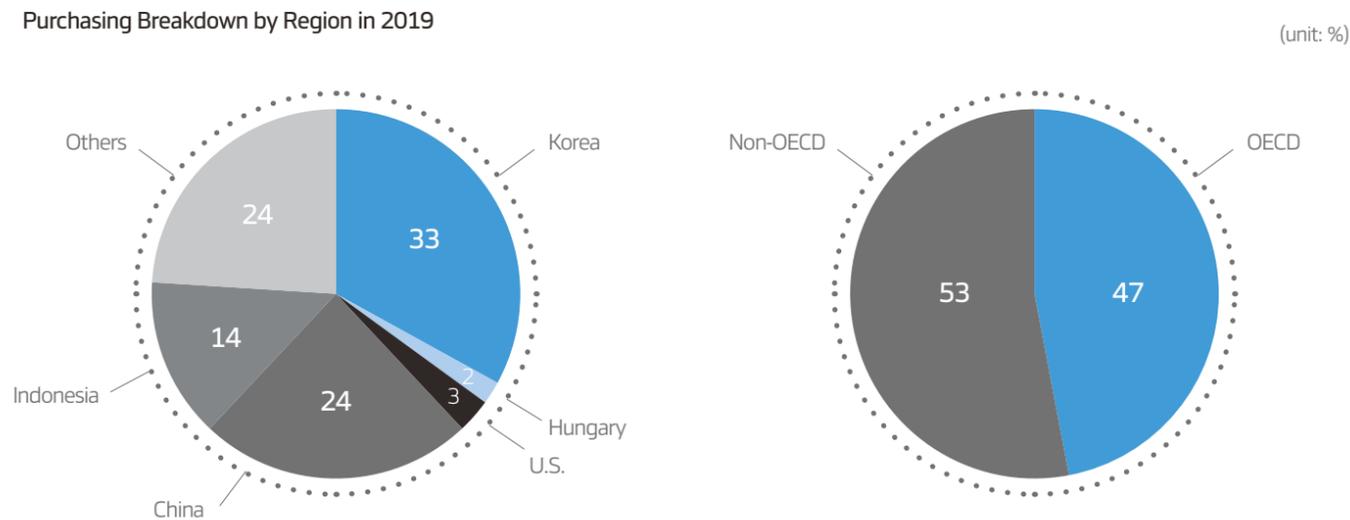
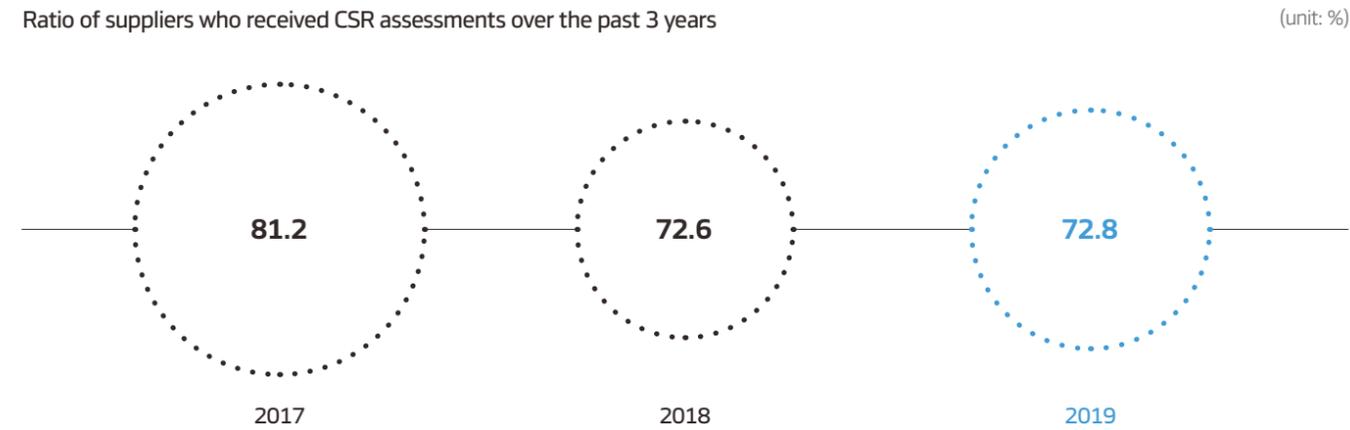


## Supply Chain Management

Hankook Tire & Technology is committed to establishing an ESG system within its supply chain to promote integrated CSR management. We have also paved the way to pursue shared growth with suppliers through our supplier support programs.



### Selecting suppliers considering CSR elements

As we recognize that suppliers who fulfill their social responsibility and practice sustainability management are essential in achieving sustainable growth for all, we consider CSR factors in our supplier assessment even from the selection phase. Since 2019, we have distributed 'sustainability guidelines for suppliers' in signing supplier contracts to recognize these guidelines as mandatory requirements in doing business with us. In 2020, we have created a platform within our electronic purchasing system to collect suppliers' e-signatures on compliance with these guidelines. The rate of e-signatures amounted to 65% in 2020, and we aim to reach 100% by 2030.

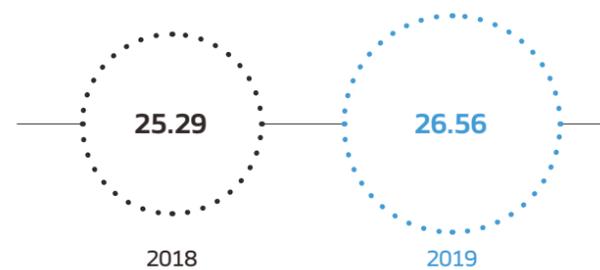
### Expanding on-site CSR audits

We are extending the scope of our on-site supplier CSR assessments from raw material suppliers to equipment suppliers. In making such assessments, we review audit outcomes and set improvement plans in cooperation with the CSR Team. We also review the appropriateness of self-directed CSR assessments and identify the necessary improvements to evaluate suppliers' sustainability. Major corrective action plans identified in 2019 included the creation of anonymous grievance/whistleblowing channels for identity protection, the establishment of an in-house code of ethics and its dissemination among employees, and regular firefighting drills.

### Supplier Corporate Social Responsibility (CSR) Assessment Items<sup>1)</sup>

Area	Description
Human rights & labor	Prohibit discrimination in terms of employment, promotion, training, wages, compensation, and retirement on the grounds of gender, religion, disability, age, or background
	Ban child and forced labor as well as physical punishment or coercion and verbal violence
	Offer training on the prevention of sexual harassment
Ethics management	Recognize workers' freedom of association and collective bargaining
	Offer ethics management training
	Prohibit all forms of unethical practices including the acceptance or offering of bribes and unjustified related transactions
Health & safety	Operate communication channels to receive whistleblower reports on unethical practices and to handle grievances, protect the identity of whistleblowers
	Offer training on health & safety
	Conduct regular checks on the work environment and areas in need of safety checks
Environment & GHG	Check the distribution of personal protective equipment and the rate of usage
	Conduct regular firefighting drills (emergency evacuation or fire extinguishing exercises)
	Offer training on environmental management
Supplier management	Properly process air/water pollutants and waste
	Reduce energy consumption or GHG emissions
	Demand critical suppliers to improve their management of human rights & labor, ethics, health & safety, environment, and climate change

1) In selecting suppliers and extending their contracts, those rated Yellow (60 points) or above are given precedence, and measures are developed to improve CSR ratings for those rated Red (under 60 points or not evaluated).

**Ratio of using sustainable raw materials** (unit: %)

**Critical Suppliers in 2019** (unit: company)


1) Critical suppliers of tier 1 suppliers

**Ratio of suppliers that received on-site CSR audits out of the total critical tier 1 suppliers** (unit: %)


### Using sustainable raw materials

Hankook Tire & Technology set the goal of reaching 100% in the ratio of its sustainable raw materials by 2050. Our definition of sustainable raw materials includes renewable materials, recycled materials and 'sustainable supply chain (suppliers rated A in CSR assessments)'. To attain this set goal, we identify suppliers of renewable materials and recycled material while performing quality verifications and assessments so that we can use these newly-found raw materials in our tires. Furthermore, we are developing technology to consume sustainable raw materials in producing compounds, and raised the bar on supplier on-site CSR audits with the goal of reaching 50% in the use of raw materials from suppliers who received an 'A' rating in CSR assessments.

### Operating SNR programs

Approximately 70% of natural rubber is used for manufacturing tires, and 85% of the rubber is produced by smallholders. Sustainability of the natural rubber value chain is highly critical for the development of the tire industry. We set forth our 'sustainable natural rubber policy' in 2018 to elaborate on our social responsibility along the natural rubber supply chain as a way


 Ceremonial launch of the GPSNR [Click](#)

to ensure the economic, social and environmental sustainability of natural rubber as a key raw material of tires, and have since monitored our compliance with this policy on a continual basis. We are a founding member of the Global Platform for Sustainable Natural Rubber, and have developed detailed action plans for the sustainability of the natural rubber value chain. In 2020, we plan to define SNR assessment items and perform assessments accordingly on our natural rubber supply chain.

### Extending the scope of supplier ESG management

Hankook Tire & Technology established its ESG system within the supply chain for integrated CSR management. In particular, we continue to manage critical suppliers chosen for the significance of the items they supply, and endeavor to extend the scope of this management to our tier 2 suppliers. In 2019, we added tier 2 items in our supplier CSR assessment to ensure that each tier 1 supplier specifies five critical tier 2 suppliers. CSR assessments are also made on critical tier 2 suppliers, reviews are conducted to ensure that they were requested to improve their performance on human rights & labor, ethics, health & safety, environment, and climate change management. We also set a goal of reaching 100% in identifying our critical tier 2 suppliers by 2030.

#### Critical Suppliers

Hankook Tire & Technology selects and manages critical suppliers in consideration of their business relevance and dependence and the importance of their supply items in two different categories. Critical suppliers of raw materials are those who conduct a technology-intensive business or operate in a market that is monopolistic or has a limited number of suppliers. Critical suppliers of equipment are those who could possibly impact on our production continuity as maintenance and management of such equipment could prove lengthy to service or resolve. Our raw/subsidiary material supplier selection and management regulations stipulate that critical raw material suppliers are obliged to receive CSR assessment once a year.

## Shared Growth

Hankook Tire & Technology recognizes the importance of shared growth, and this awareness has driven our decision to create a platform to identify useful ideas to implement and execute with our suppliers.

### Hosting the Supplier Idea Awards

In 2019, we developed a platform to grow in tandem and communicate with our suppliers. This platform will serve to host the Supplier Idea Awards to select and award exceptional ideas on process improvement, quality enhancement and cost savings. Ideas related to equipment development will be aligned with the equipment development process of the concerned supplier for further refinement.

#### Plans to Strengthen Win-Win Partnerships with Suppliers

	As Is	Slated for 2020 onwards
Strengthening supplier assessments	Make CSR assessments on critical suppliers Perform on-site CSR audits as part of quality assessments Submit CSR assessment outcomes offline	Make CSR assessments on all suppliers Reinforce on-site CSR audits Use the electronic purchasing system to submit and compile assessment outcomes online
Strengthening suppliers' ethics management	Distribute the ethics management pledge to suppliers (voluntary participation)	Mandate all suppliers to sign the ethics management pledge upon signing contracts Extend ethics management to tier 2 suppliers
Strengthening win-win collaboration	Respond to global trends on sustainability management - Participate as a founding member of the GPSNR and develop the SNR policy	Host the Supplier Idea Awards