <div>Increasing the consumption of recycled carbon and rubber</div> <div>Continuously reducing the consumption of resources and the amount of waste</div>	<div>Strengthening the IT system for chemicals management</div> <div>Extend the scope of products subject to LCA¹⁾</div> <div>Introducing and expanding Water Footprint</div>		<div>Ratio of eco-friendly products: 60%</div> <div>Waste disposal intensity: 40kg/production ton</div>
<div>Climate Change and GHG Management</div> <div></div>	<div>Reducing GHG emissions and energy consumption: Reducing 24,319tCO₂-eq</div> <div>Reviewing the feasibility of adopting photovoltaic power generation and ESS²⁾</div>	<div>Expanding the e-Saver (IT system for energy management)</div> <div>Continuously reducing GHG emissions and energy consumption (efficiency improvement and energy reuse)</div> <div>Continuously reviewing and implementing the adoption of renewable energy</div>	<div>Introducing the Energy Management System (ISO50001)</div> <div>Implementing a Carbon Neutral Program</div>		<div>GHG emissions intensity (tCO₂-eq/production ton): 5% reduction from 2013</div>
<div>Community Involvement and Development</div> <div></div>	<div>Continuing the Mobility projects (car sharing: 50 units, tire sharing: 2,004 units, and Tuieum Bus: 550 units)</div> <div>Developing and improving the IT system for volunteer teams</div> <div>Applying stakeholder communication guide to Taeon PG</div> <div>DreamWith (371 children), Social Housing Program (27 households)</div>	<div>Improving and expanding the Mobility projects</div> <div>Launching volunteer teams (China)</div> <div>Initiating pro bono services and activating volunteer works of families</div> <div>Checking needs for social contribution activities by local HQ and further adopting them</div> <div>Expanding the DreamWith program and Social Housing Program (supplying over 50 households annually)</div>	<div>Planning flagship social contribution projects and conducting pilot tests</div> <div>Launching volunteer teams (America)</div> <div>Planning and executing global volunteer works in celebration of company establishment</div> <div>Disseminating identified needs to overseas sites</div>	<div>Promoting flagship social contribution projects and marketing programs aligned with public benefits</div> <div>Launching volunteer corps (Europe)</div>	<div>Volunteer hours per employee: 4.5 hours</div>

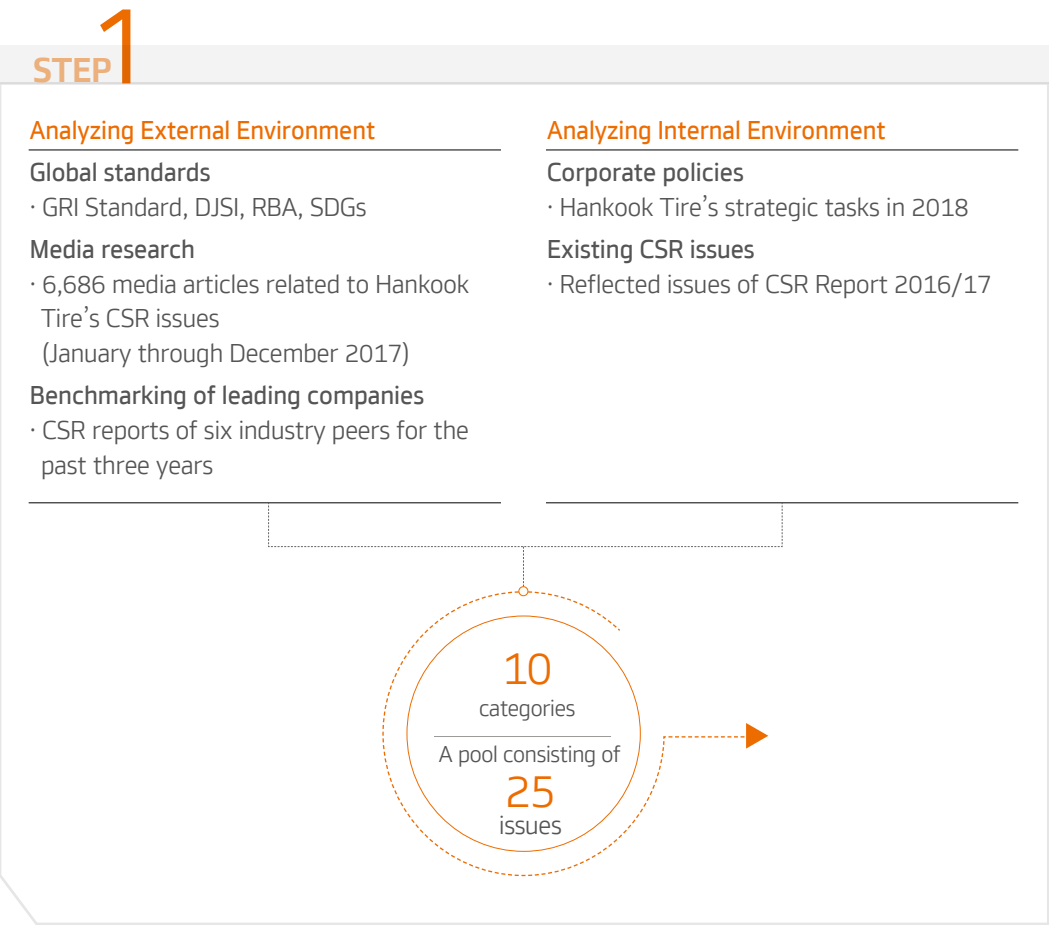
1) LCA: Life Cycle Assessment 2) ESS: Energy Storage System

Materiality Analysis

We identify material issues to be intensively managed in consideration of stakeholder interest and business significance and report our activities and performances in managing them. Those issues which are recognized to be relatively more important are strictly managed through the form of CSR Steering Wheel.

STEP 1: Collecting Relevant Issues

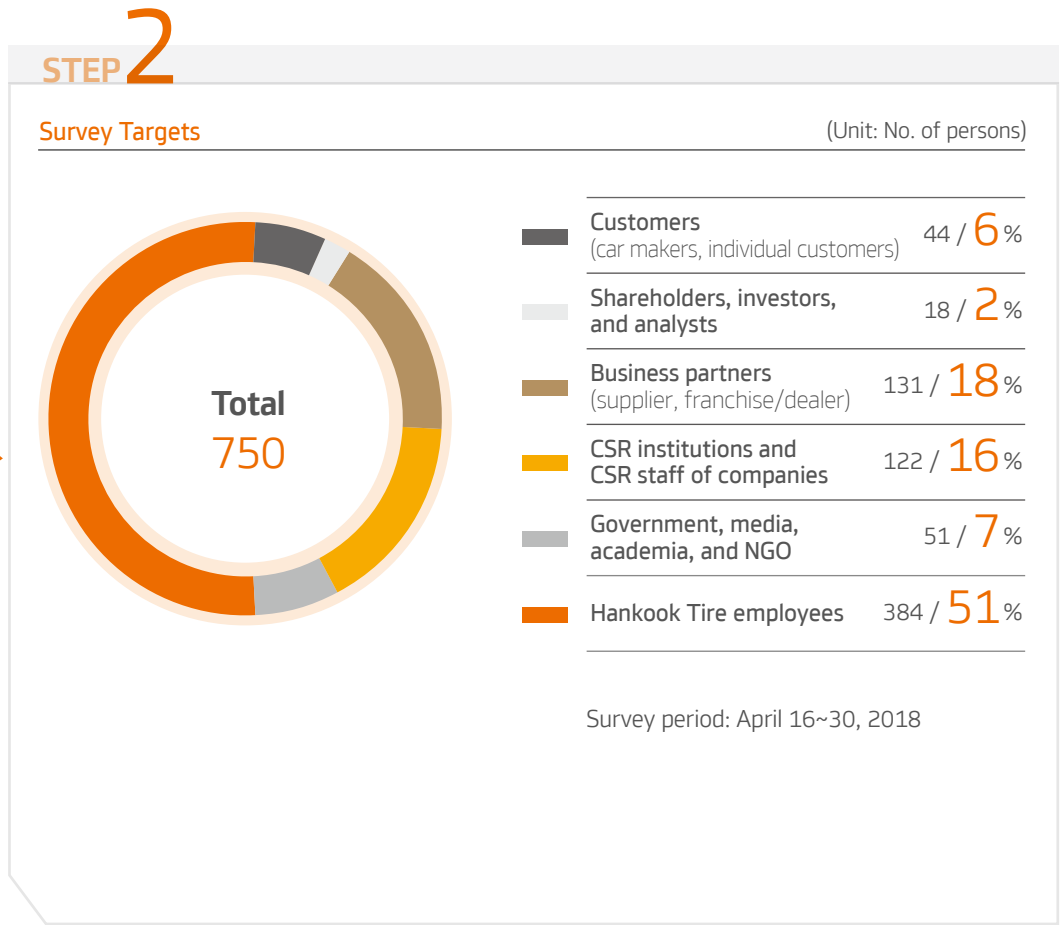
The GRI¹⁾ Standard, DJSI²⁾, RBA³⁾, and SDGs which are global CSR frameworks were used for collecting our CSR issues. Media research, benchmarking of advanced companies, and analysis of in-company policies were conducted to reset the scope and redefine issues. And then, we formed an issue pool consisting of 25 material issues in 10 categories based on the results of internal and external environment analysis.



1) GRI: Global Reporting Initiative
2) DJSI: Dow Jones Sustainability Indices
3) RBA: Responsible Business Alliance

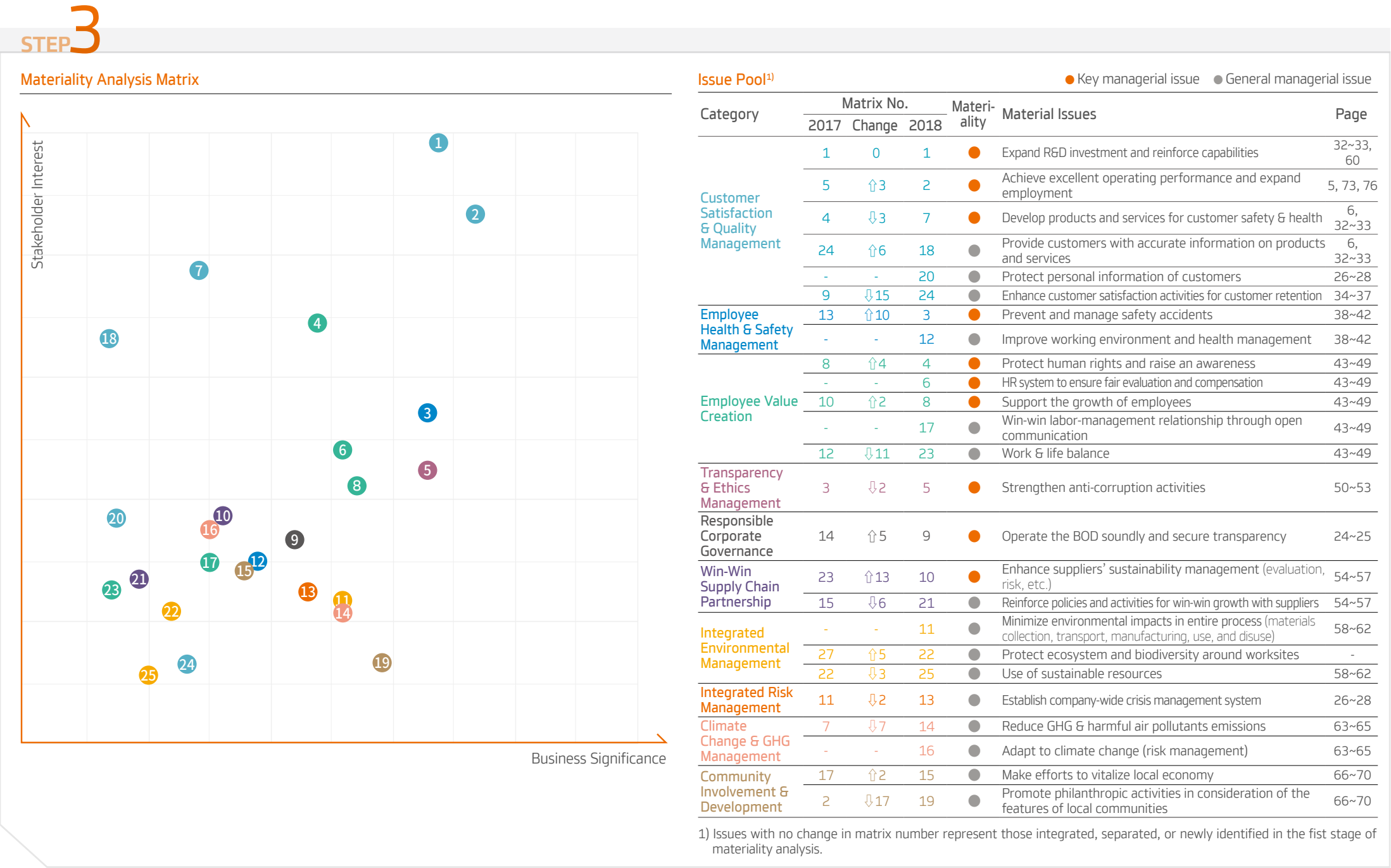
STEP 2: Identifying the Level of Interest and Significance

We investigated the level of stakeholder interest and business significance about 25 identified issues in 10 categories. Surveys were conducted to check the level of stakeholder interest. We also reviewed our internal corporate policies and norms & regulations while analyzing media articles and benchmarking global companies and industry peers to identify the level of business significance.



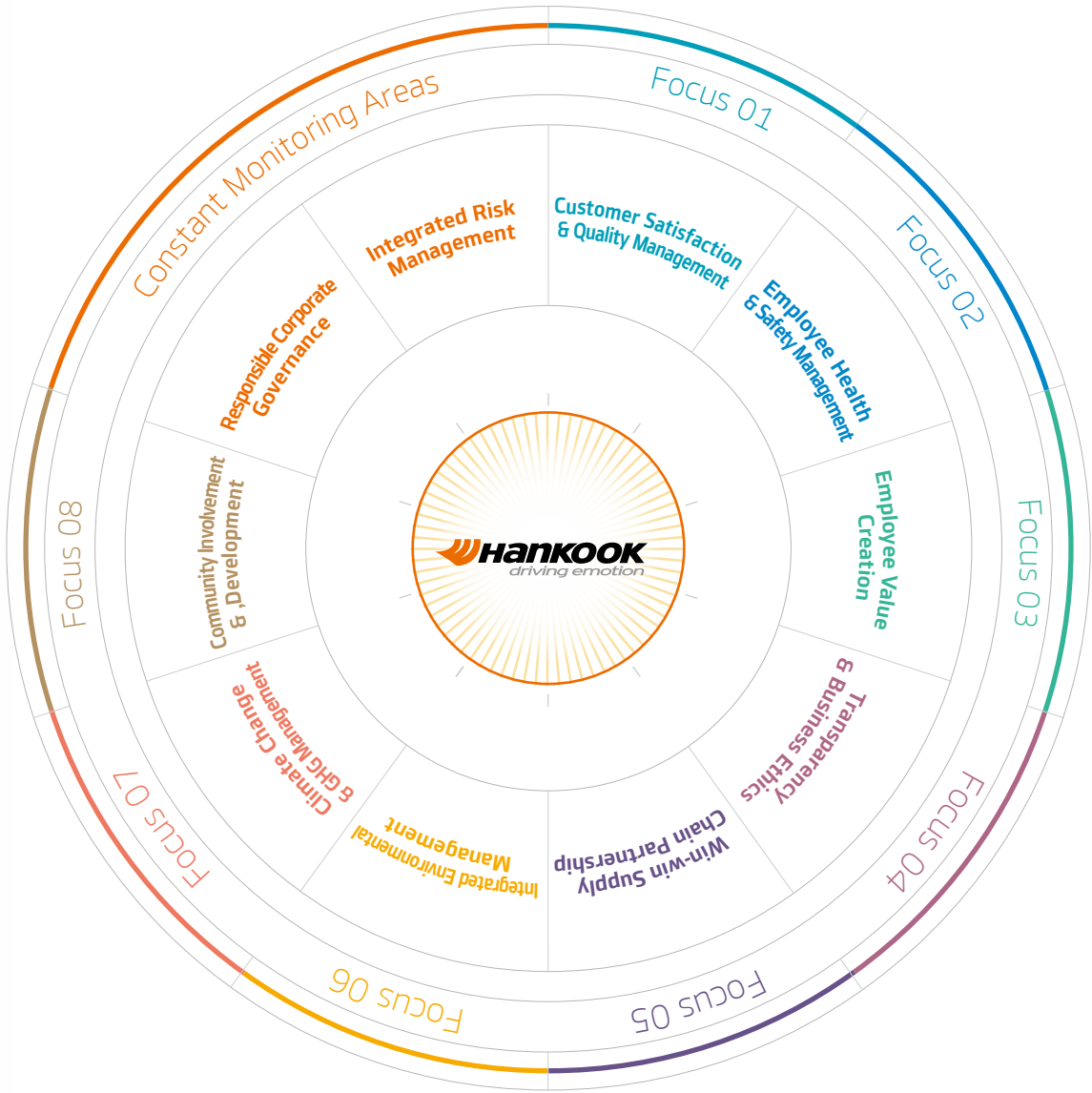
STEP3: Prioritizing Identified Issues

We prioritized the above issues in line with the level of stakeholder interest and business significance. As a result, “reinforce R&D capability and expand investment,” “achieve excellent operating performance and expand employment,” and “manage and prevent safety accidents” were defined as the most material issues. The top 10 issues were reported in more detailed and transparent manner through this report.



CSR Steering Wheel 2017/18

Based on the integrated CSR management system, Hankook Tire defined the eight major CSR Focus Areas of: Customer Satisfaction & Quality Management, Employee Health & Safety Management, Employee Value Creation, Transparency & Business Ethics, Win-Win Supply Chain Partnership, Integrated Environmental Management, Climate Change & GHG Management, and Community Involvement & Development. We compiled our achievements and plans in detail by matching the focus areas and 10 key managerial issues.



Area	Key Managerial Issues	Managerial Items	Page
Constant Monitoring Areas	Responsible Corporate Governance	Operate the BOD soundly and secure transparency	1. Top Management's decision-making process 2. BOD meetings 24~25
	Integrated Risk Management		1. Fair trade 2. Protection of personal information 3. BCMS (Business Continuity Management System) 26~28
Focus 01	Customer Satisfaction & Quality Management	Expand R&D investment and reinforce capabilities	Car Maker 1. Continuous communication 2. Enhancement of product competence General Customers & Dealers 1. Co-prosperity with customers 2. Impressive customer experience 3. Communication with customers 30~33
		Achieve excellent operating performance and expand employment	
Focus 02	Employee Health & Safety Management	Develop products and services for customer safety & health	1. Establishment of Self-Control safety management system 2. Enhancement of employee health management 3. Establishment of a fire safety system 34~37
		Manage and prevent safety accidents	
Focus 03	Employee Value Creation	Protect human rights and raise the awareness (diversity, prohibition on discrimination, child labor, and forced labor, etc.)	1. Open communication 2. HR system to offer fair opportunities 3. Human rights and diversity 4. Growth-fostering training system 5. Work & Life Balance 43~49
		HR system to ensure fair evaluation and compensation	
Focus 04	Transparency & Business Ethics	Support the growth of employees	1. Training and communication on ethics management 2. Regular monitoring and evaluation 3. Dissemination of ethics management to affiliates 50~53
		Strengthen anti-corruption activities	
Focus 05	Win-win Supply Chain Partnership	Enhance suppliers' sustainability management (evaluation, risk, etc.)	1. Capacity building of suppliers 2. ESG ¹⁾ management of suppliers 3. Selection of suppliers 54~57
Focus 06	Integrated Environmental Management		1. Design & materials of tire 2. Use & disuse of tire 3. Environmental management of worksite 58~62
Focus 07	Climate Change & GHG Management		1. Low carbon management 2. Reduction of GHG emissions 63~65
Focus 08	Community Involvement & Development		1. Company-wide expansion 2. Employee participation 3. Focusing on core competence 4. Fostering local community's sustainability 66~70

1) ESG: Environment Social Governance

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CONSTANT MONITORING AREAS

Responsible Corporate Governance
Integrated Risk Management

Responsible Corporate Governance



Hankook Tire initiated the Professional Management System in early stage and has adhered to the separation of ownership and corporate management, which serves as a model in business. We are committed to maintaining healthy corporate governance and transparent business conduct.

Major Shareholders

The following indicates the status of our major shareholders and their ownership as of December 31, 2017.

Major Shareholders	No. of Shares	Ownership (%)
Hankook Tire Worldwide Co., Ltd.	37,162,521	30.00
Yang Rae Cho	7,019,903	5.67
Hyun Bum Cho	2,561,241	2.07
Hyun Shick Cho	799,241	0.65
Others	76,332,163	61.61
Total	123,875,069	100.00

BOD Composition¹⁾

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	Remark
Executive director	Hyun Bum Cho	President	Executive at an affiliate	Chairman of the BOD
Executive director	Soo Il Lee	President	Executive at an affiliate	-
Non-executive director	Choong Hwan Cho	Audit Committee member	N/A	-
Non-executive director	Sung Phil Hong	Audit Committee member	N/A	-
Non-executive director	Chang Hwa Jung	Audit Committee member	N/A	-

1) As of June 2018

BOD Evaluation and Remuneration

Our directors and auditors are compensated according to in-company rules within the annual limit of KRW 10 billion which was approved at the general shareholders' meeting. Their bonus is determined by management performances measured in accordance with economic, social and environmental indicators. The annual salary levels of all our employees including the BOD are finalized in view of market levels surveyed by an external consulting firm biannually and the internal rate of pay increase.

Remuneration of the BOD Members and Auditors (Unit: KRW in millions)

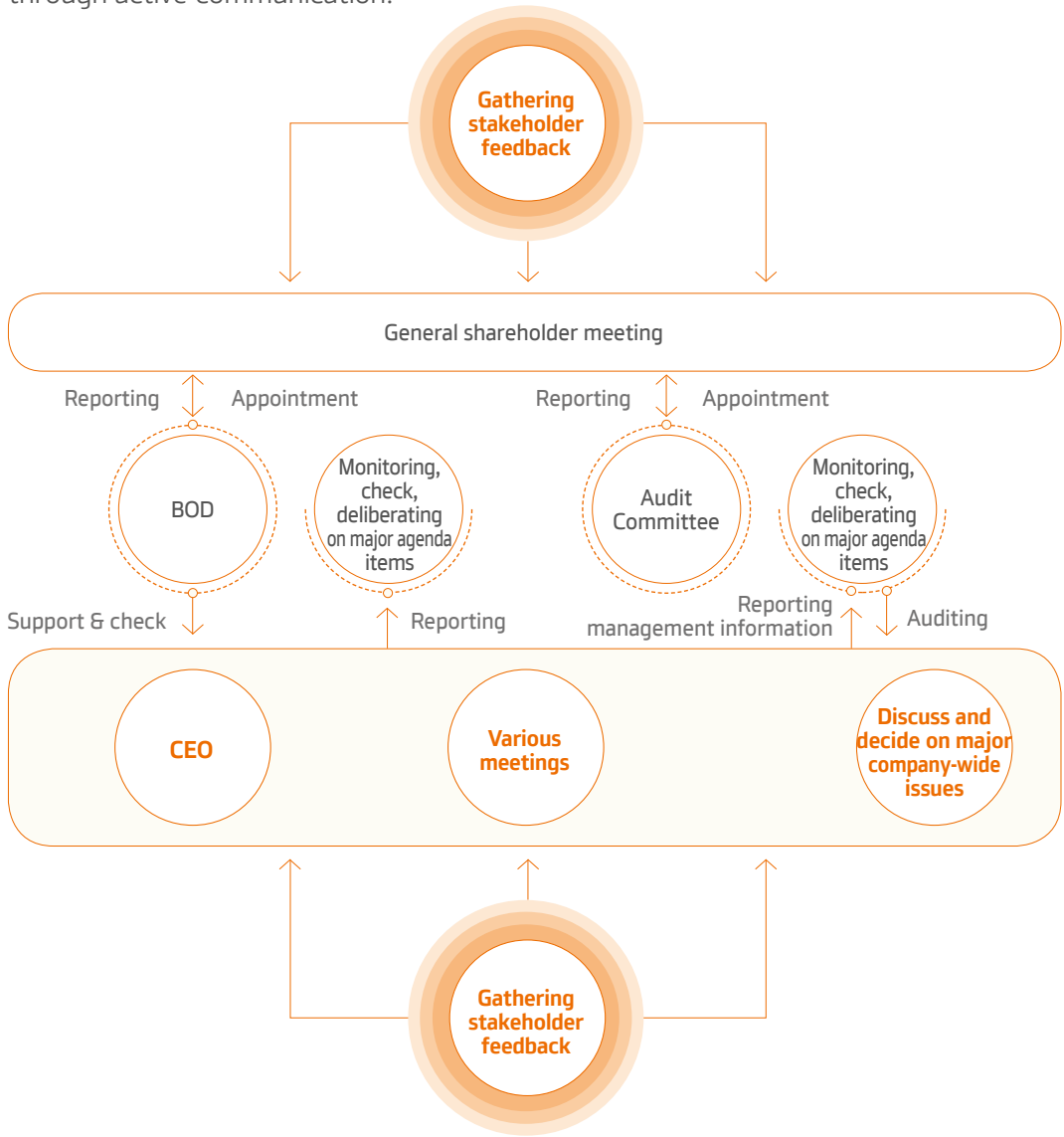
Director	No. of Persons	Total Remuneration	Average Remuneration per Person
Executive director	2	5,660	2,380
Non-executive director (Audit Committee member)	3	162	54
Total	5	5,822	1,164

BOD Operation based on Professionalism and Responsibility Enhancement

Non-executive directors hold a majority of the BOD and their appointment follows transparent and fair procedures through the Non-executive Director Nomination Committee under the BOD. By capitalizing on rich experiences and knowledge in the areas of management, legal affairs, and related businesses, they assist the CEO in making accurate decisions through advice and consultation as well as check and supervise top management. Hankook Tire discloses the BOD's decision-making process through its business report and monitors the effectiveness of the BOD activities regarding whole business operations including sustainability management issues.

Top Management’s Decision-Making Process

The BOD is at the core of our decision-making structure at Hankook Tire. We strive to fully gather stakeholder feedbacks and align them to actual outcomes by identifying necessary tasks at various meetings. We also continue to build a corporate culture where stakeholder feedbacks are reflected in the top management’s decision-making through active communication.



BOD Meetings

In 2017, four regular and four ad-hoc BOD meetings were hosted.

BOD Meetings for the Past Five Years (Unit: %)

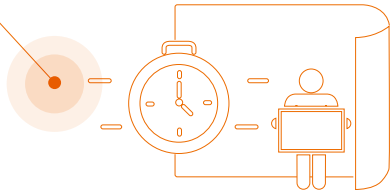
Year	Regular Meetings	Ad-hoc Meetings	Attendance Rate of Non-executive Directors
2013	4	7	93.9
2014	4	6	93.3
2015	4	7	78.8
2016	4	4	91.7
2017	4	4	91.7

Operation of Subcommittees under the BOD

We operate four subcommittees under the BOD: Audit Committee, Sustainability Committee, Non-executive Director Nomination Committee and the Internal Transactions Committee. These subcommittees meet both on a regular and ad-hoc basis.

Committee	Composition	Responsibility	Operation
Audit Committee	Three non-executive directors	- Audit accounting and business operations - Investigate corporate financial assets - Handle matters stipulated in government regulations and the articles of incorporation as well as matters commissioned by the BOD - Request directors to report business operations - Request the appointment of non-executive directors	Four regular and one ad-hoc meetings
Management Committee	Two executive directors	- Deliberate and decide on general management matters - Deliberate and decide on financial matters	Regularly 25 meetings
Non-executive Director Nomination Committee	Two executive directors and three non-executive directors	- Recommend non-executive director candidates	None
Internal Transactions Committee	Three non-executive directors	- Approve large-scale internal transactions	Two meetings

Integrated Risk Management



There are diverse risks lurking in corporate management, including changes in regulations and corporate reputation as well as physical risks such as natural disaster and safety accident. Those may cause serious losses. Therefore, companies are required to prevent such risks in advance. Stakeholders also have much interest in corporate competence in responding to risks.

Risks & Opportunities

As a leading tire maker, failures in swift and proper response to risk occurrence may bring about serious crisis such as discontinuity in supplying products. In other words, success in identifying and preventing risks in advance will ensure both financial and non-financial stability. Even in case of facing unforeseen risks, business operation can be maintained if we have capability to promptly respond to those and recover.

Management Direction

We will establish and disseminate the Business Continuity Management System (BCMS) based on the global standard (ISO22301) to rapidly recover core operations in case of crisis, thereby ensuring our business continuity. We will also prevent risks by consistently strengthening our risk monitoring system headed by compliance risks.

Responsible Organization

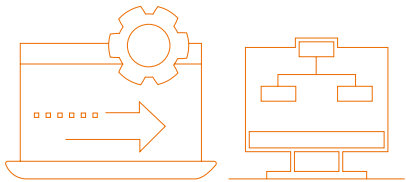
- **Crisis Management**
 - Crisis Management Headquarters (non-standing decision-making body in case of crisis)
- **Business Continuity Management System**
 - Production Management Team of each plant (Daejeon, Geumsan, and Hungary)
- **Compliance Risk Management**
 - Legal Team

Impact & Scope

Business discontinuity or severe damages to our business caused by crisis situation have negative effects to all stakeholders including employees, customers, and suppliers. Particularly, physical risks such as fire or natural disasters may threaten the security of our employees and local people.

Key Achievements

Established the BCMS at Hungary Plant



Plans & Outlooks

We may face diverse risks derived from internal factors such as the expansion of production sites and rapidly-changing external environments including the Fourth Industrial Revolution. In response, we will endeavor to enhance monitoring capabilities for risk prevention and spread the BCMS throughout the company, thereby ensuring employee safety, promptly recovering core business, and eventually minimizing impacts to customers and stakeholders.



• Achievements in 2017 and Plans in 2018

● Completed ◐ Partially Completed ○ Preparing

2017				2018			
Managerial Issue	Goals	Achievements	Completion	Goals	Plans	Deadline	Responsible Team
Fair trade	Offer company-wide trainings on fair trade and manage affiliates' fair trade operations	• Trained affiliates' staff responsible for disclosure • Conducted legal review in response to the enforcement of the Fair Agency Transactions Act	●	Manage the issues in daily business operations			
Protection of personal information	Establish a system to respond to laws for personal information protection and information communication network utilization	• Carried out internal diagnosis on the compliance with laws for personal information protection and information communication network utilization and performed improvement activities	●				
BCMS (Business Continuity Management System)	Establish the BCMS at Hungary Plant	• Established the BCMS and obtained the ISO22301 certification at Hungary Plant	●	Update the BCMS at Daejeon Plant, Geumsan Plant, and Hungary Plant	• Update the BCMS and maintain the ISO22301 certification at Daejeon Plant, Geumsan Plant and Hungary Plant	Nov.	Production Management Team at each plant

Fair Trade

Offer Company-wide Trainings on Fair Trade and Manage Affiliates’ Fair Trade Operations

Hankook Tire assumed responsibility for the Fair Trade Act including disclosure by being designated as a conglomerate in September 2017. To comply with the Fair Trade Act, we appointed responsible staff by each affiliate and constructed a network for effective disclosure and relevant works control. They also completed trainings about fair trade offered by the Korea Fair Competition Federation. Moreover, to prevent “prohibition of unfair profit provision to the affiliated persons” under the Fair Trade Act and raise responsible staff’s understanding of it, we trained all employees of the accounting department. The management responsibility of this issue will be transferred to the Ethic Management Committee from existing Compliance Committee for more effective control from 2018.

Protection of Personal Information

Establish a System to Respond to Laws for Personal Information Protection and Information Communication Network Utilization

In 2017, we underwent an inspection on personal information management from the Ministry of Public Administration and Security and internally assessed the compliance with the Personal Information Protection Act and the Act on the Promotion of Information and Communications Network Utilization and Information Protection. Furthermore, we initiated improvement works through external consulting in response to the

enforcement of the General Data Protection Regulation (GDPR) of the E.U. in May 2018 with the schedule for completion before the enforcement. Key managerial issues regarding personal information protection will be managed as universal jobs by the G.IT Operation Team from 2018.

Establishment of the Business Continuity Management System (BCMS)

Establish the BCMS at Hungary Plant

In 2016, our Daejeon and Geumsan Plants became the first in the tire industry to obtain the ISO22301 (Business Continuity Management System, BCMS) certification in Korea, and our Hungary Plant also obtained the same certification in 2017 for the first time among overseas plants. The ISO22301 is an international standard that ensures business continuity by enabling to swiftly recover core works even in case of facing business discontinuity due to unforeseen risks such as accidents and disasters. Based on the standard, we identified all our business activities that directly and indirectly affect entire process ranging from purchasing of raw materials to manufacturing and product supply to customers, and then established a business continuity plan against risks that may affect our business operations. We also created an emergency response task force and developed manuals to systematically and promptly respond to accidents or disasters according to the defined process while performing annual mock drills to improve our proficiency in addressing emergency situations.



ISO22301 certificate at Hungary Plant

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- FOCUS 02 Employee Health and Safety Management
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- FOCUS 08 Community Involvement & Development

- Customer Satisfaction and Quality Management**
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Customer Satisfaction and Quality Management

Car Makers



Background

The OE¹⁾ business that supplies tires to car makers is operated with a long-term perspective based on mutual trust. Therefore, continuous communication is indispensable to this business. It is also emphasized that we should make best efforts to sharpen technologies for the development of tires suitable for advanced vehicles car makers want to develop.

1) OE : Original Equipment

Risks & Opportunities

The OE business allows us to develop tires just in time for the development of new vehicles, which ensures not only the advancement of our tire technologies in the fields of design, materials, and manufacturing but also long-term business relationship with car makers. It also contributes to creating stable sales revenue. Meanwhile, we face increasing needs for higher technological standards that can satisfy the performance of future-oriented vehicles such as EV. Therefore, the strain on developing and securing source technologies can be a risk factor.

Management Direction

Hankook Tire is committed to strengthening strategic partnerships with global car makers. We are proactive in developing advanced tire technologies and improving product quality to satisfy the performance they need and supply optimal products. On top of that, we promote diverse collaboration projects for new product development and marketing activities to maintain evolutive partnerships with them.

Responsible Organization

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

Impact & Scope

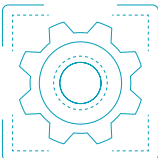
This issue influences car makers, the main customer in the OE business, and eventually end-users in the automotive industry. The scope is not limited to certain regions, covering entire global market.

Key Achievements

Promoted diverse communication activities with car makers



Developed new technologies and secured quality competitiveness



Plans & Outlooks

We will catch up with technical requirements of car makers and market trends at the right time and implement diverse communication activities such as participating in exhibitions and customer exchanges, thereby supplying tires with optimized performance and quality they want. Particularly, we will further develop sincere relationships with car makers by expanding the supply of eco-friendly tires suitable for future-oriented vehicles and actively responding to their sustainability assessment.

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Achievements in 2017 and Plans in 2018

● Completed ● Partially Completed ○ Preparing

2017				2018			
Managerial Issue	Goals	Achievements	Completion	Goals	Plans	Deadline	Responsible Team
Continuous communication	Strengthen mutual trust by facilitating communication with car makers	<ul style="list-style-type: none">Undertook seven types of partnership management for 10 car makers, including support for corporate philanthropic events, invitation to our sponsorship sports events, and collaboration in producing concept tiresContinued the concept tire development projects with global car makers: Showcased concept tires for EVs with VM (volkswagen) three times (Detroit Motor Show, Shanghai Motor Show, and IAA¹⁾)	<div>●</div>	Strengthen mutual trust by facilitating communication with car makers	<ul style="list-style-type: none">Reinforce customer communication by region, maker, and categoryAdvance communication activities for future tire technologies with global car makers	2020	OE Sales Team, G.OE Planning Team, G.OE Automotive Engineering Team, Regional OE Team
	Satisfy the requirements of car makers	<ul style="list-style-type: none">Took follow-up measures in response to sustainability assessments	<div>●</div>	Satisfy the requirements of car makers	<ul style="list-style-type: none">Continue follow-up measures in response to sustainability assessments	Dec.	Relevant teams
	Promptly develop products with high performance meeting requirements of car makers	<ul style="list-style-type: none">Won new orders for tires for eco-friendly EV and hybrid vehicles and undertook development	<div>●</div>	Promptly develop products with high performance meeting requirements of car makers	<ul style="list-style-type: none">Expand development of tires for eco-friendly EV and hybrid vehiclesAchieve requirement targets such as RRc²⁾ at the right time	2020	OE Sales Team, G.OE Planning Team, G.OE Automotive Engineering Team, Regional OE Team, PC/TB Development Team
Enhancement of product competence	Build a flawless quality assurance system	<ul style="list-style-type: none">Sophisticated and upgraded product development process by operating prior review stageImproved the speed and efficiency in operation by forming an organization dedicated to quality in the stage of development	<div>●</div>	Build a flawless quality assurance system	<ul style="list-style-type: none">Continue the advancement of development process	2019	Development Quality Assurance Team, G.OE Quality Team, Regional QA Team
	Elevate all employees' quality-driven mindset	<ul style="list-style-type: none">Enhanced professionalism and diversity in training by upgrading its system concept from just training even to cultivationImproved training capability and contents by efficienating operation process and fostering in-house instructors' competence	<div>●</div>	Elevate all employees' quality-driven mindset	<ul style="list-style-type: none">Enhance expertise in cultivation activities and expand diversityContinue the improvement of training capability and contents	2020	Global Quality Planning Team

1) IAA: International Automobile Ausstellung 2) RRc: Rolling Resistance coefficient

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Continuous Communication

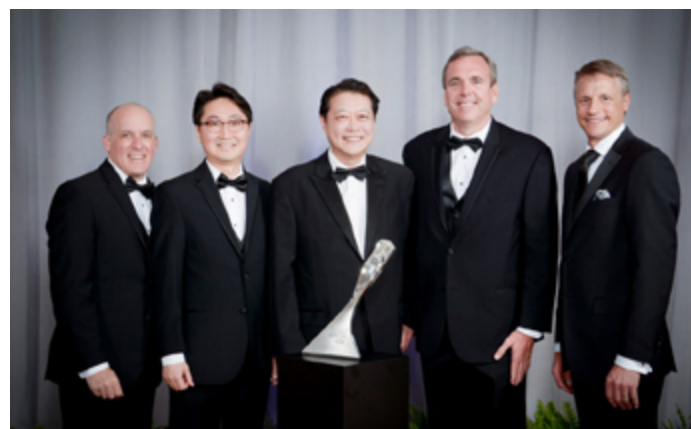
Hankook Tire has focused on strengthening communication with global car makers with the aim of maintaining sustainable and expansive relationships amid rapid and innovative changes in the global automobile market. We are also proactive in promoting diverse projects such as joint concept tire development and PRM³⁾ to share technological competence and secure solid partnership with them.

1) PRM: Partnership Relationship Management

Strengthen Mutual Trust by Facilitating Communication
with Car Makers

Trust-based Communication. We have been honored by global car makers as an excellent supplier since 2013, and again in 2017, we were chosen as the “2017 Supplier of the Year” by General Motors. We have been maintaining close relationships with car makers by actively satisfying their requirements through diverse business meetings and marketing communications. In 2017, our OE tire portfolio was further diversified by supplying OE tires to eight vehicles including Toyota Camry, Honda Accord, and Audi RS4/5.

Communication through PRM and Events. In 2017, we carried out seven types of PRM programs for 10 car makers. Major achievements included social philanthropy activities at a sponsorship event for the Juvenile Diabetes Research Foundation hosted by the Ford Motor Company and advertisement on magazines to celebrate GM’s 110th and Porsche’s 70th anniversary, respectively. Hankook Tire also showcased concept tires at the Detroit Motor Show, Shanghai Motor Show, and IAA in collaboration with Volkswagen, demonstrating our technical leadership. Our PR activities extended to advertisement on newspapers at home and abroad and participations in the Thomas Built Buses Tradeshow of the U.S., IAA Hannover of Germany, and Ivalo Test Event.



Selected as the “2017 Supplier of the Year” by General Motors



Sponsorship event for the Juvenile Diabetes Research Foundation hosted by the Ford Motor Company



IAA Exhibition

Satisfy the Requirements of Car Makers

Car makers evaluate and monitor our sustainability management and performances. Particularly, the ESG issue in the value chain was much emphasized in 2017, which represented that around 66.7% of total external stakeholders’ requirements on CSR came from car makers. We have faithfully responded to evaluations of car makers including Volvo, Ford, Honda, VW, Toyota, PSA, FCA, BMW, and Scania. Those covered not only comprehensive CSR issues (social and/or environmental) but also CMRT evaluation that reports the use of conflict minerals. Particularly, we won the Gold Recognition Level at the EcoVadis’ CSR evaluation required by Nissan and PSA. Meanwhile, since 2017, car makers in North America headed by GM have required us to develop tires using sustainable natural rubber and BMW has also asked for manufacturing tires made of eco-friendly materials and increasing traceability in supply chain. In response, we are planning CSR policy establishment and activities in relevant areas. Moreover, we focus on implementing follow-up actions (facility improvement, safety culture enhancement, etc.) to the accident at Geumsan Plant and sharing the results with car makers.

Enhancement of product competence

Hankook Tire has been committed to developing advanced tire technologies and elevating quality amid rapidly-changing automobile market environment, supplying optimal products car makers most desire at right time. We are especially concentrating on developing and supplying future-oriented advanced tires in response to car makers’ requirements for technological progress due to increasing future vehicles such as EVs and hybrid cars. By doing so, we are further tightening strategic alliance with car makers and contributing to the development of automobile industry.

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Promptly Develop High-performance Tires Meeting Requirements of Major Car Makers

Expansion of eco-friendly tire lineup_ In 2016, we had first supplied the “Ventus S1 noble2” which adopted our tire cavity resonance noise reduction technology “sound absorber” to the Audi Q7. This product was introduced to Opel Insignia, Nissan Rogue, and Audi RS4/5 in 2017. We have also been providing VW, BMW, and Mercedes Benz with the “Ventus Prime 2 SEALGUARD®,” Korea’s first-ever self-sealing tire made through the application of sealant materials, and “Ventus S1 evo2,” a runflat tire that offers extended mobility for a specific amount of time above the speed of 80km/h even when punctured. We also supply OE tires for electric vehicles to Hyundai Motor Company’s IONIQ. Currently, new eco-friendly OE tires for five kinds of vehicles are under development. We expect our eco-friendly tire lineup to be further expanded.

Build a Flawless Quality Assurance System

We have continued the advancement of new product development process and issue improvement activities since 2016 in a bit to upgrade our quality management system. Those included realignment of quality control indicators, establishment of an organization dedicated to quality control in the stage of new product development, and efforts for swift and efficient development works.

Elevate All Employees’ Quality-driven Mindset

With the aim of creating the culture of open communication and cultivating talents in charge of quality, we carried out trainings of internal examiners for the IATF16949 certification, analysis of our quality training system, and benchmarking of other divisions. We also focused on sharpening our quality competence

by offering basic trainings on quality, managing quality training records, and nurturing professional instructors in quality.

List of New OE Tire Supply in 2017

Brand	Vehicle	Product
Audi	A8	Ventus Prime3
	Q2	Ventus S1 evo 2
	RS4/5	Ventus S1 evo 2
BMW	X3/X4	Ventus S1 evo 2 SUV / Winter i*cept evo2 SUV / Kinergy GT
Ford	Expedition / Navigator	Dynapro HT
GM	Insignia	Ventus S1 evo 2
	Meriva	Kinergy 4S / Ventus Prime3
	Picasso	Kinergy 4S
	Cruze	Kinergy Eco 2 / Ventus S1 novel 2
HONDA	Accord	Kinergy GT
Kia	Rio	Kinergy Eco 2
Mercedes-Benz	Actros	E-cube MAX / Smart Flex / Smart Work
Nissan	Rogue	Dynapro HT
Seat	Arona	Ventus Prime3 / Kinergy 4S
Ssangyong	G4 Rexton	Dynapro HP 2
Toyota	Camry	Kinergy GT
Volkswagen	T-roc	Ventus Prime 3

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Customer Satisfaction and Quality Management

General Customers & Dealers

**Background**

Recently, customers intend to purchase tires in accordance with individual driving conditions and styles, which requires tire makers and franchises to further expand service areas and improve service quality. Especially, tire makers should make a concerted effort to ensure customer safety which is top priority in business as the bar of customers' monitoring and inspection on this issue has been increasing.

Risks & Opportunities

Tire manufacturers, distributors, maintenance service providers, online sellers, and tuning specialists who engage in the car industry are facing fierce competition. False or exaggerated advertising, maintenance services provided by non-experts, and substandard after-sales services can cause distrust of the entire car industry. Meanwhile, high-quality products and services and open communication with customers will lead to the increase in customer satisfaction and stable business growth.

Management Direction

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 relationship management. We are also committed to maximizing customer value by offering diverse services such as Mobile Marketing Service and Fleet Service that can meet customers' expectations and requirements.

Responsible Organization**General Customers**

- Chaired by: Quality Division Director

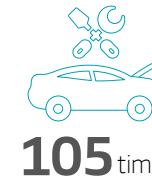
- Supervised by: Korea Technical Service Competency Development TFT
- Cooperation members: Communications Team and relevant divisions

Franchises & Dealers

- Chaired by: Korea PCR Department Director
- Supervised by: KOR) PCR Channel Innovation Team
- Cooperation members: KOR) PCR Channel Marketing Team, T'S Channel Marketing Team

Impact & Scope

Stakeholder value that we should place our top priority regarding consumer safety lies in the "customer" area. Our employees have critical effects in the aspect of responsibility for offering high-quality services to customers. Meanwhile, customer reputation management is more important in the domestic market where media channels including the internet have developed than other global markets.

Key Achievements**Safety inspection campaign
at highway rest areas****Mobile Marketing Service****Plans & Outlooks**

We plan to disseminate the importance of tire care through systematic quality service activities and continue communication with customers. By doing so, we will achieve our ultimate goal of "delivering the value of safe driving to customers."

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Achievements in 2017 and Plans in 2018

Completed ● Partially Completed ○ Preparing

		2017		2018			
Managerial Issue	Goals	Achievements	Completion	Goals	Plans	Deadline	Responsible Team
Co-prosperity with customers	Training Courses to Enhance Shop Operation Competence	<ul style="list-style-type: none">Offered entry-level training for new franchise owners: Franchise relations, safety management, tax & labor management, shop standardization, and field tourEnhanced distribution capability: Sharing of distribution policies (multi-brand, bar code system) and sales increase methodsOffered service equipment training: How to increase shop revenue and expand customer service	●	Training Courses to Enhance Shop Operation Competence	<ul style="list-style-type: none">Enhance distribution capability: Sell-out promotion, sharing of distribution policy, dissemination of shop operation knowhowOffer entry-level training for new franchise owners: Revenue increase, customer service, sales skill, IT, tax/labor, and field tourOffer trainings for shop workers: Technical course for imported cars and equipment, products, sales, shop operation, and service	2020	Korea Sales Operation Team
	Impressive customer experience	<ul style="list-style-type: none">Examined compliance with the manuals on 10 major safety checksOperate the SMART ASSURANCE CARE (insurance policy)Provided tire hotel service	●	Increase customer satisfaction	<ul style="list-style-type: none">Build and utilize customer experience database (visit, consultation, churn)Design a customer loyalty program	2020	T'S Channel Marketing Team
	Communication with customers	<ul style="list-style-type: none">Conduct the safety inspection campaign at highway rest areasCarried out the campaign to check battery and tire air pressure and consult tire care tips at six highway rest areasConducted safety inspection during summer vacation season (July) to publicize our brands and guide tire care methods in summer	●	Improve the safety inspection campaign at highway rest areas	<ul style="list-style-type: none">Adjust the number of campaigns and focus on quality improvement (increasing customer satisfaction by offering services that meet customer needs and promotion gifts)- Fill in customer vehicle check sheet and provide the result to customers	Dec.	Korea Technical Service Competency Development TFT
	Provide the Mobile Marketing Service	<ul style="list-style-type: none">Provides the Mobile Marketing Service 105 timesVisited governmental offices, companies, and local eventsOffered additional promotions such as welfare benefit partnership agreement to increase sales of T'Stations	●	Provide the Mobile Marketing Service	<ul style="list-style-type: none">Continue the Mobile Marketing Service	Dec.	Korea Technical Service Competency Development TFT

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Co-Prosperity with Customers

We provide franchise owners with professional trainings to share the value of “driving toward happiness” that we pursue and grow together with customers and dealers.

Training Courses to Enhance Shop Operation Competence

We implemented trainings to enhance the capability of franchise owners for maximizing both shop operation efficiency and customer value. Those included win-win strategy between franchise headquarters and shops, shop operation standards, and better customer reception methods. Especially, we were able to collect diverse opinions from sales field and reflect those in our policies. In addition, trainings for new franchise owners were offered to help them stabilize their business in early stage. Training contents covered shop operation strategy and rules, understanding of product specifications, sales skills, customer response, and tax & labor. We also trained about service equipment use and management and imported car maintenance service knowhow. Training contents for dealers at TBX (Truck & Bus Express) were knowledge on products, finance and asset management at shop, employee management, and how to enhance shop competitiveness. These trainings contributed to helping franchise owners, shop workers, and dealers have self-confidence in shop operation and providing better services to their customers. We plan to continue these training going forward.



T'Station SMART CARE program

Impressive Customer Experience

Hankook Tire’s franchise shop “T’Station” provides tailor-made car management services including free-of-charge 10 major safety checks, tire compensation, and tire hotel services, delivering greater customer satisfaction and trust.

Operate the SMART CARE Program

Our franchise shop T’Station operates the SMART CARE service for better customer satisfaction and trust. Free-of-charge safety checks are performed on 10 major safety checks - tire pressure, tire wear, brake pads, batteries, engine oil, brake oil, washer liquids, anti-freeze, belts, and lamps - and the results are stored on database to entice customers to revisit the shop for continuous total car care services. In addition, premium tires are applied by the insurance policy that compensates for tire damages occurred in driving within one year of purchasing or 16,000km mileage with the same kind of tire within KRW 500,000. Customers who purchase more than two winter tires are eligible for our tire hotel service which stores their existing non-winter tires. This service aims to support customers’ safe driving and convenient tire management in winter. On the back of differentiated services for impressive customer experience, in 2017, Hankook tire took the No.1 ranking in the tire-specific franchise sector of Korea Brand Power Index (K-BPI) for nine consecutive years and won the Golden Brand certification which is awarded to top ranking winners for 10 consecutive years. We will continue enhance our total car care service headed by tire by capitalizing on advanced equipment and high-caliber workforce.

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Communication with Customers

We are committed to providing customer-friendly services and listening to their voices to deliver higher customer satisfaction, enhance our service quality, and reflect their opinions in product development.

Conduct the Safety Inspection Campaign at Highway Rest Areas

We offered customer services including checks on battery, tire air pressure, and oils and washer fluid filling by installing booths at seven highway rest areas. We also gave visitors basic information on tire care tips and the importance of tire to safe driving. On top of that, regular campaigns were executed in summer vacation season to raise the corporate image of Hankook Tire.



Fee-of-charge safety inspection campaign at highway rest areas in 2017

Mobile Marketing Service

The Mobile Marketing Service was offered to a lot of public offices and companies in 2017 as well. In 2018, this service will be extended to places with many vehicles and customers where local events are held, through which we will further strengthen communication with customers and prevent complaints in advance.

Performances in Mobile Marketing Service and FA Service in 2017



10,875
vehicles

Car inspection

Inspection venues	1,402
Public offices	1,911
Military bases	371
Companies	3,236
Marts	352
Hospitals	35
Welfare centers	830
Local people	752
Schools	671
Rest areas	1,215
Others (gas station, etc.)	100



156
batteries

Battery sales

Inspection venues	33
Public offices	22
Military bases	12
Companies	37
Marts	12
Hospitals	3
Welfare centers	24
Local people	8
Schools	5
Rest areas	-
Others (gas station, etc.)	-



1,868
tires

Tire sales

Inspection venues	344
Public offices	293
Military bases	118
Companies	522
Marts	96
Hospitals	14
Welfare centers	226
Local people	100
Schools	141
Rest areas	-
Others (gas station, etc.)	14



298
units

Engine oil
(filling, replacement)

Inspection venues	32
Public offices	65
Military bases	13
Companies	93
Marts	16
Hospitals	4
Welfare centers	21
Local people	9
Schools	45
Rest areas	-
Others (gas station, etc.)	-

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Employee Health and Safety Management



Background

Corporate responsibility for employee safety and health is further being enhanced than ever due to increasing awareness of chemicals and tightening regulations on serious accident prevention and employee protection. In response, companies are required for preemptive prevention activities aimed at protecting employee safety and health in a sustainable manner.

Risk & Opportunities

Safety and health of employees are critical to our sustainable growth. Hankook Tire experienced that their safety and health can make enormous effects on corporate reputation and business operation through the fatal accident occurred in October 2017. In response, we are upgrading safety devices and improving working environment. Moreover, we are committed to strengthening field-centric safety & health management system to establish safety culture.

Management Direction

Employee health and safety is at the heart of our business philosophy and at the same time, the key driver of our sustainable growth. To ensure zero accident and zero disaster, Hankook Tire is executing safety trainings by position and role, field-centric safety management programs, musculoskeletal rehabilitation programs, and antismoking programs.

Responsible Organization

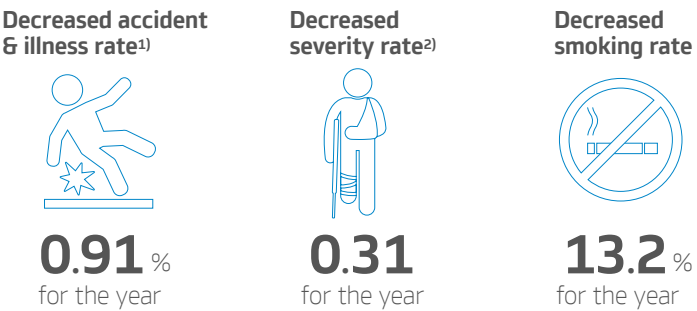
EHS Committee

- Chaired by: EHS Department Director
- Supervised by: EHS Planning Team
- Members: CSR Team, Safety & Environment Team of each plant, Facility Maintenance Team of each plant, R&D Corporate Management Team

Impact & Scope

Global car makers put emphasis on our efforts for protecting employee safety and health. They also inquire and inspect our activities for creating healthy and pleasant working environment as well as ensuring product quality. On top of that, relevant regulations are being tightened as safety accident has emerged as a national issue.

Key Achievements

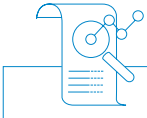


1) An incidence rate of accidents and illnesses per 100 employees
2) Lost working days caused by injuries per 1,000 work hours

Plans & Outlooks

Hankook Tire will establish its unique safety culture by evaluating the level of employees' awareness of safety and health and identifying improvement tasks. What's more, we will build the global safety & health management system (ISO45001) and promote preemptive safety risk management to raise our safety & health management activities to the global top-tier level.

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Achievements in 2017 and Plans in 2018

● Completed ◐ Partially Completed ○ Preparing

		2017		2018			
Managerial Issue	Goals	Achievements	Completion	Goals	Plans	Deadline	Responsible Team
Establishment of Self-Control safety management system	Offer safety trainings tailored to position and role	• Conducted position-customized safety awareness enhancement trainings (5,367 persons)	●	Develop leading safety & health indicators	• Develop and operate leading EHS indicators	Oct.	DP)KP)Safety & Environment Team, EHS Planning Team
	Reinforce safety & health management system	• Launched an organization dedicated to global EHS	●	Improve in-company police system	• Operate Safety Guardian and Safety & Health Responsibility system		
	Implement intensive safety management programs	• Operated preventive safety management programs to identify risk factors and risky behaviors in advance	●	Select priority control items by site	• Select priority control items and set up operation plans by analyzing safety accidents		
Enhancement of employee health management	Improve equipment that puts strain on the musculoskeletal system	• Improved works that put strain in mixing process • Operated musculoskeletal rehabilitation programs	●	Identify equipment and works vulnerable to musculoskeletal disease	• Execute musculoskeletal disease prevention activities	Oct.	DP)KP)Safety & Environment Team, EHS Planning Team
	Manage stress of employees	• Offered psychology consultation services for enhancing mental healthcare (707 persons)	●	Manage stress of employees	• Improve psychology consultation process		
	Operate antismoking programs	• Reduced smoking rate by 7.9%p by antismoking programs including antismoking clinic	●				
	Improve working environment	• Increased exhaust efficiency by improving local ventilation system (open type to closed type)	●	Enhance working environment management	• Check the status of local ventilation devices and analyze efficiency		
Establishment of a fire safety system	Complete investments in advancing firefighting systems	• Invested KRW 18.66 billion (accumulative) in plant facilities for the advancement of firefighting system	●	Establish firefighting facility management system	• Establish guides for firefighting facility management manual by plant	Oct.	DP)KP)Safety & Environment Team, EHS Planning Team
	Enact global firefighting management regulations	• Globally integrated our firefighting management regulation of each plant	◐	Enact global firefighting management regulations	• Introduce firefighting activity and monitoring systems		

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Establishment of Self-Control Safety Management System

The labor and management are engaged in multiple programs designed to identify and improve risk factors to create a safe working environment, which helps strengthen mutual trust and communication.

Offer Safety Trainings Tailored to Position and Role

Hankook Tire carried out trainings position-customized safety awareness enhancement trainings in 2017. The education involved a total of 5,367 employees including supervisors, office staffs, and operators in charge of safety. For supervisors, specialized education was offered by invited outside experts while, for safety workers at individual teams, systematic safety education and workshop were held. What's more, pre-work safety education curriculum has been expanded for the purpose of reinforcing safety awareness among operators and preventing industrial accidents. As a result, the safety awareness held by supervisors, managers and field workers has been taken to the next level.

Implement Intensive Safety Management Programs

Hankook Tire carried out the intensive safety management & prevention program to reinforce safety management of domestic plants. The program's purpose is to detect hazard factors and dangerous behavior in advance and notify employees thereof via a shared channel between labor and management, thus preventing unexpected accidents in plants. The program resulted in both labor and management cooperating to ensure safety management beyond simply detection and prevention of danger factors. Hankook Tire will implement an array of programs to create safe work environment for employees.



Employee psychology consultation

Reinforce Safety & Health Management System

In January of 2018, the Company organized a new team in charge of Global EHS in addition to environment and safety teams at plants. Their missions include: planning environment projects at all Hankook Tire plants including 8 overseas plants; inspect activity status at individual plants; and disseminate latest problem-solving technology. We will ensure an environment and safety management in a much more systematic and advanced manner while laying the groundwork for eco-friendly production.

Enhancement of Employee Health Management

To ensure safe and pleasant working environment, we make effort to protect the health of our employees from potential risk factors and help prevent diverse diseases.

Improve Equipment That Puts Strain on the Musculoskeletal System

With the aim of preventing employees from musculoskeletal diseases that may occur from repetitive works in the field or extension of service years, we have been improving our shop-floor equipment and working environment. Our work conditions are

regularly monitored for any possible musculoskeletal risk factors, and the outcomes are used in improving equipment and offering training. In 2017, we provided 192 employees suffering from musculoskeletal symptoms with a wide array of medical supports such as herbal therapy, physical therapy, exercise therapy, psychological counseling, and rehabilitation hospital treatment. We will operate diverse musculoskeletal disease prevention programs to foster a safe and healthy lifestyle for our employees.

Manage Stress of Employees

Hankook Tire offers medical services for employees such as check-up, auxiliary clinic, Oriental Medical Clinics, and health promotion center for their physical health. For mental health, we operate Donggeurami Mental Rest Area where professional psychological consultants reside in local plants including Daejeon Plant and Geumsan Plant. History on employees' psychological consultation at Donggeurami Mental Rest Area is kept confidential. Personality type test, depression test, behavior test are offered by means of many different psychology consultation methods. Psychology consultation services at Donggeurami Mental Rest Area is open to employees and their family members. Psychology treatment is also provided to help employees gain emotional stability in case of safety accident. To encourage employees' participation, we identify process workers who are vulnerable to stress exposure, recommending stress evaluation and psychology consultation. In 2017, professional psychology consultants provided a total of 707 workers with consultation and education sessions on understanding of stress cause and management. In the wake of the accident at Geumsan Plant, 117 workers from the affected department received psychology evaluation, consultation, and post-traumatic stress prevention education.

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Operate Antismoking Programs

Hankook Tire has intensively been promoting antismoking activities for the improvement of employee health. Antismoking mentoring and antismoking fund received positive response from employees and the three strike-out system against violating designated smoking areas were further tightened. At Daejeon Plant and Geumsan Plant, external professionals were invited to give a total of 111 employees three-hour antismoking trainings four times. Moreover, in 2017, we operated the antismoking clinic in conjunction with community health centers. This program provided employees who wanted to stop smoking with monthly nicotine test, consultation services, drugs used in nicotine dependence, acupuncture for stop smoking. As a result of these efforts, the smoking rate at the domestic plants decreased 7.9%p from the previous year. The Company will continue antismoking activities to ensure employees’ health.

Improve Working Environment

For the purpose of creating pleasant workplace and removing fundamental causes of occupational diseases, Hankook Tire continues to install local ventilation equipment in plant while upgrading ventilation system. For mixing process, the existing open-type upward local ventilation system was replaced with enveloping hood, thus improving the ventilation efficiency. Also, we replace diesel forklifts in mixing process with electric forklifts to cut fume release. We improve working conditions for

indoor environment by installing enclosure-type local ventilation equipment on the charging stations for electric forklifts. In order to create clean working environment for extruding and trimming process, we modify and install new local ventilation system. In addition to those efforts, we conduct working environment evaluation twice a year to monitor air quality, noise, lighting, temperature, and humidity. Hankook Tire will invest in environment improvement initiatives to ensure clean and safe working conditions for our employees.

Establishment of a Fire Safety System

We are investing in firefighting facilities to build a fire safety system while developing stringent internal regulations to improve our fire safety management capability.

Complete Investments in Advancing Firefighting Systems

In accordance with the result of global firefighting system assessments performed in 2014, we have invested in improving firefighting facilities in seven plants at home and abroad since 2015. A total of KRW 18.6 billion has been invested until 2017. Each plant has also invested in autonomously advancing firefighting facilities. Besides, we nurture internal experts specialized in firefighting and are proactive in holding fire drills ranging from early response to emergency evacuation and monitoring the results.

Enact Global Firefighting Management Regulations

Hankook Tire has in place common anti-fire procedures in all plants: fire safety education where all outside workers are required to take to access plants; field evaluation and permission system regarding dangerous works such as welding; Master Plan for cleaning activities of blind area; fire facility inspection program; and emergency response plan. We are currently crafting global fire management regulations to integrate those procedures in accordance with global standards and define roles and responsibility for sub-departments. The plan is to be completed by 2018. While we observe the existing ISO14001 regarding global fire management regulations, we will integrate many fire activity procedures for OHSAS18001, thus enhancing the efficiency in our anti-fire safety system.

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CASE STUDY

Occurrence of Fatal Accidents at Geumsan Plant

Issue

Around 7 p.m. on October 22, 2017, an unfortunate accident was happened in the wigwag work of mixer #4 in the mixing process at the 1st plant of Geumsan Plant. Some part of an operator’s body and rubber were pinched in a conveyor pressing roll when he lifted wigwag conveyor sheet rubber from batch off machine bar conveyor located on the second floor.

Our Response

After the fatal accident, we conducted a comprehensive diagnosis by the Labor Administration and external professionals and identified a total of 1,779 risk factors, which were shortly corrected. We also diagnosed fatal accidents occurred at other plants at home and abroad, and then identified risk factors in the same facilities and preventive measures. We are now setting corrective action plans. Moreover, an organization specializing in EHS management was launched for securing professionalism of EHS job, and implemented preliminary inspection on risk management system.

Response Results

Our Geumsan Plant eliminated risk factors by introducing automatic tong apparatus on entire 16 facilities to the mixing process. We also carried out comprehensive inspections to detect any possible risk factors throughout the plant. Our efforts to secure safety extended to listening to employee grievances and setting improvement plans through verification.

Reoccurrence Prevention Plan

As part of activities for preemptive accident prevention, Hankook Tire launched the Global EHS department. The department has been planning and leading the advancement of EHS activities and taking the initiative in timely response to relevant issues and fundamental improvement of risks. Moreover, staff dedicated to safety and health were additionally arranged at manufacturing teams of the plant to enhance the execution of EHS and monitoring function. The Safety Improvement Unit was also founded to ensure safe working environment by better managing safety equipment and improving unsafe behaviors. Other activities included self-initiated labor-management joint inspection on safety and self-diagnosis in accordance with consultation of external professional organizations. A total of KRW 22.6 billion was spent on these activities and additional improvement activities will be completed in 2018. We are committed to ensuring safer and healthier workplace by building an organic risk response system between EHS management and EHS practice departments.

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Employee Value Creation



Background

Corporate responsibility for respecting human rights has become norms and standards globally, not to mention the growing interest and expectation of stakeholders. As human rights management is emerging as a key issue, companies are further required for transparent and responsible corporate practices.

Risk & Opportunities

Failures in respecting employees' human rights or communicating with them will bring about the outflow of human resources, the key element of corporate growth, and negative impacts on corporate reputation. On the other hand, successful establishment of human rights management and competence development through open communication and fair HR system will become the driving force of sustainable growth.

Management Direction

Since the declaration of human rights management in 2015, we have built a foundation for human rights management system through diagnosing the status of human rights. Going forward, identifying relevant issues at home and abroad and setting up effective grievance process will be promoted by fostering facilitators at each headquarters. We will also endeavor to raise employees' awareness of human rights by improving human rights training materials.

Responsible Organization

Employee Committee

- Chaired by: Human Resource Division Director
- Supervised by: Human Resource Management Team

- Members: Human Resource Planning Team, Human Resource Development Team, Communications Team, Proactive Culture Team, DP)KP)Human Resource Operations & Education Team, Culture Planning Team, DP)KP)Labor Relations Team, Culture Communications Team, R&D Human Resource Team, Production & Engineering Corporate Management Team

Impact & Scope

Various stakeholders, ranging from investment firms, credit rating agencies, and local communities around our overseas sites to employees and car makers, are paying their attention to human rights policy of Hankook Tire. Therefore, it is crucial to preemptively respond to risks from a variety of perspectives.

Key Achievements

Conducted human rights impact assessments



38 worksites

Cultivated human rights facilitators



6 persons

Diversified employee communication channels
Launch of Arena mobile application for operators



Plans & Outlooks

To protect the human rights of our employees, Hankook Tire is focusing on settling human rights management system and consolidating the due diligence of human rights. We will extend the scope of human rights management to our suppliers and entire supply chain. In addition, we will increase the employment of the disabled and the ratio of female managers for the advancement of employee diversity in the long term.

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Achievements in 2017 and Plans in 2018

● Completed ● Partially Completed ○ Preparing

2017				2018			
Managerial Issue	Goals	Achievements	Completion	Managerial Issue	Goals	Plans	Deadline Responsible Team
Open communication	Enhance global communication contents	• Developed in-house global and local contents and distributed those outside the company (completed about 100 contents and provided those for 22 SNS channels from 14 countries)	●	Corporate culture that pursues changes	Improve the culture by organization	• Identify issues through a survey on employee engagement and promote improvement activities by organization	Dec. Proactive Culture Team
	Expand global communication platforms	• Completed the dissemination of Arena to an affiliate (ATLASBX) • Opened the Arena Mobile App. (Jan. 2017) for the domestic operators and promoted its operation	●		Internalize core values	• Conduct trainings to internalize core values • Reinforce the internalization of core values through events	
HR system to offer fair opportunities	Implement HR3.0	• Introduced role-centric position and horizontal title systems • Operated competence-based promotion and evaluation system	●		Innovate the way of working	• Innovate the way of working through the “Less for Better” campaign • Regularly monitor the innovation by quantitative analysis of company reports	
					Improve the culture of meeting and reporting	• Disseminate the guides to meeting & reporting principles and ways • Monitor the satisfaction on meeting & reporting	
Human rights and diversity	Strengthen due diligence for human rights management	• Appointed facilitators by headquarters	●	Human rights and diversity	Settle the new title system	• Hold campaigns to settle the new title system and monitor the practice	Dec. Human Resource Management Team
	Manage diversity	• Increased the employment of the disabled and appointed female managers	●		Operate the Proactive Friday & Strategic Sunday programs	• Support employees’ self-initiated activities • Hold town-hall meeting for leaders (executives and team managers)	
Growth-fostering training	Operate Employee Happiness School	• Offered “Future Happiness Education” to entire employees aged over 50 (1,150 persons) • Executed “Life Planning Education” for operators in their 20s, 30s, and 40s (978 persons)	●	Growth-fostering training	Strengthen due diligence for human rights management	• Establish corrective action plans (CAPs) on human rights assessment in 2017 and continue follow-up activities • Set up plans for human rights training and develop training materials • Publish and distribute a guidebook for human rights management	Dec. Human Resource Development Team
	Establish engineer training system based on core technology	• Analyzed training courses by function • Reviewed the alignment of training courses between core technology and element technology • Designed core technology-based training systems	●		Change management on HRD innovation	• Hold presentations on HRD innovation system • Promote communication for change management	
Work & Life Balance	Vitalize the flexible working system	• Performance: 51 cases in 2017 (5,613 days by 43 persons) • Application reason: Job (66.7%), long commute (19.6%), childcare (7.8%), and others (5.9%)	●	Work & Life Balance	Develop micro learning contents for regular training	• Develop and create micro learning contents	Dec.
					Operate work & life balance programs	• Review the implementation of, set up guidelines to, and pursue active operation of flexible working system • Establish guidelines to the short-time working for parental child care and vitalize its operation	Dec. Human Resource Management Team

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Open Communication

Our employees are the driving force of innovation and growth at Hankook Tire. All our employees at home and abroad are creating synergy by embedding the identity of One Company and communicating and collaborating with each other based on trust.

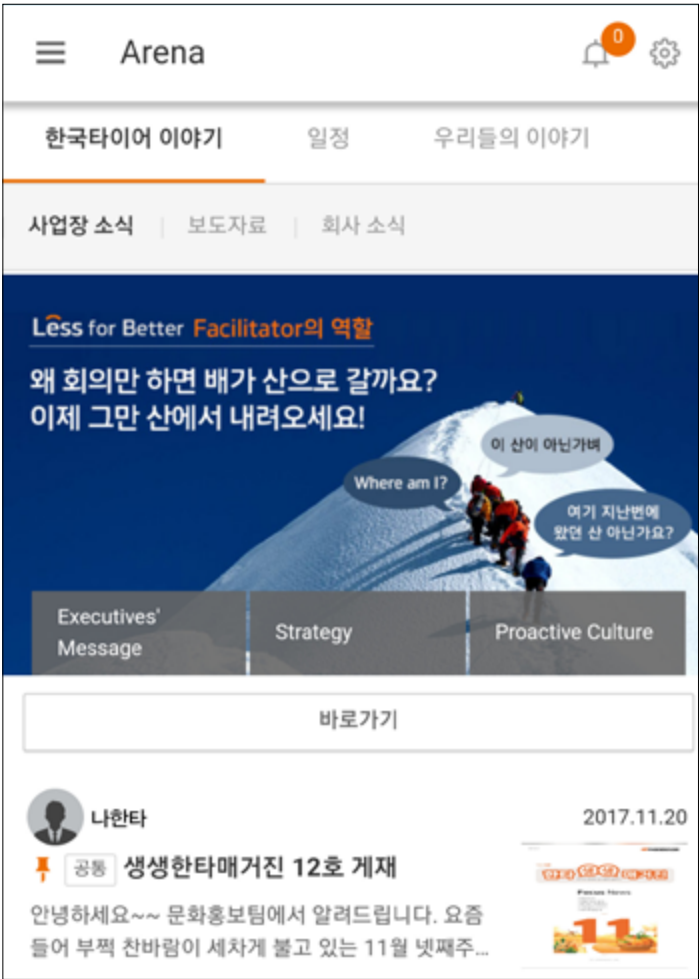
Enhance Global Communication Contents

Our new intranet “Arena” contributes to innovating the way of working by helping all our employees in the world easily communicate, collaborate, and increase the efficiency of work and decision-making. Major corporate issues and messages from the management are sent to all employees at home and abroad through the Arena, which makes it possible to think and act under the One Company Culture. We are also developing new contents such as news from local headquarters and offices that can be shared and vitalize mutual communication. In addition, through the Arena, a pleasant working environment was created where employees can easily access to the latest global digital contents, communicate with internal and external customers, and share lifestyle-related contents based on SNS. All these allow us to innovate the working practices and mutual communication.

Expand Global Communication Platforms

Hankook Tire launched its mobile application "Arena" for operators in order to expand communication to all employees. The operators are able to obtain diverse information such as salary, personnel policy, and welfare as well as corporate news and messages through the app. Bulletin boards on the app help invigorate mutual communication as well. In 2018, we plan to spread the use of mobile app to overseas operators in order to

build working environment where all our employees are able to closely communicate through the Arena. The employees of our affiliates, Daehwa Engineering & Machinery, MK Technology, and emFrontier, are also using the Arena, and ATLASBX introduced it in December 2017. The expansion of Arena will contribute to vitalizing communication among all members of the Company and affiliates, boosting efficient cooperation and laying a groundwork for greater progress going forward.



Mobile App “Arena” for Operators



Launched the mobile app
Arena for domestic operators
Expanded Arena to our
subsidiary (ATLASBX) (Dec.)



Plan to expand the use of
mobile Arena app
to overseas

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 core values and established a flexible and agile HR system in order to encourage our employees to move forward challenging goals.

HR3.0, Innovation of the Way of Working

Introduced role-centric position and horizontal title systems. In January 2017, we revamped existing HR system spanning from positions and titles to promotion and evaluation under the slogan of HR3.0 with the goal of eliminating seniority, fostering self-motivated talents, and reinforcing flexibility and agility in HR management. Our job position system was streamlined and redefined to represent the roles instead of hierarchy. Our title system was also changed to address one another as “Mr. or Ms.” with the aim of ruling out the awareness of seniority. As part of the change management, we explained the necessity of changes and the vision to build horizontal culture to employees and conducted a campaign with the distribution of pamphlets. Team leaders and executives

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were also encouraged to keep ahead of using the new title system. In October 2017, we conducted a survey to identify the settlement level of the new title system and collect opinions on advantages and difficulties. The result showed that it contributes to setting forth their views more actively regardless of position and age and creating a culture of mutual respect. Approximately 90.3% of employees answered that those changes were well reflected in the overall corporate culture.



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

Operated competence-based promotion and evaluation system_ In 2017, the HR3.0 was introduced to cultivate talents based on competence and make the best use of human resources. We defined the role of each position and made it a rule to be possible for anyone who can perform higher duties to be promoted faster, which enables rapid promotion to the highest position in just four years since the entrance. Practically, in 2017, the ratio of over one-year earlier promotion increased approximately 21% from past years. Furthermore, the performance management system in HR3.0 emphasizes the evaluation and feedback on “how our employees have worked” focusing on the process as well as outcomes. Our year-round performance management system named “Live-on Chat” was designed to effectively assist such transformation. In 2017, more

than 42 thousand coaching comments and feedbacks were uploaded to the Live-on Chat. This system contributes to invigorating communication between leaders and their members, improving job performance and motivating employees. In addition, we granted the “Best Lesson Award” to those who learned good lessons from daring challenges and creative actions despite failures in reaching goals. This award plays a role for building an innovative corporate culture where today’s failure becomes a source of future success and process is put before outcomes.

Human Rights and Diversity Management

To keep our promise to contribute to sound development of the society, Hankook Tire takes the initiative in respecting human rights and establishing an organizational culture where diversity is ensured by expanding the employment of the disabled.

Strengthen Due Diligence for Human Rights Management

Declaration of human rights management_ Hankook Tire declared its commitment to human rights management in 2015 with the establishment of human rights management system according to the UN Guidelines for human rights. We support the UN Guiding Principles on Business and Human Rights and are making efforts to fulfill our responsibility for human rights.

Hankook Tire Human Rights Policy

Hankook Tire recognizes the significance of human rights as a universal value of humankind. Moreover, we acknowledge that 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 UNGlobalCompact 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 human rights management system which includes assessments, taking appropriate action and tracking responses, internal and external communications and operation of grievance mechanisms and remediation procedures. Hankook Tire, as an enterprise that is 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.

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Strengthen due diligence_ We endeavor to do our due diligence in compliance with the UN Guiding Principles on Business and Human Rights. As part of this, we execute a human rights assessment at all worksites once a year and cultivate facilitators.

■ Cultivate Facilitators It is very important to disseminate human rights to all employees as well as top management to fully implement human rights due diligence. Our goal is to foster human rights facilitators by headquarters to ultimately make human rights be rooted in our company by invigorating relevant activities and offering systematic trainings to all employees. To this end, we appointed six facilitators and carried out cultivation trainings five times in 2017. Training programs aimed to help them understand the purpose, necessity, and importance of human rights management. To ensure the credence in our training programs, we adopted training materials of the National Human Rights Commission of Korea and Korea Human Rights Foundation. A key person completed the entire human rights instructor courses. In addition, key members in Employee Committee received collective trainings from professionals of the Korea Human Rights Foundation. The facilitators also completed the cyber training course on basic human rights offered by the National Human Rights Commission of Korea. We plan to expand the facilitator program to overseas headquarters and implement on-board trainings to identify and analyze more accurate results from annual human rights assessment.

■ Grievance Committee We established the grievance process in 2015 to make sound corporate culture by resolving employees' grievances, preventing disputes, and forming a consensus between the labor and management. Any kind of grievances including discrimination, sexual harassment, unfair dealing with maternity leave, and personal issues can be reported via oral report, phone, and e-mail, etc. All worksites in Korea and major overseas headquarters are operating the Grievance Committee or similar channels. Meanwhile, we identified worksites without the grievance process through human rights assessment. In 2018, we plan to secure the grievance process or similar channels by overseas headquarters and offices and to promote it to employees.

■ Human Rights Assessment Process We have conducted human rights assessment in all business sites (headquarters, domestic & overseas plants, R&D Center, and overseas offices and subsidiaries) once a year by using the checklist developed by the National Human Rights Commission of Korea. The checklist consists of 66 items in 11 categories (non-discrimination in employment, freedom of association and the right to collective bargaining, prevention of forced labor and child labor, occupational health and safety, etc.), which is used in each site's assessment. In 2017, 38 departments responded the assessment which included the intensified items such as protection of private information, sexual harassment, etc. After the assessment, we set the corrective action plans and mitigate potential risks.

■ Assessment Results We completed human rights assessment for 38 departments. As a result, five major issues were identified at 15 subsidiaries and sales offices at home and abroad. Those can be summarized as follows: insufficient promotion about human rights management at worksites; needs for grievance process or similar communication channels at overseas sites; review of recruitment process at overseas sites to prevent hiring of underaged persons; review of app forms at overseas sites to ensure fair opportunities of employment; and responsibility of suppliers, contractors, and subsidiaries for human rights protection. In 2018, to solve these issues, we will actively promote our human rights management by publishing a guidebook and set grievance process at each overseas subsidiary and sales office. The assessment checklist will also be upgraded to identify human rights issues in detail based on the feature of each site. We plan to conduct human rights assessment at all worksites by 2020 and offer on-board training to responsible staff of each site to ensure credibility and accuracy of the assessment results.

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Human Rights Assessment Checklist



- 1. Establishment of human rights management system**
 - Has the company established a strategy for human rights management with its commitment?
 - Does the company have any system to collect/handle/resolve the grievances of employees?
- 2. Equal opportunities and non-discrimination**
 - Does the company ensure protection against unreasonable discrimination when establishing and executing its policies and standards in all areas related to employees?
 - Does the company respect the various cultures of employees and make efforts to maintain a work environment where cultural differences are properly considered?
- 3. Freedom of association and collective bargaining**
 - Does the company respect labor's three primary rights for employees (Right to Organize, Bargain Collectively, and Collective Action)?
- 4. Prohibition of forced labor**
 - Does the company use all possible means to prohibit employees from participating in forced labor or derive benefits from forced labor (including bonded labor, forced labor like a slave due to debt, forced labor in prison, slavery, compulsory labor, and human trafficking) ?
- 5. Prohibition of child labor**
 - Does the company observe the minimum age standards?
- 6. Rights for individual safety**
 - Does the company have and/or take disciplinary actions to protect employees from physical, verbal, sexual or mental harassment?
 - Does the company respect and protect the privacy of employees?
- 7. Rights to occupational safety**
 - Does the company ensure to provide all employees with safe and clean work facilities?
 - Does the company provide employees with protective equipment and training necessary for the safe execution of their work?
- 8. Responsible supply chain management**
 - Does the company monitor whether all major suppliers, contractors, subcontractors, joint ventures and other business partners comply with their responsibilities to protect human rights?
- 9. Protection of local residents' human rights**
 - Does the company make efforts to increase employment and improve social welfare in its local community?
 - When purchasing land, does the company discuss it with all affected including the legal and customary owner, to obtain informed consent?
 - Does the company ensure not to get involved in deportation or extract gains from it and pay proper compensation to residents who have to move voluntarily?
- 10. Environmental rights**
 - Has the company established an emergency procedure at the right place to effectively prevent and handle all emergency situations and industrial disasters that influence local communities?
 - Does the company have a formalized environmental policy and an assigned department responsible to protect the environment of local communities?
- 11. Protection of consumer's human rights**
 - Does the company pay necessary attention to all procedures from R&D to material purchase, transportation, manufacturing, marketing and sales, use, and recycling to protect the life, health and safety of potential subjects from negative influences of product use and defective goods?

Manage Diversity

The “Hankook Donggeurami Partners,” established in 2015 to facilitate the employment of the disabled, was certified as the subsidiary company for the disabled on April 5, 2016. It has hired 87 employees with disabilities in 2015, 169 in 2016, and 172 in 2017 which doubles its employment from 2015, including indirect employment, providing stable jobs to the disabled. We will promote the services of the Hankook Donggeurami Partners and conduct campaigns to invigorate the employment of the disabled.

Growth-fostering Training System

For the purpose of contributing to our employees’ growth, Hankook Tire opened ‘Employee Happiness School’ as a completely new training program from the existing capacity-building courses. Offering ‘Future Happiness Education’ for employees in their 50s or older and ‘Life Planning Education’ for employees aged from 20s to 40s, the School helped employees to develop occupation philosophy, expand insights, adapt to changes in organization, and liven up team spirit. For Production & Engineering Division, we identified core technology and element technology for tire manufacturing and facility process, thus completing the technology classification system. We plan to secure capacity-building for engineers by redefining training system based on the core technology.

Employee Happiness School

Future Happiness Education_ Major concerns of employees have changed from company and their work to their personal life. As such, Hankook Tire designed training courses to prepare employees for the changing work environment by providing them with various



Future Happiness Education



Life Planning Education

educational contents to change organizational culture and preemptively prepare for their future. Developed for both office staffs and operators aged 50 or older (a total of 1,123 employees), the education garnered positive feedbacks from participants as meaningful and valuable. The courses were jointly developed with the ‘Half-retirement age campaign team’ of JoongAng Ilbo Co., Ltd. It also featured the daily’s online and paper contents on topics including finance, time management, replacement, and return to farm. Lectures were given by experts and retired journalists. (The ‘Half-retirement age’ has been upgraded to ‘More & Longer’ section on JoongAng Ilbo.)

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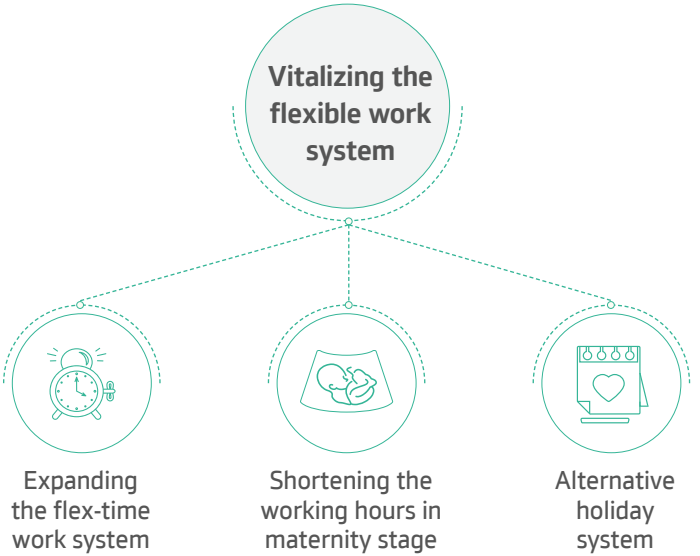
Life Planning Education_ Designed for operators in their 20s to 40s, the Life Planning Education is comprised of: (i) adulthood phase for ones in their 20s; (ii) family formation phase for those in their 30s; and (iii) family stabilization phase for those in their 40s. The contents cover work, family, and interest area, all designed to help employees enhance personality and develop trust in company. In 2017, a total of 978 employees were educated - 90 employees in their 20s, 513 in their 30s, and 375 in their 40s. The education contributed to strengthening employees' loyalty to work.

Establish Engineer Training System Based on Core Technology

It is imperative to put in place a set of clear guidance for personal growth to build talent and capability of employees. Specifically engineers' capacity constitutes an integral part in a company's growth and development as they have a huge impact on product quality, overseas plant operation, and manufacturing process. With this in mind, we conducted function-specific analysis of courses in the existing job training system. As a result, 29 courses out of the existing 49 subjects were decided to be kept, 13 courses deferred, 5 abolished, and 2 transferred to other categories. 14 courses from R&D training were added to the new training system, and 667 element technologies in engineering/manufacturing was aligned with the training system. In sum, 379 internal courses, 11 courses mixed with outside courses, 136 outside courses, and 141 other courses were set up. We also developed 28 courses for experts in manufacturing/engineering, thus selecting 28 general courses and 223 special courses. We plan to consistently develop and reform the courses.

Work & Life Balance

The flex-time work system is applied to the employees working at R&D Center. They can freely choose when to come to or leave work by submitting apps on one of two types to the HR Team until one day before using the system.



Hankook Tire provides researchers with flex-time work system in two types of attending time which they can freely choose (A type: 9 a.m., and B type: 10 a.m.). In 2017, 43 researchers used this system for their efficiency in working hours. Since 2016, with the aim of creating environment friendly to pregnancy and childbirth, we encouraged pregnant employees to use the system prepared to shorten their working hours. Eight employees in 2016 and ten in 2017 were able to shorten two working hours a day without wage cut through this system. We also initiated zero-holiday work in 2017 to shorten the overall working hours and ensure employees' rest, while alternative holiday system is applied to unavoidable cases.

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Transparency and Business Ethics



Background

Today, companies are required to maintain higher ethics as their businesses exert increasingly greater impacts on nations and local communities. For example, they are required to establish and execute management system meeting anticorruption regulations such as Bribery Act of the U.K., Foreign Corrupt Practices Act of the U.S., and Improper Solicitation and Graft Act of Korea. In response, Hankook Tire considers obtaining the ISO37001 certification (Anti-Bribery Management Systems).

Risk & Opportunities

The awareness of business ethics makes significant influences on corporate reputation and the level of social responsibility. Negligence in managing employees' awareness of ethics management can cause corruptions and irregularities and consequently damage corporate image, while consistent efforts for regularly improving their awareness of ethics management will lay a foundation for sustainable growth.

Management Direction

Hankook Tire is proactive in monitoring ethical risks and raising the awareness of ethics management to build solid ethical culture throughout the company. To this end, we have established an online ethics training system and conducted collective trainings. We also operate whistleblowing systems such as cyber audit office and Shinmungo and implement regular monitoring and survey to further enhance ethics management.

Responsible Organization

Ethics Management Committee

- Chaired by: Audit Department Director
- Supervised by: Audit Team

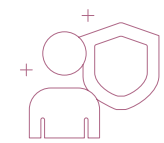
- Cooperation members: Purchasing Planning Team, Human Resource Management Team, R&D Planning Team, Global OE Planning Team, Global Marketing Strategy Team, Corporate Management Team 1

Impact & Scope

Business ethics applies to all our stakeholders including the holding company, subsidiaries, and suppliers as well as Hankook Tire. Therefore, business ethics issues make an impact on each other. In response, Hankook Tire will continue to foster ethics management to create positive synergy effect with all stakeholders.

Key Achievements

Operated the
whistle-blower
system



Received
18
reports annually

Conducted ethics
management
trainings



Approximately
2,200
persons

Disseminated ethics
management train-
ings to affiliates



Plans & Outlooks

Ethics management serves as a key value that ensures corporate competitiveness and sustainability in the era of global competition. For better execution of ethics management, Hankook Tire will continue to offer more efficient and professional trainings by job, position, and region and enhance the function of ethics management Help Desk. Moreover, we will establish a risk evaluation and management tool and prepare relevant risk response processes to manage risks more efficiently.

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Achievements in 2017 and Plans in 2018

● Completed ◐ Partially Completed ○ Preparing

2017				2018			
Managerial Issue	Goals	Achievements	Completion	Goals	Plans	Deadline	Responsible Team
Training and communication on ethics management	Offer regular ethics management training	• Offered online training to all office staff	●	Execute regular ethics management training	• Plan and execute training programs in conjunction with Human Resource Development Team	Oct.	Audit Team
	Elaborate ethics management training	• Elaborated ethics management training by region localization • Completed the project for Asia Headquarters	◐				
	Disseminate ethics management training to overseas headquarters	• Completed the distribution of Ethics Guidebook translated in local languages to overseas sites (English, Chinese, Hungarian, and Indonesian)	●	Vitalize the use of Ethics Guidebook	• Promote and spread the Ethics Guidebook by utilizing the E-Ethics Letter	Regularly	
	Elaborate and materialize ethics management regulation	• Added seven core elements related to anticorruption to ethics management regulation	●				
	Vitalize the operation of ethics management Help Desk	• Revised the ethics management Help Desk menus and elements and launched case studies about the Improper Solicitation and Graft Act	●	Vitalize the operation of ethics management Help Desk	• Utilize the E-Ethics Letter (referring the Ethics Guidebook, Anti-Corruption and Civil Rights Commission, media articles, etc.)	Regularly	Audit Team
	Pledge ethics management practice (over 90%)	• Plan to review and conduct the dissemination of pledge to ethics management practice to domestic production workers	○	Update the pledge on ethics management	• Update written pledge on ethics management and check unpledged persons	Sept.	Audit Team, Human Resource Management Team
	Use standard form of contract (including anticorruption article) or receive pledge on compliance	• Reviewed and consulted the transfer of relevant works to the team dedicated to purchasing contract	◐				
	Conduct the Ethics Management Awareness campaign	• Conducted the campaign with the theme with regard to family events	●	Conduct the Ethics Management Awareness Campaign	• Conduct the “No Holiday Gift” campaign	Feb., Sept.	Audit Team
	Efficientate whistleblowing system	• A globally integrated whistleblowing system is under construction.	○	Reset a plan to vitalize whistleblowing system	• Improve the whistleblowing system infrastructure	Oct.	Audit Team
Regular monitoring and evaluation	Implement self-diagnosis of ethics management	• Conducted self-diagnosis of ethics management	●	Establish a tool for managing ethics risk evaluation	• Establish a quantitative and qualitative evaluation system	Nov.	Audit Team, CSR Team
				Prepare processes proportional to risk level	• Manage diagnosis cycle and enhance trainings	Nov.	
				Execute regular risk evaluation	• Execute evaluation by country and job feature	Dec.	Audit Team, CSR Team, ethics management departments by location
				Set up plans to improve evaluation results	• Proactively reflect improvement requests from each education planning departments and Corporate Management Team	2019	
Dissemination of ethics management to affiliates	Conduct the “No Holiday Gift” campaign	• Carried out the “No Holiday Gift” campaign	●	Continue the “No Holiday Gift” campaign	• Conduct the “No Holiday Gift” campaign	Feb., Sept.	Audit Team, CSR Team, ethics management departments of each affiliate
	Offer ethics management training to affiliates	• Offered online ethics management trainings to four affiliates (office staff and production workers)	●	Offer ethics management training to affiliates	• Offer online ethics management trainings to four affiliates (office staff and production workers)	Nov.	
	Encourage affiliates to perform self-diagnosis of ethics management	• Affiliates conducted self-diagnosis of ethics management.	●	Encourage affiliates to perform self-diagnosis of ethics management	• Affiliates implement self-diagnosis of ethics management	Nov.	

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Training and Communication on Ethics Management

We elaborated and materialized the ethics management regulation by adopting needs of both our employees and third parties. We also provided periodical ethics management trainings to further enhance our employees’ awareness of business ethics.

Offer Regular Ethics Management Training

Hankook Tire conducts regular ethics management training once a year to raise employees’ awareness of business ethics. In 2017, online ethics training was offered to around 2,200 office staffs and operators in Korea and expatriates. We also uploaded online contents on the intranet to help all office staffs and operators including expatriates receive ethics management trainings year-round. Meanwhile, a 10-minitue video content with regard to ethics management - “Insight,” a program of EBS - are offered biennially to production workers who are difficult to access PCs during the morning assembly. This program helped them revive the meaning of ethics management.

Elaborate Ethics Management Training

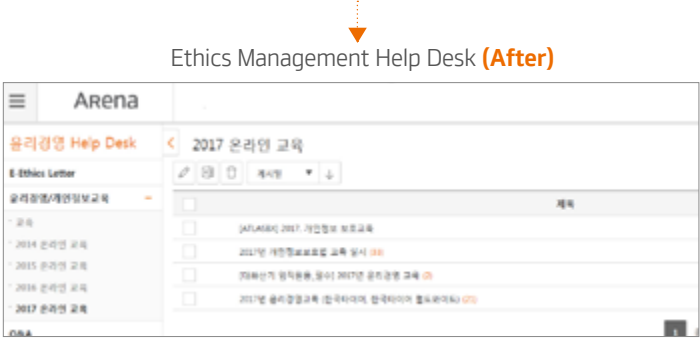
In response to increasing social requirements on ethics management, in 2017, we not only elaborated our ethics regulation but also offered subdivided ethics management trainings by position, job feature, and region to employees. As for contents by region, we requested training departments of overseas headquarters to conduct offline trainings by translating the Ethics Guidebook. By spreading ethics management training even to overseas sites, our employees were able to increase their awareness of ethics management. We also uploaded the Ethics Guidebook on the intranet to help office staffs and operators easily access ethics training at any time.



Ethics Guidebook



Ethics Management Help Desk (Before)



Ethics Management Help Desk (After)

Disseminate Ethics Management Training to Overseas Headquarters

We translated the Ethics Guidebook, which had been updated with an emphasis on case studies in 2016, in local languages in order to unify our ethics management. In May 2017, we completed editorial supervision and

distributed the final version of localized Ethics Guidebook to all overseas sites. Beyond just distribution of the guidebook, we encouraged training departments to actively promote it and offer relevant trainings.

Elaborate and Materialize Ethics Management Regulation

We completed the elaboration and materialization of ethics management regulation in August 2017 by collecting needs and opinions of OE makers and external evaluators. Newly updated articles were Zero Tolerance (measures against violations), Money Laundering (contribution to the nation and society), Internal Transaction (supplier partnership), Fair Trade (responsibility to customers), Charitable Sponsorship (contribution to the nation and society), Compliance with Export & Imports Regulations (contribution to the nation and society), and Express Charge (global company).

Vitalize the Operation of Ethics Management Help Desk

The ethics management Help Desk was established in line with the launch of new intranet. We upgraded the webpage design of the Help Desk and uploaded training materials to help employees use year-round. The E-Ethics Letter provides employees with helpful information on ethics management and the Q&A menu allows us to promptly respond to employee inquiries of business ethics.

Conduct the Ethics Management Awareness Campaign

Between 2011 and 2015, our E-ethics Letter served as a communication channel for all employees, including the 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. In 2017, we notified employees of understandable business ethics cases with regard to family events and a notice to encourage them to participate in the “No Holiday Gift” campaign.

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Efficient Whistleblowing System

The Company had promoted the localization of the whistleblowing system in Indonesian and Hungarian languages. However, we thought it was more efficient to establish a system where all local headquarters and offices can report at any time instead of localizing the system. Therefore, process establishment and systematization aimed at disseminating a global whistleblowing system are underway.

Regular Monitoring and Evaluation

Surveys on self-diagnosis of ethics management are implemented annually in a bit to identify unsatisfactory conditions and remedies.

Implement Self-diagnosis of Ethics Management

In 2017, Hankook Tire and its affiliates achieved 71 points out of 100 in self-diagnosis of ethics management. The figure shows that our ethics management remained intermediate level, institutional stage of ethics management. We were excellent in the area of

suppliers, while obtaining lower-than-expected points in the areas of ethics management system, customers, and competitors. Particularly, complaints on the trust of whistleblowing system were reported. In response, we will strive to get rid of possible misconception on the anonymity of whistleblowing system and further enhance whistleblower system, thereby eliminating corruption and unethical behaviors.

Dissemination of Ethics Management to Affiliates

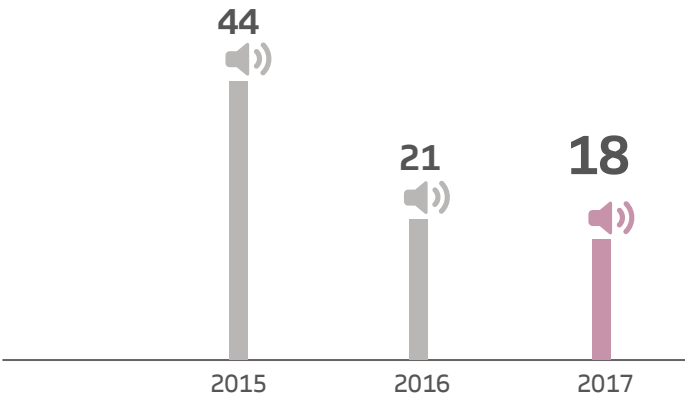
In pursuit of qualitative and quantitative growth with affiliates, we provide them with ethics management programs which are on par with those undertaken at Hankook Tire.

No Holiday Gift Campaign, Ethics Training of Affiliates, Self-diagnosis of Affiliates' Ethics Management

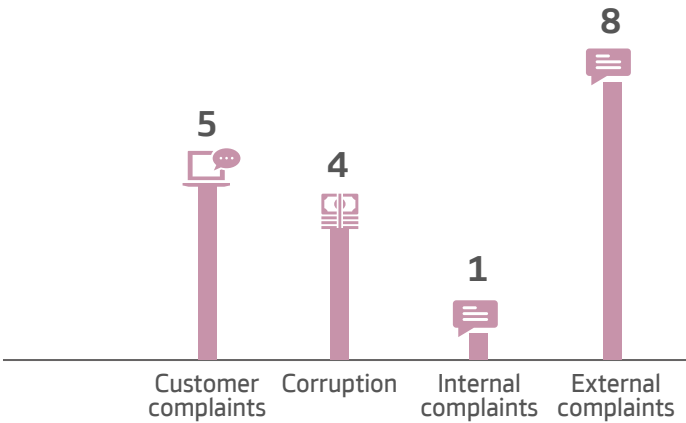
Our two affiliates (MK Technology, ATLASBX) collected major customer lists from each team and then sent a notice on the “No Holiday Gift” campaign by phone and

e-mail to those customers. In addition, our affiliates offered ethics management training to all employees including office staff and production workers by utilizing our online training contents or independently developing training contents. They are also required to submit the results of annual ethics management training and self-diagnosis for continuous monitoring.

3-Year Whistleblower Reports (No. of reports)



Whistleblower Reports by Type in 2017 (No. of reports)



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Win-Win Supply Chain Partnership



Background

Failures in sustainable growth of suppliers can bring about risks in our plant operation and tire production, which leads to cost rise and damages to corporate reputation. Hankook Tire recognizes that suppliers’ sustainable growth is inevitable to ensuring our corporate competitiveness in the long-term. Therefore, we are making a concerted effort to share the value of win-win growth with them and stably manage entire supply chain by building a solid partnership.

Risk & Opportunities

If stable procurement of materials and supply-demand control cannot be ensured due to inadequate CSR management of suppliers, deterioration of corporate competitiveness would be inevitable. In other words, securing suppliers that properly manage CSR issues will lead to higher production efficiency and strong market competitiveness. Ultimately, this will increase the reliability of the company's products and contribute to generating long-term business outcomes.

Management Direction

Hankook Tire pursues co-prosperity with its suppliers on the basis of transparent and fair relationships. To this end, Hankook Tire supports suppliers with policies to make them secure stable and long-term competitiveness, and monitors and manages supply chain risks through constant CSR assessment.

Responsible Organization

Supplier Committee

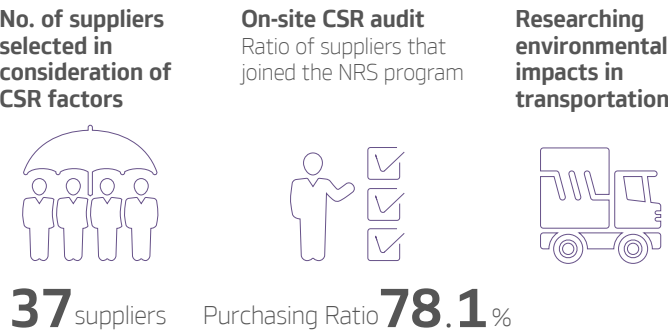
- Chaired by: Purchasing Department Director
- Supervised by: Purchasing Planning Team
- Members: CSR Team, Purchasing Team 1 & 2,

Raw Material Development Team, Global Quality Assurance Team, Engineering-related Team

Impact & Scope

To maintain the status as a global company, Hankook Tire continuously supports and manages suppliers’ issues with regard to human rights, environment, and ethics management. As part of that, we conduct supplier assessment and on-site CSR audits to assist the internalization of CSR management and risk control in the supply chain.

Key Achievements



Plans & Outlooks

We will gradually place more importance on suppliers’ CSR assessment and strengthen monitoring of their CSR activities through on-site CSR audit. We also plan to benchmark leading companies to establish our green procurement system. As the prices of butadiene, main material of synthetic rubber, and coal, material of chemical products, are expected to be fluctuated in the long-term, we will expand our support to raw material suppliers to ensure the stability of their business operation.

CSR FOCUS AREAS

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Achievements in 2017 and Plans in 2018

● Completed ◐ Partially Completed ○ Preparing

2017				2018			
Managerial Issue	Goals	Achievements	Completion	Goals	Plans	Deadline	Responsible Team
Capacity building of suppliers	Implement on-site CSR audit	• Implemented on-site CSR audit of material suppliers	●	Expand on-site CSR audit	• Implement on-site CSR audit of machinery suppliers	Dec.	Purchasing Planning Team
	Operate the Natural Rubber Sustainability (NRS) program	• Completed the self-declaration of Sustainable Natural Rubber Initiative (SNR-i)	●	Operate the NRS program	• Conduct CSR assessment and on-site audit of natural rubber suppliers • Establish Hankook Tire’s NRS policy (by Aug. 2018)	Sept.	Purchasing Team 1, Purchasing Planning Team
					• Offer CSR trainings to suppliers: Human rights, ethics, environment, safety, and health	2020	Purchasing Planning Team, CSR Team
ESG management of suppliers	Minimize environmental impacts in transportation	• Reviewed guidelines to check GHG emissions in transportation	◐	Review references	• Benchmark other companies’ cases	Dec.	CSR Team
Selection of suppliers	Select suppliers considering CSR factors	• Updated CSR standards within written contracts and regulations	●	Select suppliers considering CSR factors	• Continue updates of CSR standards within written contracts and regulations	Dec.	Purchasing Planning Team

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Capacity Building of Suppliers

We provide suppliers with diverse competence enhancement programs including field-centric CSR audit in a bit to establishing fair trade environment and strengthen their corporate competitiveness.

Conduct On-site CSR Audit of Material Suppliers

The on-site CSR audit initiated in 2017 for material suppliers. The audit consists of seven categories - operation of CSR management system, human rights & labor, ethics management, corporate philanthropy, safety & health, environment and climate change management, and CSR management of suppliers. Audit results are offered to suppliers for corrective action plans (CAPs), which will help suppliers' improve their own sustainability and mutual growth with Hankook Tire. We executed pilot audit of three material suppliers and identified criteria that need to be revised. Therefore, we are modifying those and rating principles. Going forward, we will recommend suppliers that receive audits to establish and implement corrective action plans.

Operate the Natural Rubber Sustainability (NRS) Program

To respond to car makers’ requirements on sustainable natural rubber, Hankook Tire joined the self-declaration of Sustainable Natural Rubber Initiative (SNR-i). We sent KPI documents to natural rubber suppliers and collected their feedbacks. Approximately 78.1% of suppliers based on the purchasing ratio completed the self-declaration of SNR-i or submitted their opinions. We completed our KPI document based on their comprehensive opinions and submitted it to the IRSG (International Rubber Study Group). Our self-declaration was completed by approving for the document and the result was disclosed on the SNR-i website.

Purchasing Ratio by Region in 2017¹⁾

(Unit: %)

Category	Region		Purchasing Amount	Percentage of Suppliers
OECD	Asia	Korea	42.5	32.6
		Others	3.3	1.5
	Europe	Hungary	3.0	14.3
		Others	13.3	5.3
	North America		0.5	0.6
	Subtotal		62.5	54.3
Non-OECD	Asia	China	12.2	33.1
		Indonesia	3.3	8.4
		Others	21.7	3.6
	Africa		0.3	0.6
	Subtotal		37.5	45.7
Total			100.0	100.0
	(Percentage of OECD countries and non-OECD countries)		(62.5 : 37.5)	(54.3 : 45.7)

1) Suppliers’ location is based on our local production plants.

On-site CSR Audit (Pilot)¹⁾

Target	Material suppliers in Japan
Audit area	CSR management system · CSR policy, responsibility, operation, and communication
	Human rights & labor · Human rights policy, human rights management, training · Freedom of association and collective bargaining, working hours/minimum wage, employment contract · Prohibition of child labor, forced labor, discrimination, and violence, prevention of sexual harassment · Grievance mechanism
	Ethics management · Ethics management system, responsibility, and policy · Ethics regulation, code of ethics, ethics training · Monitoring of ethics management, disciplinary actions in case of breach, whistleblowing system, disclosure on ethics management · Information security policy, responsibility, and training, monitoring information security system
	Corporate philanthropy · Corporate philanthropy policy, responsibility, and activities
	Health & safety · Health & safety policy, measurement/improvement of working environment, chemical management · Safety responsibility, inspection, and training, disclosure on industrial accidents, Safety & Health Committee · Personal safety devices · Firefighting management and responsibility
	Environment & climate change management · Environmental management system, conflict materials · Management of environment, water, chemicals, air pollution, and waste, prevention of soil pollution · Low carbon management, energy/GHG management
	CSR management of suppliers · Suppliers’ CSR policy and communication · Suppliers’ human rights management, ethics management, safety control, and environmental management
Corrective action plans	· Review on selecting departments and staff dedicated to CSR (several suppliers) · Compulsory training on human rights and ethics for new recruits · Development of corporate philanthropic programs that consider business feature (several suppliers) · Third-party assurance on OHSAS18001 · Transparent communication about environment and safety indicators (performances, targets, etc.) · CSR management of their own suppliers (setup of suppliers’ CSR standards, etc.)

1) Hankook Tire is discussing the adjustment of CSR assessment items, corrective action plans, and monitoring methods based on the results of on-site CSR audit.

- Customer Satisfaction and Quality Management (Car Makers/General Customers & Dealers)
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- Community Involvement & Development

ESG Management of Suppliers

Minimize environmental impacts in transportation

We inspected GHG emissions and relevant guidelines in the transportation of tires and raw materials to prevent environmental pollution in logistics. We are also reviewing and comparing GHG emissions by transportation type at home and abroad and at the same time, establishing a guideline for low carbon transportation. This guideline will be adopted to transactions with logistics suppliers, contributing to the government’s GHG reduction policy and eventually our cost reduction.

Selection of Suppliers

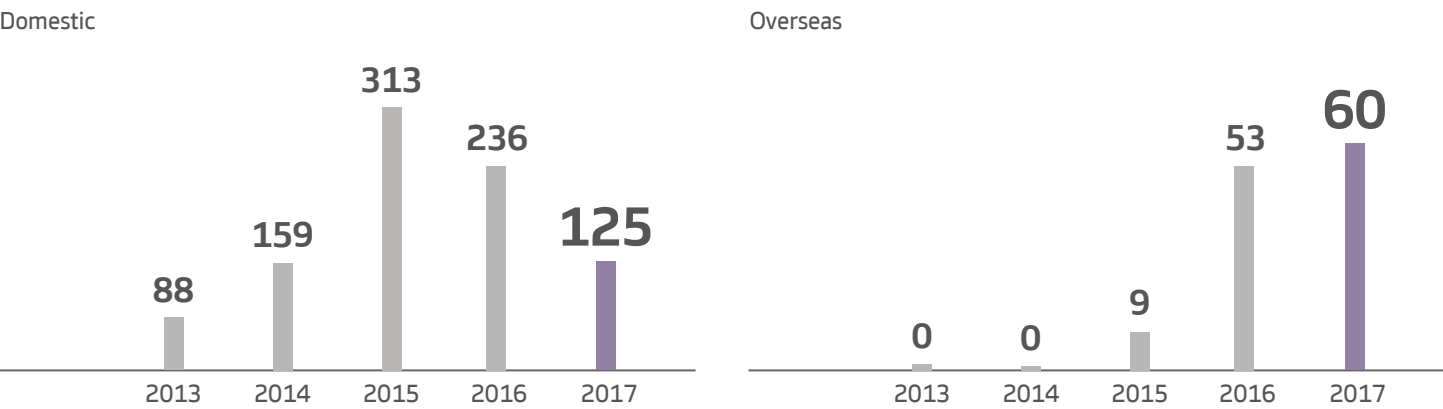
Hankook Tire considers CSR factors when selecting suppliers, thereby supporting and monitoring CSR activities even in the supply chain beyond the company as part of fulfilling its social responsibility.

Select Suppliers Considering CSR Factors

CSR items are stipulated in our standard contracts and supplier management regulations to emphasize CSR factors when selecting new suppliers. We also encourage all suppliers at home and abroad to better understand our ethics management policies and processes including anti-corruption issue whenever they have access to the G.HePS (Global Hankooktire e-Procurement System).

Suppliers Assessed in CSR¹⁾

(Unit: suppliers)



1) Suppliers assessed in CSR were calculated among the suppliers which had purchasing records in 2017

CSR Assessment Items¹⁾

Category		Details
Human rights, labor, non-discrimination	Human rights	· Freedom of association and collective bargaining
	Labor	· Child labor & forced labor, working hours & minimum wage, employment contract, reporting channels and treatments
	Prevention of discrimination and sexual harassment	· Prohibition of discrimination and violence, prevention of sexual harassment
Ethics	Ethics management system and execution	· Ethics regulations, ethics trainings, anticorruption, antibribery, social contribution activities
	Ethics management monitoring and practices	· Regular audit on ethics practice, treatment and results in case of breaches
	Information protection	· Customer information security
Safety & health	Safety	· Safety inspection, personal safety devices, Safety & Health Committee, suppliers’ safety management
	Firefighting	· Fire prevention management
	Health	· Measurement/improvement of working environment, chemical substances management
Environment & GHG	Environment	· General environmental management, prevention of soil pollution, waste management
	GHG	· Energy & GHG management

1) In case of selecting new suppliers and renewing contracts with existing ones, Hankook Tire gives priority to suppliers with over Y grade (60 points) in CSR assessment. We are also discussing how to improve the grade of R-graded suppliers.

Hankook Tire’s Critical Suppliers

Hankook Tire selects and manages suppliers in two categories in view of business connectivity and reliance, and the importance of supplies. As for raw materials, we select suppliers which are ①technology-intensive, ②oligopolistic, or ③tire cord suppliers. Machinery suppliers falls under the critical suppliers which take long time to be fixed and therefore, can inflict major impacts to Hankook Tire's business continuity in case of accidents.

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Integrated Environmental Management System



Background

In accordance with increasing stakeholders’ requirements for corporate environmental responsibility, Hankook Tire makes a concerted effort to reduce environmental impacts from the use of power, steam, and water in the process of tire production. It is also significant for us to create added values by manufacturing products that satisfy global environmental regulations with the recognition of environmental impacts in entire product life cycle ranging from materials purchasing, production, use, recycling, and disuse.

Risk & Opportunities

The paradigm in responding to future environmental issues is changing due to increasing needs for sustainable product environment from internal and external stakeholders and tightening regulations such as hazard chemicals related laws and the Framework Act on Resource Circulation. With the recognition that it is a positive change, we are proactive in preemptively setting up strict internal criteria and managing our worksites environmentally.

Management Direction

We renewed the environmental management system ISO14001: 2015 certification as part of our efforts to minimize environmental impacts under the management principle that we have no scruples on investments in environmental protection. Based on the environmental management system, all of our worksites strive to reduce environmental impacts in entire process of tire life cycle. We also established an independent roadmap for environmental management and mid- to long-term strategies and those are managed by environment-related committees, which ensures our organic and systematic environmental management and response to potential environmental issues.

Responsible Organization

EHS Committee (Worksite Environment Management)

- Chaired by: EHS Department Director
- Supervised by: EHS Planning Team

- Members: CSR Team, DP(KP)Facility Maintenance Team, R&D Corporate Management Team, DP(KP)Safety & Environment Team

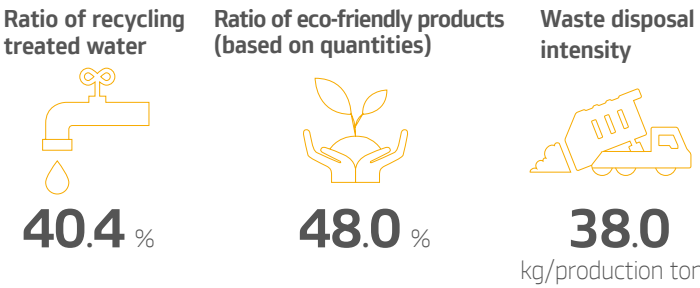
Product Environment Committee

- Chaired by: R&D Planning Department Director
- Supervised by: R&D Planning Team
- Members: Material Development Team 1 & 2, Material Research Team 1, PC Development Team 3, CSR Team

Impact & Scope

Hankook Tire is directly required for environmental management and eco-friendly products from car makers. Stakeholders also require us to set up plans for reducing environmental impacts as the management of water and chemicals is of growing importance due to increasing production volume. In response, all of our worksites at home and abroad comply with environmental regulations to prevent any impact from regular operation of plants.

Key Achievements



Plans & Outlooks

Hankook Tire makes efforts to invest in preserving environment and realize a sustainable society in accordance with its environmental management principles. Based on its mid-term environmental target (Target 2020), we are proactive in reducing water consumption and waste disposal, while increasing waste and wastewater recycling rates. Moreover, we aim to create new markets by successfully coping with global environmental regulations that will be technical barriers to trade.

Customer Satisfaction and
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Achievements in 2017 and Plans in 2018

● Completed ◐ Partially Completed ○ Preparing

2017				2018			
Managerial Issue	Goals	Achievements	Completion	Goals	Plans	Deadline	Responsible Team
Design & materials of tire	Establish chemicals management process and evaluation system	• Established chemicals management process	●	Establish an inventory of chemicals	• Fully establish an inventory of chemicals in Korea • Check chemicals control process in overseas sites and build an inventory for improvement	Oct.	CSR Team
	Expand LCA ¹⁾ to all worksites	• Completed LCA on a PCR and a TBR tires at Chongqing Plant	●	Update LCA at the domestic plants	• Respectively update LCA on products manufactured at the domestic plants	Dec.	
	Adopt eco-design	• Updated the simplified tool for eco design	◐	Increase the ratio of eco design	• Promote eco design by the simplified LCA of flagship products	Dec.	
Use & disuse of tire	Expand the use of green carbon and reclaimed rubber	• Conducted temporary production of innerliner compound made of green carbon - Developed innerliner compound made of reclaimed butyl	●	Expand the use of green carbon and reclaimed rubber	• Promote temporary production that uses green carbon at global plants - Expand the production of innerliner compound made of reclaimed butyl	Nov.	Material Development Team 1
	Develop energy-saving curing technology	• Improved curing process conditions and productivity	●	Reduce N ₂ gas use in curing process	• Optimize N ₂ gas supply pressure	Jun.	Material Development Team 2
	Discover new materials and develop application technologies	• Upgraded the performance of compound by applying natural oil	●	Discover new materials and develop application technologies	• Further upgrade the performance of compound by applying natural oil	Dec.	Material Development Team 1
	Develop lightweight tires	• Revised criteria on structural reinforcement	●	Develop lightweight tires	• Optimize the structure of existing products • Optimize stud tire groove depth	Dec.	PC Development Team 3
	Research on the impact of tire wear	• Analyzed the impact of tire wear on generating fine dust	●	Research on the impact of tire wear	• Communicate with internal and external stakeholders	Dec.	EHS Innovation TFT
Environmental management of worksite	Reduce waste amount	• Waste disposal intensity target: 40kg/production ton, waste disposal intensity in 2017: 38.01kg/production ton	●	Reduce waste amount	• Waste disposal intensity target: Below 40kg/production ton	Dec.	EHS Planning Team
	Advance environmental management	• Renewed the ISO14001:2015 of the domestic plants as a new certification • Launched an organization dedicated to global EHS	●	Reuse resources	• Increase the reuse of waste resources at Daejeon Plant and Geumsan Plant	Dec.	DP)KP)Safety & Environment Team
	Minimize air environment impacts (odor/fine dust)	• Built additional Wet-scrubber facilities in calendering process at Daejeon Plant • Replacement ventilation system type to room type for mixing lines at Daejeon Plant and Geumsan Plant • Overhauled mixer local ventilator at Daejeon Plant and Geumsan Plant • Signed a self-initiated agreement on fine dust reduction • Conducted R&D activities for a new environmental facility (Multi Wet EP System)	●	Preemptively respond to tightening environmental regulations	• Study odor reduction activities at Daejeon Plant • Increase CFRTO, CRCO efficiency at Daejeon Plant • Build additional Wet-scrubber facilities in mixing process at Daejeon Plant • Build additional Wet-scrubber facilities in calendering process at Geumsan Plant • Overhaul local ventilators in mixing at Geumsan Plant • Conduct R&D activities for a new environmental facility (Multi Wet EP System)	Dec.	EHS Planning Team, DP)KP)Safety & Environment Team
	Continuously improve water treatment efficiency	• Improved the efficiency of Sewage & Wastewater Disposal Facility at Daejeon Plant and Geumsan Plant • Replaced Tele Monitoring System (TMS) at Geumsan Plant	●				
	Promote co-prosperity with local communities	• Expanded the operation of Donggeurami Co-prosperity Council at Daejeon Plant	●	Promote co-prosperity with local communities	• Expand the operation of Donggeurami Co-prosperity Council at Daejeon Plant • Operate an environmental council at Geumsan Plant	Dec.	DP)KP)Safety & Environment Team

1) LCA: Life Cycle Assessment

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Design & Materials of Tire

Establish chemicals management process and evaluation system

In observance of the increasingly enhanced management regulations on chemical substances both home and abroad, Hankook Tire has undertaken projects aimed at improving in-house chemical management system. In 2017, our R&D, procurement, and chemicals-handling teams came together to establish a unique chemical management system. Under the system, chemical substances go through pre-management process such as MSDS (Material Safety Data Sheet) and Self-Declaration before being stocked. Any substances subject to regulations during the pre-stage are screened for use against our ‘internal regulations’ to ensure that permissions for use are obtained as necessary. Substances are admitted to storage facilities only after they clear the second and third screening to make sure that no regulations are violated. We will take further improvement measures on any irregular process identified during the preemptive project.

Expand LCA to all worksites

Following the update of products subject to LCA starting with Geumsan Plant in 2012, we conducted the process evaluation on one selected type of PCR·TBR tires representing individual plants and produced in Chongqing Plant in 2017. Tires are most affected by environment when fitted to vehicles. The environmental impact from the products subject to LCA this time averaged 84.3%. We collaborate with plants to draw strategy for eco-friendly product development for the

Worksites Subject to LCA

Category	2012	2013	2014	2015	2016	2017
Geumsan Plant	●			●		
Hungary Plant		●			●	
Jiaxing, Jiangsu Plants (China)			●			
Chongqing (China)						●

purpose of limiting environmental impact from product use. Additionally, we strive to enhance energy efficiency by comparing the past LCA data with plant-specific energy consumption data at each manufacturing stage. Hankook Tire develops and upgrades simplified tool for eco design products with environmental impact in mind from the designing stage while integrating eco design process into product development.

Use & disuse of tire

Expand the Use of Green Carbon and Reclaimed Rubber
End-of-life tires are recycled as oil, carbon, or steel through pyrolysis system. The raw materials from old tires are used to manufacture green carbon and reclaimed rubber which are then adopted for recycled tires. Hankook Tire applies green carbon and reclaimed rubber to produce major compounds. In 2017, we carried out a wide variety of researches on high purification of carbon, desulfurization process, processability, and manufacturing quality in order to increase performance and use of recycled materials. What’s more, we completed field evaluation and temporary production of the inner liner compound applied with recycled carbon and butyl. Recycled tires manufactured with compounds of green carbon and reclaimed rubber will soon be launched on the market.

Develop Energy-saving Curing Technology

Curing process in tire manufacturing involves high temperature and pressure to put patterns onto rubber tires. Hankook Tire is committed to developing curing technology to ensure efficient consumption of the heat energy released during the process while maintaining the quality. We strive to identify and standardize the optimal conditions for productivity maximization at our plants. To do so, we study temperature, pressure, and hours when the energy efficiency is highest. In 2017, we conducted researches on the optimal pressure and temperature for

steam and N₂ gas for tire curing. Based on the results, we develop technology to obtain the best possible productivity and quality with minimal resources for each segment.

Discover New Materials and Develop Applied Technologies

Hankook Tire expands researches of not only eco-friendly products itself but also raw materials to replace existing materials. For compounds featuring environmentally-friendly new materials such as natural oil, in particular, we carried out research to reinforce its performance and mass production processability. Furthermore, we conduct study on a wide array of renewable and recycling materials for eco-friendly products by applying polyketone, a type of raw material synthesized with CO₂, to tire cords.

Develop Lightweight Tires

Lightweight tires make it possible to reduce raw material consumption and improve fuel efficiency. This is why we have been focusing on researching the structural optimization of respective tire component with the aim of developing lighter tires. This effort allowed us to reduce the weight of our passenger car tire K125 by 3.6% from its previous version with the same specifications. This technology is being adopted to overseas plants beyond the domestic plants. Our goal is to lighten the weight by a total of 7.2% through consistent R&D efforts by 2020.

Research on Tire Wear

To understand the impact of tire wear on generating fine dust, we commissioned TIP, ChemRisk, and WBCSD to analyze air quality in 81 areas with heavy traffic in three regions (America, Europe, and Asia) in association with 10 global tire makers. The results showed that the ratio of tire wear substance among atmospheric fine particles was 0.1~2.4% and detection density was 0.002μg/m³~0.67μg/m³ based on PM¹-10, the level that does not affect human body.

1) PM: Particle Matter

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Eco-friendly Worksite Management

We overhaul our environmental facilities on a regular basis and research new environmental technologies with the aim of minimizing environmental impact from our business on local communities. We also established organizations dedicated to environment, safety, and health and obtained new certifications to build a firm environmental infrastructure.

Reduce Waste Amount

Hankook Tire has promoted the R-R (Reduction&Recycling) activity to boost resource recycling and reduction of waste amount. In 2017, we achieved waste disposal intensity of 38.01kg/production ton on the back of proactive R-R activity, overfulfilling the target of 40kg/production ton by 2020.

Advance Environmental Management

ISO14001:2015 New Certificate Renewal_ Following the overhaul of the global environment management standard ISO14001, we revised related regulations and standards of Geumsan Plant and Daejeon Plant to new version. We conduct internal audits regarding relevant standards on a regular basis and have them verified by outside organizations to meet the needs of major car makers.

New Team on Global Environment/Health/Safety_ In January of 2018, the Company organized a new team in charge of Global EHS in addition to EHS team at plants. Their missions include: planning environment projects at all Hankook Tire plants including 8 overseas plants; inspect activity status at individual plants; and disseminate latest problem-solving technology. We will ensure an environment and safety management that is much more systematic and advanced while laying the groundwork for eco-friendly production.



ISO14001 certificate of Daejeon Plant



Written agreement on reducing fine dust at Daejeon Plant



Wet EP System Test facilities

Minimize air environment impacts (odor/fine dust)

Built Additional Wet-scrubber Facilities_ We installed one additional 1,800m³/min-class Wet-scrubber to prevent odor in the calendaring Process in Daejeon Plant. Expanded installation of local ventilators has improved the internal precipitating environment. The odor factor at the terminal ventilation is constantly kept below 100multiple (odor factor required to be kept at 500multiple or lower by law).

Replacement ventilation system type to room type for mixing line_ To prevent pollution sources from being released in mixing process, local ventilation equipment was replaced from enveloping hood to full-shield

room type. The replacement work in Daejeon Plant was completed while Geumsan Plant is undergoing construction. This investment contributed to raising working environment and reinforcing purification effect of atmospheric pollutants.

Overhauled Mixer local ventilators_ We conduct facility overhaul on a regular basis according to yearly plan for the purpose of ensuring the best-possible efficiency of odor prevention equipment of mixing process. In 2017, we completed the overhaul of #6, #8, and #14 mixers in Daejeon Plant, and local ventilation equipment and environment facility of #3 mixer in Geumsan Plant.

Sign a Self-initiated Agreement on Fine Dust Reduction_ In June 2017, Daejeon Plant signed a self-initiated agreement on fine dust reduction with Daejeon City for the cleanest air. Under the agreement, Hankook Tire will replace diesel-engine vehicles in Daejeon Plant with electric vehicles to lower the concentration of ultra-fine dust to 18µg/m³. We will also introduce new technology for fine dust reduction by controlling the release of environmental pollutants and operating optimal prevention system.

Conduct R&D activities for a new environmental facility (Multi Wet EP System)_ In our utmost effort to purify atmospheric pollutants released from manufacturing process, we endeavor to develop high-performance environment facilities. In 2017, we won the ‘Atmospheric Quality Improvement and Global Environment Response Technology’ project of the ‘Advancement Technology Development for Environment Industry Project’ hosted by the Ministry of Environment. We are now developing high-performance ‘Multi Wet EP System’ which is capable of simultaneously removing fine dust and odor, both of which are particle- and gas-based matter. Test facility has been installed in Daejeon Plant. We plan to continue feasibility study for the purpose of introducing the system by 2018.

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Continuously Improve Water Treatment Efficiency

Improve Efficiency of Sewage & Wastewater Disposal Facility)_ We operate Sewage & Wastewater Disposal Facility by establishing a strict set of internal standards in observance of the waste water discharge regulations as prescribed by environmental laws. Hankook Tire ensures efficiency in water treatment based upon systemic improvement plan. In 2017, sand filter was replaced in Daejeon Plant and latest activated carbon filters and sand filters were replaced in Geumsan Plant.

Upgraded the TMS (Tele Monitoring System) Equipment_ Our Geumsan Plant operates the tele monitoring system to monitor water treatment status of the Sewage & Wastewater Disposal Facility, its own wastewater and sewage treatment facility, in real time. In 2017, the plant replaced SS (Suspended Solids) and pH measuring devices and upgraded subsidiary facilities such as communication equipment for better monitoring and maintenance of water quality.

Promote Co-prosperity with Local Communities

Expanded the Operation of the Donggeurami Co-prosperity Council_ At our Daejeon Plant, the “Donggeurami Co-prosperity Council” has been running since 2016 to form mutually beneficial partnerships and address odor issues in surrounding areas. The council consists of representatives of local people, city council members, provincial members, Daejeon University, and environmental organization. The scope of local people was extended to Seokbong-dong beyond Moksang-dong since 2017. The plant strives for co-prosperity with local communities by jointly addressing local issues.



Donggeurami Co-prosperity Council



CASE STUDY

HANKOOK TIRE Sustainable Research: E-Circle

Corporate Strategy

It is a fundamental responsibility for a company to minimize environmental impacts from businesses and prevent possible environmental impacts. To fulfill the responsibility and pursue sustainable growth, Hankook Tire complies with world-class environmental standards. We strive to efficiently use resources in the manufacturing process and increase the ratio of eco-friendly materials use, thereby improving environment by using our products and decreasing the reliance on petroleum-based resources.

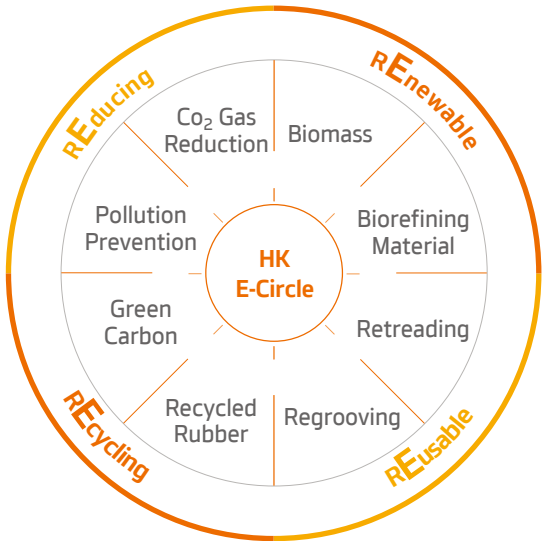
Research Activities

Our research activities with regard to sustainability named E-Circle are carried out with four concepts – reuse of end-of-life tires, use of bio-based sustainable eco-friendly raw materials, minimization of environmental impacts within the lifecycle of tire, and recycling of waste tires. Research activities are underway in accordance with a mid- to long-term roadmap. The ultimate goal of E-Circle is to develop tires made entirely of sustainable raw materials by 2045.

Future Plans

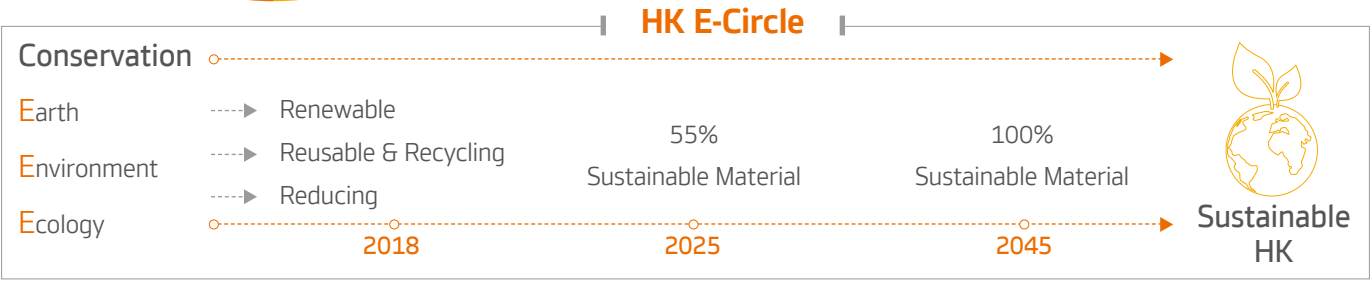
Hankook Tire will spare no efforts for research activities to ensure a positive interaction between nature and human society and create sustainable values that meet requirements of current generation even without damages to future generations.

HANKOOK TIRE Sustainable Research: E-Circle



REnewable
REcycling
REusable
REducing

Environment Conservation
Eco-friendly Material
Energy Save



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Climate Change and GHG Management



Background

Increasing GHG emissions are causing global impacts such as changes in ecosystem and sea level rise. In response, since the Paris Agreement took effect on November 4, 2016, the entire global community has been involving in responding to climate change, and companies are further required to fulfill their roles and responsibilities for curbing global temperature increases within 2°C against the pre-industrialized level.

Risk & Opportunities

The increasing production volume driven by continuous plant extensions such as the establishment of a new plant in Tennessee of the U.S. makes us need more energy consumption, resulting in elevating production costs and facing GHG emissions reduction obligation due to tightening regulations in each country. Meanwhile, introducing high energy-efficiency facilities, expanding energy recycling, and replacing energy resources with low carbon fuels and electricity will have positive effects such as enhancing competitiveness and brand value.

Management Direction

We will never spare our investments or endeavors to reach our goal in reducing GHG emissions and strive to replace energy sources with eco-friendly ones to restrict the use of fossil fuel in the long term, contributing to the prevention of global warming. The improvement goal setup and execution are quarterly managed by the Climate Change Committee and our annual GHG emissions and activities against climate change are disclosed through CDP¹⁾.

1) CDP (former Carbon Disclosure Project): A project and institution name aimed at evaluating global major listing companies' responses to environmental issues such as climate change, water, and forest resources, which is used as an investment guide for global financial institutions

Responsible Organization

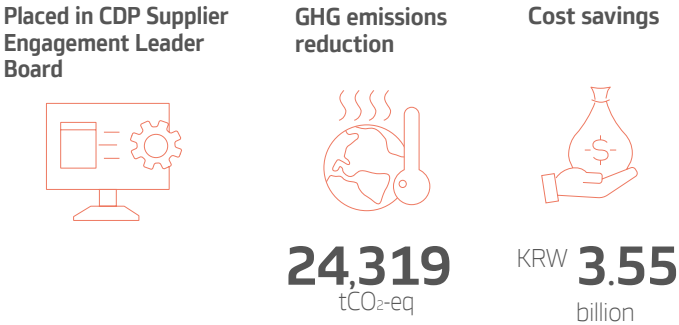
Climate Change Committee

- Chaired by: Machinery Engineering Department Director
- Supervised by: Machinery Engineering Team 3
- Members: CSR Team, Global Facility Maintenance Operations Team, Facility Maintenance Team of each plant, MP)EHS Team, R&D Corporate Management Team

Impact & Scope

Climate change affects the environment, ecosystem, and humanity, thereby being related to diverse regions and stakeholders. The effectuation of the Paris Agreement will make each country tighten GHG emission regulations, which may weaken market competitiveness due to higher trade barriers and increasing production costs. As materials affect GHG emissions from tires and consequently those from vehicles, response to climate change is an urgent problem entire supply chain ranging from suppliers to customers should strictly manage.

Key Achievements



Plans & Outlooks

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

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Achievements in 2017 and Plans in 2018

● Completed ◐ Partially Completed ○ Preparing

2017				2018			
Managerial Issue	Goals	Achievements	Completion	Goals	Plans	Deadline	Responsible Team
Low carbon management	Become an excellent carbon management company in CDP	<ul style="list-style-type: none">Placed in CDP Supplier Engagement Leader BoardAwarded CDP Korea Carbon Management Sector Honors	●	Maintain the status as an excellent carbon management company in CDP	<ul style="list-style-type: none">Maintain the status as CDP Supplier Engagement Leader BoardMaintain the status as CDP Korea Carbon Management Sector Honors	Dec.	CSR Team
	Expand the e-Saver (IT system for energy management) (Hungary Plant)	<ul style="list-style-type: none">Planned to expand the e-Saver after improving the system of existing plants	○	Advance the e-Saver	<ul style="list-style-type: none">Upgrade the existing e-Saver to help utilize big data	2019	Digital Transformation TFT
	Introduce high-efficiency facilities	<ul style="list-style-type: none">Change to high-efficiency lights (LED)Improve chilled pump control	<ul style="list-style-type: none">●●	<ul style="list-style-type: none">Change to high-efficiency lights (LED)Change to high-efficiency pumps	<ul style="list-style-type: none">Replace fluorescents with high-efficiency LED lights (about 4,000 units)Replace deteriorated pumps with high-efficiency ones	<ul style="list-style-type: none">Dec.Dec.	<ul style="list-style-type: none">Facility Maintenance Team of each plant
Reduction of GHG emissions		Set up the TVR (Thermal Vapor Recompression) system in mixing process	◐	Stabilize the TVR system	<ul style="list-style-type: none">Analyze data based on the operating rate and stabilize the system	Sept.	Machinery Engineering Team 3
	Reuse energy	Prevent steam leakage in mixing process	●	Improve steam leakage in mixing process	<ul style="list-style-type: none">Continuously check and replace steam trap in mixing process (continuously)	Dec.	Facility Maintenance Team of each plant
				Apply the compressor ER (Energy Recovery) system	<ul style="list-style-type: none">Introduce the ER system after reviewing the feasibility	2019	Machinery Engineering Team 3
	Improve operation methods	Improve the control of cooling and heating temperature	●	Improve the control of cooling and heating temperature	<ul style="list-style-type: none">Reduce power waste by controlling cooling and heating temperature at offices and plants (continuously)	Dec.	Facility Maintenance Team of each plant
		Optimize pressure of air compressors	●	Optimize N ₂ gas supply pressure	<ul style="list-style-type: none">Reduce power consumption of N₂ gas generator by optimizing N₂ gas supply pressure		
		Install absorption chillers	●	Install absorption chillers	<ul style="list-style-type: none">Reduced power consumption by replacing turbo chillers with absorption ones (continuously)		
		Increase operational efficiency of boilers	●	Increase operational efficiency of boilers	<ul style="list-style-type: none">Conduct boiler cleaning and improve condensate return lines		
	Introduce new technologies and use renewable energy	Review additional feasibility of introducing photovoltaic power generation	●	Review the feasibility of introducing thermal power generation system	<ul style="list-style-type: none">Review the feasibility of introducing thermal power generation system to domestic plants	Oct.	Machinery Engineering Team 3
		Review the feasibility of introducing the Energy Storage System (ESS) (technical review)	●	Review the introduction of ESS	<ul style="list-style-type: none">Review the introduction of ESS to Geumsan Plant	Aug.	Machinery Engineering Team 3
				Utilize low-carbon external steam	<ul style="list-style-type: none">Reduce GHG emissions by utilizing low-carbon external steam based on bio mass at Daejeon Plant	Dec.	DP)Facility Maintenance Team

INTRO

INTEGRATED CSR
MANAGEMENT SYSTEM

CONSTANT MONITORING AREAS

CSR FOCUS AREAS

Customer Satisfaction and
Quality Management
(Car Makers/General Customers & Dealers)
Employee Health and Safety Management
Employee Value Creation
Transparency and Business Ethics
Win-Win Supply Chain Partnership
Integrated Environmental Management System
Climate Change and GHG Management
Community Involvement & Development

APPENDIX



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Low Carbon Management

We establish and implement company-wide climate change response strategies centered on the Climate Change Committee. Hankook Tire became an excellent company in CDP in recognition for its systematic carbon management performances.

Become an Excellent Carbon Management Company in CDP Placed in CDP Supplier Engagement Leader Board_ Hankook Tire became Korea's first company placed in CDP Supplier Engagement Leader Board in recognition for carbon management in the supply chain. CDP evaluates the level of supplier engagement in climate change response in eight grades. Only the A-rated companies are able to enter the Leader Board. In 2018, only 2% out of about 3,300 global companies received the A grade.

Awarded the CDP Korea Carbon Management Sector Honors_ We were awarded the Carbon Management Sector Honors in the consumer discretionary sector at the 2017 CDP Korea Climate Change Award in recognition for transparent information disclosure on climate change response and proactive GHG emissions reduction activities.

CDP Supplier Engagement
Leader Board

2017 CDP Korea Climate Change Award

Reduction of GHG Emissions

Through broad-ranging energy-saving initiatives such as improving facility efficiency and recycling energy, we promote the reduction of production costs and realization of GHG emission reduction targets. We also review changes to low carbon energy use.

Introduce High-efficiency Facilities

To ensure higher energy efficiency, we apply strict efficiency standards by facility and continuously identify improvement tasks. Moreover, we have been replacing fluorescents with high-efficiency LED lights since 2014. Over 4,000 fluorescents were replaced with LED lights in 2017. These efforts allowed us to save costs of KRW 590 million and GHG emissions of 4,323 tCO₂-eq, respectively.

Reuse 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 reduce fuel consumption by minimizing the amount of steam used to maintain the temperature of the surrounding tire molds in the mixing process. In addition, waste heat generated from the tire manufacturing process is recovered and changed to compressed steam for the reuse in mixing process. We save approximately KRW 790 million in costs and reduce GHG emissions of 3,835 tCO₂-eq in 2017 through energy leakage prevention and recovery.

Improve Operation Methods

By efficiently and effectively improve existing operation methods in the process of tire manufacturing and energy use, we reduce energy in various aspects with minimum investments. In 2017, we reduced power consumption by optimizing the supply pressure of air compressors and increased heat supply efficiency by cleaning boilers and maintaining proper air ratio, which contributed to saving costs of around KRW 2.17 billion and reducing GHG emissions of 16,161tCO₂-eq.

Introduce New Technologies and Use Renewable Energy

Review additional feasibility of introducing photovoltaic power generation_ In 2017, we conducted detailed feasibility review of operation methods and utilization with regard to introducing rooftop photovoltaic generation at Geumsan Plant. However, this project was held off due to physical issues such as reinforcing roof structure and connecting cables.

Review the feasibility of introducing the ESS_ We completed the feasibility review of introducing the Energy Storage System (ESS) to Daejeon Plant in 2016 and Geumsan Plant in 2017. The review outcomes revealed that the adoption of the ESS will save us nearly KRW 400 million per year in costs while contributing to stabilizing the national power supply network.

Community Involvement and Development



Background

Companies are required to play a role as corporate citizens that pursue co-prosperity with local communities beyond just creating profits. A company pursuing only profits cannot be accepted by both local communities and consumers. Therefore, corporate sustainable growth is ensured when participating in solving local issues and making efforts for co-prosperity with local communities.

Risk & Opportunities

Negligence on pursuing co-prosperity with local communities may bring about loss of local business foundation and give a negative corporate image to consumers. In other words, efforts for proactive involvement in addressing local issues and co-prosperity with them can present a positive corporate image and increase corporate value.

Management Direction

Hankook Tire not only contributes to the growth of local economy directly and indirectly through its business operations but strives to addressing local issues. Our major activities include three mobility projects, protection of at-risk youth, supports for economic independence of the underprivileged, Social Housing program, scholarships to students sponsorship of local festivals, and supports for social welfare centers.

Responsible Organization

Corporate Philanthropy Committee

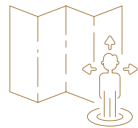
- Chaired by: Corporate Strategy Planning Division Director
- Supervised by: CSR Team
- Cooperation members: DP(KP)Corporate Management Team, Culture Communications Team, Hankook Tire Welfare Foundation

Impact & Scope

Our community involvement and development programs are also undertaken in overseas regions with the recognition of the importance of co-prosperity with local communities. We put emphasis on closely communicating with local communities at home and abroad with the aim of contributing to the development of local economy.

Key Achievements

Traffic Safety
Maps for
children



587

elementary school
students

Volunteer
work hours
per employee



2.4

hours

No. of vehicles donated
to social welfare centers
through the Car Donation
initiatives



397

vehicles (accumulative)

Plans & Outlooks

In 2018, the Company will reinforce its Mobility concept to upgrade existing programs such as tire donation, car donation, Tuieum Bus, and Social Housing program. New Corporate philanthropic activities will start test operation as well. We will design and execute Corporate philanthropic activities pursuing co-prosperity with local communities in Taeon where a new PG¹⁾ will be located. With these plans, we will achieve the four major strategic directions(Company-wide Expansion, Focusing on Core Competence, Employee Participation, Fostering Local Community's Sustainability) and consequently take a step closer to reaching our mid- to long-term corporate philanthropic goal of contributing to the growth of local communities and improving our brand value.

1) PG: Proving Ground

- Customer Satisfaction and Quality Management (Car Makers/General Customers & Dealers)
- Employee Health and Safety Management
- Employee Value Creation
- Transparency and Business Ethics
- Win-Win Supply Chain Partnership
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Achievements in 2017 and Plans in 2018

● Completed ● Partially Completed ○ Preparing

2017				2018			
Managerial Issue	Goals	Achievements	Completion	Goals	Plans	Deadline	Responsible Team
Company-wide Expansion	Communication guides for local community stakeholders	• Adopted to communication with local community stakeholders around Taeon PG - Unapplied to Daejeon and Geumsan Plants	●	Communication guides for local community stakeholders	• Disseminate communication guides for local community stakeholders to overseas worksites - Overseas worksites(including Jiangsu Plant, Jiaying PLant, Chongqing Plant, Tennessee Plant and Indonesia Plant)	Dec.	CSR Team
	Undertake philanthropic initiatives at overseas sites	• Key Corporate philanthropic program at overseas sites - China HQ: Scholarships for students from low-income families - Europe HQ: Tire donation (Czech), waste tire cleanup (Italy) - Hungary Plant: Tire donation, employee volunteer activities - Indonesia Plant: Scholarships, improvement of school facilities, environmental cleanup - America HQ: Support for the DAV (Disabled American Veterans) • 78 philanthropic activities in overseas regions	●	Undertake philanthropic initiatives at overseas sites	• Key Corporate philanthropic program at overseas sites - China HQ: Scholarships for students from low-income families - Europe HQ: Tire donation (Czech), donation for building hospitals (Italy) - Hungary Plant: Tire donation, employee volunteer activities - Indonesia Plant: Scholarships, improvement of school facilities, environmental cleanup - America HQ: Support for the DAV (Disabled American Veterans) • 80 philanthropic activities in overseas regions	Dec.	Relevant Teams
	Operate volunteer teams in Korea	• Launched an IT system for volunteer teams in March 2017 • Conducted volunteer activities in celebration of establishment - At all domestic worksites in May 2017 - Delivered 945 space boxes and 315 tables to 65 institutions	●	Operate volunteer teams in Korea	• Improvement and vitalization of production employees • Expansion of spontaneous volunteer teams ex) Volunteer activities clubs	Dec.	CSR Team
Employee Participation	Conduct overseas volunteer activities	• Conducted volunteer activities for local communities around Indonesia Plant - December 18~23, 2017 - 7 Korean employees and 23 local employees - Environmental improvement of the National Medal Elementary School in Bekasi of Indonesia	●	Launch volunteer teams at overseas sites	• Launch of employee volunteer teams at Jiangsu Plant, Jiaying Plant, Chongqing Plant in China	Dec.	CHN)Human Resource Management & Education Team
Focusing on Core Competence	Develop traffic safety maps for children	• 587 participants in developing traffic safety maps • Area: Seoul, Gyeonggi-do • Participants: 20 classes of four schools • Distribute 12,500 L-files of traffic safety maps	●	Develop traffic safety maps for children	• Area: Seoul, Gyeonggi-do, Daejeon • Participants: 20 classes of four schools • Distribute 11,200 L-files of traffic safety maps	Dec.	CSR Team
	Undertake three major Mobility projects	• Car donation: 50 vehicles (accumulative 397 vehicles) • Tire donation: 501 vehicles (accumulative 4,007 vehicles / 16,028 tires / Global 5,398 tires) • Tuieum Bus: Supported 550 buses (accumulative 2,342 buses / 78,187 beneficiaries)	●	Undertake three major Mobility projects	• Car donation: 50 vehicles • Tire donation: 500 vehicles • Tuieum Bus: Supports of 550 buses	Dec.	Hankook Tire Welfare Foundation
				Conduct marketing activities for public interest	• Identify social issues that gain the sympathy of consumers and design tailored philanthropic activities	Dec.	CSR Team
Fostering Local Community's Sustainability	Protect at-risk youth and support their self-reliance	• Protection: Social family Wonderland - Five female teenager residents / five members who were independent / five new members • Self-reliance: Job trainings at the 1st and 2nd Coffee Zoo - 1st Coffee Zoo: Trained 16 teenagers - 2nd Coffee Zoo: Two people are working • Stabilized the operation of the 2nd Coffee Zoo and delivered roasting coffee beans (Hankookdonggeurami Cafe)	●	Protect at-risk youth and support their self-reliance	• Protection: Continue the social family “Wonderland” project • Self-reliance: Continue the operation of the 1st and 2nd “Coffee Zoo” for job training	Dec.	Hankook Tire Welfare Foundation
	Execute the Social Housing program	• SH's tailored rental housing (Cheonho-dong): 16 youth households moved into the apartment • Land-leasehold social housing (Changcheon-dong): 11 youth and newlywed households moved into the apartment • Fund management: Repaid 71% of total funds	●	Execute the Social Housing program	• Plan to execute diverse social housing projects - SH's tailored rental housing - Land-leasehold social housing - Private social housing - LH's social housing - Share house for university students	Dec.	Hankook Tire Welfare Foundation

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Company-wide Expansion

We aimed to identify core needs of local communities by adopting the communication guides for local community stakeholders to worksites. Moreover, our overseas worksites strived to strengthen communication with local communities through philanthropic activities tailored to local characteristics.

Communication Guides for Local Community Stakeholders

In 2016, we developed a manual to communicate with local communities in a more strategic and systemic manner. In 2017, we adopted it to communication with local stakeholders around the Taean and found pros and cons of the guides. We plan to remedy shortcomings and then disseminate the guides to worksites in Korea and Asia.

Undertake Philanthropic activities at Overseas Sites

Our overseas headquarters are also engaged in philanthropic activities that cater to their local needs. Major achievements in 2017 included scholarship support in China, tire donation in Europe, scholarship support and school environment improvement in Indonesia Plant. Particularly, Tennessee Plant promoted co-prosperity with local communities by supporting the DAV (Disabled American Veterans). In 2018, we aim to



Overseas volunteer works (Indonesia)

strengthen existing philanthropic activities to become a community-friendly company.

Employee Participation

We launched an IT system to facilitate our employees' engagement in philanthropic activities. In Indonesia, both Korean and local employees carried out a joint volunteer activity for local communities, which served as a momentum for boosting loyalty to the Company.

Launch an IT System for Volunteer Corps

An IT system was launched in March 2017 with the aim of efficiently operating the “Donggeurami Volunteering Team” and facilitate employee engagement. Employees are able to search and apply to volunteer activities and report their results easily through the web site. Checking

and managing their volunteer activity performances are also available. Inconveniences in using the website are reported to responsible departments and IT-related departments in real time. In 2018, we will continue to improve the IT system by listening to the voices of employees.

Conduct Overseas Volunteer Works

The volunteering team of our Indonesia Plant, launched in 2016 in a bit to vitalize overseas philanthropic activities, engaged in improving facilities of the National Medal Elementary School located in Bekasi in December 2017, in which 7 Korean and 23 local employees participated. At the last volunteering day, students of the elementary school visited us to express their gratitude to our employees who worked hard in hot weather.

Philanthropic Activities at Home and Abroad in 2017

Category	Domestic	Overseas
Major activities	1. Three Mobility projects (car donation, tire donation, Tuieum Bus)	1. China Headquarters - Support for medical expenses, scholarships to the disadvantaged, etc.
	2. Support for self-reliance of at-risk youth	2. Europe Headquarters - Czech: Support for disabled veterans, tire donation
	3. Social Housing program	- Italy: Donation to hospital establishment
	4. Donation to the Community Chest of Korea	- Germany: Donation in conjunction with promotion
	5. Operation of the Donggeurami Volunteer Team	3. Hungary Plant - Volunteer works, tire donation, etc.
6. Development of traffic safety maps for children, etc.		4. America Headquarters - Support for medical expenses, sponsorship of DAV
		- Tire donation, medical supports, life stability training, delivery of water for living
		5. Indonesia Plant - Improvement of school sanitary facilities, etc.

Volunteering Team Activities in 2017¹⁾

Category	Korea	Indonesia Plant	Hungary Plant	Total
No. of participants in volunteer works (accumulative) (persons)	6,050	469	385	6,904
No. of pure volunteers (persons)	2,535	255	200	2,990
Total volunteer hours (hours)	25,569	808	1,953	28,330
No. of volunteer activities (cases)	512	13	89	709
Volunteer hours per capita (hours)	3.7	0.4	0.6	2.4

1) Volunteer hours converted into monetary value: KRW 947,614,990

Tire Donation

Category	Korea	Indonesia Plant	Hungary Plant	Czech	Total
Tire donation	2,004	380	2,758	256	5,398

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Focusing on Core Competence

Hankook Tire has been focusing on philanthropic projects that reflect the characteristic of its business such as the development of traffic safety maps for children and three Major Mobility projects. We will also continue to focus our core competence on these projects.

Develop Traffic Safety Maps for Children

The development of traffic safety maps for children has been conducted since 2013 with the aim of ensuring safe traffic environment for elementary school students. In 2017, a total of 587 students from 20 classes of 4 elementary schools participated in this project. Fourth graders were main targets. They toured around their school commuting routes with traffic guidance teachers and helped us identify risk factors from their vantage point and develop and distribute safety maps. This project will continue in 2018 as well.

Undertake Three Major Mobility Projects



Car Donation program was launched in 2008 in order to improve the mobility convenience of social welfare centers. In 2017, a total of 50 compact cars were donated through this program. We also provided female drivers with safe driving educations beyond just donating vehicles. Moreover, we awarded incentives to social welfare centers which were faithful to making vehicle operation reports to increase the effectiveness of this program. We plan to donate 50 vehicles in 2018 as well.



Hankook Tire has donated tires to social welfare institutions across the nation since 2010. In 2017, we donated 2,004 tires to be fitted with a total of 501 vehicles. This program has been conducted in Hungary and Indonesia where our worksites are located. The number of tires donated to these regions reached 5,398 in 2017.



Safe driving education



Tuieum Bus



Social housing program (Community Room)



We have been operating the Tuieum Bus program that provides large-size buses to social welfare institutions in order to provide the disabled with mobility challenges with opportunities for experiencing culture, history, ecosystem, and education. This program consists of three types – general support that offers buses every month, quarterly theme-based support, and collaborative support in conjunction with the Korea Forest Service. In 2017, we supported 550 buses to social welfare institutions.

Fostering Local Community's Sustainability

Hankook Tire is proactive in solving local issues as a company pursuing co-prosperity with them. To end this, we promote the “Social Housing” project and take the initiative in protecting at-risk youth and helping their self-reliance.

Protection at-Risk Youth and Support Their Self-reliance

We have been protecting and supporting at-risk youth who are vulnerable to social problems such as school violence since 2015 to help them become healthy members of our society. In 2017, five new at-risk female teenagers joined the social family “Wonderland” after existing five ones stood on their feet. In addition, 16 at-risk teenagers are receiving vocational trainings for their self-reliance at the “Coffee zoo.” Other two teenagers are working at the second “Coffee Zoo” where professional job training is available.

Social Housing Program

Higher-than-expected housing expense is a huge cause of threatening the residential stability of the socially marginalized. To address this social issue, we initiated the “Social Housing Program” in 2016. In 2017, at-risk youth moved into the SH’s tailored rental house (16 households) in Cheonho-dong and teenagers and newlyweds also moved into the land-leasehold social house (11 households) in Changcheon-dong. We repaid 71% of total funds by 2017 and remaining funds will be redeemed by 2021. We believe this program will present a new social contribution model.

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Hankook Tire Welfare Foundation

Hankook Tire is committed to giving values generated from business operations back to society. As part of that, we are engaging in diverse philanthropic activities – three major mobility projects (car donation, tire donation, and Tuieum Bus) which represent our core competence, Dream With project to help children and youth become healthy members of our society, protection of at-risk youth, and scholarship grant. Other programs include Social Housing Program, free hospital, and supports for social welfare facilities. The Hankook Tire Welfare Foundation pledges to pursue sustainable social value and keep “driving” towards a better tomorrow.



Major Programs of the Hankook Tire Welfare Foundation

Mobility Projects

Three major Mobility projects¹⁾_ The foundation promotes three major Mobility projects - Car Donation, Tire Donation and Tuieum Bus - that reflect the characteristic of our business in conjunction with Hankook Tire.

1) Please refer to page ** for more details.

Community Engagement

Social Housing Program¹⁾_ The foundation supports social housing at low rental fee (40~80% of its market value) to youths to solve their instable living conditions, which also contributes to creating jobs through social enterprises in the construction area. This program presents a new philanthropy model.

1) Please refer to page ** for more details.

Supports for free hospitals_ We have supported free hospitals, which are fully operated by donations, that provide free-of-charge treatments, surgeries and prescriptions to the socially underprivileged who are not protected within the institutional medical welfare boundary. In 2017, we supported five free hospitals (Seongga Bokji Hospital, Joseph Clinic, Raphael Clinic, Clinic for Immigrant Workers at the Sharing Love in the Global Village, and Daegu Seongshim Hospital). Our supports help the underprivileged suffering from diseases recover their health and respect the value of their lives.

Support for social welfare institutions_ Since its establishment, the foundation has supported social welfare centers to improve living environment of the marginalized and increase their quality of lives. In 2017, we offered

3-day trainings about taking, printing, and exhibiting photographs and “walking slowly” program to teenagers with incurable disease and their families in collaboration with Olympus Korea and Make-A-Wish Foundation.

Support for Children and Teens

Dream With _ The “Dream With” is a project aimed at elevating the capacity of local children centers by bringing together businesses, broadcasters, and volunteers (undergraduates and general public) to provide children with positive programs and pursue shared growth between volunteers and beneficiary children. Between March and November of 2017, 19 volunteering teams visited 19 local children centers to spend time on activities for science, traditional culture, cooking and humanities with 371 children. The Dream With project is recognized as an exemplary collaboration model among businesses, broadcasters, and NGOs.

Support for at-risk teenagers¹⁾_ The foundation develops and provides comprehensive support programs to help at-risk teenagers due to abscondence, suspension of study, and delinquency caused by social, academic, economic, and environmental issues. This program aims to assist them to grow into healthy members of our society.

1) Please refer to page ** for more details.

Support for children and teens from low-income families_ Financial supports and mentoring services are offered to children and teenagers who have difficulties in studying and developing their careers due to economic and environmental reasons, which help their emotional development and healthy growth. In 2017, the foundation delivered monthly living expenses to 17 children and teenagers from low-income families, five of whom entered universities.

Achievements in 2017 and Plans in 2018

(Unit: KRW in thousands)

Category	Details	Achievements in 2017	Plans in 2018	Remark
Mobility Projects	Three major Mobility projects	1,481,165	1,600,000	
Community Engagement	Support for solving the polarization in local communities	-	200,000	
	Support for free hospitals	105,000	110,000	
	Support for social welfare centers	50,000	100,000	Integrate scholarship support programs
	Social Housing Program	50,000	3,100,000	Including Social Housing Fund (KRW 3 billion)
Support for Children and Teens	Dream With	250,000	250,000	
	Support for at-risk youth	274,200	200,000	
	Support for children and teens from low-income families	32,100	33,000	Five high school graduates
	Support for North Korean defector teens (scholarship)	2,533	-	Delivered in 2016
		2,244,998	5,593,000	

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About This Report

Report Overview

This report aims to transparently disclose our CSR (Corporate Social Responsibility) performances in 2017 and mid- to long-term strategies and to proactively collect stakeholder feedbacks. Hankook Tire has published its CSR reports every year since 2010 and the latest report came out in August 2017. This is our ninth annual CSR report and we will continue to publish this report every year.

Reporting Principles

This report was prepared in accordance with the “Comprehensive” option of the GRI (Global Reporting Initiative) Standard Guideline. 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 from January 1 through December 31, 2017. As for some achievements, the reporting period extends to the first half of 2018. To illustrate time-series changes in our quantitative performances, this report also contains data over the past five years starting from 2013.

Reporting Scope

Reporting scope covers accomplishments and plans of Hankook Tire Worldwide (holding company) and Hankook Tire that operates the tire business. Regional boundaries include Korea, China, Europe, America, the Middle East, and Asia-Pacific. Information and data in this report encompass all worksites in those regions and data are collected and managed by staff in charge on a regular basis. We will continue to extend the scope of our reporting to ensure that our endeavors and achievements in global CSR initiatives are fully and comprehensively presented in our CSR report.

Third-Party Assurance

To secure the reliability of the report contents, this report was assured by the Korea Productivity Center, an independent assurance service provider. For assurance standards and results, please go to the Independent Assurance Statement section of this report on pages 88~89.

Detailed Information on the Report

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

Hankook Tire CSR Team

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Performance Summary

Economic Performances (consolidated basis)

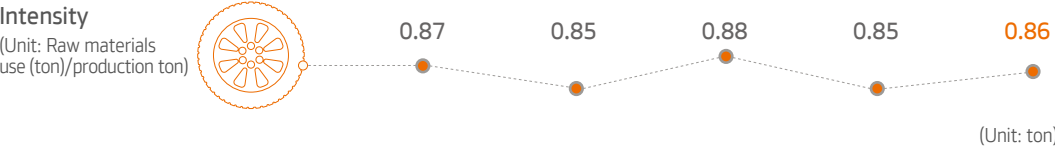
Item		Unit	2013	2014	2015	2016	2017
Sales		KRW million	7,069,238	6,680,848	6,428,173	6,621,762	6,812,858
Cost of sales		KRW million	4,710,851	4,280,801	4,084,046	4,045,028	4,492,384
Gross income		KRW million	2,358,387	2,400,047	2,344,127	2,576,734	2,320,474
Operating income		KRW million	1,031,006	1,031,637	884,990	1,103,228	793,432
Income before tax		KRW million	989,675	935,634	839,374	1,092,416	743,036
Income tax		KRW million	254,644	236,339	182,870	213,326	136,580
Net income		KRW million	735,032	699,295	656,504	879,090	606,457
Other comprehensive income		KRW million	17,159	(57,417)	17,352	(8,858)	(140,767)
Total comprehensive income		KRW million	752,191	641,878	673,856	870,232	465,690
Total assets		KRW million	7,776,713	8,320,082	9,496,138	9,621,973	9,518,786
Total liabilities		KRW million	3,852,578	3,803,609	4,355,350	3,660,494	3,145,280
Total equity		KRW million	3,924,136	4,516,473	5,140,788	5,961,479	6,373,506
Patent registration	Domestic	Items	206	273	79	79	70
	Overseas	Items	29	25	19	71	68
Patent application	Domestic	Items	141	116	62	80	47
	Overseas	Items	43	44	49	40	63

Environmental Performances

Item		Unit	2013	2014	2015	2016	2017
Ratio of eco-friendly products ¹⁾²⁾ (based on quantities)		%	24.10	41.77	47.34	52.00	47.99
Ratio of products conducted LCA ³⁾ (based on quantities)		%	8.65	36.54	29.90	23.96	21.41

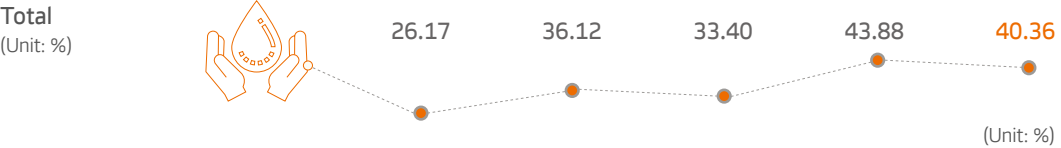
1) Target: Achieve 60% by 2020
2) Re-established the criteria of eco-friendly products since 2014
3) All data were modified due to the detection of previous data in the process of verification

Use of Major Raw Materials



Raw Materials	2013	2014	2015	2016	2017
Natural Rubber	312,692	297,994	306,394	319,368	325,217
Synthetic Rubber	238,875	230,526	251,255	257,862	263,570
Carbon Black	268,791	259,115	265,971	277,247	280,721
Textile-Cord	41,011	42,155	45,590	49,624	50,041
Steel-Cord	114,547	111,628	115,086	117,848	121,240
Bead Wire	47,297	47,253	46,482	42,437	44,145
Total	1,023,213	988,671	1,030,778	1,064,386	1,084,934

Recycling Rate of Treated Water



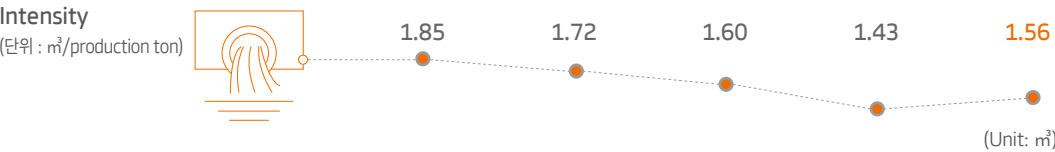
Sites	2013	2014	2015	2016	2017
Daejeon Plant	51.69	55.46	51.50	68.51	74.04
Geumsan Plant	39.04	34.57	31.47	56.04	67.18
Jiangsu Plant	0.00	57.23	34.57	38.01	9.74
Jiaxing Plant	0.00	0.00	0.00	0.00	0.00
Chongqing Plant	16.86	24.40	24.66	20.40	8.51
Hungary Plant	0.00	0.00	0.00	0.00	16.49
Indonesia Plant	66.75	95.89	98.73	99.53	98.25

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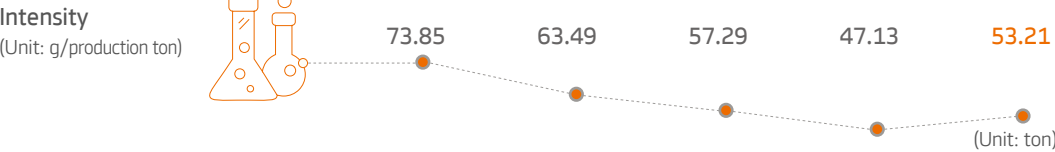
Environmental Performances

Discharge of Treated Water



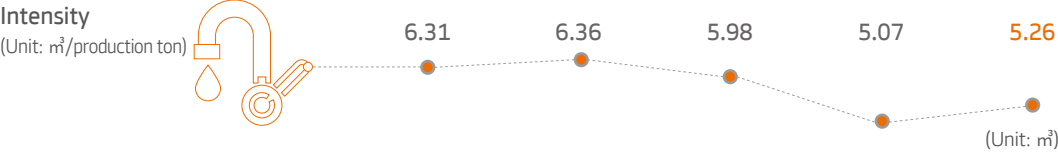
Sites	2013	2014	2015	2016	2017
Daejeon Plant	295,399	253,185	268,262	194,592	166,514
Geumsan Plant	446,286	569,614	455,443	279,955	205,240
Jiangsu Plant	227,200	154,930	211,267	375,734	488,434
Jiaxing Plant	869,131	742,769	608,292	502,455	540,607
Chongqing Plant	167,620	168,140	224,299	287,269	396,163
Hungary Plant	96,260	110,359	101,627	150,301	167,713
Indonesia Plant	65,936	11,102	3,342	1,496	5,615
Total	2,167,832	2,010,099	1,872,532	1,791,802	1,970,286

COD Emissions



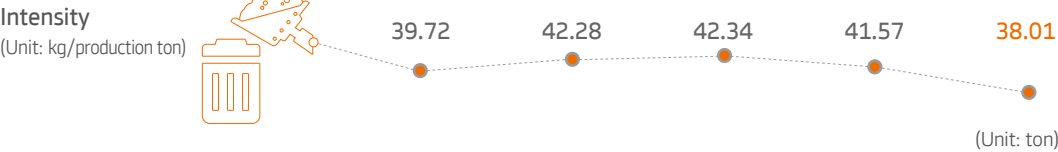
Sites	2013	2014	2015	2016	2017
Daejeon Plant	3.3	3.1	4.0	3.1	2.2
Geumsan Plant	3.9	4.8	3.6	2.3	1.2
Jiangsu Plant	9.3	6.1	11.0	9.4	12.1
Jiaxing Plant	61.5	55.1	43.6	34.8	41.7
Chongqing Plant	4.2	1.3	3.1	6.2	6.7
Hungary Plant	2.9	3.3	1.9	3.2	3.1
Indonesia Plant	1.5	0.2	0.1	0.0	0.2
Total	86.6	74.0	67.2	59.1	67.3

Water Withdrawal



Sites		2013	2014	2015	2016	2017
Daejeon Plant	Municipal water	1,652,026	1,466,915	1,463,618	1,391,957	1,537,441
	Underground water	116,163	120,906	121,754	129,469	111,118
Geumsan Plant	Municipal water	1,591,513	1,641,559	1,542,081	1,327,978	1,616,228
	Underground water	36,469	20,772	-	-	-
Hungary Plant	Municipal water	324,965	342,075	423,340	361,980	311,600
	Underground water	-	-	-	59,632	103,671
Jiangsu Plant	Municipal water	1,458,024	1,740,099	1,358,341	937,015	810,013
Jiaxing Plant	Municipal water	1,593,809	1,491,204	1,149,976	1,007,119	927,943
Chongqing Plant	Municipal water	256,774	321,351	493,872	625,986	685,418
Indonesia Plant	Municipal water	372,524	275,483	463,776	512,823	546,684
Total		7,402,267	7,420,364	7,016,758	6,353,959	6,650,116

Waste Disposal¹⁾



Treatment	2013	2014	2015	2016	2017
Consigned recycling	35,855	38,576	38,408	42,570	38,740
Consigned incineration	5,528	4,565	4,995	4,546	4,745
Consigned landfill	5,171	6,157	6,273	5,034	4,552
Total	46,554	49,298	49,676	52,150	48,037

1) Target: 5% reduction of waste intensity by 2020 compared with 2014. (We achieved our targets in early stage in 2017 and plan to set up new targets.)

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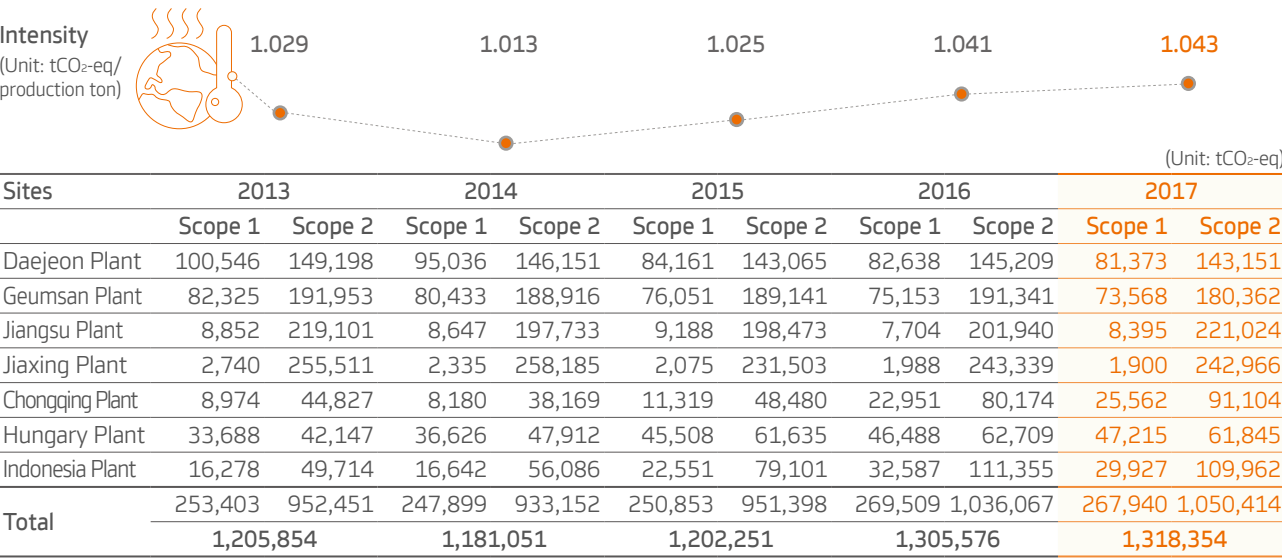
 Contents

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Environmental Performances

GHG Emissions and Energy Consumption

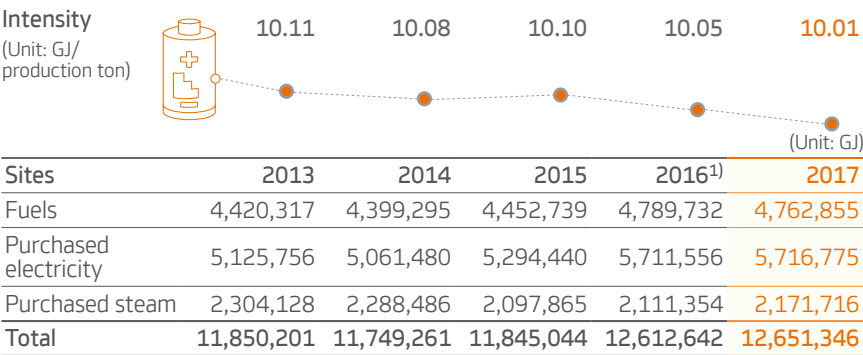
GHG Emissions¹⁾



1) Target: 15% reduction of GHG emissions intensity by 2030 compared with 2013
References for GWP (Global Warming Potential) and GHG emission factor

- Ministry of Environment, Korea GHG and Energy Target Management System Operating Guidelines
- IPCC, Second Assessment Report
- IPCC, 2006 Guidelines for National Greenhouse Gas Inventories
- IEA, CO₂ Emissions from Fuel Combustion Highlights (2013 Edition)
- API, Compendium of Greenhouse Gas Emissions Methodologies for the Oil and Natural Gas Industry

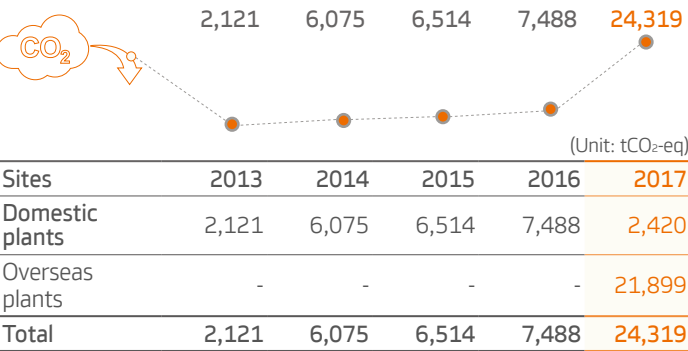
Energy Consumption



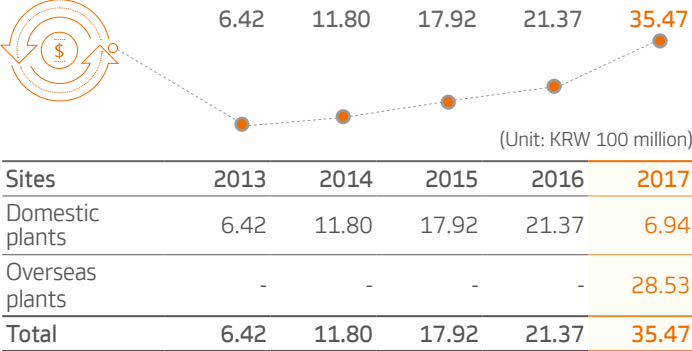
1) The figures regarding energy consumption and intensity in 2016 in the previous report were modified due to an error in applying heating values of Daejeon and Geumsan Plant.

Reduction of GHG Emissions and Energy Consumption¹⁾

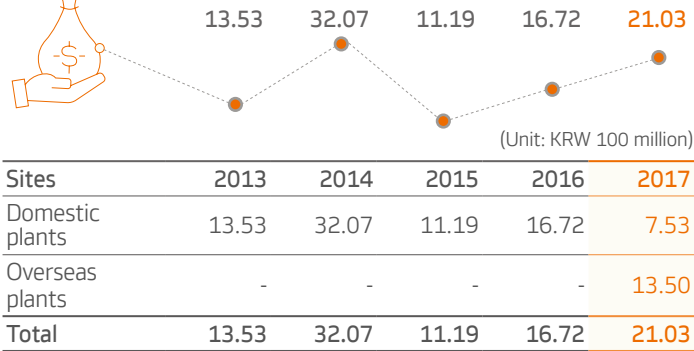
Reduction of GHG Emissions



Cost Savings



Investments



1) The figures between 2013 and 2016 refer to domestic plants, while those in 2017 include even overseas plants.

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Social Performances

Item		Unit	2013	2014	2015	2016	2017
Total employees	Domestic	No. of persons	6,897	6,911	6,934	6,909	6,816
	Overseas (Expatriates)	No. of persons	270	295	302	274	265
	Overseas (Locally-hired)	No. of persons	13,759	14,134	14,500	13,868	14,186
	Total	No. of persons	20,926	21,340	21,736	21,051	21,267
New hires	Office staff (Korea)	No. of persons	266	194	185	186	129
	Operators (Korea)	No. of persons	311	62	32	1	3
	Office staff (Local)	No. of persons	550	478	373	461	425
	Operators (Local)	No. of persons	3,776	3,564	2,785	1,345	1,418
Job category	Office staff	No. of persons	5,010	5,153	5,268	5,298	5,462
	Operators	No. of persons	15,916	16,187	16,468	15,753	15,805
Employment type (Korea)	Regular	No. of persons	7,146	7,178	7,210	7,139	7,029
	Non-regular	No. of persons	21	28	26	44	52
	Ratio of non-regular employees	%	0.3	0.4	0.4	0.6	0.7
Parental leave (Korea)	Applicants	No. of persons	22	19	26	31	48
	Employees who returned to work	No. of persons	20	16	24	26	31
	Rate of return	%	90.9	84.2	92.3	83.9	64.6
Parental leave (Overseas)	Applicants	No. of persons	35	43	66	29	20
	Employees who returned to work	No. of persons	29	38	13	13	14
	Rate of return	%	82.9	88.4	19.7	44.8	70.0
Employees	Office staff	No. of persons	878	927	948	949	988
	Operators	No. of persons	601	573	577	627	849
	Ratio of female employees	%	7.1	7.0	7.0	7.5	8.6
	Ratio of female managers (in Senior Manager position or above)	%	6.3	6.5	7.1	7.8	8.0
	Ratio of female managers (in Manager position or above)	%	10.9	12.2	13.1	14.1	14.1
	New hires (Korea)	No. of persons	72	51	22	25	16
Diversity	Disabled employees (Korea)	No. of persons	83	82	88	169	172
	Total employees overseas	No. of persons	14,029	14,429	14,802	14,142	14,451
Local recruitment	Expatriates	No. of persons	270	295	302	274	265
	Locally-hired employees	No. of persons	13,759	14,134	14,500	13,868	14,186
	Ratio of locally-hired employees	%	98.1	98.0	98.0	98.1	98.2
	Local managers	No. of persons	618	677	735	814	870
	Ratio of local managers	%	4.4	4.7	5.0	5.8	6.1
Employees by region	Korea	No. of persons	6,897	6,911	6,933	6,909	7,081
	China	No. of persons	9,192	8,751	8,285	7,549	7,286
	Europe	No. of persons	3,028	3,742	3,876	3,804	3,657
	Americas	No. of persons	263	287	351	570	1,202
	Middle East, Asia-Pacific	No. of persons	1,546	1,649	2,291	2,219	2,041
Local employees by region	Total	No. of persons	20,926	21,340	21,736	21,051	21,267
	China	No. of persons	9,109	8,668	8,202	7,480	7,286
	Europe	No. of persons	2,943	3,655	3,794	3,730	3,657
	Americas	No. of persons	228	232	279	499	1,202
	Middle East, Asia-Pacific	No. of persons	1,479	1,579	2,225	2,159	2,041
	Total	No. of persons	13,759	14,134	14,500	13,868	14,186

Item			Unit	2013	2014	2015	2016	2017
Employees	Retirement	Office staff	No. of persons	375	491	593	524	690
		Operators	No. of persons	2,163	2,130	2,475	1,851	1,845
	Average service years (Korea)		Years	11.5	12.0	12.7	13.6	14.3
	Performance and remuneration (Korea)	Ratio of employee who completed regular performance assessments	%	99.7	99.6	99.6	99.4	99.3
	Grievance handling (Korea)	No. of grievances handled	Cases	16	19	45	29	32
	Labor union (Korea)	No. of employees eligible for union membership	No. of persons	5,470	4,942	4,853	5,152	4,962
		Union members (1st Labor Union)	No. of persons	4,813	4,801	4,337	4,191	4,239
		Union members (2nd Labor Union)	No. of persons	-	-	-	314	288
	Health and safety	LTIFR (Employees) ¹⁾³⁾	-	3.4	2.8	4.0	4.4	4.1
		LTIFR (Contractors)	-	4.0	2.3	1.4	3.3	2.8
		OIFR (Employees) ²⁾³⁾	%	0.05	0.36	0.67	1.24	0.94
Employee Training	Training hours per capita	Office staff	Hours	-	62.6	66.5	78.7	63.2
		Operators	Hours	-	24.1	24.5	22.7	56.9
		Office staff & Operators (Overseas)	Hours	-	-	-	-	3.6 ⁴⁾
		Training hours per capita	Hours	-	33.3	34.3	36.6	60.9
	Human rights training		No. of persons	-	-	129	185	6 ⁵⁾
Suppliers	Ratio of local purchasing	Raw materials	%	-	61.86	63.17	62.78	62.70
		Machinery	%	-	86.97	97.21	95.40	55.70
		Indirect	%	-	97.47	96.06	98.64	72.90
		Total	%	-	67.93	69.34	69.96	62.54
Customers	Customer satisfaction		Points	85.3	86.6	88.8	89.9	Not conducted ⁶⁾
	No. of customer complaints regarding personal information		Cases	2	3	-	1	1
Ethics Management	No. of reports		Points	17	26	44	21	18
	Self-assessment score		Points	82	75	73	72	71
	No. of regulatory violations		Points	-	-	-	-	3 ⁷⁾
	No. of violations against fair trade regulations		Points	-	-	1	-	-
Corporate Philanthropy	Corporate philanthropy spending ⁸⁾		KRW million	4,166	4,835	7,340	7,507	5,326
	Philanthropic expenses to sales		%	0.06	0.07	0.11	0.10	0.07
	Volunteer activities (Korea, Hungary, Indonesia)	Total volunteer hours	Hours	21,654	29,330	27,353	30,876	28,330
		Participants in volunteer works	No. of persons	5,382	7,597	6,365	7,321	6,904
		Total volunteer activities	Cases	355	414	379	715	614
Volunteer hours per capita		Hours	2	3	2.7	2.5	2.4	

1) LTIFR: Lost-Time Injuries Frequency Rate: No. of injuries / total work hours *1,000,000

2) OIFR: Occupational Illness Frequency Rate: No. of occupational disease / total work hours *1,000,000

3) Data in 2014, 2015, and 2016 of the previous report were changed due to the difference in recognition time of musculoskeletal disease

4) The data shows training hours in which both office staffs and operators at overseas sites participated, applying only to 2017.

5) We intended to disseminate human rights management to employees in 2015 and 2016, while focusing on cultivating facilitators by training responsible staff on human rights in 2017.

6) Not conducted in 2017 due to internal affairs

7) We paid penalties of KRW 15 million due to two violations of Occupational Safety and Health Act in Korea and 150,000 yuan due to the violation of Environmental Act in China.

8) Data in 2015 and 2016 of the previous report were changed due to mistake in calculation

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Government-led R&D Projects and Governmental Investments

(Unit: KRW in thousands)

Name of Project	Details	Supervising Team	R&D Period	Government Investment		Role
				During R&D Period	2017 Budget	
Carbon-Reducing Ketone-based Premium Fiber and Resin	Developing composite materials based on polyketone fiber	Raw Material Development Team	Sep. 1st, 2010 - Mar. 31st, 2018	684,470	22,000	Participation
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 Team 3	Sep. 1st, 2013 - Aug. 31st, 2017	2,390,000	96,000	Supervision
Development of Core Platform Technology for Foam-Type Polymer Fuel Cell Stacks	Developing graphite metal-form hybrid separators	Research Team 3	Dec. 1st, 2014 - Nov. 30th, 2017	180,000	27,500	Participation

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GRI¹⁾ Index

GRI Standards Universal Standards 1) GRI: Global Reporting Initiative

Topic	Disclosure	Contents	Omission	Page	Assurance Note	Note
Organization Profile	102-1	Name of the organization			V	
	102-2	Activities, brands, products, and services			V	
	102-3	Location of headquarters			V	
	102-4	1) Number of countries where the organization operates		5~6	V	
		2) The names of countries where it has significant operations and/or that are relevant to the topics covered in the report Ownership and legal form			V	
	102-5	Ownership and legal form			V	
	102-6	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)			V	
	102-7	Scale of the organization		5, 76	V	
		1) Total number of employees by employment contract (permanent and temporary), by gender		-	V	Regular/Male: 18,848 Regular/Female: 1,695 Non-regular/Male: 582 Non-regular/Female: 142
		2) Total number of employees by employment contract (permanent and temporary), by region		-	V	Regular/Korea: 7,029 Regular/China: 7,257 Regular/Europe: 3,107 Regular/Americas: 1,199 Regular/Middle East, Asia-Pacific: 1,951 Non-regular/Korea: 52 Non-regular/China: 29 Non-regular/Europe: 550 Non-regular/Americas: 3 Non-regular/Middle East, Asia-Pacific: 90
		3) Total number of employees by employment type (full-time and part-time), by gender		-	V	Full time/Male: 19,430 Full time/Female: 1,837 Part time: None
		4) Whether a significant portion of the organization’s activities are performed by workers who are not employees. If applicable, a description of the nature and scale of work performed by workers who are not employees	Overseas plants do not disclose due to internal affairs.	-	V	At out Daejeon Plant and Geumsan Plant, residing subcontractors are engaging in carrying half-finished products in the manufacturing process, operating heat-pressing works in the inspection process, and storing tires in the distribution process (878 persons in DP and 710 persons in KP).
		5) An explanation of how the data have been compiled, including any assumptions made		72	V	
Strategy	102-9	Supply chain		54~57	V	
	102-10	Significant changes to the organization and its supply chain		-	V	N/A
	102-11	Precautionary Principle or approach		26~28	V	
Ethics and integrity	102-12	External initiatives		8, 87	V	
	102-13	Membership of associations		87	V	
	102-14	Statement from senior decision-maker		4, 10~11	V	
Governance	102-15	Key impacts, risks, and opportunities		26~28	V	
	102-16	Values, principles, standards, and norms of behavior		50~53	V	
		Mechanisms for advice and concerns about ethics			V	
	102-18	1) Governance structure of the organization, including committees of the highest governance body		10~11, 24~25	V	
		2) Committees responsible for decision-making on economic, environmental, and social topics			V	
	102-19	Process for delegating authority for economic, environmental, and social topics from the highest governance body to senior executives and other employees			V	
	102-20	1) Whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental, and social topics			V	
		2) Whether post holders report directly to the highest governance body			V	
	102-21	Consulting stakeholders on economic, environmental, and social topics		24~25	V	
	102-22	Composition of the highest governance body and its committees			V	

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GRI Index

GRI Standards Universal Standards

Topic	Disclosure	Contents	Omission	Page	Assurance Note	Note
Governance	102-23	Chair of the highest governance body		24~25	V	
	102-24	Nominating and selecting the highest governance body		-	V	Please refer to the business report
	102-25	Processes for the highest governance body to ensure conflicts of interest are avoided and managed		-	V	Please refer to the global website
	102-26	Role of highest governance body in setting purpose, values, and strategy		10~11, 24~25	V	
	102-27	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental, and social topics		11	V	
	102-28	Evaluating the highest governance body's performance		24~25	V	
	102-29	Highest governance body's role in identifying and managing economic, environmental, and social topics and their impacts, risks, and opportunities			V	
	102-30	Effectiveness of risk management processes		10~11, 24~25	V	
	102-31	Review cycle of economic, environmental, and social topics			V	
	102-32	Highest governance body's role in sustainability reporting		10~11	V	
	102-33	Process for communicating critical concerns to the highest governance body			V	
	102-34	1) Total number and nature of critical concerns that were communicated to the highest governance body			V	
		2) Mechanism used to address and resolve critical concerns			V	
	102-35	Remuneration policies		24~25	V	Please refer to the business report
	102-36	Process for determining remuneration			V	
	102-37	Stakeholders' involvement in remuneration			V	
	102-38	Annual total compensation ratio		-	V	Please refer to the business report
	102-39	Wage growth rate of maximum wage recipients to average wage growth rate of employees		-	V	Please refer to the business report
Stakeholder Engagement	102-40	List of stakeholder groups		16~17, 20~21	V	
	102-41	Collective bargaining agreements		76	V	
	102-42	Identifying and selecting stakeholders			V	
	102-43	Approach to stakeholder engagement		16~17, 20~21	V	
	102-44	Key topics and concerns raised			V	
Reporting Profile	102-45	Entities included in the consolidated financial statements		-	V	Please refer to the business report
	102-46	Defining report content and topic Boundaries		20~21	V	
	102-47	List of material topics			V	
	102-48	Restatements of information		74~75	V	
	102-49	Changes in report		21	V	
	102-50	Reporting period			V	
	102-51	Date of most recent report			V	
	102-52	Reporting cycle		72	V	
	102-53	Contact point for questions regarding the report			V	
	102-54	Claims of reporting in accordance with the GRI Standards			V	
	102-55	GRI content index		78~83	V	
	102-56	1) A description of the organization's policy and current practice with regard to seeking external assurance for the report			V	
		2) A reference to the external assurance report, statements, or opinions. If not included in the assurance report accompanying the sustainability report, a description of what has and what has not been assured and on what basis, including the assurance standards used, the level of assurance obtained, and any limitations of the assurance process		88~89	V	
		3) The relationship between the organization and the assurance provider			V	
		4) Whether and how the highest governance body or senior executives are involved in seeking external assurance for the organization's sustainability report.			V	
Management Approach	103-1	Explanation of the material topic and its Boundary		26, 30, 34, 38,	V	
	103-2	The management approach and its components		43, 50, 54, 58,	V	
	103-3	Evaluation of the management approach		63, 66	V	

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GRI Standards Topic Specific

Topic	Disclosure	Contents	Omission	Page	Assurance Note	Note
Economic (GRI 200)						
Economic Performance	201-1	Direct economic value generated and distributed		7, 73	V	
	201-2	Financial implications and other risks and opportunities due to climate change		63~65	V	
	201-3	Defined benefit plan obligations and other retirement plans		-	V	Retirement pension program (DC and DB types)
	201-4	Financial assistance received from government		77	V	
Procurement Practices	204-1	Proportion of spending on local suppliers		56	V	
Stakeholder Engagement	205-1	1) Total number and percentage of operations assessed for risks related to corruption		53	V	
		2) Significant risks related to corruption identified through the risk assessment			V	
	205-2	1) Total number and percentage of governance body members that the organization’s anti-corruption policies and procedures have been communicated to, broken down by region.		-	V	40% (two executive directors)
		2) Total number and percentage of employees that the organization’s anti-corruption policies and procedures have been communicated to, broken down by employee category and region.		-	V	100%
		3) Total number and percentage of business partners that the organization’s anti-corruption policies and procedures have been communicated to, broken down by type of business partner and region		-	V	100%
		4) Total number and percentage of governance body members that have received training on anti-corruption, broken down by region		-	V	None
		5) Total number and percentage of employees that have received training on anti-corruption, broken down by employee category and region		50~53	V	
	205-3	Confirmed incidents of corruption and actions taken		-	V	No violation
Anti-competitive Behavior	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		-	V	No violation
Environmental (GRI 300)						
Materials	301-1	Materials used by weight or volume		73	V	
	301-2	Recycled input materials used		60	V	
Energy	302-1	Energy consumption within the organization		75	V	
	302-2	Energy consumption outside of the organization		-	V	Disclosed separately through CDP
	302-3	Energy intensity		75	V	
	302-4	Reduction of energy consumption			V	
	302-5	Reductions in energy requirements of products and services		60, 65, 75	V	
					V	
Water	303-1	Water withdrawal by source		74	V	
	303-2	Water sources significantly affected by withdrawal of water			V	
	303-3	Total volume of water recycled and reused by the organization		73	V	
Emissions	305-1	Direct (Scope 1) GHG emissions		75	V	
	305-2	Indirect (Scope 2) GHG emissions			V	
	305-3	Other indirect (Scope 3) GHG emissions		-	V	Disclosed separately through CDP
	305-4	GHG emissions intensity		75	V	
	305-5	Reduction of GHG emissions		63~65, 75	V	
	305-6	Emissions of ozone-depleting substances (ODS)		-	V	As HFCs refrigerants are primarily used, the amount of ODS fugitive emissions is very marginal.
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions		-	V	Emissions are extremely marginal given the characteristics of gaseous fuels (LNG and PNG).

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GRI Standards Topic Specific

Topic	Disclosure	Contents	Omission	Page	Assurance Note	Note
Effluents and Waste	306-1	Water discharge by quality and destination		74	V	
	306-2	Waste by type and disposal method			V	
	306-3	Total number and total volume of recorded significant spills			V	No serious spills
	306-4	The weight of waste transported, imported, exported, or treated of as a hazardous under the terms of the Basel Convention Annexes I, II, III, and VIII and the percentage of hazardous waste shipped internationally		-	V	Not available given the characteristics of the tire manufacturing industry
	306-5	Water bodies affected by water discharges and/or runoff		62	V	
Environmental Compliance	307-1	Total number of significant fines and non-monetary sanctions for non-compliance with environmental laws and/or regulations		-	V	1 (CNY 150,000)
Social (GRI 400)						
Employment	401-1	1) Number and percentage of new hired employees by age		-	V	under 30: 1,069 (5.0%) 30-50: 813 (3.8%) over 50: 93 (0.4%)
		2) Number and percentage of new hired employees by gender		-	V	Male: 1,522 (7.2%) Female: 453 (2.1%)
		3) Number and percentage of new hired employees by region		-	V	Korea: 132 (1.9%) China: 413 (5.6%) Europe: 512 (13.7%) Americas: 821 (64.5%) Middle East, Asia-Pacific: 97명 (4.6%)
		4) Number and percentage of retired employees by age		-	V	under 30: 927 (4.4%) 30-50: 1,461 (6.9%) over 50: 147 (0.7%)
		5) Number and percentage of retired employees by gender		-	V	Male: 2,143 (10.1%) Female: 392 (1.8%)
	401-2	6) Number and percentage of retired employees by region		-	V	Korea: 297 (4.4%) China: 719 (9.8%) Europe: 803 (21.5%) Americas: 497 (39.1%) Middle East, Asia-Pacific: 219 (10.4%)
		Benefits provided to full-time employees that are not provided to temporary or part-time employees		-	V	Coverage of four employee insurances, offering of childcare leave, etc.
		1) Total number of employees that were entitled to parental leave, by gender		-	V	Male: 19,430 Female: 1,837
		2) Total number of employees that took parental leave, by gender		-	V	Male: 26 Female: 42
		3) Total number of employees that returned to work in the reporting period after parental leave ended, by gender.		-	V	Male: 15 Female: 30
		4) Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work, by gender		-	V	Male: 8 Female: 29
	401-3	5) Return to work and retention rates of employees that took parental leave, by gender		-	V	Male: 57.7% Female: 71.4%
		6) Continuous to work retention rates of employees that took parental leave, by gender		-	V	Male: 53.3% Female: 96.7%

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GRI Standards Topic Specific

Topic	Disclosure	Contents	Omission	Page	Assurance Note	Note
Occupational Health and Safety	403-1	1) The level at which each formal joint management-worker health and safety committee typically operates within the organization		38~42	V	
		2) Percentage of workers whose work, or workplace, is controlled by the organization, that are represented by formal joint management-worker health and safety committees		-	V	100% of the legally applicable workforce represented
	403-2	1) Types of injuries related to all employees		38~42	V	
		2) Injury rate (IR) by region		-	V	Korea (Daejeon and Geumsan Plants): 4.0% China (Jiaxing, Jiangsu, Chongqing Plants): 1.6% Europe (Hungary Plant): 4.3% Americas (Tennessee Plant): 52.9% Middle East, Asia-Pacific (Indonesia Plant): -
		3) Occupational disease rate (ODR) by region		-	V	Korea (Daejeon and Geumsan Plants): 3.4% China (Jiaxing, Jiangsu, Chongqing Plants): 0% Europe (Hungary Plant): 0% Americas (Tennessee Plant): 0% Middle East, Asia-Pacific (Indonesia Plant): 0%
		4) Loss day rate (LDR) by region		-	V	Korea (Daejeon and Geumsan Plants): 0% China (Jiaxing, Jiangsu, Chongqing Plants): 0.0002% Europe (Hungary Plant): 0.0008% Americas (Tennessee Plant): 0.001% Middle East, Asia-Pacific (Indonesia Plant): 0%
		5) Absentee rate (AR) by gender	Data of plants except for Korea and China were not disclosed due to internal affairs.	-	V	Male: 0.361% Female: 0.035%
		6) Absentee rate (AR) by region		-	V	Korea (Daejeon and Geumsan Plants): 0.071% China (Jiaxing, Jiangsu, Chongqing Plants): 0.297%
		7) No. of work-related fatalities of total employees (gender)		-	V	Male/Total number of work-related fatalities: 1 Female/Total number of work-related fatalities: 0
		8) Injury rate (IR) and the number of occupational fatalities by gender and region regarding suppliers residing in business sites	Undisclosed due to internal affairs	-	V	
	403-3	Workers with high incidence or high risk of diseases related to their occupation		38~42	V	
	403-4	Health and safety topics covered in formal agreements with trade unions			V	Covered in formal agreements with trade unions
Training and Education	404-1	Average hours of training per year per employee	Data by gender and age are undisclosed due to internal affairs.	76	V	
	404-2	Programs for upgrading employee skills and transition assistance programs		43~49	V	
	404-3	Percentage of employees receiving regular performance and career development reviews		76	V	
Diversity and Equal Opportunity	405-1	1) Percentage of governance bodies, by gender		-	V	Male: 100% Female: 0%
		2) Percentage of governance bodies, by age		-	V	under 30: 0% 30-50: 40% over 50: 60%
		3) Percentage of employees, by gender		-	V	Male: 91.4% Female: 8.6%
		4) Percentage of employees, by age		-	V	under 30: 29.2% 30-50: 63.5% over 50: 7.3%
	405-2	Ratio of basic salary and remuneration of women to men		-	V	No difference for the same position

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GRI Standards Topic Specific

Topic	Disclosure	Contents	Omission	Page	Assurance Note	Note
Non-discrimination	406-1	Incidents of discrimination and corrective actions taken		-	V	No discrimination case
Child Labor	408-1	1) Operations and suppliers at significant risk for incidents of child labor		46~47	V	
		2) Measures taken by the organization in the reporting period intended to contribute to the effective abolition of child labor			V	
Forced or Compulsory Labor	409-1	1) Operations and suppliers at significant risk for incidents of forced or compulsory labor			V	
		2) Measures taken by the organization in the reporting period intended to contribute to the effective abolition of forced or compulsory labor			V	
Human Rights Assessment	412-1	Operations that have been subject to human rights reviews or impact assessments			V	
	412-2	Employee training on human rights policies or procedures		-	V	115.66 hours
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening		-	V	None
Supplier Social Assessment	414-1	Percentage of new suppliers that were screened using social criteria		54~57	V	
	414-2	1) Number of suppliers identified as having significant actual and potential negative social impacts		-	V	405 suppliers
		2) Significant actual and potential negative social impacts identified in the supply chain		-	V	64 suppliers
		3) Negative social impacts in the supply chain and actions taken		54~57	V	
		4) Percentage of suppliers identified as having significant actual and potential negative social impacts with which improvements were agreed upon as a result of assessment		-	V	4.7%
Customer Health and Safety	416-1	5) Percentage of suppliers identified as having significant actual and potential negative social impacts with which relationships were terminated as a result of assessment, and why		54~57	V	
		Percentage of significant product and service categories for which health and safety impacts are assessed for improvement		-	V	100%
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services		-	V	No violation

CSR Principles

Corporate Social Responsibility Principles

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 disseminated, 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.

Safety, Health and Environment Policy

Hankook Tire sets its utmost value on human safety, health and environment. With this in mind Hankook Tire pursues safe and healthy living providing customers with value and pleasure, and implements pacesetting safety, health and environment management throughout its business activities and product life cycle. For this, we resolve to act as follows:

1. Reduce risk by improving the operation and making investments in safety, health and environment, and minimize environmental effects of our business activities by promoting source reduction and recycling.
2. Train all employees so that they can understand and continuously improve the safety, health and environment management system, and disclose the policies and performance to stakeholders.
3. Establish internal management standards that satisfy domestic and overseas laws and other requirements related to safety, health and environment, and faithfully fulfill them.
4. Pursue continual improvement by evaluating impacts on safety, health and the environment in advance of establishing safety, health and environment objectives/ targets and fulfilling them.

All employees actively participate in the safety, health and environment management by complying with this policy.

CSR Principles

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 human rights management system which includes assessments, taking appropriate action and tracking responses, internal and external communications and operation of grievance mechanisms and remediation procedures.

Hankook Tire, as an enterprise that is 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.

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Major Awards

Category	Award		Details	Awarded by
Sustainability Management	 MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM	Dow Jones Sustainability Indices	Entered the DJSI World for the second, DJSI Asia-Pacific for the fifth, and the DJSI Korea for the seventh consecutive year, respectively	Dow Jones & RobecoSAM
		Carbon Disclosure Project	Korea’s first company to enter the CDP Supplier Engagement Leader Board Selected as the CDP Korea Carbon Management Sector Winners	CDP Worldwide CDP Korea
		LACP	Won the gold prize at Spotlight Awards	LACP (League of American Communications Professionals)
Corporate Reputation & Corporate Culture		Korea’ Most Admired Companies	Ranked top in the tire business for eight consecutive years	Korea Management Association Consulting
		Mercury Excellence Awards	Won the Grand Winner Award (Hankook Tire Magazine “MIU”)	MerComm Inc.
Quality & Technology		Excellent Quality Competitiveness Enterprise	Won the award for 8 consecutive years	Korea Standards Association
		Korean Standard-Quality Excellence Index (KS-QEI)	Ranked top in the automobile tire sector for 9 consecutive years	Korea Standards Association
		Korea Brand Power Index (K-BPI)	Ranked top in the passenger car sector for 15 consecutive years Ranked top in the tire franchise sector for 9 consecutive years	Korea Management Association Consulting
Brand Value		National Brand Competitiveness Index (NBCI)	Ranked top in the tire sector for 9 consecutive years	Korea Productivity Center
		Best Korea Brands	Won the award for 5 consecutive years	Interbrand
		Red dot Award	Won the main award Product - I FIT (Winner)	Design Zentrum Nordrhein Westfalen
Design		IDEA	Won the main award and bronze prize Concept - Flexup (Bronze) - Shiftrac (Winner)	Industrial Design Society of America (IDSA)
		Good Design (GD) Product	Won the award Product - Ventus S2 AS (Winner)	Korea Institute of Design Promotion

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UNGC & Memberships

UN Global Compact

Since joining the UN Global Compact in 2012, we have respected and complied with its 10 principles. Relevant contents are disclosed through this report. We are committed to abiding by these principles so that we fulfill our role as a responsible corporate citizen.

Principle		Reporting Contents	Page
Human Rights	Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights	Employee Value Creation	43~49
	Principle 2. Businesses should ensure they are not complicit in human rights abuses.	Win-Win Supply Chain Partnership	54~57
Labor	Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	Employee Value Creation	43~49
	Principle 4. Businesses should uphold the elimination of all forms of forced and compulsory labor.	Employee Value Creation	43~49
	Principle 5. Businesses should uphold the effective abolition of child labor.	Win-Win Supply Chain Partnership	54~57
	Principle 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.	Employee Value Creation	43~49
Environment	Principle 7. Businesses should support a precautionary approach to environmental challenges.	Integrated Environmental Management	58~62
	Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility.		
	Principle 9. Businesses should encourage the development and diffusion of environmentally friendly technologies.	Climate Change and GHG Management	63~65
Anti-Corruption	Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery.	Transparency & Business Ethics	50~53

Memberships

Korea Industrial Technology Association	Korea Environmental Preservation Association	Korea Academy of Business Ethics (KAOBE)
Korea Fire Safety Association	Korea Tire Manufacturers Association	BEST Forum
Korea International Trade Association	Korea Industrial Safety Association	UN Global Compact
Korea Electric Engineers Association	Korea Chamber of Commerce & Industry	Korea Business Council for Sustainable Development
Human Resource Development Forum	Korea Management Association	World Business Council for Sustainable Development (WBCSD), TIP ¹⁾

1) TIP refers to the Tier Industry Project, a subcommittee of the World Business Council for 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 recovery, recycling, and disposal of end-of-life tires and the environmental impact of tire materials. In so doing, we at Hankook Tire contribute to the sustainable development of the tire industry.

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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 2017/18 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

This verifier confirmed the reliability of the 2017 data specified in the report based on the aforementioned verification range & standards as follows: The on-site verification was carried out at the headquarters in Seoul and the plant in Geumsan. 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 Standard were fulfilled.
 - Verified the compliance with the principles of the Report contents and quality based on GRI Standard.
 - 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 Geumsan.

Findings and Conclusion

It is the verifier’s opinion that the Report reflects Hankook Tire Co.,Ltd.’s sustainability management activity & performance faithfully and fairly. Through this verification process, this verifier judges that Hankook Tire Co.,Ltd’s report meets the GRI Standards requirements for Comprehensive Options, and secured the rational level which can be presented by Type 2 assurance level. In

addition, General Standard Disclosures were prepared in full compliance with the requirements for Comprehensive options while Specific Standard Disclosures were reviewed in line the MA (Management Approach) and indicators of the material issues identified through the process of determining report content as follows:

Material Issues	Material Topic (MA & Indicators)
Customer Satisfaction & Quality Management	Economic Performance (MA, 201-1~4) Customer Health and Safety (MA, 416-1~2)
Employee Health & Safety Management	Occupational Health and Safety (MA, 403-1~4)
Employee Value Creation	Training and Education (MA, 404-1~3) Diversity and Equal Opportunity (MA, 405-1~2) Child Labor (MA, 408-1) Forced or Compulsory Labor (MA, 409-1) Human Rights Assessment (MA, 412-1~3)
Transparency and Business Ethics	Anti-corruption (MA, 205-1~3)
Win-win Supply Chain Partnership	Procurement Practices (MA, 204-1) Supplier Social Assessment (MA, 414-1~2)

• **Inclusivity: Stakeholder Engagement**
Hankook Tire Co.,Ltd.gives a definition to major interested parties by dividing them into a customer, a shareholder investor, executives & staff, a cooperative company, local community and environment according to the influence on our management activity. This company is gathering expectations and requirements by constructing the regular/irregular communication process by interested party, and reflecting various opinions deducted through the communication channel in our management activity. In addition, this verifier confirmed that this company is reflecting them in the report by conducting a survey and interviews targeting the interested parties every year, and grasping their opinions as to key issues which have an influence on the interested parties.

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

Hankook Tire Co.,Ltd. is constructing the materiality evaluation process which selects major issues by taking into account the interested parties’ concern and business materiality. Particularly, this verifier confirmed that the same company is grasping the major issues associated with industries and enterprises through the external environment analysis on an annual basis such as global standard analysis (GRI Standards, DJSI, RBA, SDGs), media research and advanced corporation benchmarking, etc., and internal environment analysis. The same company is describing the deducted key issues by dividing them into 8 major key areas connected with CSR Steering Wheel, through which the same company is presenting Hankook Tire Co.,Ltd.’s response direction by systematically selecting management items.

• **Responsiveness: Organization's Response to Issues**

This verifier confirmed that Hankook Tire Co.,Ltd. is managing the 8 core management areas by selecting them with the aim of systematically managing the major issues which were gathered from the interested parties, and the relevant contents were faithfully reported to their business report. Notably, this verifier confirmed that the same company is systematically describing the management items, policies, organizations, major performance, goal, and plan, etc. for the 8 major core management areas, through which Hankook Tire Co.,Ltd. is faithfully disclosing its response activity and performance by its sustainability management issue.

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:

- This verifier confirmed that Hankook Tire Co.,Ltd. is operating the communication channel according to the characteristics of the interested parties in an effort to gather various opinions related to sustainability management. This verifier is advising that the same company should transparently report how the interested parties’ opinions deducted through the discussion meeting and interview with, and survey on the interested parties are reflected in this company’s response policy and activity details for the time to come.
- Hankook Tire Co.,Ltd is systematically reporting the key performance by core management area, and this verifier was able to confirm Hankook Tire Co.,Ltd.’s will to promote sustainability management through their description of major plans for the next year combined with future plans and future prospects. This verifier is advising that this company should arrange the more aggressive sustainability management promotion engine by presenting the quantitative goal where this company intends to go forward from a long-term perspective by core management area for the time to come.

이재성

July 2018

CEO **Kyoo Sung NOH**

D.S. Kim Yang-ho Lee Jumi Park
Director Team Manager Senior Consultant



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 Preparation of the CSR Report 2017/18

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CSR Communication Channel

CSR Communication Channel

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