CREATIVITY
INSPIRED
HYOSUNG
2016 HYOSUNG Sustainability Report

With customers, with the world,
Hyosung is your trusted partner.

In textiles, industrial materials, chemicals, power & industrial systems, construction, trade, information technology and other diverse business fields, Hyosung emerges as a top global enterprise based on excellent technology and services.

With ‘GLOBAL EXCELLENCE’ as its management philosophy, Hyosung strives to provide higher values to the lives of all its customers around the world.

Hyosung will grow into a reliable enterprise leading the global market with relentless challenges and innovations.

The Forest Stewardship Council – a non-profit, non-governmental organization – was established by international environmental and forestry organizations who sought to conserve the world’s remaining natural forests.

2016 HYOSUNG SUSTAINABLE DEVELOPMENT MANAGEMENT REPORT COVER STORY

To symbolize its firm commitment to becoming a creative global company that exerts industry-wide influence with its original technology, Hyosung has adopted the “CREATIVITY INSPIRED HYOSUNG” typography as its basic design. The circle surrounding the typography represents Hyosung’s creative thinking that spreads out all over the world as well as the expansive scope of its business areas.

This Report uses FSC (Forest Stewardship Council)-certified paper, bearing the logo carried only by products made using timber from environmentally-developed and managed forests. The report was printed at a FSC-certified print shop using soy oil ink which drastically reduces the emissions of air pollutants.
Hyosung published its first Sustainability Report in 2012 to actively communicate with stakeholders and then published its second report in 2016. The 2016 Sustainability Report selects key issues of interest to our stakeholders including customers, partners, employees, and local communities. In the future, Hyosung will publish regular reports and use it as a place for interactive communication with stakeholders. In case of any modification related to the evaluation criteria and data collection scope, please refer to the bottom of the contents for the reasons for the change.

The 2016 Hyosung Sustainability Report was prepared in accordance with the GRI Global Reporting Initiative (GRI/G4) Sustainability G3.1 Standard, which means the ‘Core’ standard. All financial results are based on the consolidation criteria of K-IFRS: Korean International Financial Reporting Standards.

The reporting period for this report is January 1, 2016 to December 31, 2016. Some important qualitative data include activity before 2016 and the first half of 2017 and quantitative data are grouped into three-year performances to identify trends. The scope of the report covers not just headquarters, but the domestic business sites of Textile, Industrial Materials, Chemical, Power & Industrial Systems, Construction and Trade PGs, including some of the activities and achievements of important overseas operations.

In order to ensure the credibility and fairness of this report, LRQA has verified this report in accordance with the AA1000 (2008) principles (inclusiveness, importance, responsiveness) and verification procedures based on ISAE 3000 data and process reliability principles to ensure reliability and fairness, and the results of the verification are contained in pages 95 through 96 of the report.

If you have any questions or suggestions for improving this report, please contact us at the following address.

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※ Visit our homepage (www.hyosung.co.kr) for more information.
CEO Message

Dear Stakeholders,

Thank you all who have generously supported Hyosung over the years. I am very pleased to greet you with our latest Sustainability Report. This year marks the 51st anniversary of the company’s establishment in 1966. Hyosung has been a driver of Korea’s economic growth, and we continue to push ahead with the legacy of daring ventures and accomplishments in various sectors, such as textiles, industrial materials, chemicals, heavy industries, construction, trade and ICT. In 2016, Hyosung achieved the most significant performance ever with customer-oriented management efforts and the enhancement of global competitiveness despite the global economic slowdown. Along with such economic achievements, Hyosung is doing its utmost to help create a better world in which all members of our society can share the joy of living in a safe and convenient environment, in accordance with our corporate mission, the Hyosung Way to “lead humanity to better lives with its best technology and exemplary management competence.”

Amid a continued slowdown of the global economy and rising protectionism, we expect that the business environment will continue to be difficult in 2017. However, we at Hyosung endeavor to overcome such challenges and reinforce our competence to change and innovate for constant growth, no matter how harsh the environment may be. We are committed to growing as a genuinely global company by developing top-notch technology, bolstering our competitiveness in production costs and product quality, fostering world-class talents for global business and strengthening our systems. Equally important to us is the task of improving customer value and nurturing a relationship of coexistence with our customers. To this end, Hyosung devotes itself to practicing customer-oriented management by paying constant attention to customers’ voices and exceeding their expectations. In addition, we will further strengthen our sustainable management system to become a trusted company.

We will make efforts to attain the United Nations Sustainable Development Goals (UN SDGs) by complying with international initiatives, such as the UN Global Compact (UNGC). To do so, Hyosung will foster environmentally friendly management as a new growth engine and put ethical management into action beyond simply taking on economic and legal responsibilities. Furthermore, we will strive to build a healthy business ecosystem by working towards a shared growth with customers and partner companies. Last but not least, Hyosung is committed to becoming a company that shares happiness with the wider society by wholeheartedly carrying out CSR activities at home and abroad.

Hyosung strives to continually improve itself to become a more trustworthy and beloved company for our various stakeholders, including shareholders, customers and partner companies. We are deeply grateful for the interest and affection you have shown us, and we promise to become a constantly growing company by actively bolstering communication with you and incorporating your voices.

We deeply appreciate your great interest and support. Thank you.

Chairman
Hyun Joon Cho
Global Excellence Hyosung

Hyosung is leading the market through continuous technology development that is needed to provide the high quality that our customers desire. Through an active foundation of a global manufacturing base, we have built a global network consisting of 83 business sites in 30 nations. Hyosung also satisfies its customers by providing products reflecting customers’ tastes and lifestyles, thanks to its localization strategy.
Hyosung has been pursuing continuous growth and development since its foundation by expanding its business capabilities and profitability. Its profitability is based on "value management through global excellence." By establishing a global network of innovation, challenge, and core businesses, we are steadily enhancing our market position, accelerating our growth, and becoming a top-tier global company.

**Business Areas**

Hyosung has been pursuing continuous growth and development since its foundation by expanding its business capabilities and profitability. Its profitability is based on "value management through global excellence." By establishing a global network of innovation, challenge, and core businesses, we are steadily enhancing our market position, accelerating our growth, and becoming a top-tier global company.

**Textile PG**

Providing an innovative direction for the world textile industry that maximizes customer value

As the founding unit and core business of Hyosung's 50 years of history, the Textile PG has led global chemical textiles industry. Based on the best-level technology and production capacity, creora®, aerocool, askin, and other world-class products, Hyosung will continue to lead the global market by continuously developing new products and advanced materials that suit customer needs.

**Spandex PU**

Since the start of spandex production in 1992, we have grown rapidly every year based on our own production technology and R&D capabilities. We have a spandex brand creora® that was selected by world famous manufacturers in lingerie and swimwear, and we are building a global production base that covers Asia, Europe, and South America, including China, Vietnam, Turkey, and Brazil. We will develop yarns with various excellent functions that meet customer needs and feature the best quality and competitive power in the world.

**Nylon Polyester Fiber PU**

The Nylon Polyester Fiber PU produces a variety of highly functional yarns that have accumulated 40 years of know-how based on high-end lingerie, sportswear outdoor, yarn for industrial materials, and TOPLON. We are focusing on the development of high-tech materials to strengthen our customers’ business competitiveness by developing microfibers through direct radiation method for the first time in the world. In addition, we are endeavoring to achieve sustainable growth by developing and expanding the production of differentiated products, such as dope-dyed fiber products, multifilament yarn, and fine-denser.

**Fabric Dyeing PU**

The Fabric Dyeing PU is concentrating on the development of products with high functionality and advanced functions with an integrated production system ranging from yarn production to weaving and finishing. We supply various fabric materials such as non-woven fabrics and spandex, which are excellent in durability and protection, and are recognized domestically as well as overseas based on our dyeing ability, which is at the highest level in Korea.
We prioritize customer safety and happiness with the most suitable materials

Industrial Materials PG produces industrial fibers that are used in a variety of applications in the automotive, civil engineering, agriculture, military, transportation, and sports industries. We are striving to lead the global market centered on tire cords, industrial yarns for automobile seat belts, and airbag fabrics, which are number one in terms of world market share.

Tire & Industrial Reinforcements PU produces and supplies fiber tire cord, steel cord and bead wire, which are the core materials of tire reinforcement, we are also the worlds only integrated supplier for tire reinforcing materials. We also contributes to the development of the green industry and the IT industry through the production of saw wire, which is necessary for the production of semiconductors and solar cells wafers. It has been recognized for its technological advancement by signing a long-term supply contract with global clients such as Michelin and Goodyear. In particular, Hyosung has the largest market share in the polyester tire cord market in the world. In addition to the domestic Ulsan and Eonyang sites, we have established local production systems in China, Vietnam, USA and Luxembourg to supply more stable products to customers worldwide. We will try our utmost efforts to solidify our position as the leading company in the global market by providing differentiated materials and customized services.

Interior PU is the only player in Korea that specializes in commercial and automobile carpets, equipped with its own production facilities from yarn to finished products. We have obtained ISO 9001, ISO 14001, TS 16949 and KS eco-friendly certification. We have established and implemented a perfect quality control system, such as passing quality tests in Korea, USA and China. Since its inception in 1983, we have secured the largest market share and have been expanding its exports all over the world. Having developed polyester tufted carpet for the first time in the world, it currently operates manufacturing sites in the U.S. and China to proactively respond to customer needs.

Aramid Business Division

TANSOME® is the brand name for the carbon fiber that Hyosung succeeded in developing and commercialized for the first time in Korea. With its strength that is ten times higher and its density only ¼ of that of steel, carbon fiber has been attracting attention as a key material for lightening products. It has been widely used for aviation applications, various industries, and the sports/leisure fields. Having secured a production capacity of 2,000 tons per year, we will expand our product portfolio through continuous research and development to become a global brand that will lead the industry in 2020.

Global Safety Textiles

As the largest airbag fabric manufacturer in the world, Global Safety Textiles is producing flat fabric, OPW (One-piece-woven) and cushions for airbags. We have secured a high market share based on close cooperation with major automobile parts companies in the world. We have a wide range of products that meet customer needs and a value chain, which covers the latest process. Based in Germany, USA and China, we are actively pursuing global markets through global networks of four continents, seven countries, and ten production bases.

Carbon Business Division

TANSOME® is the brand name for the carbon fiber that Hyosung succeeded in developing and commercialized for the first time in Korea. With its strength that is more than ten times higher than and its density only ¼ of that of steel, carbon fiber has been attracting attention as a key material for lightening products. It has been widely used for aviation applications, various industries, and the sports/leisure fields. Having secured a production capacity of 2,000 tons per year, we will expand our product portfolio through continuous research and development to become a global brand that will lead the industry in 2020.
Hyosung is always by your side to ensure every convenience of daily life with its chemical material technology.

Contributing to national economic development by selling various chemical products such as film and fluorine gas to the global markets through such products as Asia, Europe, and the Middle East, Chemical PG is leading the convenience of everyday life on the basis of cutting-edge raw materials of excellent quality. We are leading the global parts and components industry with excellent properties and competitiveness through such products as polypropylene, which occupies the highest market share in Korea, and POLYKETONE, which has been developed and commercialized for the first time in the world.

PP/DH PU
PP/DH PU produces and supplies ‘Topylene,’ a representative brand of polypropylene resin (PP). We created a stable supply base of vertical integration from raw material to finished products by producing and supplying polypropylene resin (PP) and self-procuring propylene as its raw material in propane dehydrogenation process (DH). Through market diversification, we are expanding the sales proportion of specialized products and securing profitability by developing new products.

Neochem PU
Neochem PU has been researching and developing NF₃ (Nitrogen Nitride), which is used in the manufacturing of advanced products such as semiconductors, LCDs, and solar cells. We continue to expand our production facilities and establish new factories in China. We are firmly establishing our business base by developing and producing various products.

Optical Film PU
Optical Film PU is developing and producing TAC film that protects polarizing film in LCD polarizing plates used in TVs, monitors, laptops, mobile phones, and so on. We have contributed to the development of the domestic LCD industry through the localization of TAC film. We are also continuing our efforts to find new growth engines by entering various optical film markets and actively pioneering overseas markets. Through continuous expansion of production facilities and R&D, we will reaffirm our position as an ‘Optical Film Company with Global Competitiveness’.

POK Business Division
Polyketone, which was developed in-house by Hyosung and successfully commercialized for the first time in the world, is an eco-friendly high-molecular-weight new material composed of carbon monoxide and olefin, which is a main raw material of air pollution. It has excellent impact strength, chemical resistance, abrasion resistance and the best gas barrier rate among existing materials. In polyketone, we will lead the global engineering plastics market with the completion of the commercial plant.
The future electricity grid system is becoming a new growth engine of green growth.

Power & Industrial Systems PG is recognized in the USA, the Middle East, and Europe for the quality of its world-class products of power transmission and distribution facilities such as transformers and breakers, the core part of industrial energy, and of industrial machinery facilities, which are the core of key industries. In addition, we will continue to find new growth engines for environmentally-friendly green technologies such as energy storage devices, STACOM, and smart grids, and we hope to become an eco-friendly company that will lead the global market.

Power Systems PU

Since its establishment in 1962, Power Systems PU has been supplying core products such as transformers and circuit breakers for the power supply in Korea and leading the domestic transmission and distribution facilities industry. Based on our advanced technology, we have secured the know-how of power equipment such as engineering, design, production, and maintenance service in transmission, substation and power generation fields to provide customers with perfect quality and service. In addition, we will strengthen our competitive edge in the domestic and global markets by strengthening the electric power IT-based power automation business and the smart grid sector in order to respond to changes in the increasingly sophisticated and intelligent urban environment.

Industrial Machinery PU

Industrial Machinery PU, the top industrial motor manufacturer in Korea, manufactures industrial motors, gears, generators, and chemical devices and other industrial machinery. It also provides super premium efficient motors and other energy-saving and highly reliable products with customer value enhancement as our top priority. Industrial Machinery PU supplies products to power plants and desalination facilities in Europe, Asia, and the Middle East, and secures global production bases in Vietnam, Germany, etc. and continuously enhances its technological capabilities through relentless product development and research.

HYOSUNG GOODSPRINGS PU

HYOSUNG GOODSPRINGS PU is Korea’s largest pump producer and seawater desalination plant equipment supplier. HYOSUNG GOODSPRINGS is recognized for its world-class technology. We produce excellent pumps for a variety of applications, ranging from power plants to petrochemicals, ships, buildings, houses, industrial purposes and desalination facilities. We are also active in overseas markets and provide customers with the best solutions in all processes, including product quality, design, manufacturing and after-sales service. HYOSUNG GOODSPRINGS will grow into the world’s best company with continuous innovation activities and customer satisfaction.

Wind Energy Business Division

Based on the technological process and know-how accumulated from the successful development and operation of 750kW and 2MW offshore wind turbines, we have obtained the international certification for the 5MW offshore wind power generation system for the first time in Korea and have been recognized as the producer of the best onshore and offshore wind turbines in Korea. By participating in the domestic offshore wind farm project, we are leading the domestic wind power market as well as preparing to become a global wind turbine manufacturer by entering into the global wind power market.

Construction PG

Building an Eco-friendly infrastructure sustainable for both humans and nature

The construction business is actively engaged in various construction projects such as domestic and overseas housing projects, redevelopment and reconstruction projects, business and commercial facilities, civil engineering, plant and SOG projects based on accumulated experience and technology. In addition, we are strengthening our business capabilities in environmental fields such as water treatment and waste disposal.

Construction PU

Construction PU, which introduced the first residential building in Korea, is creating a new space culture that harmonizes nature and technology in the fields of housing, architecture, civil engineering and plant. As a representative brand of Hyosung Construction PU, ‘Harrington’ is providing comfortable living space to customers through its excellent technology and accumulated know-how, striving to achieve customer satisfaction. At the same time, we comply strictly with the laws and regulations related to the environment and other requirements, and firmly pursue the principles of customer management and quality management.
Fostering new growth engines through the experience and infrastructure of global marketing services.

Trading PG

Fostering new growth engines through the experience and infrastructure of global marketing services.

The trading business is focused on exporting Korean products and cross trade, mainly in steel and chemicals areas. Based on our network of over 50 branch offices around the world, we are able to provide the best service for customer satisfaction by quickly understanding the changing market trends and customer needs from all over the world. Through these efforts we have become a reliable partner for our customers.

Steel & Metal Products

Centered on carbon steel plate products produced by major steel makers, we provide a total solution that encompasses the related raw materials and processing equipment. We also provide the best service to our customers through experts with deep technical knowledge regarding steel at the head office and overseas branches. In this way, Hyosung is achieving a highly sustainable growth.

Steel & Metal Products

Steel 2PU, which exports products from major domestic steel makers, ships various steel products including stainless steel products and construction materials for construction all over the world. In addition, we are actively engaged in the multifunctional trade of third-country products, relying on steel related experts, to achieve a sustainable growth.

Chemical Products

Chemical Products PU, which is exporting various chemical products ranging from basic raw materials of petrochemicals to fine chemicals globally, is devoted to the development of various chemical products to diversify exports with global network and to advance into future growth businesses. Furthermore, by providing better services to diversified customers, we are striving to become a top global trader that not only expands but also leads the global market.

LED Business Division

LED, Light Emitting Diode, is becoming a next-generation lighting material because of its long lifecycle, low energy consumption, and small size. LED business Division is exporting various LED products, by providing total solutions for residential, industrial, and commercial LED lighting and applications that meet diverse customer needs and application environments. In addition, LED business Division is providing various energy-saving solutions based on LED lighting, and is positioning ourselves as eco-friendly low-carbon growth partners.

Some Sevit Division

Some Sevit Division operates the world’s first waterfront cultural space and convention facility, Sevitseom, in the Han River, at the heart of Seoul. As the world’s largest artificial floating island, Sevitseom is a building that stands on a floating body. It consists of three islands of Gavit, Chavit, Solvit, and water stage space, Yevit. Each space features beautiful scenery and offers diverse value.

HYOSUNG TRANSWORLD

HYOSUNG TRANSWORLD contributes to logistics cost saving and productivity improvement of customers by providing stable and effective logistics control for all types of freight such as bulk, plant equipment and project freight as well as containers. We are accelerating continuous management innovation and service development to raise customer value and satisfy customer requirements by providing the optimal logistics consulting on the basis of knowhow accumulated through more than 20 year experience and knowledge in logistics. We promise to always provide the highest level integrated logistics services for customers.
From home to industry and financials
we have established a smart, connected advanced network.

As a pioneer in the IT infrastructure and financial service automation sectors, Information & Communications Performance Group is making great endeavors to provide customers with convenience, based on its global competitive edge in various areas including automated financial devices, mid- to large-sized data storage systems, mobile solutions, the content delivery network (CDN) business, and LED business, which is gaining attention as a future growth industry.

Launched as a financial IT company in 1979, Nautilus Hyosung aims to be an innovative company that provides integrated total solutions for financial service automation. We are advancing to be the leader of the world’s financial IT industry by offering convenience and trust to users and profitability and competitiveness to corporate clients. With the undeniable No. 1 market share in the Korean ATM market, we have been exporting independently developed ATMs to 30 countries since starting to export in 1998 and grown into a global company, ranked first in market share in the U.S. and Indonesian ATM markets.

Hyosung Capital, with a variety of products, Hyosung Capital provides financial services ranging from leasing, installment financing, loans and investment to individual and corporate clients that need capital. Based on the business capability and know-how as the No. 1 company in domestic facility leasing and medical equipment leasing, we have built varied private financial product portfolios, such as imported and domestic car leasing, installment financing for used cars and durable goods, housing loan and stock loans. In addition, we have fortified our capability and competitiveness as a total credit financing company by offering various corporate financial services, such as working capital loans and investment for promoting coexistence with small and medium enterprises in Korea. Hyosung Capital continues to push forward with its slogan, Total Credit Solution Provider.

Hyosung Information Systems, which was founded in 1985 and was the very first specialized IT company in Korea to supply mainframes and disks to public and financial organizations, currently provides IT solutions and services to companies in all industries spanning from finance, manufacturing and public service to communication fields and also to nearly 1,700 SI companies. Based on its technological support capabilities, with reliability proven in the field and global service network linked with the United States, Japan and Australia, we lead the growth of clients’ business by providing major enterprise data center infrastructure such as storage, servers, and solutions including services for business innovation such as the cloud and big data.
Hyosung's sustainability management is to fulfill its economic, social, and environmental responsibilities based on its mission to create better lives for people based on the best technology and management capability. Through communication and cooperation with various stakeholders such as customers, employees, suppliers, and local communities, we will continue to pursue corporate management that contributes to domestic and overseas issues, and we will take the lead in creating a sound ecosystem that enables both companies and society to grow together.
**Stakeholder Communication**

Hyosung defines stakeholders as those who have a major influence on business activities, and has identified its five stakeholder groups as customers, employees, partners, suppliers/investors, and local communities. We listen to our stakeholders’ opinions and operate various communication channels to reflect them in our management activities. We are creating a sustainable management environment by actively reflecting the needs of stakeholders in our management activities.

### Materiality Assessment

In order to determine the issues in this report, Hyosung conducted a materiality assessment in accordance with the GRI (Global Reporting Initiative) Guidelines. We have analyzed international standard indicators such as GRI 4, ISO 26000, and DJSI, and have taken into consideration the benchmarking of global advanced companies in sustainability management and questionnaire surveys of stakeholders.

#### Evaluation process

1. **STEP 1.** Compilation of report contents (84)
   - International Standardization Survey
   - Media research
   - Management policy, 50 years history, company newsletter, TT interview etc.

2. **STEP 2.** Prioritize reporting content (50)
   - Consolidating and leveling 84 report contents
   - Business impact and stakeholder interest
   - Conduct evaluation through standardized quantification

3. **STEP 3.** Select main report contents (12)
   - Selection of main report contents
   - Hyosung’s internal stakeholders’ final revision
   - Organizing table of contents by issue (12)

#### Stakeholder survey

In order to listen to the voice of our customers directly, we have conducted a survey. The survey was done online in five areas, including the economy, macro economy, environment and social growth for 176 internal and external stakeholders. The results were reflected in deciding the priority of the report order and materiality.

### Key issues based on the results of importance evaluation

- **Customer Satisfaction through Quality Control**
- **Promotion of Research and Development**
- **Expansion of Delivery Networks**
- **Branding and Corporate Image Improvement**
- **Coping with Climate Change**

#### Stakeholders

- **Customers**
- **Employees**
- **Partner Companies**
- **Local Communities**
- **Environmental Safety**

#### GRI Aspects

- **Customer Satisfaction through Quality Control**
- **Expansion of Delivery Networks**
- **Branding and Corporate Image Improvement**
- **Coping with Climate Change**

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Our top priority strategy is to develop first-class products to meet market and customer needs and to maximize customer satisfaction through quality control. Leading companies have organizations and processes optimized for R&D and quality control, and are committed to improving customer value.

An analysis of customer issues in 2016 revealed that two major issues are ‘top-notch product development through technology’ and ‘customer satisfaction through quality management.’ Activities and achievements for each issue, and future plans can be found in each part of the text.

The Hyosung R&D Labs, The Power and Industrial Systems R&D Center, the Steel Wire Technical Center, the Electronic R&D Center are continuing to develop top-notch products that lead the domestic and overseas markets. At the same time, we are contributing to customer satisfaction by strengthening product quality and communication with customers.

Hyosung will continue to strengthen its R&D investment and human resources to focus on creating future growth engines. In addition, we will understand customer needs to identify quality improvement issues, and to maintain the level of Global No. 1 quality into the future. At the same time, we will do our best to increase the satisfaction of global customers and secure a broader market by strengthening salesperson capacity, establishing production and quality control systems, and securing and cultivating global talent.

Hyosung Sustainability Performance

The Number of Patent Applications (Total Accumulation in 2016)

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<th>Patent Applications</th>
<th>Investment in R&amp;D</th>
<th>Acquisition of Quality and Safety Certifications</th>
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<td>4,690 cases</td>
<td>116.6 billion won</td>
<td>ISO 9001, TS16949, eco-friendly Mark Certificate, KS Mark, NF Standard, DEKRA™ STANDARD 100, etc.</td>
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R&D Committee

Hyosung’s research and development organization is divided into Hyosung R&D Labs, Hyosung Power and Industrial Systems R&D Center, Steel Wire Technical Center, and the Electronics R&D Center. Through our differentiated technology development efforts, we are developing world-class products in various fields such as Aramid, POLYKETONE, STATCOM, and energy saving ESS.

R&D Organization

R&D Achievements of Hyosung R&D Labs:

- Spandex, tire cord, airbag yarn for automobiles, 1st in global market share
- Nylon yarn, polyester yarn, TAC optical film, and carbon fiber
- 1st in Korean market share
- Developed next-generation high-tech materials such as carbon fiber, LED fluorescence, subscription type, immersion water treatment membranes, and world’s first new material POLYKETONE development and mass production

R&D Labs

Hyosung R&D Labs, founded in 1971, is the first private research institute in Korea to research textile, industrial materials, and chemical materials. Hyosung R&D Labs aims to set its Vision 2020 as becoming a technology leader that creates the future with first-class technology and build up growth engines of the group based on five new product axes. The structure was reorganized into five research groups for each of 10 core technologies to accumulate the base technology. In order to maximize research efficiency in the future, we are actively promoting technology exchange meetings and permanent learning among related departments in the company, and are making every effort to recruit and nurture excellent researchers.
We have cooperated with universities’ laboratories to exchange technology and cooperate in core technology research and development. Joint research and commissioned development are carried out in key areas, and joint research and participation in national projects. In addition, we carry out early electrification by operating an industry-academy program for talented people and give the opportunity to join the institute without any additional process after graduation. Through this, we are establishing a mutual win-win cooperation model between Hyosung and universities. In 2016, we operated a total of 32 HULabs.

### Power and Industrial Systems R&D Center Global Technology Expert (GTE) Education System

We have defined core competences tailored to the characteristics of power & industrial systems research and established the GTE education system accordingly. Based on the education system, we have opened basic training courses for each researcher so that basic knowledge about various subject areas and other peripheral technologies can be acquired. In addition, the GTE Intermediate / Advanced Course is also run as a self-initiative for products, technology learning, and problem solving that are required to carry out tasks. At the same time, we support strengthening competences such as creative thinking and global language skills.

### DR (Design Review) Process

This refers to a task-checking and decision-making system that determines the evaluation, change, suspension, continuation, etc. of each task from the beginning to completion of the research project. This helps prevent risks and setbacks in advance.

### Working Group

For each major Power & Industrial Systems PG product, related departments such as the product, planning, sales, development, and research teams gather to analyze trends related to the market and products, and establish short- and mid-term business and product strategy. Based on the established strategies, we derive management plans and R&D tasks for the next year.

### Steel Wire Technical Center

Established in 1986 to develop production technology and product development of steel wire reinforcement materials, the Steel Wire Technical Center is growing as a specialized research institute for steel wire materials, such as parts for new and renewable energy and IT industry. In order to achieve ‘Global Excellence,’ we have established overseas technical centers in China and Vietnam and make continuous efforts to strengthen basic technologies and core competences.
New Material Development, Localization of Technology

Polyketone (Brand: POCKETONE™)
Hyosung succeeded in commercializing Polyketone, the next generation plastic, in 2013 for the first time in the world. Polyketone is an engineering plastic that stands out as a new material to replace conventional engineering plastics because it has more than twice the strength of nylon, which is widely used in industrial materials, and can withstand abrasion. Polyketone not only has excellent abrasion resistance, chemical resistance, and impact resistance but also uses carbon monoxide, which is a pollutant, as a main ingredient, and is attracting attention as an eco-friendly new material. Currently, Hyosung manufactures and sells 50,000 tons of such products each year, and is actively exploring new markets.

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Application</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abrasion resistance</td>
<td>Automotive</td>
</tr>
<tr>
<td>Chemical resistance</td>
<td>Industrial materials</td>
</tr>
<tr>
<td>Gas barrier</td>
<td>Electrical and electronics</td>
</tr>
<tr>
<td>Impact resistance</td>
<td>General purpose</td>
</tr>
</tbody>
</table>

Carbon Fiber (Brand: TANSOME®)
Carbon fiber has been attracting attention as a key material for lightening products. Carbon fiber is widely used in aerospace, industrial and automotive applications as well as the sports and leisure sectors and is expected to grow more than 12% annually. Hyosung has succeeded in developing carbon fiber with its own technology for the first time in Korea. We will participate in global exhibitions, promote product excellence, and gradually expand our production capacity.

Spandex (Brand: creora®)
Hyosung succeeded in developing spandex for the first time in Korea in 1992. As a result of continuously investing in technology development to provide customers with the best quality and service in the world, Hyosung’s spandex brand creora® is currently solidifying its position as a global No. 1 brand with a global market share of over 30%. Based on Hyosung’s proprietary production technology, we are developing a wide range of spandex products including creora® Color+, creora® Black and creora® STEAMSET+.

Spandex Brand creora® Representative Product Group
- It has excellent power and heat resistance and can be used at high temperatures. It is mainly used in underwear and sportswear.
- It has a soft elasticity and gives a comfortable fit to clothing and is mainly used for socks and stockings.
- It is mainly applied to diapers and boasts a unique technology in the personal hygiene market.

TAC (Tri-Acetyl Cellulose) Film
TAC film protects the polarizer, a key component of the display, and is used in LCD TVs and smartphones. It is an eco-friendly film material widely used in daily life. Hyosung succeeded in localizing TAC film technology, which had been dependent on existing Japanese material technology, and contributing to lowering dependence on overseas technology. In order to provide stable products and services to our customers in the continuously growing display market, we have added an additional film production plant at the Oksan plant.

Aramid Lightweight Bulletproof Helmet
Hyosung has been selected as a leading research institute in the civilian technology development project (development of ‘helmet with improved bulletproof performance’) by proposing a bulletproof helmet, made 100% from aramid which was originally made of polyethylene (PE). Aramid has high strength, high heat resistance, and excellent tensile strength and is used as an optimal bulletproof material. It will be lighter than conventional aramid helmet and will be used as the next generation lightweight bulletproof helmet for the Korean Army.

ESS (Energy Storage System)
This is a device that saves power when power demand is low and improves power utilization efficiency with an energy storage device that uses power when needed. Hyosung is engaged in the consulting business for the maintenance, repair, and construction from the system supply in the ESS business and continues to expand the market based on accumulated business experience and product reliability. In addition, ESS experts and maintenance systems are in place to quickly respond to possible disability issues.
Solar Power Conditioning System

The Solar PCS is a device that converts the direct current of a solar cell that converts solar energy into electric energy into AC to connect with the power system and has the function to produce maximum power. It can also maximize the availability of solar energy in conjunction with energy storage devices. We are striving to maximize our customers’ profits through high system efficiency, an optimal system operation control environment, component reliability, high performance, high reliability, high stability, and high quality products and services.

Water Treatment Membrane

The core technology of the water industry is shifting from chemical treatment to separation membranes. Hyosung has developed a water treatment membrane with excellent performance based on its long-accumulated polymer polymerization and processing technology and have tried to use in various water treatment fields including water purification, industrial water. In particular, Hyosung is the only company in Korea to have both a submerged hollow fiber membrane certification (2011) and a pressurized hollow fiber membrane module (2013). In recent years, it has successfully developed new materials, polymer, and AMC materials.

STATCOM (STATic synchronous COMpensator)

STATCOM is a device that prevents electric power loss during power transmission and distribution and improves the stability of power transmission. This complements the disadvantages of renewable energy, where power production and supply are relatively unstable. Hyosung is the only company in Korea to have commercialized technologies for commercial use. Leveraging the advantages of voltage stability and maximizing transmission efficiency, we have won orders from domestic substations, the India Electric Power Authority, and Panama Power Transmission Agency.

Low-Carbon Concrete

Low-carbon concrete reduces cement usage by approximately 40%, and is a technology using high performance chemical emulsifiers and stimulants. It has excellent chemical resistance, minimizes cracking due to drying shrinkage, and is recognized as a high-quality construction technology. In addition, CO2 emissions are reduced when manufacturing concrete, which is recognized as an eco-friendly low-carbon green construction technology. Hyosung has applied low-carbon concrete technology to more than 10 sites since 2014 and plans to continue expanding it in the future.

Voltage Type HVDC (Ultra High Voltage DC Transmission)

HVDC is a technology that converts high-voltage AC power generated by a power plant into high-efficiency DC power. Because it has low power loss, it is advantageous for large capacity and long distance transmission, and it is emerging as the core technology of the next-generation power network. In particular, there are many similarities with the STATCOM operation technology, and it is expected that it will contribute greatly to securing national technological capability because it is possible to link technologies, increase the spread of renewable energy, and increase the power linkage among countries. Hyosung will be selected as a national project developer by the Ministry of Commerce, Industry and Technology. We are striving to maximize our customers’ profits through high system efficiency, an optimal system operation control environment, component reliability, high performance, high reliability, high stability, and high quality products and services.

Hydrogen Car Charging System

In 2008, we succeeded in the domestic development of a hydrogen car charging system for the first time in Korea and late supplied the system to Hyundai Motor’s Namyang Research Center. As the government announces a roadmap for the spread of hydrogen cars and hydrogen-charging infrastructure by the end of 2015, we are also striving to secure technological competitiveness in the hydrogen car charging system business, the next generation of pollution-free vehicles.

Hydrogen Car Charging System
Customer Satisfaction through Quality Control

Establish Quality Management System

- Perform Quality Improvement Activities
  Spandex PU continues to develop quality improvement activities by identifying customer needs, reflecting them in production lines, and minimizing the occurrence of fundamental issues. We are constantly improving the ups and downs of quality, collecting customer suggestions, and reflecting them in the improvement process. In addition, we monitor the production conditions and operation status of domestic and overseas business sites to establish the unification of technologies, and regularly perform audits for overseas business sites to continually improve processes.

- Process Improvement Management
  POK Business Division is constantly improving its quality management system by thoroughly reviewing all production processes. In order to meet the demands of the market and customers, we guarantee the conformity and efficiency of the quality and ensure the effective execution and maintenance of the system by appropriately providing human and material resources. At the same time, we are pursuing quality that can improve customer satisfaction. We listen to our customers’ opinions, understand them, and consider them as our highest priority. We continuously minimize the waste and defect factors, and all of our employees continuously improve their processes in the company’s processes and gain the trust of the market and customers. A series of courses are used as a measure of company evaluation through customer satisfaction surveys.

- Optimization of Facility Operation
  TPA PU optimizes plant operating conditions that affect product quality. We also regularly inspect and replace aging equipment to prevent process accidents and produce products of stable quality. At the same time, we adhere to quality inspection procedures to continuously manage quality data and share quality-related issues on a regular basis among related departments. In addition, through regular exchanges with customers, we are responding promptly to quality issues and customer needs. In the event of an abnormality in product quality, we will notify customers without delay and minimize damage to customers.

- Establishment and Management of Global Plant Quality Standard
  We operate manufacturing bases for tire reinforcement materials not only in Korea (Eonyang/Ulsan), but in foreign countries (China/Vietnam/US/Luxembourg). The global quality control team ensures the production of products of same quality all over the world. Quality Assurance Team manages production technology and standards for each line of production. It also develops guidelines for equipment, parts and components and the application of new technologies, and distributes these guidelines to production sites globally. Further, the team hosts technological exchange programs among plants so that all sites are able to manufacture their respective products with top-notch technology.

Quality Guarantee and Securing Quality Certifications

We operate a quality management system tailored to PU-specific products and customer characteristics. We have strict product quality control and have secured product reliability and high customer satisfaction by acquiring internal and external certifications for product quality.

- Quality Assurance Regulations
  Power & Industrial Systems PG stipulates strict quality assurance for all processes from product planning to sales.

- Quality Assurance Audit Activities
  Identifying quality systems, specifications, contract requirements and their conformity with quality activities, identifying nonconformities, implementing corrective and preventive measures.

- Securing Quality Certifications
  Interior PU has obtained ISO9001 and T36949 certification through its own quality management system, and thoroughly maintains product quality. In particular, in the field of tile carpets, which requires strict quality conditions, the ‘Swan tile carpet’ has obtained eco-friendly mark certification and KS Certification, and strives to provide high quality products continuously. POK Business Division maintains product quality consistently throughout the entire process, from polysterone orders to production and organizational management service activities. Film PU has been recognized for its excellent quality and stable supply of products through constant efforts to supply eco-friendly and harmless products.

- NIJ (National Institute of Justice) Standard
  NIJ Standards is a standard set by the U.S. Department of Justice Research Center for anti-bullet capacity which is currently used as a global standard of bullet-proof. Araid Business Division has received certification for 12 models since 2015 by proving its competitiveness, and quality and will receive additional certifications for five new models in 2017.
Customer Communication

We are expanding our interactive communication channels to actively identify customer needs and strengthen our products and services. We strive to maximize customer satisfaction through close communication with our customers.

G-VOC (Global Voice Of Customer) Management System

The Power & Industrial Systems PG has established the Global Voice of Customer (G-VOC) and Portal system to integrate and manage customer VOC information and realize customer-based quality management. The G-VOC management system is to reflect feedback from customers and prevent the repetition of the same problems, by registering customer information received at customer-handling departments, ranging from business, design, and test to installation. Throughout this system, we can openly monitor our handling of customer feedback and accurately reflect customer demands by way of big data.

Securing the Product Lifecycle

We ensure product safety in all processes ranging from ordering from product to after-sales management. We will ensure the safety of our customers and strengthen their trust through our own verification system.

OEKO-TEX® STANDARD 100

The Spandex PU and Nylon Polyester Yarn PU perform independent safety testing at all stages of processing from the fiber raw materials to the final product of the creora family through the OEKO-TEX® STANDARD 100 certified system. Considering all possible situations where harmful substances can contact the human body, we conduct simulation tests for about 100 steps and renew our certification every year to ensure product safety.

7-Step Quality Check

The construction PU carries out quality inspections in seven stages from the drawing review to the confirmation before the tenant check. We participate in all relevant departments to check plans and performances, and make improvements to reduce defects. This will help reduce unnecessary extra costs and realize customer satisfaction.

Purpose of Management

- Customer VOC information total management
- Total management and company-wide sharing of customer information
- Management of existing customers
- Improvement of customer-centered quality management
- Real-time management of customer handling status
- Establishment of global top-level business capacity
- Strengthening of customer-tailored service capacity through the analysis of big data
Participation in Domestic and Foreign Exhibitions with Customers

The Spandex PU and Nylon Polyester Yarn PU are participating in domestic and foreign exhibitions every year with our customers and jointly organizing exhibition booths. Through these efforts, we are helping our customers expand their new markets and provide them with opportunities to understand market needs and trends. In addition, Hyosung is strengthening its position by promoting the superiority of its products to prospective customers. Specifically, the Spandex PU participated with customers in ‘Preview in Daegu’ and ‘Interfiliere’ in 2016 and introduced creora® in ‘Lyon mode city & Interfiliere’ Fresh and other premium fiber materials.

Advanced Interiors for Automobiles

Interior PU strives to provide customized solutions to customers by constantly communicating with them. We have developed and supplied high quality products with a smooth surface feel and luxurious appearance by benchmarking advanced automobile production companies according to the advanced needs of automobile interiors. At the same time, we have minimized the noise of automobiles through development of products with suction and sound insulation functions. We are introducing a variety of products to the market in line with trends such as weight reduction and cost reduction.

creora Marketing

As the world’s No. 1 spandex brand, creora® is expanding contacts with customers and enhancing customer marketing, as well as local marketing activities through overseas subsidiaries, as well as creora workshops and creora fabric libraries. At the same time, we operate a global technical service team to provide technical support during customer development and use.

creora Workshops

We visit major global clients in China, Hong Kong, and Taiwan among others to provide comprehensive solutions from yarn supply to new product launch ideas. We are introducing trends that are tailored to the characteristics of our customers, proposing the development of new fabrics using creora® to improve brand loyalty, expanding relationships with customers, and pursuing win-win management with them.
Hyosung deeply sympathizes with the perception that the competence of its employees is the company’s competence. In particular, as globalization and informatization accelerate, knowledge work is becoming increasingly sophisticated, and global companies recognize the importance of talent management and work to build a solid system.

As a result of analyzing key issues related to employees, we have learned that there is a high level of interest in “strengthening employee capacity,” “improving organizational culture,” and “enhancing employee satisfaction” for internal and external stakeholders. The activities and achievements of each major issue and future plans can be found in this report.

In order to foster employees with global expertise, we have established a systematic talent training system. In particular, we strengthened Global Expert training and PU and job-specific training. In addition, based on teamwork enhancement and family-friendly management through in-house communication, we are building a vibrant corporate culture and a good company to work for.

We will strengthen programs that reflect PU and job characteristics in the company-wide education system, and enhance the effectiveness and efficiency of manpower management by encouraging self-discussion and participation by employees. At the same time, we will create an organization that cares about the quality of life of our employees who work happily.

Hyosung Sustainable Management Achievements in 2016

<table>
<thead>
<tr>
<th>Goals &amp; Targets</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>New recruit</td>
<td>497 persons</td>
</tr>
<tr>
<td>Ratio of participation in human rights violation prevention education</td>
<td>100 %</td>
</tr>
<tr>
<td>Ratio of returns from parental leave (for women)</td>
<td>100 %</td>
</tr>
</tbody>
</table>

Hyosung is strengthening its educational system to cultivate top-level human resources based on the recognition that individual employees’ competencies are Hyosung’s competitiveness.
Direction of Education

We educate our employees in accordance with four educational directions: sharing business philosophy, fostering leaders, revitalizing the organization, and strengthening business capacity. Through this, Hyosung is creating a hard-working corporate culture and synergies with a sense of clear goals.

**Share Management Philosophy**

Based on the company’s management philosophy, sharing employees in one direction.

**Nurturing Leaders**

Nurturing of leaders who can effectively task and evaluate subjects

**Strengthen Business Capabilities**

Global experts, Job experts

**Organizational Activation**

Build organizational culture for facilitating communication and collaboration

**Education Status Table**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Education Hours (by hour)</th>
<th>Education Hours per Employee (by hour)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>283,803</td>
<td>73</td>
</tr>
<tr>
<td>2015</td>
<td>231,024</td>
<td>65</td>
</tr>
<tr>
<td>2016</td>
<td>214,805</td>
<td>64</td>
</tr>
</tbody>
</table>

* Excluding new-entry, career introductory education, online education, foreign language education, etc.
* Reference for estimating the standard number: Based on the number of employees at the 1-3 levels at Hyosung as of the end of December, excluding those who have entered with past careers, overseas departures, and special job-holders.

**Share Management Philosophy**

In order to have employees clearly understand the management philosophy and policies of employees and use those as internal standards, we carry out management level action training to disseminate the lessons stressed by the management and SVP Shared Value Program training.

**Executive**

* Promotion of Key Points Stressed by Management
  * Explanation of education materials about management philosophy and execution guidelines (used in permanent PU class)
  * Promotion of management cases and recommended books emphasized by management

* Education to Execute Management Philosophy
  * Promotion of management policy education by PU
  * Repeated education in various classes at training centers

**SVP Training**

* Educate promotions and new employees to share values such as the Hyosung Way and management policies and basic guidelines for organizational management.

**SVP Newly Promoted Personnel Education**

New recruits receive an one-year training program to adjust to the organization. They learn Hyosung’s ideals and philosophy through on-site experiences and build work capacity through basic work classes.

**Strengthen Business Capabilities**

We are providing job competency training so that our employees can have global-level expertise in their fields of responsibility. We are strengthening and nurturing the expertise required for actual work performance through job training and tailored training for each business unit.

We train managers and leaders through leadership training education. We train leaders who are department heads and deputy department heads, the candidates for the team leader and those who are in charge of the team by educating strategic thinking, business management, and human management methods. In the succeeding new team leader education, we educate them of the roles and responsibilities of the team leader, and how to apply a balanced approach between work management and human management so that they lead to work performance. Executive candidates are trained in GMC (Global Management Course), which includes business strategy, accounting, marketing, and production management skills. Through the new executive program that follows, we recognize the roles and responsibilities of executives and lay the foundations for becoming a truly global company. In 2017, we will provide motivation to continuously strengthen our competencies by conducting competency diagnosis and feedback in the new SVP training, new team leader training, and new executive education.
Company-wide human resource development center education

CUCKYNUC

Job Training (Professional Job/ Common Job/ Field Job/ Professional Training)

- Task and support education Sales strategy and implementation to Sales Managers
- Competency improvement training for solving pending issues
- Pre-training for overseas dispatched employees regarding the system of host countries.

On-site training

- Nurturing in-house instructors with expertise and experience in the field
- Provide-learning opportunities such as online/ external education/foreign language support system.

PDKOFO School (Power Business Development System)

- In order to improve the sales ability of employees, we spread basic technologies and use cases to domestic and overseas executives and staff.
- We invite the production, research and marketing staff of steel and chemical products to enhance understanding of products.

Training-Trade Expert (Trading FG)

- We provide specialized in-depth training to high-performance of our global sites for 2-6 months.

Special training (Tool & Industrial Reinforcement (PI))

- Education of design-related staff about value chains and design capacity for Power & Industrial systems FG's major items (high-pressure electric transformers, circuit breakers, generators, etc.)
- Creation of customer satisfaction and VIU through knowledge enhancement of Spandex PU executives and employees.
- Exchange of information on quality issues and competitions among Global TSCs.

- CUCKYNUC

- CUCKYNUC

PU Everyday Learning System

Each division selects, learns, and shares tasks that are tailored to the characteristics and circumstances of the business. Each topic is structured so that it can be directly applied to work in the workplace, and employees conduct in-depth study on a specific topic during a week. It is used as an education to improve the working capacity of the members.

Task Inquiry System

In each semester, the team leader of each team sets up the knowledge, information, and skills necessary for the team work as a learning task. Team members are improving their ability to perform their tasks by taking the lead on the assignments they are given, and perform the results presentation in connection with PU regular learning. The results of the learning are registered in the education management system, allowing other employees in the company to read it, contributing to strengthening the learning capacity of the entire company.

GWP (Great Place to Work)

- Change Drivers

Promote activities that emphasize the management’s employees on PU and business initiatives, and change the organizational culture.

A diverse and skilled management team is committed to creating an environment where employees can be productive and engaged.

Hyosung strives to build a culture where employees can work effectively. We will create a sound and advanced organization by promoting communication among employees, improving business processes, and implementing family-friendly management.

All employees are working hard to establish a culture that works synergistically with a sense of goal. As part of that, we held the “GWP Proclamation Ceremony” in 2013 and announced the importance of GWP activities throughout the company. We conduct a Trust Index survey every year. Based on this, we are conducting improvement activities by operating GWP agents.

Company Culture Vitalization

We create communication and collaboration within the organization to create synergy and build a good working culture. Each year, we conduct an opinion survey on all employees to promote the organizational culture, not only sharing organizational issues within the company, but also actively sharing the proposed improvements through in-house bulletin boards. In addition, we are promoting the organizational culture by operating a team organization activation program and nurturing Change Drivers.

Work and Family Support

We opened childcare centers at headquarters, Changwon, and Ulsan factories in order to reduce the burden of childcare for employees and to support work-family balance. The daycare center is open from 7:30 am to 8:00 pm, creating a friendly and safe daycare environment. At the same time, it supports a variety of programs such as “Family Day,” “Mother-Child Day,” “Create a sense of unity among employees, such as a sports day for family work.”

Economic Assistance

- Severance pension system
- Introduction to guaranteed after-care placement service
- Short-term, low-interest loans
- Support for Degree acquisition such as R&D and MBA
- Support for in-house instructors with expertise and experience in the field
- Provide-learning opportunities such as online/ external education/foreign language support system.

Support for Harmony between Work and Family

- Material Protection: pre and post-birth leave (including spousal), death of family member, etc.
- Support for overseas assignment and relocation allowance
- Support for leave: Support for employee leaves

Support for a Healthy Workplace

- Promotion of regular medical check-ups for employees and their families
- Help support for employees and their families
- Improvement of group injury insurance
- Support of hobby clubs
- Company sports events
People Innovation

Based on the performance-based compensation system, we are carrying out the ‘People Innovation’ project to innovate various systems and corporate culture to create an organization with the highest level of competence. Hyosung has been awarding prizes for each PG and PU to the employees who have made efforts to grow and develop Hyosung and has been awarded the ‘Proud Hyosung Award’ on a quarterly and annual basis. The winners will be selected for marketing, technology, research and support, and rewards and personnel benefits will be awarded.

In-House Communication

We actively communicate with our employees through dialogue with management, junior board, communicator, and HR Counseling Center. Through this, we communicate the suggestions related to our work, improve it, understand each other’s grievances, and utilize it as a place to communicate positively.

Conversation with Management

The CEO holds occasions to directly explain and share the company’s major achievements, issues, and management policies with executives and team leaders. At the same time, we are continuing to provide a lively question-and-answer session between top management and employees to strengthen company-wide communication and strengthen management transparency.

Junior Board

This is a company-wide communication channel between the employees. Junior-level employees communicate ideas for improvement and organizational innovation to senior-level employees and implement them in the company.

Communicator and Public Relations Committee

We run a communicator and a public relations committee to promote communication among departments including PGs and PUs. One or more employees are selected for each PU and each workplace domestic or overseas. After being educated about the importance and role of organizational communication, they are in charge of promoting the issues of each work place in-house.

Other communication channels

Bulletin Boards and Buzzwords

We run a bulletin board and a buzzword for employees to share their business information and business site news and exchange opinions on the company intranet. Specifically, the communicators of each business place posted the status of their workplaces together with their photographs, so that employees can freely share their news.

MY FRIEND HYOSUNG (Hyosung Group Blog)

The Hyosung Group has opened a blog to provide various news and social contribution activities. For more information, please visit our website (http://blog.hyosung.com/).

Company Newsletter

The Company Newsletter, which was launched in 1980, is being distributed to more than 100 domestic and overseas business sites, and effectively communicates management messages on the theme of new growth engines, global competitiveness, and social responsibility. In particular, in 2017, we reinforced readability by significantly improving the layout and design by gathering opinions from employees.

Hyosung Broadcasting System

HBS is based on the company’s intranet, and since then it has been broadcasting regular news twice a week to inform Hyosung people around the world. It is composed of a variety of programs, including on-the-job training and “Thank you Hyosung-ri” organizational culture vitalization program and business message delivery, and is being used as a communication channel to lead the in-house communication culture of Hyosung. In particular, it improves the communication speed of in-house broadcasting, enabling the top executives and employees to communicate in real time, and plays a central role in driving communication culture within the company.
From the procurement of raw materials and equipment to the management of suppliers, the importance of systematic supply chain management is increasingly emphasized as the value chain components of enterprises become increasingly complex. Therefore, we are upgrading the level of the company’s supply chain by providing support for strengthening the competencies of our suppliers and proactively managing the risk factors of CSR.

By investigating major issues related to our partners in 2016, we were able to confirm the high level of interest in “stopping and preventing unfair trade,” “selecting and evaluating sustainable supply chains,” and “expanding support activities for suppliers.” Activities, achievements, and future plans for each issue can be found in each part of the report.

Hyosung operates a transparent trading process to establish a fair and transparent trading culture. At the same time, we are proactively managing CSR risks in our supply chain through CSR evaluations by our partners. In addition, in order to realize shared growth with partner companies, we operate various support systems for partner companies, and we are seeking new business opportunities through collaboration with venture companies and SMEs.

We will contribute to the sound foundation of the domestic economy based on transparent and reasonable support for shared growth and investment. We will strengthen partnership CSR risk assessments to establish a solid foundation in management, production, and quality, and expand shared growth programs to create partnerships that grow together substantially.

**Management Approach**

**Goals & Targets**

We are building a virtuous cyclical shared growth ecosystem with the common goal of ‘sustainable global leader.’ Based on the recognition that the strengthening of the competitiveness of our partners is the future of Hyosung, we will promote mutual communication and create close cooperation.

**Supplier Management System**

Hyosung operates a shared growth promotion team, which is a dedicated organization for shared growth. We operate three dedicated departments, which manage PGs, purchasing teams, and R&D labs, to promote shared growth such as joint research.
In order to create a fair trade culture with our suppliers, we have introduced four practical actions recommended by the Korean Fair Trade Commission. In addition, we announce response guidelines for unfair trade practices, such as limiting or suspending unilateral transactions for partner companies, thereby laying the foundation for a fair partnership.

In 2006, we introduced the Fair Trade Compliance Program to establish a fair trade culture based on transparent and legitimate procedures. We are operating the Fair Trade Compliance Program Operation Regulations, and we are pursuing activities and programs centering on the CP (Compliance Program) TFT as a direct organization under the CDO Vice Chairman.

Fair Trade Training
We conducted training through case studies on the topics of subcontracting law and contract violations for departments such as the purchasing department, outsourcing management team, and shared growth team, that have a direct stake in fair trade and are also at high risk of being involved in fair trade incidents. In addition, we provided information on the procedures and standards to the related laws by conducting education related to fair trade including the Fair Trade Act and Agency Law for sales departments.

Post-Transaction Review
After the end of the transaction from 2016, we conduct follow-up audits to monitor whether violations of laws or unfair practices occur. In the event of a violation, we will promptly correct the issue and reflect it in future transactions, thereby continuing to improve our monitoring and management to improve the fair trade culture.

Fair Partner Selection

Hyosung is introducing fair and transparent standards in selecting suppliers. We clearly announce the standards and recommendation criteria for participating in the bid on the shared growth website. In addition, Hyosung’s e-procurement system allows you to freely apply for registration as a supplier.

Hyosung Partner Selection Process

<table>
<thead>
<tr>
<th>Hyosung Partner Selection Process*</th>
<th>Key CSR Evaluation Items of the Power &amp; Industrial Systems PG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selection of temporary partners</td>
<td>Category</td>
</tr>
<tr>
<td>Target partners selection and evaluation</td>
<td>Business management</td>
</tr>
<tr>
<td>Selection of target dealers</td>
<td>Human rights</td>
</tr>
<tr>
<td>Start of transaction (ordering - in storage)</td>
<td>Environment</td>
</tr>
<tr>
<td>Selection of bid participant</td>
<td>Safety / Health</td>
</tr>
<tr>
<td>Bidding and company selection</td>
<td>Education and organization</td>
</tr>
<tr>
<td>Contract and commencement of construction</td>
<td>Workplace environment</td>
</tr>
</tbody>
</table>

* Construction PU operates separate process according to industrial characteristics
Excellent Partners
CSR Monitoring

After selecting a trading company, we conduct on-site audits and real-time monitoring to confirm actual CSR performance for excellent partners. Hyosung requires consent for monitoring of safety and labor when conducting excellent partnership agreements, and companies that do not meet the standards are excluded from excellent partnerships. If a safety accident occurs during the business after the contract is concluded, a deduction is given to the evaluation of the company. Especially in the field of labor, the Power & Industrial Systems PG manages the payment status and the current rate of payment to the second supplier. The Construction PG monitors the implementation of wage payment by partner companies.

Partner Evaluation System

Construction PG conducts yearly evaluation for companies participating in the field construction for more than one month. Major evaluation items include quality, construction and general management as well as environmental, safety and quality evaluation.

Field Inspection

When new suppliers are found, they undergo procedures to confirm the suitability of the supply through on-site inspection. Chemical PG assesses not only the quality of the on-site inspection, but also the overall level and suitability of the supplier, including safety management of site staff, facility management and raw material sourcing. The rating is given through the evaluation, and when it is judged that it is nonconformity, the transaction is stopped. In 2016, we conducted joint site inspections of planning, quality, and purchasing departments for two business sites to identify new Chinese companies, and both companies have been approved for supply. We shared the results of the audit and requested remedial measures for weaknesses.

Partner Communication Channel

We are establishing a place for interactive communication and information sharing through communication channels with our partners. Suppliers propose to Hyosung on their online and offline channels and report violations of regulations at the time of transaction.

<table>
<thead>
<tr>
<th>Category</th>
<th>Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotline</td>
<td>We receive complaints and violation reports from partner companies through dedicated consultation telephone and e-mail. At the same time, Hyosung's inquiry and suggestions for the shared growth program are available and are being used as a two-way communication channel with partner companies.</td>
</tr>
<tr>
<td>Partner Consultative Meeting</td>
<td>The Construction and Power &amp; Industrial Systems PG invite representatives from partner companies every year during the first half and the second half of the year to hold a forum for shared-growth partners. We share the results of the year through a round-table conference and have time to discuss the prospects of the next year and market conditions.</td>
</tr>
<tr>
<td>Dispute Arbitration Committee</td>
<td>When a dispute arises in the transaction with Hyosung, we have established Dispute Arbitration Committee to promptly and fairly adjust the dispute. The results of the deliberations are reported directly to the management to prevent the occurrence of the same dispute in advance.</td>
</tr>
</tbody>
</table>

Compensation for Outstanding Suppliers

We will make a real win-win relationship with our partners based on the value of expanding our business with great virtue. As a result, we have been awarding the "Proud Hyosung-in Prize of the Year (for partners)" for excellent partner companies while providing performance sharing and various financial support. Since 2013, Hyosung has been rewarding partners for contributing to manufacturing technology, innovation and cost reduction through technology upgrades and innovations every year-end.
Shared Growth Program

- **Cash Payments for Shared Growth Partner Firms**
  - We pay the cost of delivered goods in cash on a fixed date and increase the number of payments, contributing to the expansion of liquidity of SMEs.

- **Financial Support for Overseas Joint Ventures**
  - We have entered into business agreements with the Korea Export-Import Bank and are providing financial support for preferential interest rates to small and medium-sized enterprises with overseas subsidiaries and cooperating SMEs supplying goods to Hyosung export projects.

- **Support for International Exhibition Participation**
  - We cooperate with Textile PG companies and booths of international exhibitions (Daejeon International Textile Expo, Outdoor Retailer Show, etc.) to support expansion of new suppliers.

- **Advancement with Overseas Construction**
  - We have entered into overseas construction projects in 16 countries including Italy, Brazil and Qatar to secure overseas construction experience and provide opportunities for overseas sales growth and global competitiveness. Ultimately, we are helping our partners expand their business overseas.

- **Joint R&D and Joint Patent Applications**
  - Through the Hyosung R&D Labs and Power & Industrial Systems R&D Center, we are collaborating with the research and development organization of Hyosung in addition to domestic companies and are expanding our joint R&D with partners with superior technology, and are supporting patent applications and filing joint patents.

- **Technical Information Deposit**
  - The core technology information of suppliers such as information, technology, and management information related to intellectual property rights is deposited to the SME Cooperation Foundation to demonstrate the possession of technology in the event of a dispute. This prevents technological hijacking and strengthens the backup function of data.

- **Support for Overseas Market expansion (Fabric Library)**
  - The Creora Fabric Library is operated in five locations around the world, including Korea, Hong Kong, New York and Shanghai, to advertise and promote fabrics developed by partner companies to world-famous brands.

- **Support for Overseas Market expansion (Steel Wire Technical Center)**
  - Steel Wire Technical Center

- **Organisation Participating in Joint Research**
  - Hyosung R&D Labs:
    - Power & Industrial Systems R&D Center
    - Steel Wire Technical Center

- **Network Loan**
  - Based on the previous year’s delivery results, we are providing production funds to partner companies at interest rates lower than market interest rates.

- **Productivity Improvement Consulting**
  - Based on the consultation of external experts, we are working to diagnose and improve the productivity of our suppliers and conduct consultation and improvement.

- **Plant Tour Program**
  - We have selected excellent suppliers from Power & Industrial Systems PG Changwon Plant to visit the Changwon Plant and transfer know-how such as quality and productivity improvement. We also listen to our suppliers’ suggestions and improvement ideas and reflect them in the process.

- **Management Consultation Service**
  - We conduct necessary consulting activities with the FKI regarding business strategy, marketing, information technology, and new business development for the primary and secondary partners in business with Hyosung.

- **Overseas Training Support**
  - We provide excellent partner companies with training opportunities for overseas advanced companies. They benchmark the production know-how of advanced companies to acquire tools to improve the production process and improve the performance of innovation.

- **Shared Growth Agreement between First and Second-tier Suppliers**
  - We have established an autonomous fair trade order between primary and secondary suppliers and are extending the benefits that were granted to existing primary suppliers to the secondary suppliers.

- **Consolidation Payment System Operation**
  - We have made it possible for the first-tier suppliers to pay the second-tier and third-tier suppliers the receivables from large companies, making sure that the receivables are collateralized and that the interest rates on large companies are applied to cover low interest rates.

- **ICT-DC (Smart Plant) Support**
  - We are implementing a smart plant system that incorporates information and communication technology (ICT), such as automating quality inspection and real-time monitoring system for SMEs in cooperation.

- **Cooperation with Large and Small Sustainable Energy**
  - Hyosung’s former and current expert-oriented energy management innovation advisory groups are formed to diagnose energy status of partner companies and induce improvement.

- **Support for Partner Training**
  - Together with external professional education institutions, we provide job training tailored to the characteristics of employees such as quality innovation, manufacturing cost reduction, and human error prevention.

- **Educational Site Support**
  - We open one of our training centers to our partner companies, so that they can conduct training and workshops.

- **Industrial Innovation Movement**
  - We provide consulting and equipment support for productivity-improvement centering on secondary and third-level suppliers.

- **Cash Payment Monitoring**
  - We monitor the performance of the primary supplier’s cash payment to the secondary supplier to help the second are supplier recover the payment promptly.
Jeonbuk-Hyosung Carbon Industry
Nurturing

Hyosung supports carbon, agriculture, traditional culture and ICT-related entrepreneurship businesses in the Jeonbuk province so that entrepreneurship, ventures, and SMEs can gain competitiveness. Through this, we will contribute to strengthening national competitiveness by revitalizing the local economy and nurturing hidden champion companies.

Support Status

Local entrepreneurship, venture, small business
1. Fostering local specialized strategic industries and regional innovation hubs
2. Idea creation/valuation, growth support for start-up company
3. Establishment of the employment zone and reduction of employment in the operation area of the company
Emission

Area of Priority Support

Establishment of a Value Chain for Small-Sized Materials and Early Activation of the Carbon Industry Valley

Job Re-treatment rate: Percentage of products that go through further processing due to abnormal product quality in primary processing

Establishment of Carbon value chain
- Intermediate materials (prepeg, fabric), composite (CFRP) molded products for automobile, aviation, industrial, sports, household goods

Early activation of the carbon industry valley
- Realization of Carbon Industry Merica, Jeonbuk such as the MAI and CFK Valley in Germany

Cultivating the Bio-Agriculture and Cultural Fusion Industry

High-value-added commercialization of agricultural property
- Overseas target search and marketing of promising items
- Business establishment linked with national food clusters

Fostering tangible, intangible cultural ICT convergence industry
- Hang-intretainment, crafts, atelier art, industrialization

Vitalize high functional mixed textile industry to add value to the industry

Establishment of a Foundation Fund

Hyosung is investing in funds to foster industry to support business fund by establishing start-up support funds and contributing to creation of healthy start-up ecosystem. The funds are being executed transparently through investment management companies. As of 2016, the total funds under management amount to 50.5 billion Korean won.

Key Achievements and Plans

[Case 1]

Cotton Queen Co., Ltd.
Win-Win Case of Large and Small Businesses

Cotton Queen Co., Ltd., a manufacturer specializing in the production of functional fibers and fabric used in outdoor and sports wear, has entered into a business agreement with the Hyosung Innovation Center in October 2015. They have achieved the development and sales of high-performance fibers through the support of Hyosung’s technology, R&D capabilities and distribution network. As a result, employment status and sales status are gradually improving, and they are planning to develop new functional textiles for sports that are expected to show sharp sales increase in the future.

Key Achievements

Employment Status (Unit: %)

Sales Status (Unit: 100 Million)

Improvement rate 100%

[Case 2]

CES Co., Ltd.
Carbon Industry and Agriculture Collaboration

CES Co., Ltd., a carbon fiber cable manufacturer used in agricultural green houses, is one of the most successful cases of shared growth with Hyosung. Hyosung has provided CES Co., Ltd. with expert mentoring, financial support (Fund investment 500 million Korean won). CES has successfully installed carbon heating cable in a 13 hectare farm in Korea. In addition, they are conducting detailed coordination in order to introduce green house heating in China using Hyosung’s trade network and are working on cooperation and support for applying carbon-heating cable heating system to build Smart Farm in Sejong City.

Key Achievements

Employment Status (Unit: %)

Sales Status (Unit: 100 Million)

Improvement rate 100%

[Industrial Innovation Movement Case]

Buchang Heat Treatment
Build the Foundation for Smart Plants

Buchang Heat Treatment is specialized in aluminum heat treatment. Through innovation activities with they improved the inefficiency of existing process management, product inspection operating system, and data collection, and advanced the production system. In addition, they enhanced the reliability and accuracy of information systems through automation of computerization and management of data, and encouraged innovation for all employees and improved work environment. They have established a system of key management indicators in production and process management, ensuring consistent quality and systematic improvement. This has drastically increased the process reprocessing rate and quality control inspection time, and achieved reductions in facility utilization.

Key Achievements

Re-treatment rate*: Percentage of products that go through further processing due to abnormal product quality in primary processing

Improvement rate 100%

Facility time operation rate 100%
The concept of ‘social responsibility as a corporate citizen’ does not see the company as an organization that only engages in economic activities but as a part of active and positive social organisms. At the same time, corporate activities are expanding to the global stage, and companies’ efforts to respond to global issues are emphasized.

In 2016, major issues of interest to internal and external stakeholders in relation to the local community were surveyed as ‘strategic social contribution activities linked to business strategy’ and ‘participation in community economic and social development.’ Activities and achievements for each issue, future plans, etc. can be found in each part of the text.

We have established an existing sharing management system and are actively engaged in activities to strengthen Hyosung’s identity as a free medical treatment project in Vietnam and support for culture and arts. In particular, in addition to the Nanum Volunteer Corps, our employees create a social contribution participation culture through their relay volunteering on the occasion of our 50th anniversary.

We plan to gradually expand the support for sharing management so that everyone who needs the help of society can benefit. We also want to strengthen long-term, substantive support rather than temporary support. At the same time, we will share Hyosung’s will to share with the outside world by continuing to discover social contribution programs relating to the business strategy.

In celebration of the 50th anniversary of its founding in 2016, the company has been reorganizing its existing social contribution activities into three core tasks: support for independence of vulnerable groups, support for cultural arts, and patriotism and appreciation for nation. At each of our business sites, we are promoting social contribution activities that are specific to each region according to the direction of corporate social contribution.

We have been recognized by the Hyosung Nanum Volunteer Corps for voluntary participation by its employees,

- Love Rice/ Kimchi Sharing
- Operation and Support of Goodwill Store (Hyosung 1st, 2nd store)
- Operation of Hyosung Nanum Volunteer Corps
- Rehabilitation Support for Children with Disabilities
- Vietnam Free Medical Treatment Business (Smile Expedition)
- Music Education for Children with Disabilities
- Support for Yo-Yo Ma & Silk Road Ensemble Performances
- Support for the Theater Yeonwoo Company
- One company 1 Cemetery Clean-up Activity
- Veterans’ House Supply Project
- Honorary Veterans’ Month Monthly Thanksgiving (Veterans Guards Association)

We have been recognized by the Hyosung Nanum Volunteer Corps for volunteer participation by its employees, and

- We will share with you
- Cultural Arts Sponsorship
- Patriotism
- Domestic and Foreign Vulnerable groups Self-support

The 2016 Hyosung Sustainability Performance

<table>
<thead>
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<th>Number of Social Contribution Programs</th>
<th>Social Contribution Investment</th>
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Corporate Sharing Management

Support for the Self-Reliance of Vulnerable Domestic and Foreign Groups
- Blood donation of love/sharing happiness
- Deliver business funds to support house employment
- Support for the Go-with Multicultural Social Employment for children with disabilities

Projects to Support Disable Children & Youth Medical Rehabilitation and Family Support
- Support for children with disabilities and their families
- Support for non-disabled siblings and their families
- Support for families with children with disabilities and their families of executives

Culture and Art Sponsorship
- Donation to a theater company
- Donation to a theater producer and director
- Donation to Onnuri Love Chamber

Blood Donation of Love/Sharing Happiness
We voluntarily participated in the “Blood donation of love/sharing happiness” event. 500 blood donation certificates and donations from employees will be sent to the Korean Society of Leukemia and Pediatric Cancer to be used for children who need help.

Donation to Female Employment Support Project
We contribute 70 million won to Jongno Women’s Human Resource Development Center to contribute to the employment of underprivileged women. Since 2015, we have been supporting career training opportunities for middle-aged women such as food culinary experts, daycare teacher training courses, and certification courses.

Projects to Support Disable Children & Youth Medical Rehabilitation and Family Support
Since 2013, we have been supporting the rehabilitation of children with disabilities with the Purme Foundation, a non-profit organization that helps people with disabilities to rehabilitate and become independent. In addition to supporting rehabilitation costs for disabled children and adolescents who are not treated appropriately due to economic circumstances, we also sponsor siblings of children with disabilities in aspect such as psychotherapy family trips to build positive family relationships.

Support for Theater Productions and Producers
We have contributed funds to Yeotwoo theater company and contributed to the revitalization of Korean creative plays. Donations are used for activities such as finding new actors, writing scenarios, and creating creative plays. We also support the start-up of young performers. In 2016, we will send donations to Jongno Women’s Human Resource Development Center to train young performers and create jobs for them.

Changdeokgung Palace Preservation Volunteer Activity
Hyosung employees regularly participate in Changdeokgung Palace cultural heritage protection activities. In 2016, we have cleaned up Juhamun with the families of our employees, preserving and protecting cultural heritage, while creating opportunities to communicate and improve harmony among employees.

Sponsorship for Disable Children & Youth Orchestra
We continue to support Dhunri Love Chamber, a youth orchestra with physical and intellectual disabilities. The donation is used for musical instrument purchases and scholarships, providing them with opportunities to perform in front of many people, such as the Sevitseom outdoor stage in the Han River Park.

Patriotism
- Shelter Project Support
- 1 company 1 cemetery statehood agreement
- Opening ceremony for Reading Cafe

Sponsorship for Veterans’ Shelter Project
We support the veterans of the Korean War and the Vietnam War by providing the underveloped shelters of those who are experiencing financial difficulties in life.

1 company 1 cemetery statehood agreement
We visit national cemetery in Seoul, Daejeon and Yongin every year on Memorial Day and contribute through volunteer activities such as polar remover.

Army that read books
We have concluded a 1 company 1 army agreement with the “One company—one Army Corps” the ROK Army and provided books for soldiers in two “Book cafes of Love”

Creating Jobs
- Go-With Multicultural Social Business Support
- Village Rainbow Co., Ltd Staff
- Goodwill Store Hyosung 1st Store

Go-With Multicultural Social Business Support
As part of the ‘Go-With Multicultural Social Business Support Project’ to help migrant housewives and children of multicultural families enter the society, we selected and supported three social enterprises including Village Rainbow (Co., Ltd). Village Rainbow (Co., Ltd.) is conducting multicultural classes for schools and kindergartens with Hyosung. In addition, they are coexisting with multicultural families through activities such as multicultural performance group ‘coloring’ operation and multicultural food catering business.

Social Enterprise ‘Goodwill Store’ * Support
We have established ‘Goodwill Store’ which is operating under consignment. ‘Goodwill Store’ is a social enterprise that sells goods donated to corporations or individuals at low prices and contributes the profits to job creation and vocational education training for people with disabilities. It also contributes to economic self-reliance of the disenfranchised people by employing them. Since opening the first store in Ulsan in November 2013, we have opened a second store in Sevteosom and will gradually increase the number of stores near Changwon, Ulsan and Anyang.

* Goodwill Store: A social enterprise business model that started in the US and currently operates 2,400 stores in 13 countries, including Canada, providing over 100,000 jobs. Hyosung established ‘Hyosung Goodwill Store’ in collaboration with Goodwill.
Employee Volunteer Activities

Hyosung employees carry out their volunteer activities to share warmth with their neighbors. We want to convey true heart through long-term and continuous relationship, not temporary activity.

We organize the Hyosung Nanum Volunteer Corps to carry out consistent social contribution activities. Employees at the head office and each work place takes initiatives to form a volunteer corps to conduct regular social contribution activities. The Nanum Volunteer Corps, which is operated as a company-wide unit, consists of a volunteer leader and a team under management. Any employee can join at any time. We are operating a paid support system, rewarding excellent volunteers, and motivating employees to voluntarily fulfill their social responsibilities.

Compensation for Participants of Nanum Volunteer Corps

We are encouraging the voluntary participation of our employees by operating a variety of incentive programs based on participation in the Volunteer Corps. We provide service mileage for volunteer activities, perform personal service evaluation and compensation, and give awards such as gift certificates and recognition to excellent volunteers based on their performance. In addition, we provide a paid support system to encourage volunteer activities on workdays. In addition, we provide a paid volunteer system to encourage volunteer activities during work hours.

Main Activities in 2016

We have established long-term and intimate relationships with childcare centers and social welfare centers by visiting them on a monthly basis. In 2016, we donated vehicles to children’s homes for children with mental disabilities and provided safe and comfortable outdoor activities for children. In addition, the ‘Flying Blue Dreams’ event was held at the Shinmok Community Welfare Center. At this event, we invited over 100 children in low-income families and children with disabilities to enjoy games like football games, quizzes, jumping rope, and operated a snack booth for them.

New Employee Volunteer Activities with Executives

As part of our introductory training program for new employees, we are carrying out social contribution activities of love. In particular, executives become mentors of new employees and participate in activities such as delivery of bouquets of love, so that they can gain corporate social responsibility at the same time as they join the company, and utilize it to feel belonging as a Hyosung person.

Serving the 50th Anniversary Relay

In celebration of the 50th anniversary of its founding, we have promoted the ‘50th anniversary relay service.’ Through the participation of our employees at the head office and business sites, we have actively implemented Management of Sharing, including Goodwill Donation Day and payroll sharing, as well as various local sharing activities with the goal of ‘one volunteer a person.’ We will continue to play our role as a good partner to the community in the future.

Medical Service Aid and Achievements

In 2011, we created the “Smile Expedition” with the intent to ‘Give back the Vietnamese their smile’ by providing free medical services to people with disabilities and the poor in Vietnam’s Dong Nai province. Hyosung fulfills its social responsibilities as a part of sharing in the Dong Nai province of Vietnam, where plants for spandex and tire cords are located.

Vietnam has many citizens who are unable to benefit from medical services due to poverty. Hyosung organized the ‘Smile Expedition’, a free medical service group in Vietnam. Also we collaborate with the international relief group “Famine Measures” to provide various kinds of medical services free of charge including dentistry, obstetrics and gynecology, internal medicine, orthopedic surgery and oriental medicine. At the same time, we conduct basic medical health education including pregnancy, childbirth, and brushing education. In addition, regular health checkups are provided for elementary school kids to monitor their health status closely.

Medical Check-up

- 1,149 persons
- 1,950 persons
- 9,447 persons

[Case] Additional Follow-Up Treatment for Smile Fellowship

The younger brother of Tran Thi Kim Phuong, a staff member working at a Vietnamese subsidiary, Lundat Taigun, visited Korea as a follow-up additional treatment for ‘Smile Expedition.’

Taigun, who was uncomfortable because of traffic accidents, was able to walk a short distance alone after having under gone primary surgery and rehabilitation treatment in Korea. He says that he would like to help his mother to help his family when he recovers his health by restoring the nerves of the legs to the maximum extent possible through a second surgery.

All of the Hyosung people are hoping for a quick recovery and a better life of him who is learning painting and computer at Ho Chi Minh City School for the Disabled.
Sharing Management by Site

**Changwon**
- Cleaning of National Cemetery

**Ulsan, Yongyeon, Eonyang**
- Hyosung Orphanage Volunteer Activities
- Industry–Academy Collaboration Scholarship Award Ceremony
- 1 Company, 1 Village Farming–Period Service

**Anyang**
- Santa Expedition
- Village Recreational Activities

**Santa Expedition**
Since 2008, Gumi plant has been supporting the Gumi plant Santa expedition event organized by the Children’s Foundation Glyongguk Regional Headquarters every year. The Santa Expedition delivers gifts and living-support money that can deliver dreams and hopes to disadvantaged children in the region.

**Village Recreational Activities**
We participated in environmental improvement activities of Myeongak village near Anyang plant. In 2016, we painted the old worn-out walls of Myeongak Elementary School, painted murals, visited the difficult families in the village, changed the wallpaper and cleaned the toilet.

**Jeonju**
- Hyosung Orphanage Volunteer Activities
- Orphanage Volunteer Activity in Each Region

**Hyosung Orphanage Volunteer Activities**
Jeonju plant regularly carries out “Love Sharing Volunteer Activities” at the nearby Hyosung Orphanage. In 2016, we focused on the landscaping of the orphanage and carried out activities to improve the facilities and made flower beds.

**Orphanage Volunteer Activity in Each Region**
We regularly visit orphanages in each area to improve the living environment of children and provide educational services. In particular, Oksan Plant has visited Chungbuk Hye-neung orphanage to continue its activities for the convenience of children.

**Gumi, Daegu**
- Fire Safety Education at Childcare Facilities
- 1 Company, 1 River Environmental Cleanup

**Fire Safety Education at Childcare Facilities**
The Gumi plant’s own fire brigade has conducted fire safety training at childcare facilities for local handicapped children. They raised awareness about safety for disabled students with disabilities, and educated them on prevention education and how to deal with them.

**1 Company, 1 River Environmental Cleanup**
We regularly conduct environmental cleanup campaigns to find rivers in the area. We are contributing to the clean environment of the community through the collection of garbage and dirt around the river.

**Chungcheong Region Including Oksan, Sejong, Daejeon**
- Donation of the third Hyosung Library in Vietnam

**Donation of the third Hyosung Library in Vietnam**
Hyosung Vietnam Co., Ltd. collected funds and opened the third Hyosung library in Pudong Elementary School. We remodelled the lacking school facilities and provided educational and cultural support.

**Overseas Business Sites**
- Donation of the third Hyosung Library in Vietnam
Environment and Safety & Health

Management Approach

From the procurement of raw materials to the use of products by customers, social interest in environmental impact and safety has increased significantly. Especially, since it is directly connected with the growth of the company due to the enforcement of regulations on various environmental safety and the pressure of external stakeholders, the preemptive response to this is considered to be an essential factor for corporate competitiveness and sustainability.

We examined issues of environment, safety and health that concern our internal and external stakeholders. As a result, major issues were identified: responding to climate change, promoting corporate safety and health culture, and minimizing the environmental impacts associated with the release of toxic chemicals. Activities and achievements for each issue, future plans can be found in each part of the text.

Based on the Green Management Vision 2020, Hyosung has established an environmental management system for each business site to respond to various environmental issues. At the same time, we are making efforts to continuously invest in facilities and improve processes to maximize energy efficiency. In addition, we regularly conduct safety and health education to create a culture of safety and health, risk assessments at workplaces, and periodic safety assessments to ensure safe workplaces.

Hyosung will make continuous efforts to develop eco-friendly technology, such as premium efficiency motors, low-temperature processed yarn and recycled yarn using waste fishing nets. It will also respond to climate change by practicing efficient energy use management in factories and developing further greenhouse gas emission mitigation projects. In addition, we will create a better work environment in order for all our employees to work safely and comfortably.

In order to establish a company-wide green management system, the Green Management Team, which is a dedicated department, assumes responsibilities for the overall management of environmental management including greenhouse gas emission control, chemical substance response, greenhouse gas emission business management and external environmental management communication. In addition, all workplaces have designated a dedicated team for environmental safety, and are conducting work to reduce the environmental impact of workplaces, fire safety, work place safety and health safety.

Green Management

Hyosung has established the Green Management Vision 2020 and set a goal to reducing greenhouse gas (GHG) emissions by 30% in comparison with the 2020 BAU (Business as Usual) based on a three-year average of annual greenhouse gas emissions unit from 2007 to 2009. To this end, we have established a GHG computerization management program to monitor the emissions and targets of each site. In addition, we have set up an internal management system to establish a management system by clarifying detailed manuals, responsibilities and rules by each workplace, and benchmarking the reduction method by sharing best practices at workplaces. In addition, we disclose our green management activities and achievements through business reports, sustainability reports, and environmental information disclosure system. Since 2012, we have been evaluating our efforts to respond to climate change through participation in the Carbon Disclosure Project (CDP).
Climate Change Response

In 2009, prior to the introduction of the goal management system, the first greenhouse gas reduction regulation in Korea, Hyosung participated in the project to register greenhouse gas reduction achievements by the Ministry of Commerce, Industry, and Energy to reduce responsibility for climate change. In addition, voluntary reduction activities such as recycling through the recovery of the SF6 (Sulphur hexafluoride), which has the highest global warming index, were carried out and 86,000 tons of early reduction was recognized. In addition, we invested about KRW 12 billion to install greenhouse gas reduction facilities. After registering the CDI (Clean Development Mechanism) project in the United Nations in 2011, we transferred 1,450,000 tons of emission certificates to domestic market and made efforts to revitalize the domestic emission market. Recognized for its efforts and achievements, we received the Ministerial Award from the Ministry of Industry and Commerce in 2016 for climate action policy forum “Climate WEEK 2016”, which is the largest policy forum on climate change in Korea. In 2016, we were selected as one of the best competitors in climate change competitiveness.

GHG Reduction Performance

Each of Hyosung’s business sites establishes greenhouse gas emission reduction activities and targets every year to promote high-efficiency facility investment, process improvement, fuel replacement, and employee saving activities. In 2016, we are also continuing efforts to reduce energy consumption by sharing best practices by site.

GHG reduction

<table>
<thead>
<tr>
<th>Year</th>
<th>Reduction (Unit: tCO₂eq)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>1,561,858</td>
</tr>
<tr>
<td>2013</td>
<td>1,437,955</td>
</tr>
<tr>
<td>2014</td>
<td>1,294,616</td>
</tr>
<tr>
<td>2015</td>
<td>1,432,024</td>
</tr>
<tr>
<td>2016</td>
<td>1,390,496</td>
</tr>
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</table>

* DL: Target management system, TS: Emission trading system
* Expected to reach 16 years’ allowance (At the end of March 17 the third party verification will be reported by the government)

Hyosung has achieved energy and cost savings through efforts to reduce greenhouse gas emissions, and ultimately achieve Hyosung’s profitability and competitiveness. To accomplish this, we have established a GHG computerization management program in 2010 to systematically manage emissions targets and performance by site. We are reviewing the facility classification system to more accurately estimate emissions and strengthening the installation and management of instruments.

GHG Reduction Performance Monitoring

Maximization of Energy Efficiency through Information and Communication

We have developed and introduced a system that integrates Hyosung Information System (HIS) solutions to improve productivity and reduce energy consumption by collecting and analyzing all data of Hyosung site in real time and providing optimal operation method. In 2016, we introduced a pilot model for the Ulsan plant and confirmed the possibility of improving quality and improving the process operation capability. In the future, we plan to gradually expand the scope of operations to domestic and overseas business sites. In 2017 we plan to finalize a project to maximize energy efficiency by utilizing information and communication technologies such as Internet of Things (IoT), which is owned by Power & Industrial Systems PG and Hyosung’s subsidiary Hyosung ITX.

Hyosung is investing in aging facilities to reduce power consumption by developing, modifying and replacing high-efficiency facilities.

Introduction of High-Efficiency Inverter

Hyosung is improving the operation environment with low noise and vibration by reducing the power consumption with higher efficiency than the existing one by adopting the inverter operation method in manual or applying the inverter of high efficiency in order to enhance the operation efficiency in the process. The Jeonju Plant has improved the efficiency of supplying the necessary pressure and flow rate to the U/LT cooling water pump. In the Yongyeon 3 Plant, we installed an inverter for the Gas Blower to lower its operation load. In addition, we are reducing GHG emissions through the replacement of the Anyang plant’s dry process circulation pump inverter, Daegu Plant’s tentacle dust collector with high efficiency inverter, and Changwon Plant’s inverter type air compressor.

Developing and Replacing Premium Electric Motors

Replacing electric motors, which account for about 60% of the total electric power consumption in Korea, is the most effective energy saving plan. Urban Plant has invested 490 million won in 2015 to installed 114 premium motors developed by our Power & Industrial Systems PG. With the installation of 114 premium motors, we are saving 1,683 MWh of electricity each year and 785 tons of greenhouse gas reduction.

Introduction of Highly-Efficient SF6 Recovery System

The Changwon Plant has invested KRW 750 million to increase the SF6 gas recovery rate used in the insulation testing process for circuit breakers, and has introduced a highly-efficient recovery machine, reducing annual greenhouse gas emissions by 202/221 tons.

Introduction of Power-Saving Facilities

The Ulsan Plant has reduced power consumption and greenhouse gas emissions by converting power-consuming twisted yarn (work process) equipment into a power-saving type with a total investment of 2 billion won, the project has reduced greenhouse gas emissions by 3,925 tons per year. In addition, we are reducing power consumption through a twelve-fold increase in existing production through the modified radiator using new technology.
Hyosung contributes to creating a pleasant work environment by replacing metal halide lamps and fluorescent lamps with LEDs and reducing the unnecessary power consumption and reducing the fatigue of workers’ eyes by improving illumination. In particular, the Changwon Plant participated in the EE (energy efficiency) pilot project* and replaced 6,389 ceiling lamps (metal halide lamps) in the plant in 2015. In 2016, 1,193 fluorescent lamps at facilities and, 5,764 units at offices have been replaced to improve productivity and save about 5,872.3 MWh of electricity, resulting in 2,737.96 tCO₂ of greenhouse gas reduction.

Hyosung has redesigned the process in consideration of energy efficiency, and is making efforts to improve the reuse of waste heat and steam generated in the process. In addition, we are making efforts to manage unnecessary processes efficiently and to substitute fuel to reduce greenhouse gas emissions.

Hyosung has reduced its greenhouse gas emissions and reduced fuel costs by converting its proprietary sulfur fuels, such as Bunker Coil used in boilers, into LNG and process by-product gases such as FCU (Fan Coil Unit) and air conditioner at work.

Hyosung has reduced its greenhouse gas emissions and reduced fuel costs by converting its proprietary sulfur fuels, such as Bunker Coil used in boilers, into LNG and process by-product gases with low greenhouse gas emissions. Ulsan Plant and Gumi Plant reduce the amount of LNG used in the boiler by supplying the by-product gas (methane) generated in the wastewater treatment process to the polymerization boiler (LNG). The Jeonju Plant is using less nitrogen than the capacity of the nitrogen generator in the UT process and recycling the remaining air to low pressure air for process, reducing the operating time of the low pressure compressor and reducing the operating cost. In particular, the Ulsan and Yongyeon Plants have installed solar collectors in factories and parking lots, and are using for hot water production and internal heat transfer.

Hyosung is reusing the wasted heat from other companies and the wasted heat generated in the Hyosung Factories in the process and selling the steam generated from the Hyosung plant to the outside to create energy savings and economic profit. Ulsan, Yongyeon, Changwon, Gumi, Daegu, and Oksan factories are using wasted heat such as waste incineration heat from other companies and the wasted heat generated in the parking lots, and are using for hot water production and internal heat transfer.

Hyosung has established an Environmental Safety Team at each work site to promote workplace environment and health and safety improvement activities in accordance with its environmental safety and health policy. We also have systematic and robust activities and programs to improve employees’ self-sufficiency management competence and safety awareness.

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Hyosung's workplaces are working to improve the workplace by discussing safety and health issues and identifying problems with the overall safety and health-related issues through the Institutional Safety and Health Committee and the Council of Labor-Management, and they also represent all workers in the workplace under the Institutional Safety and Health Act. We regularly conduct joint labor-management checks to expand safety facilities, invest, and train employees to raise awareness of safety.

Every Hyosung site conducts risk assessment every year to analyze and index the frequency and risk of the risk factors, making it a measure of risk management for continuous improvement efforts. At the Changwon plant, the autonomous safety check started from 2015, and the team leader, the head of the department, and others in charge of the department determine the theme of the inspection, and then use the checklist to identify and improve on-site risk factors. We have endeavored to establish a participatory voluntary safety culture with our members, where they are monitoring the improvement and attaching a risk table in order to recognize and eliminate the risks themselves. As a result, about 1,200 improvements are being made every year, and the cases of violations resulting from other safety inspections were greatly reduced.

Cooperation Program

In order to realize an accident-free workplace together with our partner companies, we are operating a “symbiosis cooperation program” with representatives of domestic and overseas suppliers. We have improved our employees' autonomous safety management capabilities and safety awareness through systematic safety management support, such as the development of training sheets and inspection sheets for each partner company and the training of risk assessment experts. As a result of these efforts, the Changwon Plant achieved the highest level in the evaluation of the symbiosis cooperation program organized by the Korea Occupational Safety and Health Agency in 2016 and achieved remarkable results, such as the zero industrial accidents record in 2016. Korea Occupational Safety and Health Agency awarded as a plaque of appreciation for being selected as the excellent workplace for the symbiosis cooperation program. In addition, 65 contracting partners which have been recognized as having excellent risk assessments can receive the benefits of a 20% reduction of the workers' industrial accident insurance premium for three years, a delayed safety supervision for the next year, and a government award preferential treatment.

We conduct regular safety inspections to find out the potential risks of the workplace and attract employees' attention to prevent safety accidents. Regular safety inspections are carried out to check safety production inhibition factors and susceptibility factors based on processes with high risk of disasters. On the basis of the results of safety diagnosis, we identify and rectify on-site risk factors and problems. We are taking measures to improve the situation. In addition, the Green Management Team is responsible for developing a company-wide safety audit checklist to inspect all workplaces for violations of safety-related laws, safety and health management systems, PSM, fire and hazardous materials inspection, and chemical inspection. Based on the analyzed results, we are promoting various improvement activities.

Execution of Executive-Led Company-Wide Safety Inspection

Since 2007, Hyosung has been carrying out company-wide safety inspections conducted by plant managers to strengthen the prevention of environmental accidents. The plant manager and the head of the department participate in checking the major facilities on the site to promote environmental and safety awareness and to prevent disasters. Especially, at the Ulsan plant, all of the employees, from the general manager to executives and new employees, participated in the safety inspections. They awarded the “Very Good” award to excellent partner companies and demanded intense improvements to unreasonable items with all of the employees attending. We are carrying out facility improvement activities.

Conduct Safety Education

Hyosung is building an autonomous safe workplace by improving employees' awareness of safety. Through safety education and safety culture dissemination activities, we improve employees' sense of safety management and lead them to voluntarily participate in disaster-prevention culture.

Safety Experience Training

The Changwon Plant has been conducting quarterly safety experience training since 2013 to enhance the effectiveness of safety education. In order to prevent safety accidents that can occur in the industrial field, the safety experience training is designed so that the trainers can participate in the exercises and directly experience the risk factors and safety measures. From 2014 onwards, we are gradually expanding the program to cover new employees, development departments, and those who caused accidents in the field to improve safety awareness and prevent similar safety accidents.

Efforts to Establish a Safety Culture

The Yangyeon Plant collects and analyzes case studies of other companies and shares them with all employees. The Yangyeon Plant distributes safety rules by analyzing the risk factors of each class and conducts joint safety and health campaigns with supervisors and affiliated agencies, thereby making efforts to internalize workers' safety consciousness. In addition, we regularly share safety and health issues at company newsletters and executive board meetings. We also strive to raise awareness of EHS by providing our customers with a brochure on safety and health compliance and emergency evacuation tips. Hyosung also conducts emergency evacuation drills, including emergency evacuation, first aid, rescue and fire drills, in preparation for the outbreak of fire. In cooperation with related agencies to safely operate the Sevit Island. Through these efforts, we are developing safe awareness and coping abilities to ensure the safety of citizens even in emergency situations, and are making Sevit Island safe for citizens to enjoy.

Spontaneous Participation Culture

At the Ulsan and Changwon factories, the efforts are being made to establish voluntary participation and prevention-oriented processes through safety and health assessments at each department. The Changwon plant established an incentive payment system based on goal achievement by establishing a goal-specific number of days by analyzing risk factors and frequency of accidents. As a result, we have achieved a 6-fold increase in no-accident record and have shown a great effect in preventing accidents. In addition, we conduct safety and health assessments for each department, evaluate the performance of related supervisors, provide incentives for superior departments, and provide customized technical support for weak departments to make safer workplaces.
Hyosung conducts a variety of disease prevention activities at its workplaces to promote the health of its employees. Every year, we make every effort to improve the health of our employees through regular health check-ups, special screenings for disease-affected persons, prevention of smoking and obesity, and stress management programs.

Musculoskeletal Disorders Prevention Program

We are carrying out preventive activities for musculoskeletal diseases of field workers through management of musculoskeletal disease patients and on-site burden management. The Changwon Plant provides physical therapies and exercise therapies in cooperation with external experts to those who are selected through surveys and in-depth counseling on occupational health. As a result of exercise therapy in 2016, 44% of participants attained symptomatic improvement and we are continuing to improve the tasks that are prone to musculoskeletal according to our onsite hazard study.

Smoking, Obesity, and Stress Management

Health and employee stress counseling is provided to employees through health check-ups and regular visits to health care centers. Special care is given to those who are suffering from diseases. We also promote personal health through voluntary participation of employees in smoking cessation and obesity programs linked to health centers. The Gumi Plant has also been recognized as a ‘Healthy Workplace NWI Certification’ site by Gumi City since 2012, thanks to its continued efforts to display health promotion booths and campaigns for drinking and smoking prevention.

Improving Healthcare Facilities

In order to manage the health of our employees, we operate physical therapy rooms, health care rooms, athletic treatment rooms, and treatment facilities in our workplaces at all times. In addition, facilities are being improved and expanded at each workplace to provide a better environment for employees.

Hyosung is committed to the systematic management of chemical substances and the prevention of chemical accidents in response to the Chemical Substance Control Law and the Chemical Substance Registration and Evaluation Act. Hyosung manages all chemical substances used in the workplace through an ERP-based computer system. All purchased materials are assessed for chemical presence through the system, and for chemicals, purchases that are not approved by the chemical manager at the site are blocked. After confirming that the material is subject to chemical regulation by using the material information database provided by the supplier and the SERC DB* owned by the company, the material purchase is approved only when the regulation is completely met.

* SERC DB: SAP EHS Regulatory Content Database

In order to prepare for emergencies such as chemical spills and explosions, we have established a network of related departments and related organizations, and are conducting regular training for employees. In addition, comprehensive measures for chemical substance management have been established and a dedicated organization has been established and the responsibilities and roles of chemical substances in each department are defined. Businesses dealing with chemical substances are establishing plans to block outflows by preliminary investigation and identification of expected outflow routes of chemical pollutants, and establish a system for responding to leaks by establishing an offshore drainage and hazardous material shutdown facility in the final route. We also manage daily usage and inventory levels of hazardous chemical substances and conduct weekly on-site inspections by creating a risk factor checklist for hazardous chemicals. Contractors handling chemicals are required to report their contracts in accordance with legal procedures established by the EPA.

Hazardous Chemical Workers Training

Hyosung conducts safety training twice a year for all employees at workplaces handling hazardous chemicals. This is to prevent chemical accidents even if you do not handle chemicals directly, and to guide safety measures and countermeasures in case of emergency. The contents of the training include such things as the effects of chemical substances on the human body and the environment, examples of chemical accidents, measures in case of accidents and measures to cope with them (personal protective equipment, how to use control equipment).
Emergency Situation Scenario
We prepare emergency scenarios to prepare for the accidental release of harmful chemicals such as ammonia and methanol, and use them to train our employees every year. The immediate response scenario, which takes about 10 minutes, minimizes the damage and raises awareness of safety accidents.

Emergency Response Process
We have established a risk management plan and are making efforts to minimize the damage to local people and environment.

Environmental Improvement Activities
Preventive and safety devices such as leak detectors, gas detectors and discharge jaws are installed around the hazardous substance storage in the plant, and periodic inspections are conducted to prevent leakage of harmful substances. At the same time, we provide emergency training as well as keeping the leached chemical neutralization facility. In addition, we install a water spray system in the building and the leaked chemical neutralization facility. In addition, it is equipped with an automatic valve at the final outlet of the boiler room and monitoring of the control room that operates 24 hours a day. The Jeonju Plant checks its own handling facilities, storage status, and safety guard once a week at the Chemical Usage Department. Eonyang Plant has set up scenarios for preventive and emergency scenarios based on the type of environmental spillage of point pollutants and nonpoint pollutants such as outdoor tanks and storage facilities.

To ensure the stability of products, each business site manages toxic substances to below the standard level and replaces them with raw materials that do not contain toxic chemicals. The Gums Plant is reviewing products that do not contain hazardous chemical substances and is making efforts to substitute them. By using less toxic substances in products such as hydrochloric acid and caustic soda as standards, we are gradually reducing the use of hazardous chemicals. The Optical Film Division of the Yongyeon Plant is replacing TPP, which is used as a plasticizer in the production of PET tire cord, Technical Yarn, PET yarn, NYLON FILM, etc. To ensure the stability of products, each business site manages toxic substances to below the standard level and replaces them with raw materials that do not contain toxic chemicals. The Gums Plant is reviewing products that do not contain hazardous chemical substances and is making efforts to substitute them. By using less toxic substances in products such as hydrochloric acid and caustic soda as standards, we are gradually reducing the use of hazardous chemicals. The Optical Film Division of the Yongyeon Plant is replacing TPP, which is used as a plasticizer in the production of PET tire cord, Technical Yarn, PET yarn, NYLON FILM, etc. To ensure the stability of products, each business site manages toxic substances to below the standard level and replaces them with raw materials that do not contain toxic chemicals. The Gums Plant is reviewing products that do not contain hazardous chemical substances and is making efforts to substitute them. By using less toxic substances in products such as hydrochloric acid and caustic soda as standards, we are gradually reducing the use of hazardous chemicals. The Optical Film Division of the Yongyeon Plant is replacing TPP, which is used as a plasticizer in the production of PET tire cord, Technical Yarn, PET yarn, NYLON FILM, etc.

Minimize External Impacts
Businesses handling specific hazardous chemicals over a certain period of time are responsible for over-the-counter impact assessments as well as managing hazardous chemicals through the Risk Management Plan. In the event of a spill, the company is aware of the impact on businesses, residents, and ecosystems around the site, and will evaluate it whenever there is a change in the amount of chemicals handled and handling facilities in the future. In addition, we have established a risk management plan and are making efforts to minimize the damage to local communities by notifying neighboring residents and related organizations of the hazards of substances to be handled and the precautions for evacuation in case of an accident.

Chemical Facility Management
Preventive and safety devices such as leak detectors, gas detectors and discharge jaws are installed around the hazardous substance storage in the plant, and periodic inspections are conducted to prevent the leakage of chemical substances. At the same time, we provide emergency protection and anti-pollution drugs to enable early response in case of emergency. The Yongyeon Plant installs material loading and unloading facilities indoors to prevent the spread of chemical spills. In order to respond immediately to an accident, we install a water spray system in the building and the leaked chemical neutralization facility. In addition, it is equipped with an automatic valve at the final outlet of the boiler room and monitoring of the control room that operates 24 hours a day. The Jeonju Plant checks its own handling facilities, storage status, and safety guard once a week at the Chemical Usage Department. Eonyang Plant has set up scenarios for preventive and emergency scenarios based on the types of environmental spillage of point pollutants and nonpoint pollutants such as outdoor tanks and storage facilities.

Pollutant Reduction and Environmental Improvement Activities
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Environmental Impact Management at Global Sites
China
1. Company name: Hyosung Chemical (Jiaxing) Co., Ltd.
2. Major products: PET tire cord, Technical Yarn, PET yarn, NYLON FILM, etc.
3. Number of employees: 1,100

Due to the enforcement of the Chinese New Relief Act, which became effective in January 2015, environmental regulations are being strengthened, and it is required to reduce environmental emissions through active environmental improvement activities. Therefore, Chinese sites are striving to reduce greenhouse gas emissions and to manage toxic chemicals at the workplace, while also making efforts for safety and health activities for employees.

Vietnam
2. Major products: textile tire cord, steel tire cord, electric motor, nylon, etc.
3. Number of employees: 6,400

In Vietnam, environmental awareness of the government and the private sector has been increasing in recent years due to the recent environmental pollution in Fomosa. Through our full-scale efforts, our business sites in Vietnam are appropriately discharging wastewater, properly operate air pollution control facilities and produce pollutants in the amount below regulations, and have received various awards and related certifications.

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Based on healthy and rational management systems, Hyosung responds to the expectations and needs of various stakeholders. We are pursuing sustainable growth that fulfills our economic, social, and environmental responsibilities.
Governance Structure

Board of Directors

The board of directors is the highest decision-making body of Hyosung, and deliberates and resolves matters set forth in laws and ordinances, matters delegated by the shareholders’ meeting, and important matters concerning the basic policy and business execution of the company’s management. The chairman of the board of directors is also the representative director. As of the end of December 2016, the board consists of four inside directors, six outside directors, and ten directors. At present, all members of the board of directors are composed of men, but the restrictions on gender, religion, and academic background are banned. In addition, candidates for directors to be elected at the general shareholders’ meeting are elected in accordance with fair procedures through the Board of Directors (Internal Directors) and the Outside Director Candidate Recommendation Committee (Outside Directors).

Board of Directors

We hold regular board meetings and extraordinary board meetings in accordance with Article 6 of the Board of Directors Regulations. The regular board meeting is held once a quarter, and the extraordinary board meeting is held whenever necessary. In 2016, a total of seven board meetings were held and a total of 27 resolutions were made, including reports on compliance support activities, transactions between companies, and key management issues.

Board Composition

<table>
<thead>
<tr>
<th>Division</th>
<th>Name</th>
<th>Gender</th>
<th>Position</th>
<th>Major Career</th>
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<tbody>
<tr>
<td>Inside Directors</td>
<td></td>
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<tr>
<td></td>
<td>Hyun-Joon Cho</td>
<td>male</td>
<td>CEO</td>
<td>Current Corporate Management</td>
</tr>
<tr>
<td></td>
<td>H.S. Cho</td>
<td>male</td>
<td>President</td>
<td>President of Corporate Strategy Center, Industrial Materials PG, ORD of Chemicals PG</td>
</tr>
<tr>
<td></td>
<td>Min-Koo Han</td>
<td>male</td>
<td>Member of Audit Committee</td>
<td>Current Emeritus, Professor, Electrical Engineering Seoul National University, Former Chairman of the Board, Korea Institute of Patent Information</td>
</tr>
<tr>
<td></td>
<td>Byung-Moo Lee</td>
<td>male</td>
<td>Outside Director</td>
<td>Current Chairman of Republic Union Foundation, Former Chairman of the Board, KBS</td>
</tr>
<tr>
<td></td>
<td>Byung-Choo Sohn</td>
<td>male</td>
<td>Outside Director</td>
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<tr>
<td></td>
<td>Tae-Ho Park</td>
<td>male</td>
<td>Outside Director</td>
<td>Current Professor, International Studies Seoul National University, Former Dean, History, The History of Korean War and Tade</td>
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<td></td>
<td>Joong-Kyung Choi</td>
<td>male</td>
<td>Outside Director</td>
<td>Current President of KICPA, Former Minister, the Ministry of Knowledge Economy</td>
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Board Independence

The board of directors plays a role of checking and balancing the management and strives to maintain independence by appointing a majority of the total number of the board of directors with outside directors. In addition, in order to prevent conflicts of interest, the board of directors restricts the voting rights of directors with special interests in resolution of the board of directors.

Board Professionalism

All candidates for directors are chosen in accordance with the corporate governance best practices and articles of incorporation, and are finally elected through a general meeting of shareholders. In addition, the board of directors is composed of members who have experience in business including economics, management, law, technology, and so on so that the functions of the board of directors can be faithfully carried out.

Board Soundness

Through its website, Hyosung discloses not only the composition and operation status of the board of directors, but also the role of the board of directors, operating procedures, articles of incorporation, and regulations on the operation of the board of directors. In addition, the Annual Report announces Board of Directors’ decisions and activities, and the activities of committees within the BOD.

Board Subcommittees

The Board of Directors has a Management Committee, Outside Director Candidate Recommendation Committee, and Audit Committee. Each committee has independence and expertise and strengthens the board’s management checks and supervision functions.

Evaluation and Compensation

Hyosung conducts annual evaluations of its directors on its expertise related to its business and technology, and whether its activities are conducted by the Board of Directors. In addition based on the results of these evaluations, we are rewarding the Board of Directors fairly and transparently through resolution of the general shareholders’ meeting. In addition, the CSR Committee receives reports on CSR performance and sustainability reports related to economic, environmental and social responsibilities commissioned by the BOD. For the operation of the CSR Committee, the Legal Affairs Team of the Assistance Headquarters conducts related tasks.

CSR Committee

Hyosung has established and operates the CSR Committee since 2008 in order to enhance its practice of social responsibility activities. In accordance with Article 2 of the CSR Committee Regulation, the CDO (Vice Chairman) serves as the chairperson and the members of the CSR Committee consist of the PG chief and the general manager. We hold a regular meeting every six months, and a temporary meeting is convened by the chairperson if necessary. The CSR Committee establishes sustainability management direction and strategy for sustainability management. In addition, the CSR Committee receives reports on CSR performance and sustainability reports related to economic, environmental and social responsibilities commissioned by the BOD.

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Hyosung maintains the Code of Conduct, which contains the Code of Ethics and practical guidelines for employees to provide ethical management practices and operate transparent businesses. In addition, in order to implement systematic ethical management, the Compliance Support Team, a division dedicated to ethical management, was established in 2014 to establish anti-corruption compliance regulations and ethical education to prevent corruption and to improve the ethical awareness of all employees.

*The Code of Ethics can be found on the homepage (http://www.hyosung.co.kr/en/csr/ethics/principles.do)

### Ethics Management System

**Ethics Management Education**

In order to make the ethical management more structured, we conduct company ethics training through in-house broadcasting. We are also operating ethical training centered on job-related activities as an essential curriculum departments and personnel with high ethical and legal compliance risks. In particular, ethical management education for ethical management employees provides information on ethical management issues such as responsible management and Kim Young-Ran law to raise awareness of ethical management.

In addition, we operate ethics curricula for new employees, newly promoted employees, and executives. We also conduct separate job-oriented ethics training for purchasing, contracting, planning management, and shared growth teams.

**Ethical Management Awareness Proliferation**

With the guidance of Compliance Support Team, all employees are writing a pledge of ethical management practice, an affirmative appeal, and a pledge of prohibiting the payment of money. In addition, we are making efforts to promote and internalize ethical management through the production and dissemination of promotional materials for ethical awareness. In addition, we share ethical rules through the Hyosung homepage and the partnership growth website of our affiliates in order to share ethical practices with our partners.

### Report Channel

Hyosung operates an HR counseling room and a complaint handling room where employees can receive counseling about complaints and ethical standards that may arise during the work process. The HR counseling office is directly under the management of the personnel officer, and can report complaints during work, unethical acts such as sexual harassment, embezzlement and personnel irregularities. Confidentiality is ensured for the content received in the HR counseling office. When an investigation is needed for unethical behavior, the audit team takes over the case and processes it. In addition, we have mailboxes at Mapo Post Office so that employees can report unethical behavior for employees who are concerned about their identity.

**Help-Line Operation**

Hyosung operates a Help-Line system for inquiries and reports on issues that may arise in business relations, with suppliers such as unethical activities, bribery, illegal soliciting, problems, suggestions for improving problems and processes, and unfair subcontracting. The Help-Line is operated within the Hyosung Shared Growth site, and not only partners but other stakeholders can also receive and report on this channel.

**Internal Audits**

Hyosung conducts surveys on various aspects of its operations, including on-the-job surveys and job inspections. Since 1984, we have established internal audit regulations. In particular, we are also conducting audits on technology and quality areas to achieve customer satisfaction through trust in quality and technology.

**Internal Audit Operating System**

Auditors are required to perform their duties in independent positions during the audit duties. Regular audits are carried out according to internal audit regulations and special audits are carried out when specific themes or issues arise. In 2016, we conducted a total of 26 internal audits and took measures such as caution, discipline, and compensation according to the severity of the incident.

**Post-Audit Management**

The results of the inspection are reported to the CEO, and those who are notified of the results of the audit are asked to make immediate improvements to the matters indicated. At the same time, our audit team regularly reviews the same issue to prevent future problems.
Risk Management

We manage market uncertainties and internal and external risks that may have a major impact on our business activities. Depending on the nature of the risks, we manage them as financial or non-financial risks. Through the organic cooperation between the head office and domestic and overseas business sites, we have established a risk management system that encompasses the entire company and regularly conducts risk prediction and inspection. All employees are clearly aware of the content and are making every effort to reflect them in business decisions.

Hysung works to minimize market risks and credit risks associated with liquidity, stock price, currency and other financial matters. Our financial team, international finance team and trade financing team work together to evaluate financial risks, assess performances and hedge against various financial risks. Depending heavily on trade, Hysung particularly pays attention to currency-related financial risks. For non-financial risks, departments in charge of such risks take control to minimize related damages. We are committed to ensuring that all employees are clearly aware of the content and are able to incorporate it into business decisions.

Types and Definitions of Key Management Risks

<table>
<thead>
<tr>
<th>Type</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational risk</td>
<td>Operational risks arising from improper use of personnel, work or system failures</td>
</tr>
<tr>
<td>Legal risk</td>
<td>Legal risks arising from unforeseen contract, lack of understanding of contract clauses, or litigation</td>
</tr>
<tr>
<td>Disaster risk</td>
<td>Risks that may arise from environmental pollution accidents, workplace facility accidents, and disasters</td>
</tr>
<tr>
<td>Reputation risk</td>
<td>Risks of declining corporate image that can result from misinformation or negative communication</td>
</tr>
<tr>
<td>Ethical risk</td>
<td>Ethical risks such as unfair trade practices or corruption cases that may impair the transactions of internal and external stakeholders such as employees and suppliers</td>
</tr>
<tr>
<td>Security Risk</td>
<td>Risks such as cyber terrorism from outside or loss of information due to leakage of internal data</td>
</tr>
<tr>
<td>Environmental risk</td>
<td>Risks of legal sanctions and fines due to improper response to environmental regulations, such as emissions of greenhouse gases and hazardous substances</td>
</tr>
<tr>
<td>Supply Chain Risk</td>
<td>Risks due to lack of raw material supply and production continuity</td>
</tr>
<tr>
<td>Human Resource Risk</td>
<td>Risks due to outflow of excellent talent due to lack of opportunities for human resource development in education, compensation for evaluation, and various accidents due to lack of safety and health at workplace</td>
</tr>
</tbody>
</table>

Key Risk Management

Risks that may arise from environmental pollution accidents, workplace facility accidents, and disaster management are on the rise. We are addressing them in an integrated manner. In addition, we are actively managing risks such as cyber terrorism from outside or loss of information due to leakage of internal data. Risks such as emissions of greenhouse gases and hazardous substances, such as waste management, are being addressed. Risks can be further reduced by continuous education and training. We are committed to ensuring that all employees are clearly aware of the content and are making every effort to reflect them in business decisions.

Performance Data

Economic Performance / Social Performance

Creating economic value and distribution to stakeholders

Hysung creates steady and sustained economic value. We are fairly distributing our achievements to our stakeholders, including our customers, employees, shareholders and investors, suppliers, governments, and local communities.

Employee recruitment

In order to positively discover ‘Global Leader’ that can realize the value of Hysung, we have established various recruitment channels such as regular recruitment, on-the-job recruitment, and campus recruiting. In addition, through the operation of individual on-line recruitment sites within the company, we disclose employment conditions and recruitment procedures in a transparent manner. All applicants have equal opportunities during the recruitment process and are not subject to unfair discrimination based on academic background, gender, or religion. As part of that, we have removed the identification photo attachments section and the family affairs section of the application form, and have removed restrictions on foreign language grades, school grades, and application age. The conditions of employment and the contract of employment are stated in the employment rules. All employees are guaranteed their rights according to this employment rule. In 2016, we expanded the range of hiring to nurture specialized talents and expand competitiveness in existing businesses by expanding domestic and overseas production facilities.

Number of Patent Applications

Hysung Institute of Technology, Power & Industrial Systems R&D Center, Steel Wire Research Institute and Electronics Research Institute are the foundation of Hysung’s advanced technology and product strength. We will showcase worldwide-leading R & D technology through a culture that respects the intellectual property rights of individuals and organizations.

<table>
<thead>
<tr>
<th>Division</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales turnover</td>
<td>12,177,134</td>
<td>12,458,454</td>
<td>13,029,113</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>10,515,068</td>
<td>10,429,796</td>
<td>11,770,964</td>
</tr>
<tr>
<td>Gross profit on sales</td>
<td>1,071,066</td>
<td>2,028,658</td>
<td>2,376,169</td>
</tr>
<tr>
<td>Operating profit</td>
<td>630,346</td>
<td>559,653</td>
<td>786,474</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>159,690</td>
<td>71,589</td>
<td>236,762</td>
</tr>
<tr>
<td>Total assets</td>
<td>13,662,034</td>
<td>14,031,618</td>
<td>14,320,801</td>
</tr>
<tr>
<td>Total Debt</td>
<td>10,956,805</td>
<td>10,546,064</td>
<td>10,727,695</td>
</tr>
<tr>
<td>Total capital</td>
<td>2,785,229</td>
<td>3,485,554</td>
<td>3,183,096</td>
</tr>
</tbody>
</table>

<table>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Number of Employees and Categories</th>
<th>Total Number</th>
<th>Division</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>3,852</td>
<td>77</td>
</tr>
<tr>
<td>Female</td>
<td>2,778</td>
<td>74</td>
</tr>
<tr>
<td>Total</td>
<td>6,630</td>
<td>151</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employment Kind</th>
<th>Total (Unit : person)</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Veteran Office Workers</td>
<td>15</td>
</tr>
<tr>
<td>Functional</td>
<td>5</td>
</tr>
<tr>
<td>Executives</td>
<td>5</td>
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</table>

<table>
<thead>
<tr>
<th>Employment Full-time</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>3,280</td>
<td>775</td>
</tr>
<tr>
<td>Female</td>
<td>2,467</td>
<td>695</td>
</tr>
<tr>
<td>Total</td>
<td>5,747</td>
<td>1,470</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employment</th>
<th>Total (Unit : person)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full-time</td>
<td>7,657</td>
</tr>
<tr>
<td>Part-time</td>
<td>584</td>
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<tr>
<td>Total</td>
<td>8,241</td>
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</table>

<table>
<thead>
<tr>
<th>New Recruits</th>
<th>Male</th>
<th>Female</th>
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</thead>
<tbody>
<tr>
<td>Male</td>
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<td>1042</td>
</tr>
<tr>
<td>Female</td>
<td>1100</td>
<td>154</td>
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<tr>
<td>Total</td>
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<td>1196</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>No.</th>
<th>375</th>
<th>252</th>
<th>371</th>
<th>4,357</th>
<th>4,193</th>
<th>4,060</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patent Application</td>
<td>375</td>
<td>252</td>
<td>371</td>
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<td>4,193</td>
<td>4,060</td>
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* The number of applications filed is based on Hysung Institute of Technology, Power & Industrial Systems R&D Center
**Performance evaluation and compensation**

We are building a fair performance evaluation system based on individual capabilities and performance. The evaluation process is clearly presented to the target person through the online personnel evaluation process. In addition, foreign language skills and education scores are added to the evaluation items to motivate individuals to voluntarily develop their competencies. This gives differential compensation based on the performance and achievement of the organization’s target, and the basic initial wage rate compared to the statutory minimum payment in 2016 is 21%. There is no difference between men and women in the case of new employees’ basic salary.

**Employee Human Rights**

Hyosung respects the dignity and the right to happiness that cannot be compromised as a human being for all our stakeholders including employees. We support the ten UNGC principles, including the Universal Declaration of Human Rights adopted at the UN General Assembly, and the labor standards set forth by the ILO. In particular, in 2016, we have established a new human rights policy to clarify labor and human rights standards and disclose them on our Sustainable Management Report. We strictly prohibit the employment of children under 18 years of age and forced labor in all domestic and overseas workplaces and prevent any recurrence by promptly taking action against any violation or potential violations in workplaces. At the same time, we regularly invite external instructors to conduct sexual harassment prevention training for managers, and deliver training to team members.

**Social contribution investment**

We strive for long-term and efficient support for the development and growth of the community, rather than simple one-off support. In addition, in celebration of the 50th anniversary of the company’s founding, we conducted relay volunteer work for all our employees. We conveyed the hearts and minds of Hyosung employees who are actively involved in resolving issues in the local community.

**Partner Companies Status**

Hyosung intends to contribute to regional economic development based on its partnership with partner companies. Through fair standards, we will be able to find a good number of excellent partners and become the foundation of a healthy society.
Environment, safety performance

### Plant Accident Rate

<table>
<thead>
<tr>
<th>Division</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jeonju Plant</td>
<td>0.22</td>
<td>0.44</td>
<td>0.00</td>
</tr>
<tr>
<td>Daegu Plant</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Daejeon Plant</td>
<td>0.95</td>
<td>0.00</td>
<td>1.56</td>
</tr>
<tr>
<td>Anyang Plant</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Anyang Plant</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Olsan Plant</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Yongyeon Plant</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Yongyeon Plant</td>
<td>0.00</td>
<td>0.38</td>
<td>0.34</td>
</tr>
<tr>
<td>Yongyeon Plant</td>
<td>0.99</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Yongyeon Plant</td>
<td>0.00</td>
<td>1.67</td>
<td>0.51</td>
</tr>
<tr>
<td>Ulsan Plant</td>
<td>1.17</td>
<td>2.02</td>
<td>4.52</td>
</tr>
<tr>
<td>Changwon Plant</td>
<td>0.03</td>
<td>0.03</td>
<td>0.11</td>
</tr>
<tr>
<td>Jiryeon Plant</td>
<td>0.00</td>
<td>0.19</td>
<td>0.00</td>
</tr>
<tr>
<td>Sejong Plant</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

* Three deaths due to industrial accidents in 2016.

### Raw Materials

We are striving for efficient use of resources. By replacing aged facilities, we minimize the changes in the physical properties of the resources and pollution level so that they can be recycled in the production of defective products, and pallets and other packaging materials are recovered and reused. By periodically inspecting the process, we will continue to improve the waste of raw materials, thereby reducing environmental pollution caused by waste of resources and reducing purchasing costs.

**Gumi Plant**

In spider PU, in order to reduce the amount of DMAc used as raw material, thermal camera shooting is introduced to reduce DMAc (Dimethylacetamide) leakage in the radiator, which is a major loss factor.

**Yongyeon Plant/Oksan Plant**

Optical Film PU/TAC division reuses raw materials after grinding if it is judged that the film is defective. By recycling the defective products without throwing them away, we are reducing environmental pollution and realizing cost reduction, thereby raising business competitiveness.

**Daejeon 3 Plant**

The Daejeon 3 plant is replacing production facilities to prevent the contamination of main materials, which are raw materials for recycled chips, and to increase the use of raw material chips. In addition, we are collecting and reusing pallets among our product packaging materials and plan to expand the types of packaging materials that are being reused. At the same time, in order to increase the recovery rate of the packaging materials, we are paying the bonus amount according to the amount of the returned goods.

### Waste management

In order to reduce the amount of waste generated in the production process and to minimize the environmental impact, we are continuously making efforts to improve the processing process and to increase the recycling rate by taking into account the characteristics and components of the waste.

**Jeonju Plant**

The organic solvent used as the raw material was entrusted to an outside company, refined and reprocessed, and recycled into the production process to reduce 178.63 tons of waste in 2016. In addition, we have made it possible to reuse the defective parts of the final product for other purposes without entrusting it to the waste recycling company. We are also minimizing the incineration of domestic wastes by introducing a separate collection system for the entire workplace.

**Ulsan Plant**

In 2016, we have newly installed a waste storage facility. When bringing in waste, we submit a certificate to the person in charge to lower the possibility of illegal dumping. In the case of wastewater sludge, we converted some of the existing landfilling to recycling, and we will reduce the amount of waste by recycling the entire amount.

**Yongyeon Plant**

Organic sludge cannot be recycled, so the cost of landfill is too high. Organic sludge accounted for more than 90% of waste at Yongyeon Plant, so we wanted to reduce organic sludge emissions by changing the dehydrator. In addition, waste pipes generated after the process and sold to waste are reworked and reused. We are constantly searching for recycling companies, not landfills, to reduce environmental burdens.

**Gumi Plant**

The Gumi plant operates a dehydration tower process to further refine wastewater discharged from the purification tower to reduce waste. The wastewater purified through the process will be re-delivered to the Gumi Plant after separate purification process. At the same time, we are endeavoring to reduce waste each department.
Air pollution and odor management

We have established our own standards that are stricter than the legal emission allowances and the internal benchmark values for each organization, conduct self-assessment twice a month for atmospheric pollutants and odor-inducing substances to confirm whether or not we meet our own emission standards.

Water and wastewater management

All of Hyosung's business sites systematically manage wastewater and water pollution through regular water quality inspections and establishment of strict internal standards. The discharged wastewater is regularly tested for nitrogen (T-N), which was treated with chemicals that could cause eco-toxicity. In addition, we monitor the status of wastewater flows to ensure the amount of wastewater generated. In a quarterly basis, the average value of all items of wastewater is managed at 20% of the legal emission standard.

All of Hyosung's business sites systematically manage water pollution through regular water quality inspections and establishment of strict internal standards that are more stringent than legal emission allowances. We are replacing old wastewater pollution prevention facilities and improving and optimizing them to remove high-concentration water pollutants and discharge them to low-concentration wastewater. In addition, we manage the amount of water used by each business site and build reuse facilities and processes through the use of reusable water.

Wastewater generated by membrane filtration and treatment facilities is reused. This contributes to the improvement of water quality by supplementing the water shortage in the winter and newly added factories. In addition, we are making efforts to reduce water use by separating water according to the presence of chemicals in the production process and reusing wastewater without added chemicals. On the other hand, we are actively promoting reduction activities for pure water (DW), filtered water (FW), drinking water (DW) and wastewater (WW). In addition, we have wastewater treatment facilities that combine sewage and wastewater generated in the production process. We set strict internal emission standards that are stricter than legal emission standards. The discharged wastewater is regularly tested for wastewater generated in the production process. We set strict internal emission standards that are stricter than legal emission standards. The discharged wastewater is regularly tested for water quality and daily water quality reports are prepared to manage the amount of wastewater discharged. On the other hand, the water pollutants discharged from the Yongyeon 3 plant, which are transferred to the Yongyeon 2 plant equipped with wastewater treatment facilities for treatment.

In accordance with the types of wastes, we are implementing systematic waste management by regulating and improving the disposal methods. We are striving for proper waste disposal through separate training and regular inspection activities for our employees and suppliers.

Waste Discharge

<table>
<thead>
<tr>
<th>Division</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generic Waste Generation</td>
<td>47,192.0</td>
<td>49,431.2</td>
<td>49,063.4</td>
</tr>
</tbody>
</table>

Air pollution and odor management

We have established our own standards that are stricter than the legal emission allowance standards set by the Ministry of Environment. At the same time, we are striving to minimize pollutant emissions during the production process by constructing air pollution control facilities in each process and exhausting systems for reducing pollutants and odor-causing substances.

<table>
<thead>
<tr>
<th>Division</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nitrogen oxides (NOx)</td>
<td>256.0</td>
<td>252.0</td>
<td>250.4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Division</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sulfur oxides (SOx)</td>
<td>87.0</td>
<td>88.0</td>
<td>87.2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Division</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dust (PM)</td>
<td>64.3</td>
<td>58.8</td>
<td>52.6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Division</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Recycling Rate</td>
<td>27,426.6</td>
<td>34,507.8</td>
<td>35,024.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Division</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total waste generation</td>
<td>41,795.9</td>
<td>35,024.0</td>
<td>35,024.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Division</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Recycling Rate</td>
<td>63.2</td>
<td>63.7</td>
<td>49.5</td>
</tr>
</tbody>
</table>
Water Pollutant Emissions

<table>
<thead>
<tr>
<th>Division</th>
<th>Amount</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Biological oxygen demand (BOD)</td>
<td>19.1</td>
<td>20.8</td>
<td>20.4</td>
<td></td>
</tr>
<tr>
<td>Chemical oxygen demand (COD)</td>
<td>36.8</td>
<td>88.3</td>
<td>89.7</td>
<td></td>
</tr>
<tr>
<td>Suspended substance (SS)</td>
<td>24.2</td>
<td>26.7</td>
<td>33.3</td>
<td></td>
</tr>
<tr>
<td>Total Nitrogen (T-N)</td>
<td>6.75</td>
<td>15.5</td>
<td>12.9</td>
<td></td>
</tr>
<tr>
<td>Total Phosphorous (T-P)</td>
<td>3.0</td>
<td>3.7</td>
<td>4.2</td>
<td></td>
</tr>
</tbody>
</table>

Ozone Depleting Substances

<table>
<thead>
<tr>
<th>Division</th>
<th>B-11</th>
<th>B-12</th>
<th>B-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>CFC</td>
<td>500</td>
<td>2,300</td>
<td>1,500</td>
</tr>
<tr>
<td>HCFC</td>
<td>4,170</td>
<td>4,822</td>
<td>5,322</td>
</tr>
<tr>
<td>R-22</td>
<td>1,200</td>
<td>1,280</td>
<td>3,925</td>
</tr>
</tbody>
</table>

Amount of Environmental Protection Investments

<table>
<thead>
<tr>
<th>Division</th>
<th>Waste and emission treatment costs</th>
<th>Environmental restoration costs</th>
<th>Cost for prevention and environmental management</th>
<th>The Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4,776,736,812.0</td>
<td>6,480,652,862.0</td>
<td>5,386,678,036.0</td>
<td>16,643,065,710.3</td>
</tr>
</tbody>
</table>

Energy use and greenhouse gas emissions

According to the ‘Guidelines for GHG and Energy Goal Management and Operation,’ etc., the scope of the 2016 Hyosung Sustainability Report excluded the data of sites classified as ‘small-scale emission sites’ with annual greenhouse gas emissions of less than 3,000 tons and energy usage of less than 55 TJ. Excluding them, we report on 15 other workplaces including the headquarters. In addition, we excluded the performance of 9 business sites (Deongyeon 3 part plant, Gwangyangwon, Ancheon, Munsan, Yangsan, etc.) due to the sale of packaging PU in 2014. However, we are promoting green management and green activities at all our businesses, including those not presented in this report.

Direct and Indirect Energy Usage

<table>
<thead>
<tr>
<th>Division</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct and indirect energy usage</td>
<td>25,552.1</td>
<td>27,532.1</td>
<td>31,556.5</td>
</tr>
<tr>
<td>Direct energy amount</td>
<td>5,666.2</td>
<td>6,031.3</td>
<td>7,464.3</td>
</tr>
<tr>
<td>Diesel</td>
<td>11.2</td>
<td>14.0</td>
<td>22.0</td>
</tr>
<tr>
<td>LPG</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>LNG</td>
<td>3,979.7</td>
<td>2,884.2</td>
<td>2,579.3</td>
</tr>
<tr>
<td>Gasoline</td>
<td>0.5</td>
<td>0.4</td>
<td>0.4</td>
</tr>
<tr>
<td>Propane</td>
<td>4.1</td>
<td>3.5</td>
<td>4.7</td>
</tr>
<tr>
<td>B-C oil</td>
<td>165.7</td>
<td>847.8</td>
<td>781.3</td>
</tr>
<tr>
<td>Off gas</td>
<td>1,813.1</td>
<td>2,453.3</td>
<td>4,366.4</td>
</tr>
<tr>
<td>LPG</td>
<td>2.9</td>
<td>2.9</td>
<td>3.7</td>
</tr>
<tr>
<td>Biogas</td>
<td>25.7</td>
<td>26.9</td>
<td>18.5</td>
</tr>
<tr>
<td>Indirect energy usage</td>
<td>20,300.9</td>
<td>21,350.7</td>
<td>23,880.2</td>
</tr>
<tr>
<td>Electricity</td>
<td>19,016.6</td>
<td>19,201.1</td>
<td>21,522.3</td>
</tr>
<tr>
<td>Steam</td>
<td>654.1</td>
<td>634.5</td>
<td>835.6</td>
</tr>
<tr>
<td>Process waste heat</td>
<td>435.9</td>
<td>401.3</td>
<td>227.4</td>
</tr>
<tr>
<td>Waste incineration</td>
<td>572.4</td>
<td>596.6</td>
<td>110.9</td>
</tr>
<tr>
<td>Basic unit (TJ/million won)</td>
<td>0.301</td>
<td>0.352</td>
<td>0.082</td>
</tr>
</tbody>
</table>

Greenhouse Gas Emissions

<table>
<thead>
<tr>
<th>Division</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Greenhouse Gas emissions</td>
<td>1,114,706.9</td>
<td>1,277,850.2</td>
<td>1,422,850.2</td>
</tr>
<tr>
<td>Total Greenhouse Gas emissions (Scope 1)</td>
<td>312,279.0</td>
<td>342,204.3</td>
<td>405,905.2</td>
</tr>
<tr>
<td>Fixed combustion</td>
<td>284,646.9</td>
<td>350,699.4</td>
<td>384,601.4</td>
</tr>
<tr>
<td>Moving combustion</td>
<td>3,860.3</td>
<td>2,789.3</td>
<td>3,011.1</td>
</tr>
<tr>
<td>Process emissions</td>
<td>24,449.7</td>
<td>24,085.0</td>
<td>21,573.5</td>
</tr>
<tr>
<td>Waste treatment</td>
<td>0.0</td>
<td>3,430.2</td>
<td>3,220.1</td>
</tr>
<tr>
<td>Indirect Greenhouse Gas emissions (Scope 2)</td>
<td>882,466.9</td>
<td>596,661.8</td>
<td>1,013,950.5</td>
</tr>
<tr>
<td>Electric</td>
<td>476,840.2</td>
<td>933,329.9</td>
<td>1,043,575.2</td>
</tr>
<tr>
<td>Steam</td>
<td>3,697.3</td>
<td>3,318.3</td>
<td>8,475.8</td>
</tr>
<tr>
<td>Total CO2 (metric ton)</td>
<td>0.301</td>
<td>0.205</td>
<td>0.075</td>
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</tbody>
</table>

*Greenhouse gas emissions and energy usage in 2016 will be subject to government approval by March 31, 2017 after the third-party verification is completed.
## Business Certification

<table>
<thead>
<tr>
<th>Country</th>
<th>Corporation</th>
<th>Business / City</th>
<th>Environmental Management</th>
<th>Health &amp; Safety</th>
<th>Quality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Korea</td>
<td>Hysung Co., Ltd.</td>
<td>Ulsan</td>
<td>NPY</td>
<td>ISO 14001</td>
<td>ISO 9001</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>T/C</td>
<td>ISO 14001</td>
<td>ISO 9001</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Tech. Yarn</td>
<td>ISO 14001</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Aramid</td>
<td>ISO 14001</td>
<td>ISO 9001</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Yongmun 1</td>
<td>PS/DN</td>
<td>ISO 14001</td>
<td>ISO 9001</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Novchem</td>
<td>ISO 14001</td>
<td>ISO 9001</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Yongmun 2</td>
<td>TSK</td>
<td>ISO 14001</td>
<td>ISO 9001</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>FDK</td>
<td>ISO 14001</td>
<td>ISO 9001</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Yongmun 3</td>
<td>Film</td>
<td>ISO 14001</td>
<td>ISO 9001</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Opt. Film</td>
<td>ISO 14001</td>
<td>ISO 9001</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Gummi</td>
<td>Spandex</td>
<td>ISO 14001</td>
<td>ISO 9001</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>NPY</td>
<td>ISO 14001</td>
<td>ISO 9001</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Global Recycled Standard (GRS)</td>
<td>ISO 14001</td>
<td>ISO 9001</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Film</td>
<td>ISO 14001</td>
<td>ISO 9001</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ansong</td>
<td>S/C</td>
<td>ISO 14001</td>
<td>ISO 9001</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Interior</td>
<td>ISO 14001</td>
<td>ISO 9001</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Changwon</td>
<td>F/W</td>
<td>ISO 14001</td>
<td>ISO 9001</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Sh/ES</td>
<td>ISO 14001</td>
<td>ISO 9001</td>
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<tr>
<td></td>
<td></td>
<td>Sejong</td>
<td>F/W</td>
<td>ISO 14001</td>
<td>ISO 9001</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Daegu 1</td>
<td>Dyeing</td>
<td>ISO 14001</td>
<td>ISO 9001</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Daeo-Tex***</td>
<td>ISO 14001</td>
<td>ISO 9001</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Daegu 1</td>
<td>Interior</td>
<td>ISO 14001</td>
<td>ISO 9001</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Daegu 3</td>
<td>Film</td>
<td>ISO 14001</td>
<td>ISO 9001</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Jeonju</td>
<td>Carbon</td>
<td>ISO 14001</td>
<td>ISO 9001</td>
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<td></td>
<td></td>
<td></td>
<td>Opt. Film</td>
<td>ISO 14001</td>
<td>ISO 9001</td>
</tr>
</tbody>
</table>

* Green companies: The Ministry of Environment guides environmental management. It is not a post-management system that focuses on crackdowns but rather a system to encourage autonomous environmental improvement based on cooperation between government and business.

** NAVI: Certification system for designating a workplace that meets the physical work environment and personal health resource area as a “healthy workplace” in Gumi City.

*** Oeko-Tex®: A certificate issued by the TESTEX certification body in Switzerland. The product (fabric) is subjected to a hazardous substance test to certify that there is no content or below the standard value.
**Hyosung Human Rights Principles**

All stakeholders including Hyosung employees, customers, and local communities have the right to dignity and happiness that can not be transferred as human beings. We promise to grow together with all stakeholders through Hyosung Way, a value system of Hyosung that leads the better life of mankind based on the best technology and management capability.

Hyosung supports the UNGC principles, the OECD Guidelines for Multinational Enterprises, and the labor standards laid down by the ILO, as well as the Universal Declaration of Human Rights adopted at the UN General Assembly. In addition, we promise to comply with the standards of labor rights and working conditions of all the countries in which we operate, as well as our head office in Korea. This commitment is equally applicable to all stakeholders, including employees of Hyosung Corporation, customers, local communities, and employees of partner companies.

**Principle of Human Rights**

<table>
<thead>
<tr>
<th>Principle</th>
<th>Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prohibition on Discrimination</td>
<td>One has the right not to be subjected to unfair discrimination based on race, language, religion, nationality, disability, politics, education and age.</td>
</tr>
<tr>
<td>Fair Rewards and Opportunity Opportunities</td>
<td>Under fair working conditions, fair compensation is given according to individual ability and performance, and opportunities for self-development are provided.</td>
</tr>
<tr>
<td>Freedom of assembly and association</td>
<td>Employees have the right to freedom of association for assembly without threat of retaliation or intimidation.</td>
</tr>
<tr>
<td>Safe Working Environment</td>
<td>Employees have the right to enjoy a pleasant working environment so that they can work in a healthy and safe manner.</td>
</tr>
<tr>
<td>Personal privacy protection</td>
<td>We do not interfere with the personal information of the employee and the privacy of the family, home, and communication.</td>
</tr>
<tr>
<td>Working Hours</td>
<td>Working hours are determined by the business country and comply with regular paid leave regulations.</td>
</tr>
<tr>
<td>Prohibition of forced and child labor</td>
<td>Observe the minimum employment age set by the business country, and do not be forced to work against the will of the employee.</td>
</tr>
<tr>
<td>Fair Transaction</td>
<td>Hyosung Co., Ltd. recognizes the partner company as an equal partnership position and does not abuse its superior position.</td>
</tr>
<tr>
<td>Community Development</td>
<td>Hyosung Corporation recognizes its responsibility for the development of the local community and actively invests in the development of the community.</td>
</tr>
<tr>
<td>Transparency</td>
<td>Provide timely information to shareholders and investors and maintain the accuracy of accounting data to ensure transparency.</td>
</tr>
<tr>
<td>Customer Information</td>
<td>Customer's information is recognized as valuable assets, and is required only minimal information, and takes technical and physical measures to protect information.</td>
</tr>
</tbody>
</table>

**Safety, Health and Environment**

We understand that safety, health and the environment are our top priorities for our business activities and that minimizing the environmental impacts and implementation of zero-accident workplaces is a very important factor for continuous profit maximization and growth for both companies and individuals. All employees continuously strive to comply with safety, health, and environmental policies, and we ensure that all employees understand this policy and that internal and external stakeholders are aware of this policy.

- We establish and implement safety, health, and environmental management systems to prevent casualties and loss of property, thereby achieving zero accidents, improving the environment and preventing pollution, and endeavoring to improve the health of all employees.
- We regularly review and improve the safety, health and environmental management systems and their implementation status for the continuous development of safety, health and environment.
- We minimize emissions of environmental impact substances and actively promote resource and energy savings.
- We strictly abide by all laws, regulations and agreements related to safety, health and environment.
- We increase overall credibility by continuing education and training and sharing with partners and stakeholders to effectively implement the safety, health and environmental regimes.

*This policy is the safety, health and environment policy of Ulsan plant. All business sites of Hyosung Co., Ltd. have established safety and health and environmental policies in consideration of the characteristics of production and sales items.*
### GRI Index

#### GENERAL STANDARD DISCLOSURE

<table>
<thead>
<tr>
<th>Classification</th>
<th>G4 Indicators</th>
<th>Page</th>
<th>Note</th>
<th>ISO 26000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy and Analysis</td>
<td>GA-1</td>
<td>Statement from the most senior decision-maker</td>
<td>2–3</td>
<td>6.1, 6.2, 7.1, 7.2</td>
</tr>
<tr>
<td></td>
<td>GA-2</td>
<td>Provides a description of key impacts, risks, and opportunities</td>
<td>2–3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>GA-3</td>
<td>Report the name of the organization</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>GA-4</td>
<td>The primary brands, products, and services</td>
<td>6–17</td>
<td></td>
</tr>
<tr>
<td></td>
<td>GA-5</td>
<td>The location of the organization’s headquarters</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td></td>
<td>GA-6</td>
<td>The number of countries where the organization operates, and names of countries where either the organization has significant operations or in which it specializes or competes in the report</td>
<td>4–5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>GA-7</td>
<td>The nature of ownership and legal form</td>
<td>4, 76</td>
<td></td>
</tr>
<tr>
<td></td>
<td>GA-8</td>
<td>The markets served (including geographic breakdown, sectors served, and types of customers and/or services)</td>
<td>4–5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>GA-9</td>
<td>Scope of the organization</td>
<td>4, 81</td>
<td></td>
</tr>
<tr>
<td></td>
<td>GA-10</td>
<td>Total workforce</td>
<td>81</td>
<td></td>
</tr>
<tr>
<td>Organizational Profile</td>
<td>GA-11</td>
<td>The percentage of total employees covered by collective bargaining agreements</td>
<td>82</td>
<td></td>
</tr>
<tr>
<td></td>
<td>GA-12</td>
<td>The organization’s supply chain</td>
<td>44–53</td>
<td></td>
</tr>
<tr>
<td></td>
<td>GA-13</td>
<td>Any significant changes during the reporting period regarding the organization’s size, structure, ownership, or its supply chain</td>
<td>84</td>
<td>No serious change</td>
</tr>
<tr>
<td></td>
<td>GA-14</td>
<td>Whether and how the precautionary approach or principle is addressed by the organization</td>
<td>80–81</td>
<td></td>
</tr>
<tr>
<td></td>
<td>GA-15</td>
<td>List externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.</td>
<td>82–93</td>
<td></td>
</tr>
<tr>
<td></td>
<td>GA-16</td>
<td>Memberships or associations (such as industry associations) and/or memberships or memberships in international advocacy organizations in which the organization participates</td>
<td>94</td>
<td></td>
</tr>
<tr>
<td></td>
<td>GA-17</td>
<td>List all entities included in the organization’s consolidated financial statements or equivalent documents</td>
<td>45</td>
<td></td>
</tr>
<tr>
<td>Identified Material Aspects and Boundaries</td>
<td>GA-18</td>
<td>The process for defining the report context and the Aspect Boundaries</td>
<td>20–21</td>
<td>7.2, 7.3.2, 7.5.2, 7.5.8</td>
</tr>
<tr>
<td></td>
<td>GA-19</td>
<td>List all the material Aspects included in the process for defining report context</td>
<td>20–21</td>
<td></td>
</tr>
<tr>
<td></td>
<td>GA-20</td>
<td>For each material Aspect, report Aspect Boundary within the organization</td>
<td>20–21</td>
<td></td>
</tr>
<tr>
<td></td>
<td>GA-21</td>
<td>For each material Aspect, report Aspect Boundary outside the organization</td>
<td>20–21</td>
<td></td>
</tr>
<tr>
<td></td>
<td>GA-22</td>
<td>The effect of any restatements of information provided in previous reports, and the reasons for such restatements</td>
<td>98</td>
<td></td>
</tr>
<tr>
<td></td>
<td>GA-23</td>
<td>Significant changes from previous reporting periods in the Scope and Aspect Boundaries</td>
<td>98</td>
<td></td>
</tr>
<tr>
<td>Stakeholder Engagement</td>
<td>GA-24</td>
<td>List of stakeholder groups engaged by the organization</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td></td>
<td>GA-25</td>
<td>Basis for identification and selection of stakeholders with whom to engage</td>
<td>20</td>
<td>5.3</td>
</tr>
<tr>
<td></td>
<td>GA-26</td>
<td>Organizations’ approaches to stakeholder engagement, including frequency of engagement and by type and by stakeholder group</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td></td>
<td>GA-27</td>
<td>Key topics and concerns that have been raised through stakeholder engagement and how the organization has responded to these key topics and concerns, including through its reporting</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>Report Profile</td>
<td>GA-28</td>
<td>Reporting period such as fiscal or calendar year for information provided</td>
<td>About this report</td>
<td>7.5.3, 7.6.2</td>
</tr>
<tr>
<td></td>
<td>GA-29</td>
<td>Date of most recent previous report (if any)</td>
<td>About this report</td>
<td></td>
</tr>
<tr>
<td></td>
<td>GA-30</td>
<td>Reporting cycle such as annual, biannual</td>
<td>About this report</td>
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<tr>
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<td>GA-31</td>
<td>Provide the contact point for questions regarding the report or its contents</td>
<td>About this report</td>
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<td>GA-32</td>
<td>Report the organization’s strategy to engage key stakeholders in defining the organization’s performance and current practice with regard to seeking external assurance for the report</td>
<td>About this report</td>
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### SPECIFIC STANDARD DISCLOSURE

#### ECONOMIC

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#### ENVIRONMENTAL

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<td>Percentage of materials used that are recycled input materials</td>
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<td>Council of Korean Employers' Organizations</td>
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<tr>
<td>Seoul Chamber of Commerce and Industry</td>
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<tr>
<td>American Chamber of Commerce in Korea (AMCHAM)</td>
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<td>Korea Employers' Federation</td>
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<td>Korea Economic Research Institute</td>
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<td>Korea General Chamber of Commerce</td>
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<td>GBR Korea</td>
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<td>Korea Management Association</td>
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<td>Korean Export-Import Association</td>
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<td>Finance Headquarters</td>
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<tr>
<td>Korea Listed Companies Association</td>
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</tbody>
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LRQA Independent Assurance Statement
Relating to Hyosung Corporation’s Sustainability Report for the 2016 calendar year

This Assurance Statement has been prepared for Hyosung Corporation in accordance with our contract but is intended for the readers of this Report.

Terms of engagement

Lloyd’s Register Quality Assurance (LRQA) was commissioned by Hyosung Corporation to provide independent assurance for the 2016 Hyosung Sustainability Report ("this Report") against the assurance criteria below to be a limited level of assurance using LRQA’s verification procedures. LRQA’s verification procedure is based on current best practices, in accordance with ISAE 3000 and uses the principles of AA1000AS (2006) - industry, materiality, responsiveness and reliability of performance data.

Our assurance engagement covered Hyosung Corporation’s operations and activities in Korea and specifically the following requirements:
- Confirming that the report is in accordance with:
  - QR 04 1.1 reporting guidelines (core option) and Construction and Real Estate Sector Disclosures
  - Evaluating the accuracy and reliability of data and information for only the selected indicators listed below:
    - Economic: economic performance (E1C, E2C), indirect economic impact (E2C7, E2C8)
    - Environmental: energy (E5N, E5N1, E5N2, E5R), water (E6N, E6N1, E6R, E6R2), emissions (E1N5, E1N6, E1N8, EN5, EN5C, E1R1), flammables and waste (E2N2, E2N3, E2N4)
    - Social: employment (L4, L5, L6, L7, L8, L9, L9R5), training and education (L8, L9, L9R5), diversity and equality (L12), supplier human rights assessment (E11), product and service labelling (PR5, CR6R8)

Our assurance engagement excluded the data and information of Hyosung Corporation’s suppliers, contractors and any sub-entities mentioned in the report.

LRQA’s responsibility is only to Hyosung Corporation. LRQA disclaims any liability or responsibility to others as explained in the endfootnote. Hyosung Corporation’s responsibility is to collecting, aggregating, examining and presenting all the data and information within the report and for maintaining effective internal control over the systems from which the report is derived. Ultimately, the report has been approved by, and remains the responsibility of Hyosung Corporation.

LRQA’s Opinion

Based on LRQA’s approach nothing has come to our attention that would cause us to believe that Hyosung Corporation has not, in all material respects:
- Met the requirements above
- Collected accurate and reliable performance data and information as all errors or omissions identified during the assurance engagement were corrected
- Covered all the issues that are important to the stakeholders and readers of the report.

The opinion expressed is formed on the basis of a limited level of assurance and at the materiality of the professional judgement of the verifier.

Note. The nature of engagement for a limited assurance engagement is less than for a reasonable assurance engagement. Limited assurance engagements focus on aggregated data rather than physically checking source data at sites. Consequently, the level of assurance obtained for a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

LRQA’s approach

LRQA’s assurance engagements are carried out in accordance with our verification procedures. The following tasks Although they were undertaken as part of the evidence gathering process for this assurance engagement:
- Assessing Hyosung Corporation’s approach to stakeholder engagement to confirm that issues raised by stakeholders were captured correctly. We did this through reviewing documents and associated records.
- Reviewing Hyosung Corporation’s process for identifying and determining material issues to confirm that the right issues were included in their Report. We did this by benchmarking reports written by Hyosung Corporation and to perform an analysis to ensure that issues specific to the report were included for comparability. We also tested the filters used in determining material issues to evaluate whether Hyosung Corporation makes informed business decisions that may create opportunities that contribute to sustainable development.

1https://www.globalreporting.org
Hyosung published its first Sustainability Report in 2012 to actively communicate with stakeholders and then published its second report in 2016. The 2016 Sustainability Report selects key issues of interest to our stakeholders including customers, partners, employees, and local communities. In the future, Hyosung will publish regular reports and use it as a place for interactive communication with stakeholders. In case of any modification related to the evaluation criteria and data collection scope, please refer to the bottom of the contents for the reasons for the change.

Reporting Period and Scope

The reporting period for this report is January 1, 2016 to December 31, 2016. Some important qualitative data include activity before 2015 and the first half of 2017, and quantitative data are grouped into three-year performances to identify trends. The scope of the report covers not just headquarters, but the domestic business sites of Textile, Industrial Materials, Chemical, Power & Industrial Systems, Construction and Trade PGs, including some of the activities and achievements of important overseas operations.

Verification

In order to ensure the credibility and fairness of this report, LRQA has verified this report in accordance with the AA1000 (2008) principles (inclusiveness, importance, responsiveness) and verification procedures based on ISAE 3000 data and process reliability principles to ensure reliability and fairness, and the results of the verification are contained in pages 95 through 96 of the report.

Question

If you have any questions or suggestions for improving this report, please contact us at the following address.

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Tel: 82-2-707-7000 / Fax: 82-2-707-7799
E-mail: airhdg@hyosung.com