



**Great Innovation! Great Future!**  
Innovative Hwashin creates a bright future for the automobile industry.



## About This Report

### Summary of the Report

The 2022 Sustainability Report is Hwashin's second report, following our first report last year. We will transparently publicize our activities and performances implemented in the previous year based on the goals for sustainability. We at Hwashin will continuously strive to reflect the voices of various interested parties through active communication toward an enhanced efficiency in business administration.

### Criteria for Reporting

Our Sustainability Report has been prepared according to the Core Options of the Global Reporting Initiative (GRI) Standards. Consolidated financial statements have been arranged, and the reporting criteria and definitions follow the Korean International Financial Reporting Standards (K-IFRS). In addition, information on energy usage rates and carbon emissions has been prepared based on verification results. Critical modifications, if any, were marked separately.

### Period and Scope of the Report

This report describes Hwashin's key activities from January 1 to December 31, 2021. Some information includes quantitative performances in the last three years for comparison.

### Verification of the Report

The financial information in this report has been verified by a third-party auditor. Other information has been collected and prepared based on the source.

### Inquiries on the Report

Hwashin's Environmental, Social, and Governance (ESG) Bureau  
(054)330-5304 / won-do.lee@hwashin.co.kr

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# Business Brochure



## Our Company

### CEO's Greetings



Hwashin Co., Ltd.  
President  
**Seo-Jin Chung**

**Hwashin realizes the significance of creating not only financial value but also nonfinancial elements, including environment, society, and corporate governance (ESG). Based on our knowledge and concrete ESG management reflecting interested parties' expectations, we are striving to create a more sustainable society every year.**

#### **To our respectable interested parties,**

First, we express our sincere gratitude for your unwavering trust in and encouragement for Hwashin as we have issued the 2022 Sustainability Report accordingly.

The world is still suffering as COVID-19 persistently lingers globally and heightens uncertainties. We are always on the go for sustainable growth and for creating a better future with our interested parties.

We are establishing a transparent governance structure through strict ethical and compliance management and by conducting systematic risk management through our compliance managers. We also reflect ESG Management in each of our business administration activities and formed our ESG Bureau for integrative and systematic management.

Hwashin has acquired the Environmental Management System Certification (ISO 14001) as a company-wide attempt for eco-friendly management and has taken environmental leadership by reducing carbon emissions and managing harmful materials.

We ask our respectable interested parties to continue supporting and paying attention to our challenges aiming at expanding social value through ESG Management and actively practicing eco-friendly, social responsibility, and ethical management for coexistence and shared growth between humans and nature.

Thank you.

Hwashin President **Seo-Jin Chung**

A handwritten signature in blue ink, appearing to read 'Seo-Jin Chung', located to the right of the printed name.

## Our Company

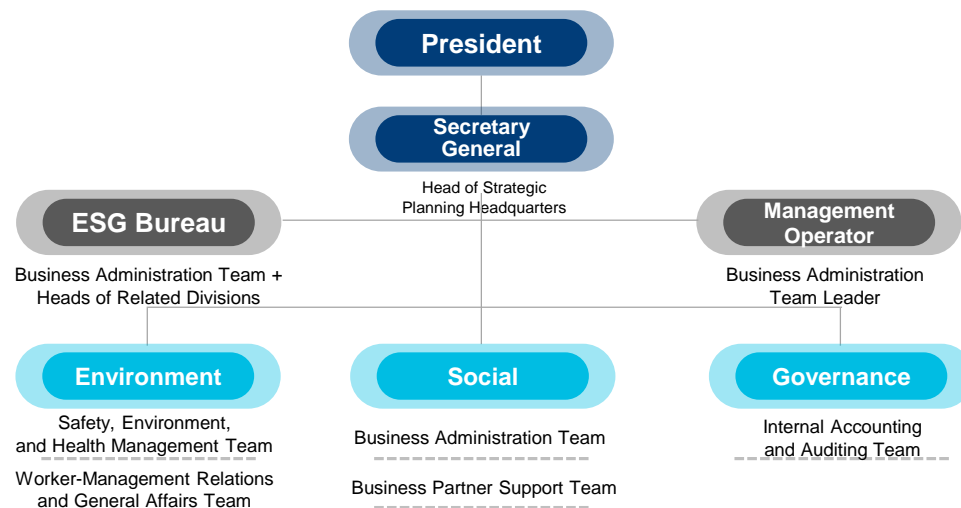
### [OUR COMPANY]

#### Company Overview

Fifty years ago, Hwashin started with a magnificent dream to “Become a 21st Century Global Leader in the Auto Parts Industry” along with carmakers. No matter how many challenges and headwinds it has faced, Hwashin overcame them with unyielding will and proudly proved its expertise as a global auto parts company.

Company Name	Hwashin Co., Ltd.
Main Office	14, Eonhagongdan 1-gil, Yeongcheon-si, Gyeongsangbuk-do, Rep. of Korea
Establishment	July 1, 1975
President	Seo-Jin Chung, Eui-Ho Jang
Key Products	Members, CTBAs, Arms, etc.
Subsidiaries	12 in Korea and abroad
Sales	KRW 1,236.6 billion (consolidated, 2021)
Certificates	ISO 45001, ISO 14001, etc.
Employees	1,135 in Korea / 3,128 abroad

## Organization of Hwashin's ESG Bureau



## History

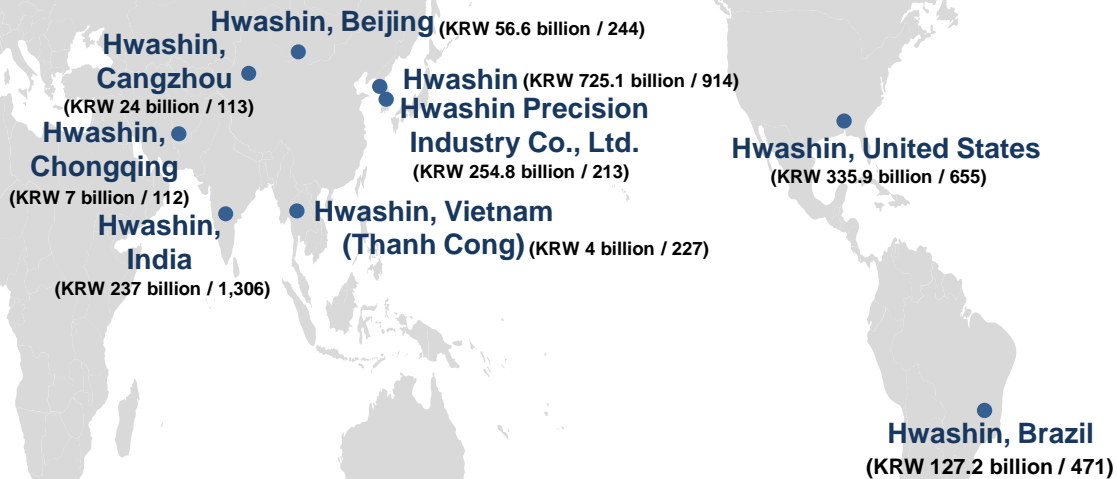


## Our Company

### Our Workplaces and Subsidiaries

\*As of 2021 (Sales / No. of Employees)

### Overseas



### Workplaces Abroad

- ✓ China: Hwashin, Beijing; Hwashin, Cangzhou; Hwashin, Chongqing
- ✓ Hwashin, United States ✓ Hwashin, Vietnam (Thanh Cong)
- ✓ Hwashin, India
- ✓ Hwashin, Brazil

### Korea



### Workplaces in Korea

- ✓ Hwashin (Eonha Plant)
- ✓ Hwashin (Bongdong Plant)
- ✓ Hwashin (Yesan Plant)

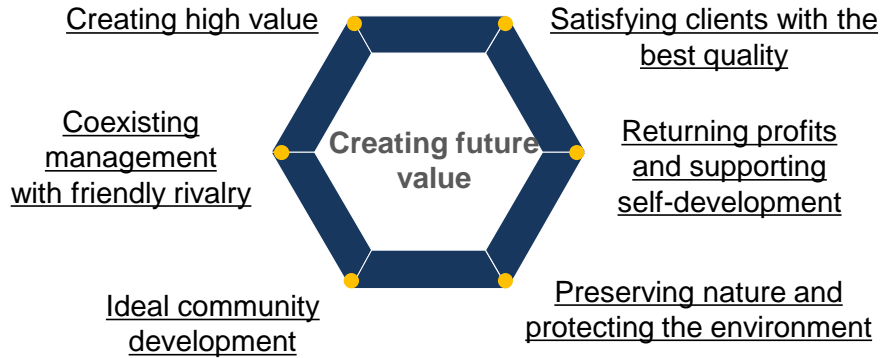
### Subsidiaries

- ✓ Hwashin Precision Industry (Yeongcheon Plant)
- ✓ Hwashin Precision Industry (Gyeongsan Plant)
- ✓ Innobile

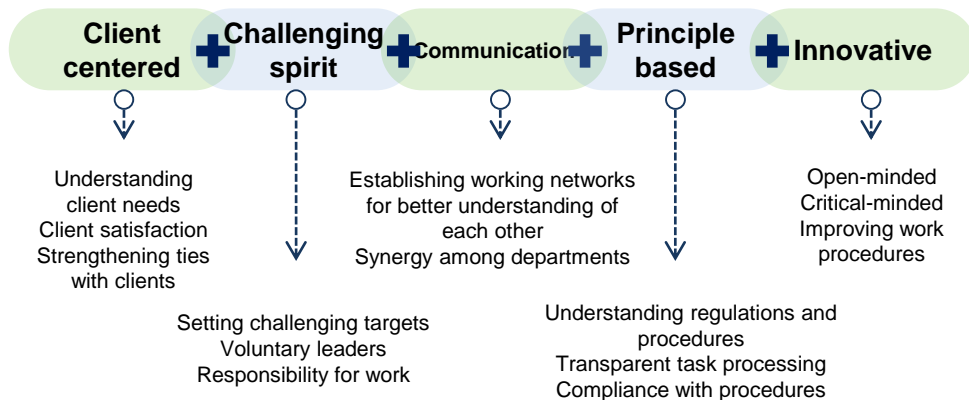
# Our Company

## Management Philosophy

Hwashin, a global auto parts company with expertise in automobiles, is expanding worldwide with a young, challenging spirit and excellent technical skills.



## Core values



## Vision



## Goals for Growth

KRW 5.2 trillion of consolidated sales  
Acquired 7.6% of the global parts market



**Leaping as a top-tier global auto parts leader through market expansion**

## Our Company

### Our Key Products

With our research and development (R&D) Center at the forefront, Hwashin continuously conducts R&D for the best quality of products.

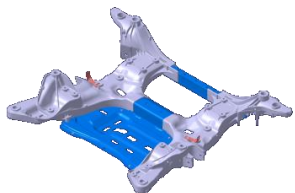
We lead the industry in product development, new technologies, and new construction methods. With our own design technology, we participate as guest engineers with clients in the planning stage of developing new cars. Our strength is backed by professional technical skills in new technologies, new construction methods, and a next-generation integrated platform applied with new materials, serving as an overwhelming competitive edge to win contracts. Moreover, we are consistently striving to develop lightweight and low-floor items to respond to future mobility needs with purpose-built vehicles (PBVs) and transforming existing internal combustion locomotives into electric and hydrogen-fueled vehicles (HFVs) in line with the shift of the global paradigm.



[View of Hwashin's R&D Center]

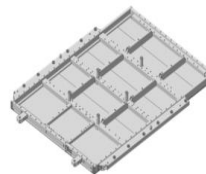
### [Development of New Items]

#### AL Front Cross Member



- ▶ Suspension parts for electric vehicles (EVs) Supports electric motors, steering, and suspension Reduces noise, vibration, and harshness (NVH) on the road → Secures comfortable driving and enhances mobility performance

#### Battery Pack Case



- ▶ Stores the carrier of battery modules, the source of energy of Evs Prevents batteries from being damaged by foreign substances on the road, flooding in the rain, and external forces → Protects the driver from fires and explosions

### [Existing Items]

#### FRONT CROSS MEMBER



- ▶ Supports the engine and connects the auto axle and body Arm items, steering gear box, stabilizer bar Absorbs vibration and noise from roads or power trains

#### REAR ARM



- ▶ Supports the front and rear forces, side forces, and upper and lower forces from tires when driving Absorbs or alleviates vibrations generated from the cross member or knuckle



## Our Company

### [Existing Items]

#### FRONT ARM



- ▶ Supports the front and rear forces, side forces, and upper and lower forces from tires when driving Absorbs or alleviates vibrations generated from the cross member or knuckle

#### REAR CTBA



- ▶ Equipped on the rear wheel Absorbs shock and maintains safety according to road input information when driving Compact and excellent maintainability Superior roll and lateral stiffness

#### REAR AXLE HOUSING ASSEMBLY



- ▶ Used on the rear wheel-driving axle-type suspension system Wraps the final reduction gear and driving axle and disperses the tire's axial load throughout the car body Equipped on commercial cars that weigh at least 1 t

#### BUMPER RAIL



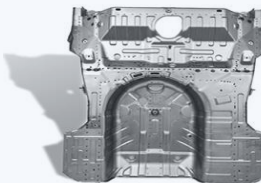
- ▶ Connects the front bumper and the car Fastens products equipped to the front of the car to reduce shock

#### SUNROOF REINF



- ▶ Sunroof to open and close the cartop With a guideway for equipping

#### CENTER FLOOR REAR FLOOR



- ▶ Connects the left and right car body and fastens various cables Reinforces the rigidity of the entire vehicle Equips the suspension and driving parts, such as cross members and transmissions

## Our Company

### Parts of Eco-Friendly EVs I



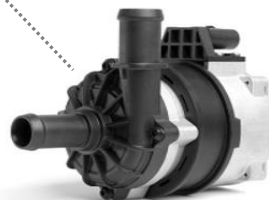
#### 1. Digital Cluster

- Customized UI
- Displays the remaining battery power in 10 levels
- Displays the driving status and various information
  - . Errors in the car system, voltage, and current
  - . Mileage, travel time, and vehicle identification number



#### 2. Body Control Unit (BCU)

- Processes input and output signals
  - . Controls lamps
  - . Controls input switches (P, R, N, D)
  - . Operates brakes and at a variable speed
- Controller Area Network (CAN)
  - . Grasps the cause of input/output problems easily



#### 3. Electric Water Pump (EWP)

- Electric motors, inverters, and battery cooling Cooling modules: Three-phase BLDC, motor controller, and integral module of the circulating pump
- High-efficiency, low noise, and sensor-less algorithms
- CAN and Pulse Width Modulation (PWM) available
- Safety driving and enhanced endurance ensured by a (patented) algorithm with safety check functions



#### 5. Motor Control Unit (MCU)

- Three-phase Brushless DC (BLDC), control of square waves and sine waves of the Permanent Magnet Synchronous Motor (PMSM)
- Torque/Speed/Location/Sensor Control
- Field Oriented Control (FOC)
- Applying fail safety: overvoltage, overcurrent, etc.
  - . Countermeasures for errors, if any, by monitoring the car status and driving-related information



#### 4. DC-Converter

- 150 W-level high-frequency transformer
- Converter circuit applied with PUSH-PULL topology
- Thermal analysis-based heatproof case
- Soft start, reduced ripple noise
- Secures electric stability as a protective function

## Our Company

### Parts of Eco-Friendly EVs II



#### 1. AL Front Cross Member

- Connects, fastens, and supports the axle and car body
- Korea's first to develop parts that apply an aluminum casting process
- Ideal structure for eco-friendly and lightweight parts
  - . Less parts than steel (at least -70%)
  - . Lighter weight (at least -20%)



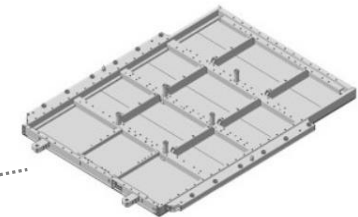
#### 2. AL FR Compression ARM

- Supports the front and rear forces, side forces, and upper and lower forces generated through tires when driving and prevents abnormal tire movements
- Absorbs or alleviates vibrations generated from the cross member or knuckle
- Ideal structure for eco-friendly and lightweight parts
  - . Lighter weight than steel (at least -10%)



#### 3. AL FR Lateral ARM

- Supports the front and rear forces, side forces, and upper and lower forces generated through tires when driving and prevents abnormal tire movements
- Absorbs or alleviates vibrations generated from the cross member or knuckle
- Ideal structure for eco-friendly and lightweight parts
  - . Lighter weight than steel (at least -10%)



#### 5. Battery Pack Case

- Stores battery carrier modules, the source of energy for EVs
- Protects drivers from fires and explosions when installed on the floor surface of the car by preventing the battery from being damaged by foreign substances, floods from rainfalls, and external forces



#### 4. AL RR L/ARM

- Supports the front and rear forces, side forces, and upper and lower forces generated through tires when driving and prevents abnormal tire movements
- Absorbs or alleviates vibrations generated from the cross member or knuckle
- Ideal structure for eco-friendly and lightweight parts
  - . Lighter weight than steel (at least -10%)

# Our Company

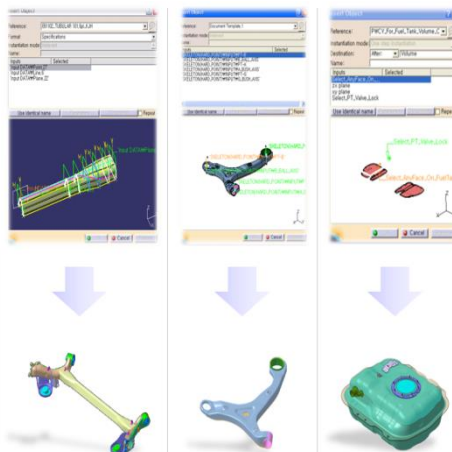
## R&D

Plans initial group activities to secure the quality of developed parts

Executes template designs

Owns and operates equipment for high-speed durability tests and fatigue tests

Design Ability



Test Ability



Dynamic Load Fatigue Test



Static Load Fatigue Test



RR CTBA Fatigue Test

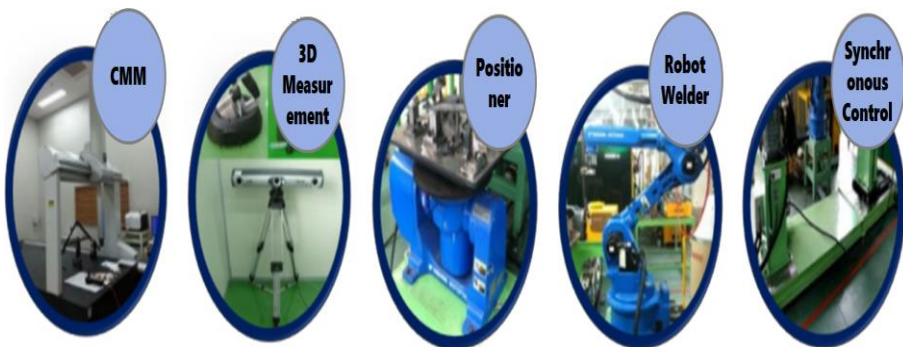


Corrosion Resistance Test

### Implementation of Prototyping Activities

Prototyping Planning / Die Manufacturing and Try Out / Checking the Formability / Welding Jig Manufacturing and Try Out / 3D Scanning Measurement

Initiating Ability



Develops self-programs and operates various interpretation programs

Interpretation Ability

DPA/DMU	Fatigue	NVH	Crash/Buckling
<ul style="list-style-type: none"> <li>Siemens eM Workplace</li> <li>ABB Robot Studio</li> <li>CATIA DMU</li> </ul>	<ul style="list-style-type: none"> <li>MSC Nastran</li> <li>MSC Fatigue</li> <li>Design-Life</li> </ul>	<ul style="list-style-type: none"> <li>MSC Nastran</li> </ul>	<ul style="list-style-type: none"> <li>Pam-Crash</li> <li>LS-Dyna</li> <li>ABAQUS</li> </ul>
Stamping/Welding	Heat Transfer / CFD / Dynamic	Optimal Blank and Nesting	Others
<ul style="list-style-type: none"> <li>PAM-STAMP</li> <li>PAM-FORM</li> <li>AutoForm</li> <li>LS-DYNA</li> <li>Visual Assembly</li> </ul>	<ul style="list-style-type: none"> <li>ABAQUS</li> <li>SC/Tetra</li> <li>MSC ADAMS</li> </ul>	<ul style="list-style-type: none"> <li>OptiBlank and OptiNest (Self-developed software)</li> </ul>	<ul style="list-style-type: none"> <li>Hyperworks</li> <li>Predicting initial blanks</li> <li>Predicting the initial formability of parts</li> <li>Assessing the features of torsion beam rolls (self-developed program)</li> </ul>

## Our Company

### Our Certificates



#### ISO 14001 Certificate for the Environmental Management System

Our corporate policies are based on environmental management and include detailed goals and procedures to improve the environment.



#### ISO 45001 Safety and Health Management System

Hwashin strives to accomplish its goals aiming for safety and health throughout the workplace for its employees.



#### ISO 22301 Business Continuity Management System

Hwashin endeavors to maintain business continuity by recovering core tasks as quick as possible in emergencies such as disasters, calamities, or disorders that can suspend business operations.



#### IATF 16949 Automotive Quality Management System

By applying a standard automotive quality system to all global car suppliers, Hwashin makes continuous improvements, prevents defects, and reduces waste.



#### Award for Merit in the Root Industry by the President

By strengthening competitiveness in the root industry for materials, parts, and equipment, Hwashin shares its future vision for performance and contributes to industrial growth in Korea.



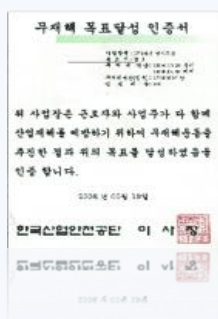
#### Presidential Citation for Commercialization of New Technology

Based on the commercialization of new technologies, Hwashin contributes to supporting SMEs' market development as evidenced in the award above.



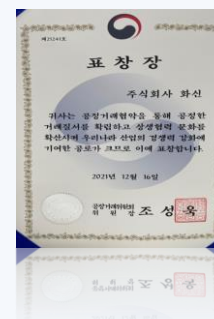
#### Certificate for Best Labor- Management Relationships

Hwashin was selected and certified as a model company that practices a win-win culture to expand collaborative labor-management relationships and strengthen corporate competitiveness.



#### Accomplishment of Zero Hazard

Hwashin actively devoted itself to zero-hazard campaigns through labor-management collaborations. As a result, it was awarded a certificate for its fervent contribution.



#### Award from the Free Trade Committee (FTC) Chairperson

Hwashin established the order of fair trade by signing Fair Trade Agreements and was acknowledged for its efforts for expanding win-win collaborative relations for three consecutive years, earning the award above.

## Our Company

### [Materiality Assessment]

Based on the principles of the Global Reporting Initiative (GRI) on sustainability, including the “comprehensiveness of interested parties,” “sustainability,” “materiality,” and “completeness,” Hwashin conducted a comprehensive review on the interest degree of internal and external interested parties and business influence to execute the materiality assessment. By analyzing the GRI, benchmarking advanced companies, and inspecting the internal status, Hwashin managed to draw a pool of key issues related to sustainability management activities.

Once again, Hwashin arranged the order of priority based on the deducted key issues by quantifying the “interest degree of interested parties” and the “level of business influence.” The interest degree of interested parties was assessed by reviewing the validity of influences business expenses, profits, and risks have on interested parties, and the level of business influence was reviewed by considering the connection of financial and nonfinancial influences of corporate management activities with management policies. We managed to select five core issues in the final stage through the materiality assessment.

### The Process of Materiality Assessment

#### STEP 1 Identifying sustainability management issues

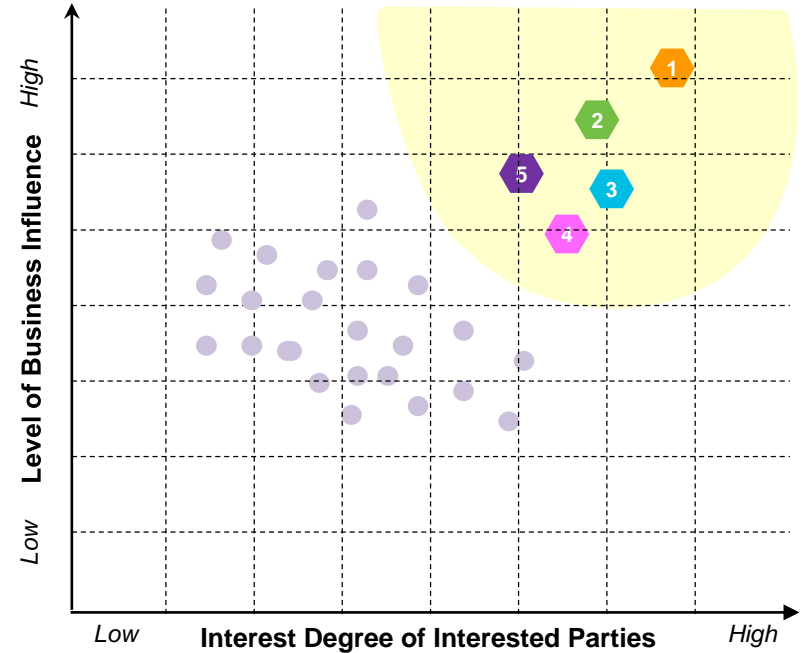
- Configuring a pool of issues
- Benchmarking the GRI
- Benchmarking national and international companies in the same industry
- Gathering opinions received through the VOC system

#### STEP 2 Identifying the status of interested parties

- Administering the questionnaire to interested parties
- Selecting sustainable management issues that significantly influence the interested parties

#### STEP 3 Selecting key issues

- Assessing materiality by sending a circular to the management team
- Analyzing the materiality matrix and selecting key issues



### Core Issues

Core Topics	GRI Index	Interested Parties	Pages
1 Win-win growth policies with business partners	Supply chain management	Business partners	31–33
2 Innovation by R&D	Economic performance	Employees	45
3 Eco-friendly projects	Economic performance	Employees, investors	23–24
4 Participation in and contribution to the community	Community	Community	29–30
5 Safety management to prevent severe disasters	Occupational health and safety	Employees, government, and the community	34–39

## ESG Environment



# Environment

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**Hwashin puts the environment as its top priority by executing eco-friendly management and complying with environmental laws to fulfill social responsibility and make a better world for the next generation. Hwashin will create a sustainable future with a forward-looking mindset and eco-friendly principles.**

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- 31–34 Response to Environmental Impact
- 35–36 Environmental Management for Water Quality
- 37–38 Environmental Management for Carbon Neutrality
- 39–46 Eco-Friendly Projects
- 47–52 Save Our Beautiful Planet Campaign

## ESG Environment

### [Response to Environmental Impact]

The world is paying more and more attention to preserving the environment—and Korea is no exception. Our nation is fully dedicated to creating a sustainable future by reinforcing climate and environmental policies. Recently, introducing ESG policies in eco-friendly management has become a key issue for both public and private sectors as they participate in environmental conservation.

Indiscreet waste emissions should be blamed the most for environmental pollution. More than 200 million t of plastic waste are being discharged annually, and this is expected to increase by 10% every year. Managing such waste is a more severe problem. More than 90% of the waste is buried, incinerated, or neglected. It takes over 500 years for a discarded thin plastic bag to decompose, and incineration of waste generates substances such as dioxin that are harmful to the human body.

Once plastic waste flows into the sea, it requires a much longer period than being on land for decomposition. Environmental issues are no longer solely up to individuals. Individuals, the government, and corporations must join forces to address such issues. To raise awareness of the severe effects of waste and plastics, Hwashin's employees take the lead in eco-friendly activities. We implement waste reduction activities through internal communication channels and prioritize recycling industrial waste during processing, such as recycling heat energy, manufacturing products, and others. In other words, Hwashin is creating and executing the coexistence of sustainable management and a sustainable environment. The Safety, Environment, and Health Management Team is the working-level team dedicated to eco-friendly management and sets relevant policies and accomplishes goals accordingly. As verified in the company's ISO 14001 Certificate, Hwashin continuously strives to improve its environmental management performance by establishing and operating an environmental management system. The certificate is still valid today, confirming Hwashin's reliable operation of its environmental management systems. We will actively practice mid- to long-term goals to prepare and realize a net-zero world soon and innovate our ways of contributing to the environment.





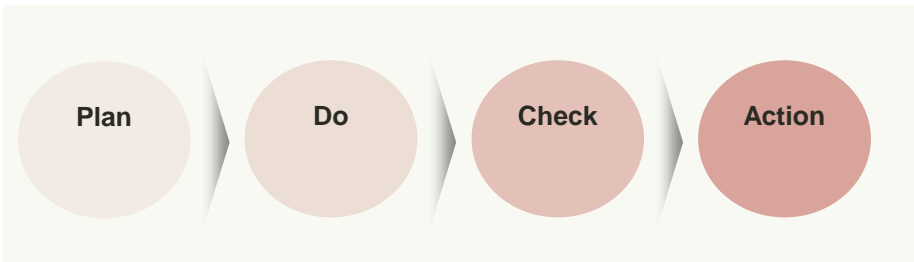
## ESG Environment

### ISO 14001 (Environmental Management System) Certificate

We are seeing more and more corporations worldwide taking action in establishing environmental management systems. In line with these trends, we assess our entire task process of product development, manufacturing, delivering, and discarding in terms of their temporary and long-term impacts on the environment. Environmental responsibility, rights, work processes, and legal compliance are also checked to confirm our efficient and legitimate management. Furthermore, our efforts above are checked and verified according to the assessment criteria of the International Standardization Organization (ISO).

Hwashin will fulfill social responsibilities by maintaining amicable relations with the public and local societies, sharing solutions to environmental issues, and conducting developmental activities to preserve the validity of the ISO 14001 Certificate.

### [System Configuration: P-D-C-A Cycle]



### [System Configuration: P-D-C-A Cycle]

“P-D-C-A” is the definition of our basic work process of ISO 14001. We set the Plans (P) and the goals required for work performance and Do (D) them. When receiving the results for our performance, we Check (C) whether they were in line with the plans. Finally, we identify our shortcomings and take Action (A) for improvements. Thus, our environmental management system continuously improves and develops to steer away from the status quo.

We have proceeded with the acquisition of the ISO 14001\* Certificate to set minimizing adverse environmental impact as our environmental management policy and have boosted the reliability of our environmental management system.

\* ISO 14001  
International Organization for  
Standardization 14001  
(ISO-certified environmental  
management system)

**kiwa**

Registration no.	KE 211738	IAF Code	22
First issue date	2018-09-13	Issue date	2021-09-13
Expiry date	2024-09-12	Reissue date	2021-09-09

Environmental Management System Certificate  
**KS I ISO 14001:2015/ISO 14001:2015**

We certify that the Environmental Management System of the Organization:  
**Hwashin Co., Ltd.**  
is in compliance with the standard KS I ISO 14001:2015/ISO 14001:2015 for the following products/services:

**Design and manufacture of chassis frames, engine cradles, control arms and body parts for automotive applications**  
**Manufacture of oil pans for automotive applications**

General Manager  
Seung-Chan Lee  
*Seung-Chan Lee*

Maintenance of the certification is subject to continual surveillance audit and dependent upon the observance of Kiwa Korea's certification criteria.

**CERTIFICATE**

**Kiwa Korea Ltd.**  
411, 2J Technoville,  
278, Beokki-ro,  
Gaemcheon-gu,  
Seoul, Korea  
Tel: +82-2-3997-0101  
Fax: +82-2-3997-0105  
URL: www.kiwa.kr

**Certified Sites**  
14, Eonhaengdong 1-gil, Yeongcheon-si, Gyeongsangbuk-do, Korea  
and sites as mentioned in the appendix accompanying this certificate

**IAF** **KAB**  
KAB-EC-21

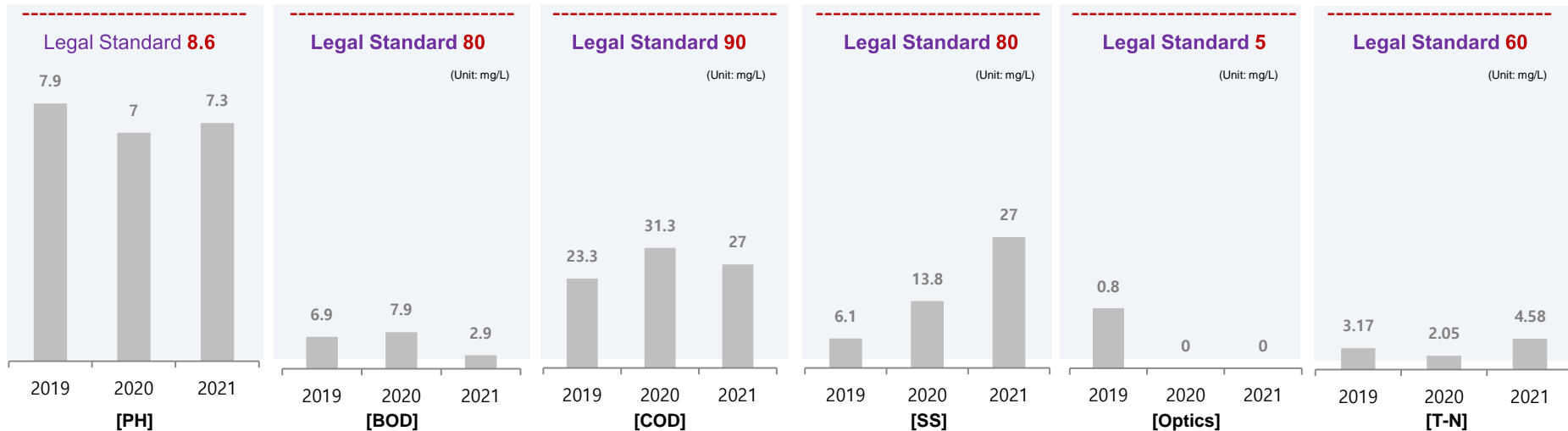
## ESG Environment

### [Environmental Management for Water Quality]

Hwashin has stricter maintenance than legal standards. Our measurement agencies measure the numerical values of water and air pollutants generated in effluents and painting facilities on our behalf according to Article 46 of the Water Environment Conservation Act, Article 39 of the Clean Air Conservation Act, and Article 52 of the Enforcement Rules of the Clean Air Conservation Act. Moreover, we have enacted regulations on the ESG Management Policies to enact sustainable management, strive to self-reduce emissions of pollutants in line with environmental management policies, and set Key Performance Indicators (KPIs) by establishing emission reduction goals for manufacturing departments that discharge pollutants. The following graphs are the numerical values measured by our measurement agency, Earth Environment Measurement Corporation, from 2019 to 2021. We at Hwashin strictly abide by legal numerical standards and endeavor to fulfill safety management by the general administration.

Thus, Hwashin has established its own pollutant management system with utmost effort and actions to more actively respond to the global climate environment.

※ Based on Hwashin's Eonha Plant (2019–2021)



## ESG Environment

### [Environmental Management for Carbon Neutrality]

For systematic greenhouse gas (GHG) management, Hwashin identifies, records, calculates, and operates all GHG discharged for production in plants. We also establish GHG reduction goals for each plant based on systematic health, safety, and environmental management by strictly complying with environmental laws. Hwashin's generated carbon from sources such as electricity, oils, and LNG amount to 150,000 t in 2021. Although excluded from the distribution of emissions permits, we are putting much effort into reducing the amount of generated carbon. Our Facility Management Team plans to install and procure solar power modules by requesting a budget and constantly purchasing EVs to replace superannuated business cars. We also plan to create a landscape architecture corresponding to the degree of carbon emissions to absorb all generated carbon.

We will actively practice mid- to long-term goals to prepare and realize a net-zero world soon and innovate our ways to contribute to the environment.

Item		Place used	Outcome	Converted unit	Carbon generated (kg)
Electricity (kWh)		Production line, etc.	29,739,695	0.424	12,609,631
Oils (L)	Gasoline	Business car	20,025	2.38	47,659
	Diesel	Emergency generator	28,840	2.75	79,311
	Kerosene	Portable heater	3,972	2.44	9,692
LNG	Painting line	Drying furnace, etc.	647,111	2.23	1,443,057
	On-site heater	Ceiling-mountable heater	455,293		1,015,304
	Restaurants, etc.	-	29,294		65,326
Water		Painting line, etc.	70,808	0.332	23,509
Domestic waste		General waste	96	120	11,525
Sum					15,305,012

※ Converted unit: Numerical value indicating the degree of carbon emissions by activity

※ Source: Based on the notice by the Ministry of Environment

- √ Fixed combustion emissions: Indoor kerosene, liquefied natural gas (LNG)
- √ Indirect emissions: Electricity
- √ Other indirect emissions: Water, waste
- √ Means of road transportation: Gasoline, diesel



[Using Alternative Energy]



[Purchasing EVs for Business Cars]










[Expanding the Landscape Architecture]

## ESG Environment

### [Eco-Friendly Projects]

#### Eco-Friendly Workplaces

Severe global warming, a phenomenon of increasing global temperatures driven by GHG and methane gas brought by the production activities of companies and internal combustion locomotives used worldwide, has motivated companies to take action. To this end, Hwashin is taking steps by transferring its business cars from internal combustion locomotives to EVs. We will gradually expand the percentage of EVs in each workplace.

Countries	Progress
 Norway	<ul style="list-style-type: none"> <li>- Consensus reached on policy objectives to eliminate sales of gasoline and diesel locomotives by 2025</li> <li>- Has prohibited the operation of diesel locomotives in Oslo since 2017</li> </ul>
 France	<ul style="list-style-type: none"> <li>- Announced policy objectives of prohibiting the sales of vehicles with GHG emissions by 2040</li> <li>- Will prohibit the operation of diesel locomotives in the downtown area of Paris by 2025</li> </ul>
 United Kingdom	<ul style="list-style-type: none"> <li>- Policies set to prohibit the sales of traditional internal combustion locomotives by 2040</li> </ul>
 Germany	<ul style="list-style-type: none"> <li>- Prohibited the operation of diesel vans in some cities of Germany</li> </ul>
 Israel	<ul style="list-style-type: none"> <li>- Announced the policy of allowing only EVs and natural gas vehicles (NGVs) to operate by 2030</li> <li>- Striving to induce the use of EVs and NGVs using natural gas produced in the national gas field</li> </ul>
 China	<ul style="list-style-type: none"> <li>- Yet to decide on the suspension period of internal combustion locomotives</li> </ul>
 India	<ul style="list-style-type: none"> <li>- Announced the policy of exclusively permitting the sales of EVs by 2030, provided that the EVs are sold at highly reasonable prices</li> </ul>

#### [Using EVs]

The world is restricting the production of internal combustion locomotives. Even completely built-up carmakers are notifying the closure of the internal combustion locomotive industry. In line with such trends, Hwashin is transferring internal combustion locomotives to EVs for business cars and is installing and operating EV charging stations in its workplaces to reduce the consumption of fossil fuels.

Year	No. of cars	No. of eco-friendly cars	Percentage	EV charging stations
2019	13	1	8%	3
2020	12	2	16%	3
2021	12	2	16%	3



[EV Charging Stations in our Workplaces]

## ESG Environment

### Operating Air Pollution Control Facilities (Scrubbers, Absorption Carbon Towers)

Hwashin is striving to reduce the odor and concentration of pollutants in the air by installing prevention facilities (e.g., scrubbers and absorption carbon towers) in discharging facilities that may generate air pollutants in each plant. We also exchange and repair prevention facilities that are deteriorating or with low functionalities through regular inspections to maintain optimized conditions.

### [Operations of Scrubbers and Absorption Carbon Towers]

Workplaces	Prevention Facilities for Air Pollutants			
Eonhaa Plant	Filter dust collectors 2 ea	RTO 1 ea	Scrubbing dust collectors 2 ea	Absorption facilities 2 ea
R&D Center	Filter dust collectors 6 ea			
Bongdong Plant	Filter dust collectors 4 ea	Absorption facilities 1 ea	Scrubbing dust collector 1 ea	
Yesan Plant	Filter dust collectors 1 ea	RTO 1 ea	Scrubbing dust collector 1 ea	Absorption facilities 2 ea




[Filter Dust Collectors  
in the R&D Center]



[Scrubbers in the Eonhaa Plant]

### [Legal Compliance through Measurement Agencies]

Hwashin requests a highly reputable organization to measure the concentration of water and air pollutants for legal compliance. The numerical value of air and water pollutants is measured twice a year, and that of special substances is measured twice a month.


**지구환경측정(주)**


우 37596 경북 포항시 북구 양덕남로 103 / 전화 (054) 274-1260 / 전승 (054) 274-1261  
담당 : 정재하

문서번호 : 제 21-07194 호	선결	지시	
시행일자 : 2021년 12월 29일	일차	결	
수신 : (주)화신-연하공장	시간	재	
참조 : 환경업무 담당 부서장	번호	공	
제목 : 측정대행 결과건	처리과	람	
	담당자		

1. 귀사의 무궁한 발전을 기원합니다.  
2. 당사에서는 대기환경보전법 제 39조 및 시행규칙 제 52조에 따라 귀사에서 의뢰한 대기시료 ( 2021년 12월 21일 )의 측정결과를 붙임과 같이 보내드리오니 환경관리 업무에 참조하시기 바랍니다.

붙임 : 대기측정기록부 ( 1 ) 부

"김"



지구환경측정주식회사 대표이사 김명양

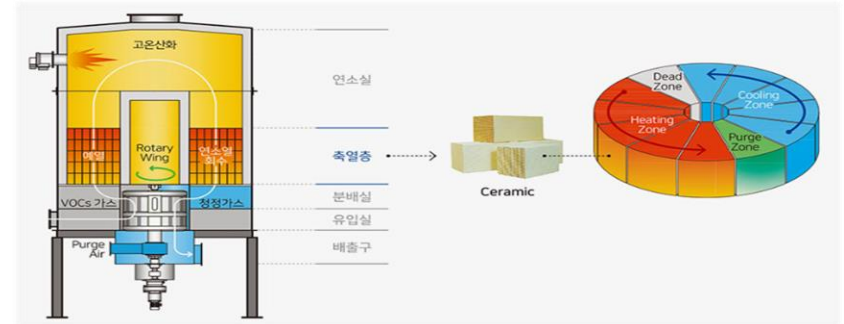
## ESG Environment

### Operation of Regenerative Thermal Oxidizer (RTO) Facilities

As a primary vendor that professionally produces chassis and body parts of completely built-up cars, Hwashin uses a company-wide monitoring system to manage the production process.

The painting process is especially to blame for generating odor, which may be harmful to the environment and the residents' health. In a strong effort to reduce pollutants, we have used various deodorizing facilities (e.g., scrubbers and absorption carbon towers) and dust collectors and have additionally installed RTO facilities in May 2020 as optimal solutions to wipe out the high-density odor.

Moreover, our waste heat recovery system reduces the amount of energy used by supplying warm water to gas boilers in the painting line through the heat exchanger while maintaining waste heat.



[RTO Facility]

#### [Production Process]



01. SLITTING



02. STAMPING



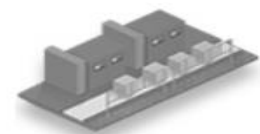
03. WELDING



04. PAINTING



05. ASSEMBLY



06. DELIVERY

High possibility of odor generated  
in the painting process

## ESG Environment

### [Plans for Operation of RTO Facilities]

A Regenerative Thermal Oxidizer (RTO) is a facility that incinerates volatile organic compounds (VOCs) and organic stinking gases at high temperatures. After the incineration, it reuses the heat waste generated in the production processes.

Hwashin uses reduction equipment to decrease pollutants and harmful substances to an adequate level and continuously attempts to make improvements.

#### Article 7(1) of the Malodor Prevention Act [Maximum Allowable Emission Level]

Odor measurement results according to RTO combustion temperatures

Combustion Temperature	Odor Measurement Results	Maximum Allowable Emission Level
800°C	100 times	At most 500 times
700°C	120 times	
650°C	249 times	
600°C	448 times	
500°C	669 times	

### [Reducing Pollutants and the Amount of Energy Used by RTO Operations]

- 1) RTO operations reduce the number of pollutants and energy used by adequately adjusting the combustion temperature.
- 2) We are supplying the heat waste generated from RTO operations as warm water to the gas boilers in the painting line to reduce the amount of fossil fuel consumed.

We previously prioritized eliminating odor using a large amount of gas energy in our initial operations. However, we now operate using adequate combustion temperatures to prevent the reckless use of fossil fuel compared to the reduced amount of odor.

Previous Combustion Temperature	Gas Fees	Amount of Gas Used
800°C	KRW 45,498,000	-



Combustion Temperature After Change	Gas Fees	Amount of Gas Used
650°C	KRW 13,498,000	Approx. 30% ↓

**ESG**  
**Environment**

**[Save Our Beautiful Planet Campaign]**

Climate change is no natural disaster—it is an environmental disaster incurred by humans. Hwashin is serious about producing green energy and recycling resources. Accordingly, we implement numerous activities to save the global environment for “sustainable development.” Our little steps of action will create a butterfly effect to achieve a beautiful, healthy, and hopeful world for future generations.



[Natural Purification Activities]

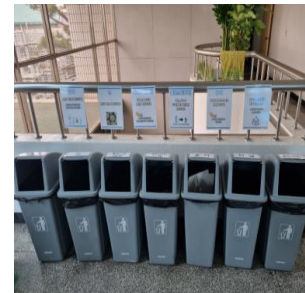
**[Hand Dryers]**

Hwashin installs and operates hand dryers in all workplaces to reduce wasted paper towels in bathrooms. Practicing these activities makes us realize once more how precious forests are.



**[Strict Separate Collection]**

According to the “Guidelines on Daily Life Practices for Carbon Neutrality” by the Ministry of Environment, the proper separate collection of recycling goods increases the quality of the recycling process, raises the efficiency of the recycling of items that do not fit the standard garbage bags, and reduces the amount of standard plastic garbage bags used. Unsegregated trash makes recycling difficult, resulting in garbage stacked up high in the landfill. This phenomenon naturally reduces the land available for landfills, leading to disorderly stacks of garbage everywhere. Thus, Hwashin installs and operates seven types of recycling bins (for paper, plastic items with color, transparent plastic items, cans, bottles, general garbage, and plastic) on every floor throughout all workplaces. The company notifies employees of the monthly performance of waste discharging on each floor and posts notices separately via the bulletin board for unrecycled waste. As evidenced above, we are endeavoring to save our beautiful planet through everyday practices and actions.



제목	[지구살리기 운동] 폐기물 이분리수거 연행(10월 4주차)								
작성자	김종현(보안/제조출입/총무팀)	작성일	2021-10-29 오후 3:12:16						
보안등급	■	인보일	영구						
첨부파일	※ 첨부파일 총 2건 (420x330) 500KB 이분리수거 연행(10월4주차)tab (4259.2KB)   파일명 IMC_19284.png (15.1KB)   파일명								
(세절되어 있는 부분)이 이분리수거된 항목이며, 이분리수거 서जन은 유휴파일에서 확인가능합니다.									
	구분	명	현	플라스틱 (유색)	플라스틱 (무색)	종이	비닐	일반	폐유고상
연차등	연구소	첫스텝(프리스1번)	2중						
			1중						
봉종	본관		2중						



## ESG Environment

### [Activities to Reduce Domestic Waste]

The hottest issue in the last several years is “eco-friendly.” The amount of waste generated by five billion people worldwide is as severe as the amount of harmful chemical substances such as air or water pollutants produced in plants and factories. Recent issues that must be addressed include the plastic Island in the Pacific (as the amount of plastic waste is approximately 1.8 trillion and weighs 80,000 t according to the Ocean Cleanup Foundation, a nonprofit research institution) and the gigantic mountain of trash in Uiseong, Korea (which is twice as big as a 7,500 m<sup>2</sup> soccer field and as high as a 15 m three-story building). To raise awareness of the severe effects of domestic waste on our planet, Hwashin’s employees take the lead in eco-friendly activities. We implement waste reduction activities through internal communication channels and prioritize recycling industrial waste during processing such as heat energy, manufacturing products, etc.

### [Performance of Recycling Waste in 2021]

Category	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Sum
Waste	38,080	31,820	50,520	35,890	35,570	44,950	35,960	47,380	28,230	39,830	49,050	35,350	472,630
Recycling	9,120	19,390	19,290	17,320	19,560	21,460	17,070	35,500	16,050	22,540	27,660	12,620	237,580
Recycling rate	24%	61%	38%	48%	55%	48%	47%	75%	57%	57%	56%	36%	50%

(Unit: kg)



### [Management of the Monthly Performance of Domestic Waste]

Our goal to reduce domestic waste is not vague—it is concrete and realistic. Domestic waste is practically managed by meticulous measurements of waste produced by each plant to meet annual goals and performance. We set the KPI at 50% waste reduction to motivate employees’ active contribution. Previously, waste issues were invisible and were considered less severe than they should be. However, Hwashin calculated the numerical figures to show how severe the problem was. We will continue to set an example by reducing the amount of waste in the future.

## ESG Environment

### ["Zero" Leftovers Campaign for a Green World]

Hwashin does its best to reduce food waste. Excessive food waste results in the squander of the vast amount of food resources every day, and the pollutants generated in the incineration process contaminate our living environment. Thus, Hwashin executes the "Zero" Leftovers Campaign to minimize the waste of food resources and pollution of the environment. We identify the habits that cause unnecessary leftovers, change food distribution patterns and menus to reduce leftovers, hold the Eat Everything on the Plate Campaign, and other events to change the mindset of employees and produce ideal results.

(Unit: g)

Year	2021											
	1	2	3	4	5	6	7	8	9	10	11	12
Leftovers per person	70	72	58	55	64	57	57	63	63	63	59	57



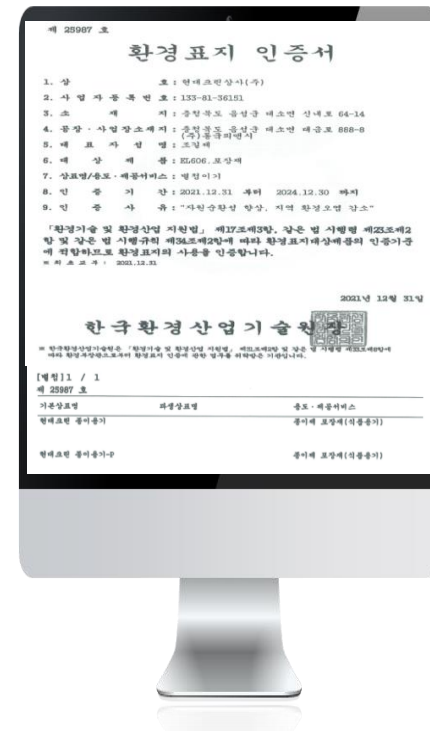
["Zero" Leftovers Campaign]

### [Executing Environmental Consulting]

In line with reinforced social measures for a safe and healthy work environment such as the enactment of the revised version of the Occupational Safety and Health Act in 2020 and the lawmaking of the Serious Accidents Punishment Act in 2021, Hwashin paid Wooyeong C&T and Korea Industrial Safety Association (KISA) for consulting services to prepare against potential damages and accidents in its workplaces.

### [Using Eco-Friendly Products for Congratulations and Condolences]

Hwashin provides its employees with environmentally certified funeral items, such as soup bowls, rice bowls, paper cups, and highly resolvable items with eco-friendly materials such as spoons and tablecloths. Even though the unit price may be higher than general products, we still provide them because creating a green world is our top priority.



## ESG Social



# Social

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**Hwashin creates a happy and healthy working environment for employees for client satisfaction, coexistence, and work-life balance. We will strictly abide by these principles to create a sustainable future.**

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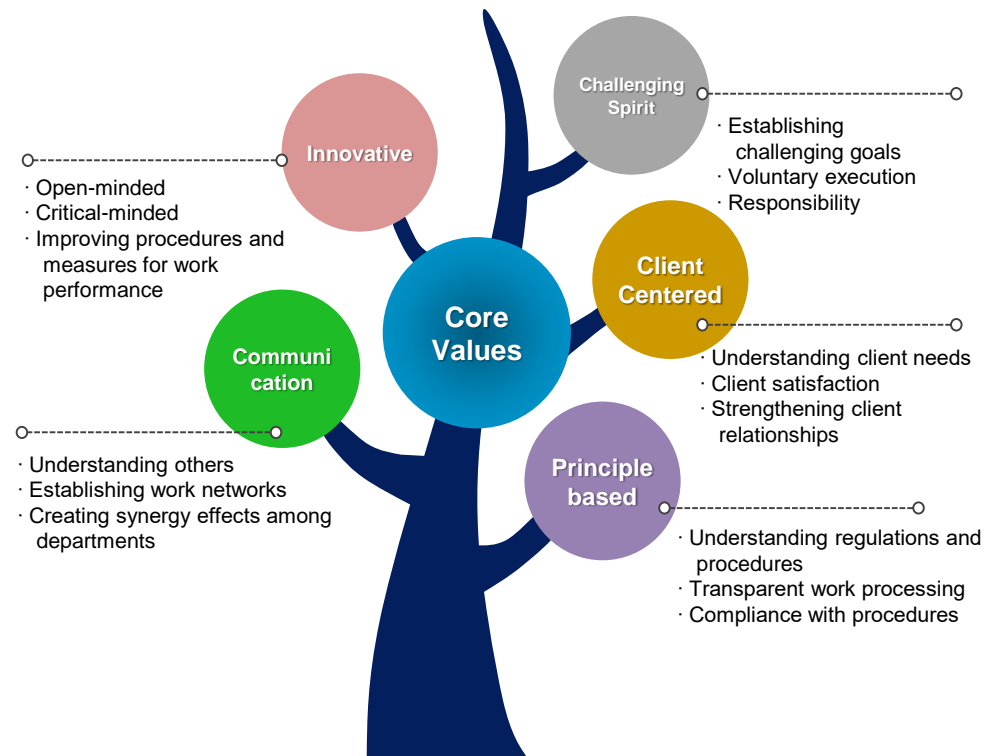
- 55–60 Talent Management
- 61–64 Creating Local Value and Social Contribution
- 65–70 Shared Growth
- 71–82 Safety Management
- 83–92 Win-Win Relationships
- 93–94 Innovative R&D
- 95–96 COVID-19 Support for Business Partners

## ESG Social

### [Talent Management]

#### Right People for Hwashin

Based on the belief that people are vital in uplifting the core competitiveness of the manufacturing industry, Hwashin endeavors to enhance the employees' competitive edge. We genuinely believe that people are key leaders in changing the world, so we actively seek to hire talents who pursue five core values: "Client centered," "Challenging spirit," "Principle based," "Innovative," and "Communication."



#### Systematic Talent Development Program

Hwashin provides various programs so that every employee can develop global capabilities, leadership, and expertise and drive future growth by independent career planning and the development of professional skills.



#### Common Capabilities

Supporting the strengthening of basic working capabilities through courses on spreading core values, training, and business competency enhancement courses



#### Working Capabilities

Supporting the improvement of each individual's working capabilities through the Professional Course for External Duties, the Internal On-the-Job (OJT) Training, and the Internal Technology Course



#### Leadership

Supporting employees to show ideal leadership in line with each situation and role through the Leadership by Position Course



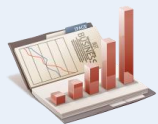
#### Global Capacity

Supporting the improvement of global capacities through the cyber language course, intensive foreign language course, and foreign language study course

## ESG Social

### Performance-Based Culture and Assessment

Hwashin has settled a performance-based corporate culture like Silicon Valley in the United States through various attempts, such as merging positions and addressing each other by name, not by title, to change the corporate culture. We are removing the seniority system and contributing to corporate growth and development. Each employee's strengths and weaknesses are checked by regular assessments for progress control by modifying and supplementing working goals and conducting the 360-degree multilateral leadership assessment. In other words, Hwashin motivates employees to establish and meet challenging goals through the new assessment system. We will continue to improve the performance control system for further development.



#### [Performance Control System]

Operating the BSC Performance Control System connected to the individuals' goals and corporate management goals to accomplish visions and execute strategies



#### [Individual Annual Income System]

Operating an annual income system based on the performance of each employee



#### [Incentive System]

Operating the performance-based management bonus system and the award system to reward employees' contributions

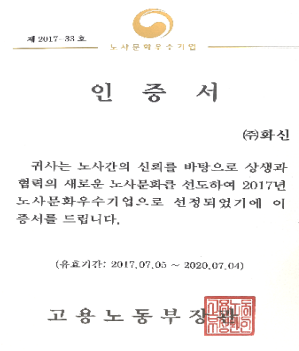
### Recruiting Talents

Based on transparent and fair recruitment procedures, Hwashin operates diverse recruitment methods, such as frequent and regular hiring, to scout extraordinarily talented individuals. To improve the fairness of the recruitment, we mask each job applicant's personal information and focus on the strengths and skills that the applicant can contribute to the job.



### Fair Labor-Management Relations

Hwashin is creating a fair labor-management culture as verified by the Minister of Employment and Labor through the Certificate for Best Labor-Management Relationships.



## ESG Social

### Training System

Hwashin provides the necessary vocational training for reinforced expertise to allow employees to improve and learn working skills.

We also collaborate with clients and request external training institutions to provide systematic training regularly in the Global Win-Win Collaboration Center. For collective training, we fully provide financial support, including daily wages, lodging expenses, and transportation costs for employees to make the most out of training courses. In addition, we provide not only GPC training with clients and external training courses but also internal vocational training courses that show the duties and roles performed in each department so that the departments understand each other and develop a company-wide view.

Thus, the employees can receive professional training while at the office, removing the need to travel far away to listen to the lectures of outside experts or professors.



구분	구분	구분	구분	구분	구분	구분	구분	구분	구분
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11	12	13	14	15	16	17	18	19	20
21	22	23	24	25	26	27	28	29	30
31	32	33	34	35	36	37	38	39	40
41	42	43	44	45	46	47	48	49	50
51	52	53	54	55	56	57	58	59	60
61	62	63	64	65	66	67	68	69	70
71	72	73	74	75	76	77	78	79	80
81	82	83	84	85	86	87	88	89	90
91	92	93	94	95	96	97	98	99	100

※ Supporting employees to freely take online/off-line courses through our Client's Global Win-Win Collaboration Center

※ Supporting internal and external training courses for employees through Hwashin's Knowledge Management System (KMS)

### Activating Corporate Culture

Hwashin always strives to create a healthy corporate culture. The employees spend most of their days at the company and spend most of their time with colleagues. We support various corporate culture programs and campaigns so that the employees can go along well and prevent issues from getting personal among them for a stressless life in the company. Our internal bulletin board introduces various programs and helps employees raise awareness on creating a bright and healthy corporate culture.



[Hwashin's Healthy Corporate Culture Campaign]



[Hwashin's Bully-Free Corporate Culture Campaign]

## ESG Social

### [Creating Local Value and Social Contribution]

To continuously and systematically fulfill social responsibility, Hwashin established the **“Wooseok Scholarship Cultural Foundation.”** The **“Wooseok Scholarship Cultural Foundation’s”** basic portfolio is based on scholarships and cultural projects to support neighbors and teenagers in need. We believe that supporting talents lead to a bright future, so we will provide scholarships to selected students to help them grow into local, national, and global talents.

Since the foundation’s establishment in 2005, it has been expanding targets to receive scholarships and opportunities. It will strive to contribute to the community through more support and various activities.

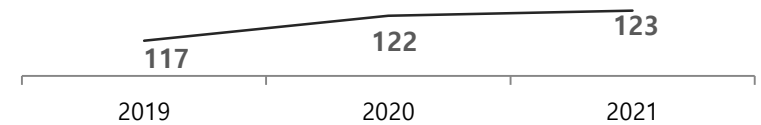
※ For more information, visit the foundation’s website.  
(<http://hswooseok.or.kr/>)

### Organization of the Board of Directors

Name	Position	Name	Position
Seo-Jin Chung	Chairperson	Tae-Mun Seong	Director
Yeong-Baek Chae	Director	Jeong-Gi Min	Auditor
Yeon-Wook Jeong	Director	Jae-Eok Jeong	Auditor
Sang-Woo Song	Director	Yeong-Woo Gwon	Secretary General
Tae-Gi No	Director		

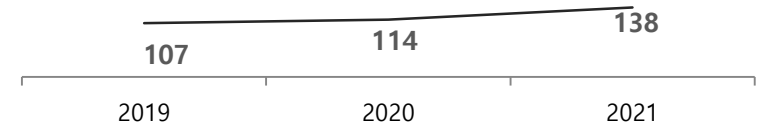
### No. of Scholars Supported

(Unit: person)



### Amount of Scholarships Provided

(Unit: KRW 1 million)



## Fundraising for Unfortunate Neighbors

Hwashin intends to share the burden incurred by the spread of COVID-19 with neighbors and society. Thus, we provide donations every year to citizens suffering economic hardships. Our main office, the Yesan Plant, and the Hwashin Precision Industry fundraised a total of KRW 90 million for unfortunate neighbors in 2020 and KRW 110 million with our subsidiaries in 2021. We will continue to propel various social contribution activities for our community members and keep track of the challenges and hardships faced by the community.

### INTERVIEW



**Seon-Bong Hwang**  
Yesan Governor

"Although everyone is going through a hard time, we are deeply thankful that Hwashin is such a big help every year and an active player in sharing love.

We will make sure to use the donations wisely so that residents can have happier and better lives.

Once again, thank you, Hwashin!"

(주)화신 불우이웃돕기성금 5,000만원 기탁  
정서진 회장님과 임·직원 여러분 고맙습니다.



## Partial Donation of Salaries and Fundraising for Persons with Disabilities

As an auto parts leader, Hwashin is expanding its location in the industry and has collaborated with the Young Men's Christian Association (YMCA) on various social contribution activities to form a beautiful community. President Seo-Jin Chung and the executives raise funds by donating a portion of their monthly wages to support vulnerable local groups every year. They also make donations in the "Love Sharing Bazaar" held for persons with disabilities in the low-income groups.

### INTERVIEW



**Sun-Ho Kim**  
Yeongcheon YMCAs  
Chairperson

"Hwashin's donations supported the teenagers in the community by providing computers and desks for schoolwork and beds for housing support through the "Furnish My Room" program.

Moreover, the donations were wisely used in the Love Kimchi-Making Event.

We are sincerely thankful that Hwashin, a medium-sized company in the Yeongcheon automobile industry, has warmly supported the community, washing away the hardships brought by COVID-19.



기부금 영수증																			
발행번호	2021-000014																		
본회의 후원명칭을 받고 자선단체 주식이 부여됩니다.																			
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단체명	사업자등록번호																		
소재지																			
④ 기부내용	<table border="1"> <thead> <tr> <th>구분</th> <th>연월일</th> <th>내용</th> <th>수량</th> <th>단가</th> <th>금액</th> </tr> </thead> <tbody> <tr> <td>40</td> <td>금년</td> <td>2021-11-12</td> <td></td> <td></td> <td>1,000,000</td> </tr> <tr> <td>합계</td> <td></td> <td></td> <td></td> <td></td> <td>1,000,000</td> </tr> </tbody> </table>	구분	연월일	내용	수량	단가	금액	40	금년	2021-11-12			1,000,000	합계					1,000,000
구분	연월일	내용	수량	단가	금액														
40	금년	2021-11-12			1,000,000														
합계					1,000,000														
<p>*소득세법, 제40조, 「소득세에관한법률」 제40조-제4항제4 및 「법인세법」 제24조에 따른 기부금품 위해 같이 기부하였음을 증명하여 주시기 바랍니다.</p> <p>2021년 11월 12일 (주)화신 (사명 또는 연)</p> <p>위와 같이 기부금을 기부하였음을 증명합니다. 2021년 11월 12일 영천시장애인종합복지관 (사명 또는 연)</p>																			



## [Shared Growth]

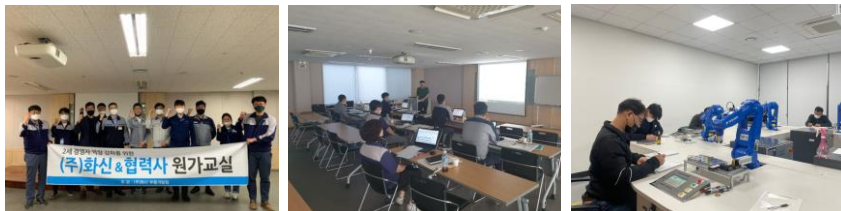
Through continuous communication with business partners, Hwashin has arranged a supportive program to establish a shared growth system for win-win collaboration. Moreover, it has organized an exclusive organization to maintain close relationships with business partners and listen carefully to the hardships that they face and consult with the voice of customers (VOC) regularly for joint growth, improvements, and long-term partnership.

### Shared Growth Fund

Hwashin operates shared growth funds to provide funds to business partners smoothly. After signing an MOU with the Daegu Bank in 2013, Hwashin raised KRW 10 billion through the Daegu Bank to support business partners with interest rate expenses for operation loans. Accordingly, our business partners could reduce financial expenses, procure required funds easily for management, and operate stable supply chains.

### Educational Support for Business Partners

Hwashin does not only communicate with business partners but also plans, establishes, and executes training programs annually to enhance their competitiveness. As a business partner jointly heading toward the path to a better future, Hwashin tries to level up the skills and talents of the business partners.



## Safety and Health Management for Business Partners

Hwashin continues to reduce the risks of safety accidents by investigating and raising the operators' awareness of safety through annual safety inspections and control for business partners. We share safety management and disaster cases, monitor improvements through our internal safety follow-up (F/up) system, and deliver excellent practices to do business at arm's length. To participate in win-win collaborations, we hold prize ceremonies to provide prescribed awards and prizes for business partners, achieving zero-hazard goals to strengthen ties with them.



## Taking Away the Heat for Business Partners

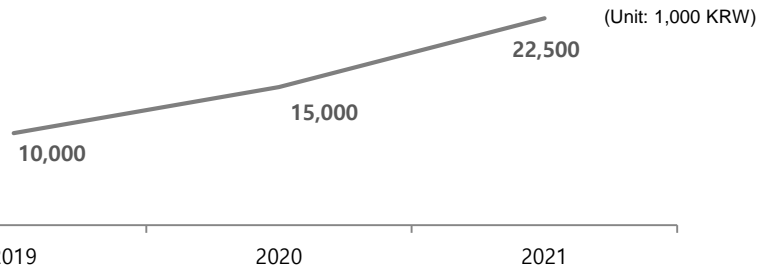
We provide sodium glucose and refreshing fruits to thank our business partners' hard work amid the severe summer heat, prevent dehydration, enhance productivity, and strengthen partnerships.



## ESG Social

### Donating Win-Win Collaboration Funds

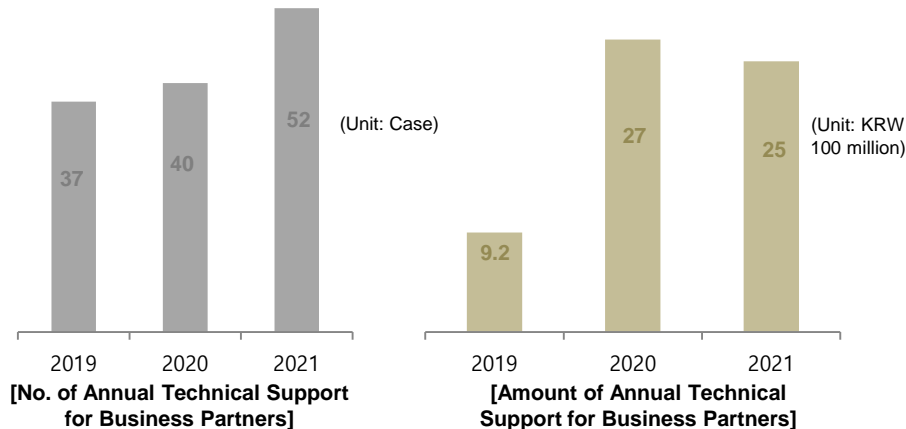
Hwashin donates funds annually to the Foundation for Collaboration between Small, Medium, and Large Corporations in Agriculture and Fishery and provides goods with the donation to benefit and strengthen the business partners' competitiveness and alleviate polarization.



[Annual Donations to the Foundation for Collaboration between Small, Medium, and Large Corporations in Agriculture and Fishery]

### Technical Support for Business Partners

In line with the drastically changing external environment and policy trends of clients, Hwashin optimizes technical support to create profits for business partners. We let our business partners use our technologies for free and send our employees to provide technical support and enhance the productivity of business partners.



### Strengthening Communication with Business Partners

Hwashin listens carefully to the voices of business partners through various channels and operates multifaceted communication channels, such as meetings, conferences for collaboration, and anonymous online communication channels to solve the grievances of business partners. We also visit our business partners for a close connection regularly and listen to them in person so that their opinions can be promptly reflected. Furthermore, we will find more efficient VOC activities to deeply understand, empathize, and solve the grievances of our business partners.

Communication Programs	Overview
Meeting with Representative Business Partners	Meeting to settle the hardships faced by primary and secondary business partners
Meeting with Plant Managers	Explaining policies and managing performance through quarterly meetings with plant managers (business partners)
VOC of Business Partners	Visiting to listen to grievances and improve the hardships of business partners
Anonymous Online Report Channel	Operating a "Cyber VOC" for business partner executives to voice their complaints



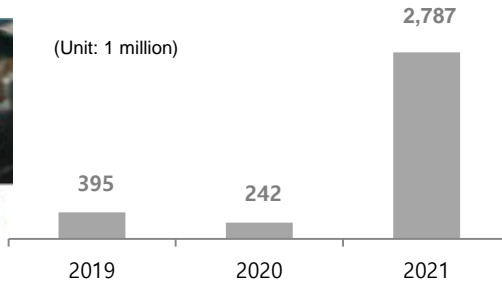
## ESG Social

### Increasing the Reflected Unit Prices of Raw Materials

Hwashin promptly updates the unit price of raw materials for business partners every year. We increase the unit price of delivery in line with changing prices immediately before paying the subcontract amount. Unless the unit prices of raw materials are reflected promptly, our business partners will suffer management hardships. Thus, Hwashin reflects the increasing unit prices promptly to prevent potential risks proactively. Hwashin's efforts to improve the management environment of business partners through various policies, such as the negotiation system and adjustment of delivery costs, have been acknowledged by the Ministry of SMEs and Startups (MSS). As a result, our video produced with the Foundation for Collaboration between Small, Medium, and Large Corporations in Agriculture and Fishery and the MSS has been selected as a representative advertising video on YouTube.



[YouTube Ad on Win-Win Collaboration, MSS]  
<https://youtu.be/M3dv1vWmDMU>



[Increasing Unit Prices of Raw Materials Applied Annually]

### Creating a Corporate Culture of Shared Growth

Hwashin enters into a "Fair Trade Agreement" with business partners every year. It stipulates blocking unfair transactions, signing and executing fair trade contracts, promoting the expansion of business partners' sales, cases of adjusting and increasing unit prices of raw materials, and the top four practices for subcontractors to reinforce support to business partners. Moreover, we award the business partners' excellent performance by granting extra points when selecting companies.

### Supporting Health Checkups for Business Partners

Hwashin also supports health checkup programs for business partners aside from its executives to keep them satisfied. Hwashin signed an Agreement on the Health Alliance Program with The Most Holy Trinity Hospital to benefit business partners by requesting the same general health checkup expenses applied in Hwashin. Furthermore, Hwashin also provides the same benefit to lineal family members of business partners, leading to win-win collaboration with business partners.



[Notice of General Health Checkups to Business Partners]



[Agreement Ceremony on the Health Alliance Program with The Most Holy Trinity Hospital]

## [Safety Management]

### Management Policies for Safety Management

As a professional auto parts manufacturer of chassis and car bodies, Hwashin develops and executes the following policies to minimize impacts on the environment, safety, and health (ESH) by reflecting risk assessment results on the design, production, use, and disuse of products.

1. All ESH obligations and regulations shall be strictly followed.
2. The organization status, which is composed of all activities, products, and services, shall be analyzed, and their impact on ESH management shall be identified to minimize risks. Based on those mentioned above, ESH management goals are established and regularly updated.
3. We will recycle and use raw and subsidiary materials, reduce waste to minimize the loss of materials, and continuously mitigate and prevent environmental pollution.
4. To raise awareness of ESH management, we will promote participation and collaboration between labor and management, implement education and training, and publicize, improve, and perform ESH policies.
5. We will establish, execute, and maintain improvements regularly to prevent safety and health accidents and minimize environmental impact.

※ ESH policies shall be delivered and implemented by all Hwashin employees. Regular inspections shall be conducted to see whether they are and will be continuously effective. Our ESH policies are open to interested parties to show our determination and will to improve.

### Safety Management

To prevent potential accidents in the workplace, we systematically operate safety and health activities by setting the budget and preparing plans for safety- and health-related projects. Moreover, we continuously implement various labor-management joint safety examination activities such as risk assessments, safety inspection, management, and improvement for contractors. Our Industrial Safety and Health Committee strives to improve safety and health management through quarterly conferences.

#### [2022 Budget for Safety and Health Management]

(Unit: 1,000 KRW)

Year	Eonha Plant	Bongdong Plant	Yesan Plant	Sum
Safety inspections	6,066	7,245	1,500	14,811
Measuring the working environment	14,920	5,050	7,000	26,970
Safety and health training	9,511	6,169	1,920	17,600
Regular health checkups	25,334		5,650	30,984
General health checkups for employees	67,300		10,050	77,350
Expenses for safety gear payments	15,827	14,343	3,500	33,670
Expenses for safety and health improvement	33,000	31,000	15,000	79,000
Award money for zero hazards	7,448	5,640	5,600	18,688
Safety and health management system	9,000			9,000
<b>Total</b>				<b>308,073</b>

## ESG Social

[Organization Chart of Safety and Health Management  
(Eonhaa Plant, Bongdong Plant, R&D Center)]



[Organization Chart of Safety and Health Management (Yesan Plant)]



### Organization Chart of Safety and Health Management

Hwashin establishes and operates the Industrial Safety and Health Committee, which plans and establishes countermeasures to prevent potential risks and health hazards in the workplace, and conducts safety and health management through labor-management partnerships. Moreover, the Committee discusses assigned agendas quarterly to actively reflect on workers' opinions and put its utmost effort into preventing risks and creating a pleasant work environment.

#### [Industrial Safety and Health Committee (Quarterly)]

Year	Eonhaa Plant	Bongdong Plant	Yesan Plant
Q1	Risks of musculoskeletal disorders from the push button being uninstalled in the loading process and another case	Risks of transmission accidents from slippery safety floors and another case	2021 Safety Inspection on Harmful and Dangerous Machine Equipment
Q2	Conference on Preventing the Spread of COVID-19 in the Company	Conference on Preventing the Spread of COVID-19 in the Company	Measuring the working environment in the first half of the year
Q3	Enacting guidelines on the operation of closed spaces	Enacting guidelines on the operation of closed spaces	Submitting the planning sheet for blocking harmful substances to the CV and SG2
Q4	2022 Safety and Health Management Plans	2022 Safety and Health Management Plans	2022 Safety and Health Management Plans

## ESG Social

### [Performance of Labor-Management Safety Inspections]

(Unit: Case)

Year	Eonha Plant	Bongdong Plant	Yesan Plant
Improvement matters	22/20	26/24	13/13
Improvement progress (%)	90.9%	92.3%	100%

### [Improvements Based on Risk Assessments]

(Unit: Case)

Year	Eonha Plant	Bongdong Plant	Yesan Plant
Improvement matters	25/25	10/10	8/8
Improvement progress (%)	100%	100%	100%

### [Contractor Management Activities]

Year	Eonha Plant	Bongdong Plant	Yesan Plant
Company Progress	OURHOME, HRDAIN DOWON CORPORATION, SAMYOUNG CORPORATION	OURHOME, KUMHO TIRE Korea Green Resource Co., Ltd.	HRDAIN, SEOYON, JSGF
Conferences with Contractors	20 agendas		4 agendas
Joint Safety Inspections	11 agendas/improvements		4 agendas / improvements

### Safety and Health Training

Hwashin always pays attention to every employee's health and safety and executes mandatory training annually for workers to raise their awareness on this matter. Training courses primarily include the Regular Safety and Health Training, Special Safety and Health Training, and compulsory training courses under Korean labor law. More details can be found in the table below.

#### [Regular Safety and Health Training]

Month	Subject	Month	Subject
1	Industrial Accident Compensation Insurance Act	7	Preventing Heatstroke
2	Preventing Health Hazards due to Noise and Vibration	8	Forklift/Traffic Safety Training
3	Preventing Hazards Arising From Spring Fever	9	Preventing Occupational Stress
4	Material Safety Data Sheet (MSDS)	10	Course on Hazard Cases
5	Preventing Musculoskeletal Disorders	11	Preventing and Managing Strokes
6	Safety Training for Firefighting	12	How to Handle Each Emergency

#### [Special Safety and Health Training]

Applicable Items Internally	Training Targets
Forklifting, cranes, press, harmful substances, industrial robots, items for handling electricity and weapons	Operators of applicable items

#### [Other Training Courses]

Contents	Targets	Training Institution
Compulsory Training Courses	Safety, Health, and Environmental Manager	Korea Industrial Safety Association (KISA)
Training in Administration and Management	Office Worker/On-Site Manager	

## Enhancing Employees' Health

Hwashin implements regular health checkups annually and additional health checkups before and after assigning tasks to employees. For employees aged 40 and above, general health checkups are also provided to their spouses. Moreover, we operate programs investigating harmful elements to the musculoskeletal system, screening programs, hearing preservation programs, and closed area management programs to optimize the workers' health and working environment.

### [Health Checkups]

Year	Targets	Checkup Items	Period of Execution		Institution in Charge
			Eonha/ Bongdong	Yesan	
Regular Health Checkups	Office workers	General checkups	Apr.	Apr.	Korean Industrial Health Association (KIHA)
	On-site workers	↑+ Hearing, lungs, organic solvents			
Before Arrangement Health Checkups	Office workers	General checkups	Frequent	Frequent	KIHA, Keimyung University, Dongsan Hospital, Yesan Myongji Hospital
	On-site workers	↑+ Hearing, lungs,			
After Arrangement Health Checkups	Office workers	Hearing, lungs, Organic solvents	Within six months after arrangement or when changing departments		KIHA
Comprehensive Checkups	40 years old	Gastrointestinal tract, large intestines, abdomen blood, urine, MRA	Every three years		The Most Holy Trinity Hospital, Hongseong Medical Center

### [Other Health Improvement Programs]

Year	Checking Harmful Elements to the Musculoskeletal System	Screening Program	Hearing Preservation Program	Closed Area Program
Eonha/Bongdong	Oct.	Jul.–Nov.	May–Oct.	Jun.–Aug.
Yesan	Oct.	Jul.–Nov.	Apr.–Sep.	Jun.–Aug.

## Safety and Health Management System

We realize how important health management is to our employees, so we comply with laws and regulations on safety and health management and other matters accordingly. To accomplish these goals, we establish detailed targets and plans and monitor and assess whether they have been met for continuous improvement and development. Furthermore, we have acquired the Occupational Health and Safety Management System (OHSAS) Certificate by complying with international standards and guidelines (ISO 45001). We are setting optimized management levels and enhancing safety and health management expertise by maintaining the validity of ISO certificates and communicating with various interested parties.

The ISO 45001\* Certificate was acquired for the upward leveling and systematic operation of a safe environment. Accordingly, the reliability of our safety and health management system has been improved.

\* ISO 45001  
International Organization for Standardization 45001  
Occupational Health and Safety Management System (OHSAS)



## ESG Social

### Safety Campaign

Hwashin raises its employees' awareness of safety by creating and posting a safety slogan banner, enacting the top four safety rules, promoting safety rules during commuting hours, and conducting the 2021 Ceremony of the Declaration on Preventing Occupational Hazards. Our 2021 Ceremony of the Declaration on Preventing Occupational Hazards was a noteworthy event that proved our strong will for safety and setting goals of zero hazards in the workplace amid the spread of COVID-19. Apart from those mentioned above, we deliver information that shows the importance of safety through various methods. Instead of using formal and strict images, we used friendly and natural pictures so that employees will be more at ease.



[Declaration of Preventing Industrial Hazards]



### Activities to Create a Safe Culture

Every Hwashin employee is well aware of the importance of safety and engages in guaranteeing safety accordingly. Hwashin makes various efforts to achieve a safe culture. For example, we enacted a safety slogan on the critical types of risks and top four obligatory safety policies and installed signboards throughout the company to continuously stress the significance of the safety campaign and raise employees' awareness of safety. We will continue to expand and operate safety cultural programs to internalize the employees' awareness of safety.



[Safety Slogan]

1. 보호구 착용 일상화	2. 지게차 안전 운행	3. 보행 중 휴대근 사용금지	4. 비 정상 작업 안전관리
<ul style="list-style-type: none"> <li>현장 출입 시 기본 보호구 착용</li> <li>작업별 적합 보호구 착용</li> <li>위험구역 출입 시 안전모 착용</li> </ul>	<ul style="list-style-type: none"> <li>지정된 작업자 이외 탑승 금지</li> <li>안전벨트 착용</li> <li>속도 10Km이하 준수</li> <li>지게차 이탈 시 열쇠 빼기</li> <li>보행자 확인, 양보 운전하기</li> </ul>	<ul style="list-style-type: none"> <li>보행자 통로 활용 이동</li> <li>보행 시 좌우살피기 (지게차충돌)</li> </ul>	<ul style="list-style-type: none"> <li>사다리작업시 2인 1조작업 (※안전모 필수 착용)</li> <li>라인 또는 전철은 담당자의 작동 금지</li> <li>보수작업시 '보수중' 표지판 설치</li> <li>장비 사용 전 정비점검 실시</li> </ul>

[The Top Four Obligatory Safety Policies]



### Executing the Disaster Evacuation Drill

To prepare against unexpected disasters and minimize losses of human resources, Hwashin ensures that every employee participates in the disaster evacuation drill. The drills remind employees to change their mindset and awareness of safety to respond better to emergencies.



[Executing the Disaster Evacuation Drill]

### Executing the Comprehensive Firefighting Drill

Every year, we execute on-site firefighting drills with the firefighting station to raise the employees' awareness of firefighting and develop their coping capabilities against fire.



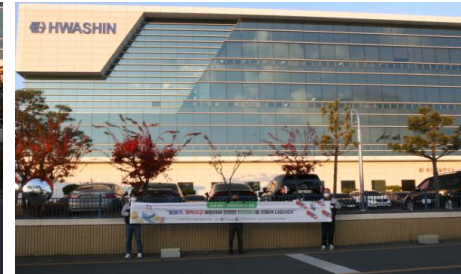
[Executing Comprehensive Firefighting Drills]



[Executing Cardiopulmonary Resuscitation (CPR) Drills]

### Weekly Campaign to Highlight Safety of Chemicals

Hwashin initially formed the Chemical Safety Community with the Ministry of Environment in 2021 to lead and operate the “Weekly Campaign to Highlight Safety of Chemicals.” We also put our utmost effort into preventing chemical accidents during winter through theme campaigns to raise the employees' awareness of the significance of safe chemicals. In addition, we will continue this campaign in 2022 as well.



[Weekly Campaign to Highlight Safety of Chemicals]

### Hwashin's Three No's Campaign

Hwashin implements the Three Nos Campaign (No obesity, No smoking, No stress) with the Yeongcheon City Health Center for the employees' healthcare.



[Hwashin's Three Nos Campaign]

## ESG Social

### [Amicable Coexistence]

After recruiting talents, we try to provide sufficient support for employees so that they can concentrate on working and enjoying their lives. We try to meet the workers' expectations and provide efficient working environments as a significant part of creating corporate values. Moreover, we propel various welfare systems that improve the quality of life to establish a sound labor-management culture and create a happy workplace.

#### Main Welfare Systems

Hwashin Group takes the lead in supporting all grievances, such as the health of employees and their families, education for their children, housing, and planning for their later years. Our main policies are as follows.

Support for Home Life	Children's school expenses / Employees' educational expenses for a master's or PhD degree / Expenditure for congratulations and condolences / Loans for housing expenses / Loans for stability funds / Funding for taking care of infants
Support for Company Life	Operating commuting buses / Operating the company cafeteria / Full support for dinner events / Award for long-term service
Leisure	Vacation bonuses / Resort areas / Club activities / Award for long-term service / Special vacations / Athletic meetings
Medical Support	Regular health checkups / Comprehensive checkups for employees aged 40 and above / Health examinations / Intensive screening programs / In-company gyms / Operating no-smoking clinics
Work-Life Balance	Intensive vacation system / Half a day off / Annual leave / Work from home system

### Operation of Hwashin's Welfare Funding System for Internal Labor

In 2003, Hwashin Group founded the welfare funding system for internal labor to let employees enjoy stable and abundant lives. An amount of KRW 550 million was donated upon establishment, and total assets were KRW 3.27 billion and underlying assets were KRW 2.889 billion as of 2021. The annual average of profits for interest rates and loans for underlying assets was KRW 70 million. Our main businesses that aim for high interest rates are housing loans and stability funds. In addition, we check the welfare of our employees by establishing a practical cafeteria-type welfare system.

#### [Regulations on Operating Welfare Funds]

We operate Regulations on Operating Welfare Funds in the company so that our employees can be supported fairly and efficiently.

Article 3 Target Businesses: The corresponding funds shall be spent for businesses under each of the following subparagraphs according to the funds' solvency margin.

- ▶ Operating costs of clubs, expenses of athletic meetings

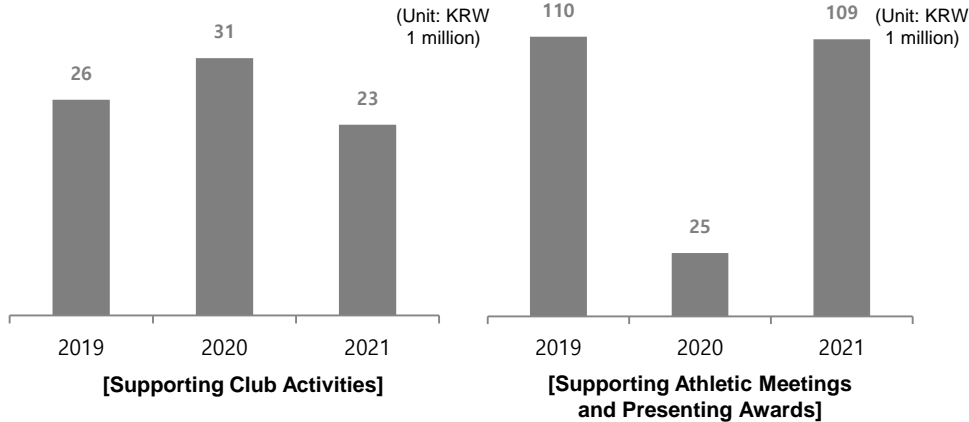
Article 4 Loan Businesses: The corresponding funds shall be executed for loan businesses under each of the following subparagraphs according to the funds' solvency margin.

- ▶ Purchase of (new) housing, lease funds, stability funds

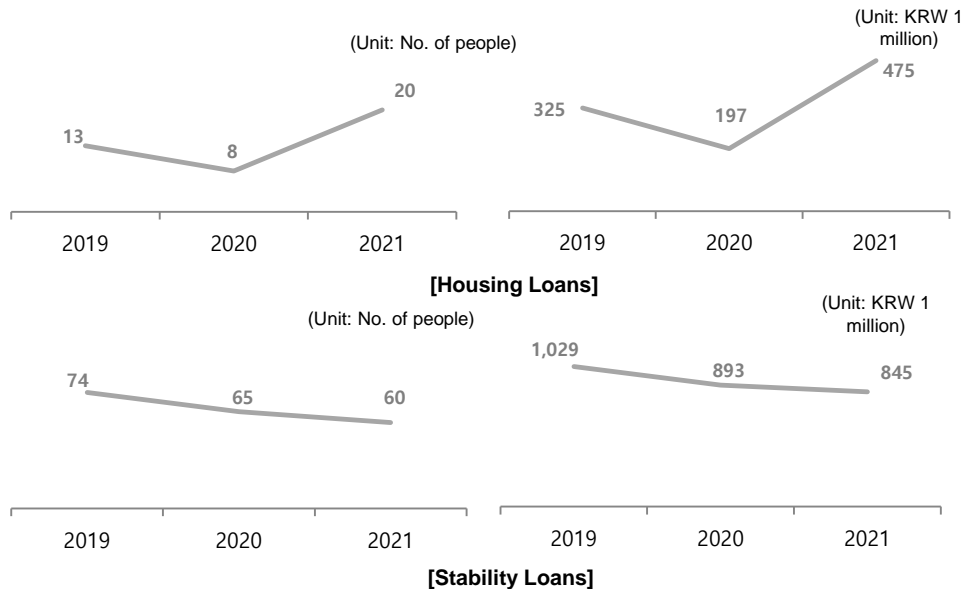
Article 14 Qualification to Loan: 1) Housing funds: Rental or purchase of national housing scale or below for houseless loan applicants  
2) Stability funds: Persons having trouble in their daily lives

## ESG Social

### [Status of Support Systems]



### [Amount of Annual Loans]



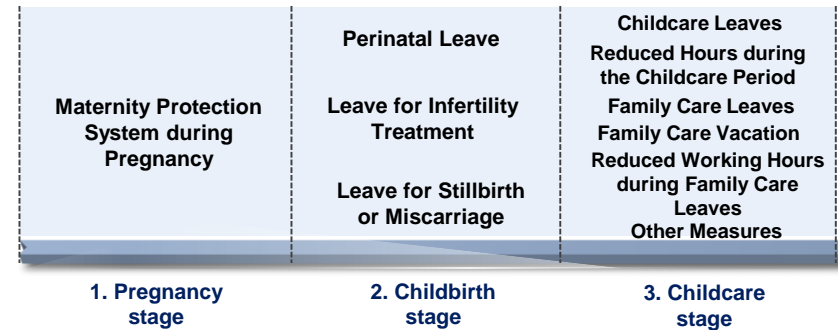
※ As of the year-end of 2021 (Noncurrent assets)

※ Housing loans **KRW 763,548,000** / Stability loans **KRW 1,498,653,000**

### [Work and Life Support System]

Hwashin operates systems to support work-life balance such as valuing pregnancy, childbirth, and childcare to protect the employees' labor rights and maternity protection rights. We actively support and protect pregnant workers by providing perinatal leaves, reducing working hours, preventing career discontinuity, and supporting childcare for female workers. We arrange a family-friendly culture to alleviate the difficulties faced by working mothers and fathers at home and in the workplace.

### [Status of Support Systems]



### [Outline of Our Support Systems]

#### [Purpose]

- To determine matters of support regarding maternity protection of employees and work-life balance

#### [Definition]

- For workers, regardless of employment type, in the workplace
- For pregnant workers or if it is within a year after a female worker went through childbirth

#### [Application]

- Prohibition of dismissal or unfavorable treatment because of pregnancy, childbirth, or childcare
- Regulations shall be posted and published where the employees can freely access the post.
- In the event of such cases above, the department in charge shall train the person involved.
- Human resources (HR) assessment shall be at a medium grade or higher on the year the employee used the maternity protection or work-life balance system.

## ESG Social

### [Type of Support Systems]

- **Maternity Protection System**
  - Applicants who are on their 12th–36th week of pregnancy
  - Two working hours reduced per day
  - 100% of wages paid for reduced hours
- **Perinatal Leave**
  - 90 days of perinatal leave
  - 100% of ordinary wages paid
  - 10 days of paid leave for an employee's spouse's childbirth
- **Leave for Infertility Treatment**
  - Leave for infertility treatment such as artificial insemination or external fertilization
  - Three days of leave granted annually (paid leave for the first day)
- **Leave for Stillbirth or Miscarriage**
  - If a pregnant employee requests a leave for stillbirth or miscarriage, 5–90 days of leave are granted depending on the period of pregnancy.
- **Childcare Leave**
  - Employees with children aged 8 or below or attending second grade or below at an elementary school (employees must have a continuous service period of 6 months or more)
  - Based on payment standards
- **Reduced Hours during the Childcare Period**
  - Same as the conditions of the application for childcare leave
  - 1–5 hours/day (5–25 hours/week)
  - Period of leave available for childcare + reduced hours → 2 years
- **Family Care Leave**
  - If the employee is needed for family care because of an illness, accident, or old age
  - Three months of leave
- **Family Care Vacation**
  - If the employee is needed for family care because of an illness, accident, or old age
  - Up to 10 days
- **Reduced Working Hours for Family Care**
  - If the employee is needed for family care because of an illness, accident, or old age
  - To take care of the employee's own health
  - For employees aged 55 or more to prepare for their retirement
  - 15–30 working hours may be reduced per week

## ESG Social

### Medical Support System

To maintain and improve the employees' health, Hwashin provides general and comprehensive health checkups, intensive care through screening programs, and InBody for real-time monitoring of the health condition of employees. Moreover, we continuously and fully support medicine and physical therapy facilities for a prompt response to symptoms of illness such as coughing, fever, muscle pain, etc.



[General and Comprehensive Checkups, Intensive Care by Screening Programs]



### Establishment and Operation of a Health-Care Systems

To settle an effective health management culture with a heightened awareness of health management and better everyday habits, Hwashin installs and manages InBodies in every workplace, where each employee is encouraged to check and improve his/her health condition.



[InBody]

### Support of Physical Therapy Facilities

Hwashin prepares the following physical therapy facilities in each workplace to continuously support the employees. We provide low-frequency therapy, infrared radiation lamps, paraffin therapy, pneumatic therapy, and other devices for healthy employees and a healthy workplace. Whenever employees feel tired or uncomfortable, the health-care devices are available in the medical service room in each workplace 24/7. Hwashin will continue making efforts to create a healthy workplace for employees by increasing the necessary physical therapy facilities.



[Low-Frequency Therapy Device]



[Infrared Radiation Lamp]



[Paraffin Therapy Device]



[Pneumatic Therapy Device]

## ESG Social

### Meeting to Thank Retiring Employees

Hwashin holds an annual meeting to thank retiring employees for their hard work on our development. Here, our CEO expresses his gratitude, retiring employees convey their impression of retirement, and commemorable tablets are given.



[Meeting to Thank Retiring Employees]

### Work From Home (WFH) Program

Although our company size is small, our thirst for change is immense. Thus, we introduced the Work From Home (WFH) Program to respond to COVID-19 and grant flexible ways to work outside the office.



[Remote Conference from Home]

### Presents for Childbirth

To participate in the government's childbirth encouragement policy, Hwashin provides wet tissues (12/box) for infants and congratulatory money for delivery to employees after childbirth. Hwashin also encourages employees' childbirth by granting them to use all 10 days of childbirth leave at once.



[Wet Tissues for Infants]

### The Coffee Truck of Love

Hwashin establishes and supports various welfare policies to raise employees' work efficiency. The Coffee Truck of Love is an annual event that provides refreshments after lunch to encourage employees to work harder.



### [Innovation of R&D]

#### Innovation Climate 5S (IC5S)

Today's automobile market faces drastic changes because of the changing client needs and heightened attention to next-generation eco-friendly technologies, such as internal combustion locomotives, hybrid cars, plug-in hybrid cars, EVs, and HFVs. Amid COVID-19, global economic recession, and uncertainties in the global management environment, Hwashin strives to overcome such issues through various attempts in R&D and investments. For example, we internalize our core values (securing the fundamental basis to realize innovation), practice management policies (establishing business structures to create the unique value of R&D), and share innovation with clients (connecting R&D systems) for continuous R&D.

[Core Values]

Challenging spirit

Client centered

Innovative

Principle based

Communication

[Code of Conduct]

Start

Specialization

Smart

Standardization

Sympathy

Establishing the Code of Conduct for Innovation

Conducting activities to improve quality in advance  
Establishing road maps for production technologies

Developing real-time information systems  
Commercializing virtual line operations

Building processes for the development of new technologies  
Standardizing and manualizing

Strengthening communication

#### [Progress of IC5S Activities]

Core Values	Code of Conduct	Activities
Start	- Habitualizing innovation in everyday life	- Establishing and educating the Code of Conducts for Innovation
Specialization	- Strengthening the quality of preceding technologies in advance - Proactively preventing quality issues of the new car types - Seeking technical innovation through mid- to long-term ERM	- R&D of advanced preceding technologies and printing methods - Car group activities, early detection of mass production - Establishing mid- to long-term vision and road maps of production technologies
Smart	- Developing real-time information systems - Conducting commercial virtual line operations	- Digitalizing facility management and establishing the global monitoring system for painting methods - Developing the method screening program and establishing the facility database
Standardization	- Establishing processes for the development of new technologies - Standardizing and manualizing	- Standardizing and manualizing various drawings
Sympathy	- Building education and bulletin boards for communication	- Conducting monthly education courses on communication

## [COVID-19 Support for Business Partners]

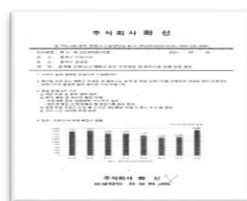
Hwashin supports SME business partners facing hardships because of COVID-19 through various programs. We practice shared growth with our partners by providing financial support, improving payment conditions, providing nonfinancial support, presenting protective equipment, etc. Moreover, we increase the limit of loans and delay the repayment period for business partners to overcome the hardships because of COVID-19 by creating KRW 10 billion of shared growth funds. We will continue to support our partners to overcome the global pandemic together until COVID-19 comes to an end.

### I. Management of Quarantine Guidelines for Business Partners

Hwashin has a system for the vaccination status of each business partner to manage each partner's compliance with quarantine guidelines. By supporting sanitation and encouraging each partner to take preventive measures, we try to maintain safe environments in plants and factories for our partners.



[Management of Each Business Partner's Vaccination Status]



[Improving Sanitation and Quarantine for Business Partners]

### II. Prompt Application of Increasing Unit Prices of Raw Materials

Hwashin promptly updates the unit prices of raw materials for business partners every year that cause business suspension. We increase the unit prices of delivery in line with changing prices immediately before paying the subcontract amount.

### III. Shared Growth Fund

Hwashin operates shared growth funds to provide funds to business partners smoothly. After signing an MOU with the Daegu Bank in 2013, Hwashin raised KRW 10 billion through the Daegu Bank to support business partners with interest rate expenses for operation loans. Accordingly, our business partners could reduce financial expenses, procure the required funds easily for management, and operate stable supply chains as ideal results.

### IV. Supporting Protective Equipment

Hwashin started providing facial masks, hand sanitizers, and self-diagnosis kits made in Korea when the nation saw a shortage of facial masks because of the rapid spread of COVID-19 in early 2020. We continue supporting our partners with these items two to three times every year. The year 2022 will be no exception for the support above, and we will lead the way to prevent the spread of COVID-19.



#### INTERVIEW



Su-Gon Lee  
CEO of Dongsan  
Industrial Corp.

“From its previous chairperson to its current president, Hwashin has provided timeless support for shared growth. Although we are facing a difficult era because of COVID-19, Hwashin supports protective equipment every year not only to management teams but also to field operators, greatly reducing our purchases. Once again, we thank Hwashin for supporting us in such difficult times and hope we can overcome hardships together wisely.”



## ESG Governance



# Governance

Hwashin puts establishing a transparent governance structure as a No. 1 priority to earn the trust of interested parties. We also declare to implement ethical management and focus on systematic management of the potential risks that may arise from changes in the internal and external environment. Hwashin's Board of Directors (BOD) will continue to make balanced and fair decisions for all interested parties, including clients and shareholders.

99–100 Governance

101–104 Risk Management

105–106 Ethical and Law-Abiding Management

107–108 Compliance Management

109–110 Sharing Economic Value with Interested Parties

## ESG Governance

### [Governance]

#### BOD-Centered Management

To maintain a sustainable management system, Hwashin listens carefully to the voices of various interested parties, including clients and shareholders, through its BOD, the ultimate decision-making organization that protects the interests of interested parties and propels efficient management. We regularly hold meetings to maximize profits and accomplish corporate social responsibility (CSR).

#### Organization of the BOD

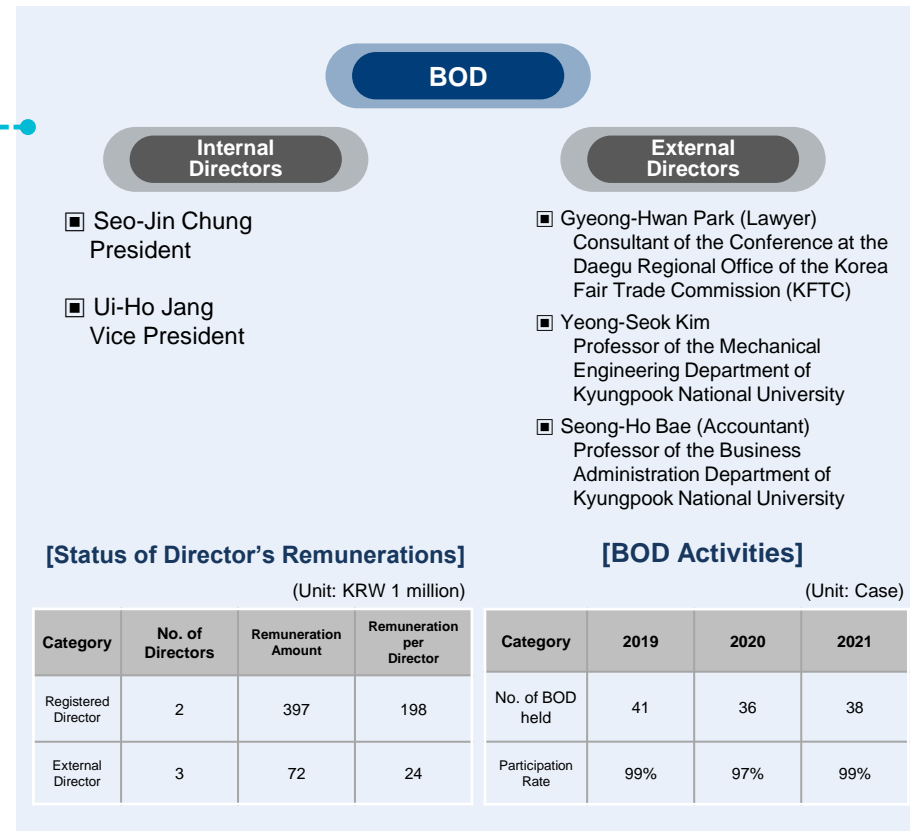
The BOD is the ultimate decision-making organization that determines general corporate management matters. Hwashin's BOD consists of five directors, with two internal directors and three external directors that maximize expertise and maintain transparency. Hwashin's President concurrently holds the position as the BOD Chairperson because of his overall understanding of and expertise in the car industry.

#### Independence of the BOD

To strengthen the independence of all directors, including external directors, we transparently disclose all information on the director prior to the General Shareholders' Meeting when nominating directors. In other words, we publicize the director's relationship with the referee and the largest shareholder and his/her list of transactions with Hwashin. Hwashin is a listed company having below KRW 2 trillion of total assets and has not established the Outside Director Candidate Recommendation Committee specified under Article 542-8 of the Commercial Act.

#### Remuneration and Compensation for Directors

We negotiate remuneration matters with each director every year and provide remuneration within the amount approved at the General Shareholders' Meeting for registered and external directors.



## ESG Governance

### [Risk Management]

#### Internal Accounting Management

According to the revision of the Act on External Audit of Stock Companies in 2018, the level of existing internal accounting management systems changed from screening to auditing. In line with the regulation above, we readjusted the entire internal accounting management system in 2020. We additionally built a new program for effective planning and operation assessment to raise fairness and efficiency. As of 2023, the internal accounting management system shall be applied to main offices and affiliated subsidiaries of listed companies with more than KRW 2 trillion (the period of phased application is different by the amount of total assets). Therefore, we will proactively plan and establish systems to apply our internal accounting management system to our overseas branches.

#### Internal Accounting Management System

Hwashin efficiently operates an internal accounting management system to proactively prevent any errors or fraudulent acts that may incur distortions when preparing and publishing its financial statements. Moreover, the President reports the actual conditions of the system at the General Shareholders' Meeting, the BOD, and the Auditing Committee.

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#### Operation Info

Management of work schedule and period of control / HR info and approval management / System authority management

#### Scoping

Setting costs by significance / Quantitative and qualitative significance evaluation / Scoping / Risk assessment

#### Standards

Risk management / Risk Control Matrix (RCM) management (Process Level Control (PLC)), Entity Level Control (ELC) / Management Review Control (MRC) management

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#### ELC Screening

Implementing ELC screening

#### Planning and Operation Evaluation

Planning and operation evaluations / Designating the assessor / Implementing a walk-through / Management of population and evidential data

#### Outcome Report

Reporting actual conditions / Managing shortcomings and supplements

## Management System of Risks in Tax Affairs

As the policies and the economic environment in the car industry drastically change, managing the risks in tax affairs have become a significant assignment for sustainable management. To this end, our Internal Accounting and Auditing Team checks and manages monthly tax affairs and issues and establishes countermeasures to reduce the risks in national and internal tax affairs by collecting, using, and analyzing tax administration issues, interpreting and applying revised tax laws, and significant tax precedents.

As a rule, we report tax payment matters in terms of significance and tax types to top management personnel as arbitrary decision-makers and do not possess a subsidiary for tax avoidance.

As a primary auto parts vendor, we possess overseas branches in the United States, India, Brazil, China, etc., which are included in the consolidated financial statements to reach our international clients. We abide by the Adjustment of International Taxes Act using the calculation method as a reasonable measure for the regular pricing of transfer costs of our overseas branches.

## Tax Strategies

We realize compliance with tax laws and tax risk management not only to maximize shareholders' interests but also to engage in the critical elements of CSR by contributing to the national finance and essential conditions for sustainable management. Based on our acknowledgement, we respond to the principle of fair taxation of customs offices, comply with tax obligations as a faithful taxpayer, and build collaborative relations based on mutual trust with customs offices.

## **ESG Governance**

## Management of Risks in Tax Affairs

Our tax risk management core is "strict compliance with laws and regulations." We maintain transparent relationships with tax authorities and submit explanatory evidential documents upon request. Furthermore, as a global company, we are aware of the differences in tax laws among countries and proactively try to prevent potential risks in tax affairs. The Internal Accounting and Auditing Team is well aware of the risks of double taxation of transferring cost transactions because of the competition of taxation rights among tax authorities. To this end, it endeavors to establish reasonable calculation methods for normal pricing with overseas branches or institutions abroad in line with Korean tax laws and guidelines of transfer costs by transaction type. Moreover, our main office faithfully implements mandatory submissions of various evidential data requested by local tax authorities and tax obligations under tax laws such as corporate taxes in each nation where our international subsidiaries are located.

## Transparent Disclosure

Hwashin transparently discloses significant financial and tax information through the Data Analysis, Retrieval, and Transfer System (DART) because such information may influence the decisions of various interested parties.

## Cyber VOC

Hwashin operates the Cyber VOC to prevent illegal and unjust private profit planning, wrongful requests, illegal and unlawful use of the company's assets, and other violations of laws, regulations, and internal regulations. The Cyber VOC aims to prevent unreasonable duties, secure fair trade with business partners, establish an upright corporate culture, and practice ethical management.

(For more information on reporting procedures, please visit the company website.)

## [Ethical and Law-Abiding Management]

### Ethical and Law-Abiding Management

Based on Hwashin's human-centered, open management value, all Hwashin employees join hands to become trustworthy partners for our clients. Furthermore, we will fulfill our roles and responsibilities as a part of the community and become model leaders of spreading our motto, which is practicing an upright mindset, in the age of unlimited competition. Hwashin will maintain each employee's dignity and corporate honor by enacting and practicing rules and regulations of ethical management, which will be a standard of upright behavior and values to be abided by all employees, to secure fair trade with business partners and establish a proper corporate culture.

### Basic Attitude of Hwashin's Employees

Every Hwashin employee shall be aware that each individual's attitude and behavior are deeply related to the company's honor and shall show a basic attitude as follows to realize a sound corporate culture and strengthen the company's public trust internally and externally.

1. Employees shall fulfill all duties fairly and transparently according to legal procedures.
2. Employees shall not implement any illegal or unjust act by taking advantage of their higher position or authority.
3. Employees shall not intend to receive compensation for intentional delays of duties.
4. Employees shall observe common courtesy while performing tasks with other parties.
5. Employees shall fairly and honestly fulfill tasks and make reports.
6. Employees shall protect the company's properties and strictly comply with security for the company's confidential information acquired during trade or duties.
7. Employees shall abide by national laws and corporate regulations in daily life when fulfilling duties and refrain from committing unethical and immoral acts that may stir social criticism.

## ESG Governance

### Code of Conduct on Ethical and Law-Abiding Management]

#### **1. Prohibition of Illegal and Unjust Pursuing of Private Profits**

Hwashin employees shall not misuse their position or authority in duties or pursue the following profits from internal and external interested parties by violating corporate regulations (e.g., monetary profits, entertainment expenses, double jobs as an employee or executive, acquiring or guaranteeing capital profits, accepting or providing bribery, receiving or providing other money or valuables apart from those above, or any other equivalent acts).

#### **2. Prohibition of Unjust Requests**

Hwashin employees shall not request the following acts to internal or external interested parties by taking advantage of their higher position or amicable relationship (e.g., request or pressure that may be socially criticized, private requests or inquiries).

#### **3. Prohibition of Illegal and Unjust Use of Corporate Assets**

Employees shall not use tangible or intangible assets or management information for the employee's or a third party's private profits as follows: unapproved transferring or lending to third parties or private use, privately using the company budget, incurring expenses for purposes apart from those determined by the company, falsely filling out the account book, or commercial use or unapproved leaking of the company's information assets.

#### **4. Prohibition of Disrupting Sound Corporate Culture**

Employees shall not commit the following acts to harm sound corporate culture: demoralizing behavior that may infringe human rights and disrupt the working atmosphere, discriminating because of various reasons).

#### **5. Prohibition of Violating Other Laws, Regulations, and Internal Regulations**

Employees shall not violate national laws and corporate regulations in daily life and in performing duties.

## [Compliance Management]

Since 2018, Hwashin has introduced and operated the “Compliance Program (CP) for Fair Trade.” The program includes a code of conduct for employees based on fair trade with business partners, mandatory obligations that Hwashin’s employees must follow under the Fair Trade Act, and all matters regarding CP operations. The CP explicitly presents a code of conduct for legal compliance so that employees can proactively prevent any acts that may be related to legal violations. Furthermore, Hwashin executes regular monitoring to prevent legal violations in advance.

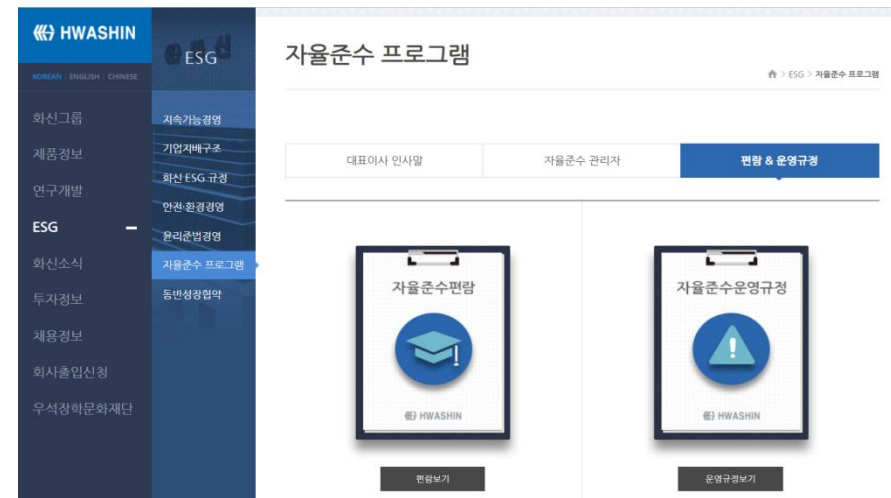
### Seven Main Steps of the CP

1. Expressing the management team’s will for CP internally and externally
2. Designating (nominating) the CP administrator
3. Creating the CP manual to be delivered to employees
4. Implementing fair trade–related training for employees
5. Executing auditing to prevent legal violations proactively
6. Implementing sanctions to be imposed for employees violating laws and regulations on fair trade
7. Handling proper management of documents

## ESG Governance

### Reporting the Violation of CP

The CP is operated and monitored so that any employee discovering violations or potential violations of the CP may report directly to the CP administrator.



※ For more information on our CP manual and operation regulations, please visit our company website.

### INTERVIEW



**Jeongjin Lee**  
Seyeong Law Firm  
Lawyer

Led by the CP administrator, the CP deliberation discusses the fairness and legitimacy of subcontract transactions in advance to establish fair trade orders with subcontractors. Such CP operations are rare in a medium-sized company, but Hwashin pulls it off and sets an example to other companies. I am very much impressed that all Hwashin employees conduct trades with business partners based on a mindset reflecting the President’s strong will to establish fair trade orders and compliance with the code of conduct regarding the CP.”

## ESG Governance

### [Interested Parties]

Hwashin defines its interested parties to be the shareholders, investors, the government, employees, partners, and clients. We use communication channels in each area to connect with key interested parties and reflect their voices and opinions.

Year	Clients	Shareholders / Investors	Employees	Partners	Government and the	Community
Community Channels	- Website	- General shareholders - DART (Disclosed data) - Website (Disclosed data)	- Intranet - Cyber VOC - Labor-management	- Seminar	- MOU with the central and local government	- Website - Foundation website
Expectations	- Goods, technology - Product competitiveness	- Sales and financial performance - Business prospects - Dividends	- Welfare - Education and self-development - Wage increase - Childcare policies - Work-life balance	- Shared growth - Grievances - Improvements	- Compliance - Tax payment - Community vitalization	- Communicating with the community - Social contribution
Main Activities		- General shareholders - Dividends	- School expenses for children - Training expenses for employees - Housing loans - Stability loans		- Payment of national and local taxes - New recruitments - Community donations	- Community scholarships

### [Distributing Economic Values]

We always endeavor to distribute economic values to our key interested parties, including shareholders, investors, the government, employees, partners, and clients. Our 2021 (consolidated) financial statements recorded KRW 1.2366 trillion of sales, KRW 24.2 billion of operating income, and KRW 24.4 billion of net income or loss for the year. Because of the base effect of COVID-19, we saw increasing sales and exchange rates of main currencies and a turnaround by gains on overseas operations translation of trade receivables for overseas branches, etc. To fulfill CSR, we always return our profits through dividends.

(Unit: KRW 1 million)

Year		2019	2020	2021
Shareholders	Dividends	1,646	1,646	2,305
Creditors	Interest expenses	16,436	13,662	12,263
Employees	Salaries	51,731	57,795	58,479
	Welfare	4,041	3,495	3,525
Business Partners	Inventory input costs	864,616	849,263	915,338
Government and the Community	Taxes	3,030	(Loss)	6,817
	Contribution	107	114	138



# Appendix





# Key Performance Indicator (KPI) *Economic Sector*

## Summary of the Statement of Financial Position and State of Profit or Loss

(Unit: KRW)

Items		2019	2020	2021	
Separate	Assets	Current assets	343,506,151,000	299,957,241,697	311,755,617,884
		Noncurrent assets	267,964,561,259	341,267,830,122	367,712,959,745
		Sum	611,470,712,259	641,225,071,819	679,468,577,629
	Liabilities	Current liabilities	191,008,386,141	234,184,738,482	270,375,757,902
		Noncurrent liabilities	74,501,194,505	87,149,801,358	78,764,868,729
		Sum	265,509,580,646	321,334,539,840	349,140,626,631
	Equity		345,961,131,613	319,890,531,979	330,327,950,998
	Sales		680,798,377,089	708,778,761,902	724,967,783,499
	Cost of sales		627,878,404,481	659,821,347,410	688,306,003,561
	Sales operation costs		42,850,706,973	46,604,840,532	43,812,644,200
Operating income		10,069,265,635	2,352,573,960	(7,150,864,262)	
Current net income or loss		11,794,525,634	(22,226,060,244)	26,057,799,975	
Consolidated	Assets	Current assets	370,213,538,925	408,943,541,670	429,221,933,696
		Noncurrent assets	438,189,521,881	413,716,933,746	441,531,164,451
		Sum	808,403,060,806	822,660,475,416	870,753,098,147
	Liabilities	Current liabilities	383,081,095,724	448,156,611,698	462,971,528,845
		Noncurrent liabilities	125,595,206,716	118,843,180,658	119,339,537,914
		Sum	508,676,302,440	566,999,792,356	582,311,066,759
	Equity		299,726,758,366	255,660,683,060	288,442,031,388
	Sales		1,164,322,416,812	1,085,541,981,389	1,236,592,388,393
	Cost of sales		1,090,492,355,419	1,028,521,343,497	1,135,045,552,110
	Sales operation costs		71,887,955,267	68,298,731,846	77,389,615,933
Operating income		1,942,106,126	(11,278,093,954)	24,157,220,350	
Current net income or loss		6,622,598,513	(54,248,883,110)	24,367,674,191	

## Appendix

# Key Performance Indicator (KPI) *Social Sector*

## Employment

(Unit: No. of people)

Items		2019	2020	2021	
Employment type	Regular	859	847	833	
	Nonregular	33	72	81	
	Sum	892	919	914	
New recruitments	Regular	Male	46	9	20
		Female	2	0	0
	Sum	48	9	22	
	Nonregular	Male	25	67	52
		Female	5	5	3
Sum	30	72	55		
Gender	Male	844	877	874	
	Female	48	42	40	
Turnover rate		9%	7%	5%	

## Childcare Leave

(Unit: 1 million)

Items		2019	2020	2021
Targets for childcare leaves	Male	247	246	246
	Female	9	10	10
No. of targets	Male	4	2	4
	Female	4	5	3
Return of targets	Male	4	2	1
	Female	4	1 (3 people on leave)	3
Turnover rate		0%	0.4%	0%
Retirement pension	Cumulative amount	32,764	37,158	40,531

## Labor Union Status

(Unit: No. of people)

Items	2019	2020	2021
No. of members	876	899	895
No. of registered employees	445	442	407
Registration percentage	51%	49%	45%

## Training

(Unit: 1 million)

Items	2019	2020	2021
No. of trainees	2,329	930	2,279
Training hours	15,744	26,863	15,348
Training expenses	35	33	62

## Outcome of Health

(Unit: No. of people)

Items	2019	2020	2021
No. of regular checkup targets	664	711	692
No. of comprehensive checkup targets	234	208	256

\* Regular health checkup is stipulated under the law.  
 \* Hwashin provides comprehensive health checkups for employees aged 40 and above and their spouses as a welfare benefit.

## Social Contribution

(Unit: 1 million)

Items	2019	2020	2021
Donations	168	210	217

\* Donations include Hwashin's donations and the expenses to perform businesses aimed by the Korea Student Aid Foundation.

## Legal Violations

Date	Violations	Sanctions
-	-	-

\* No legal violations exist.

## Status of Industrial

(Unit: No. of people)

Items		2019	2020	2021
No. of victims	Regular	1	1	0
	Nonregular	0	0	0

\* Scope: Eonha Plant, Bongdong Plant, R&D Center, Yesan Plant

\* 2019: Musculoskeletal system disorders (Bongdong Plant)

\* 2020: Musculoskeletal system disorders (Eonha Plant)

# Key Performance Indicator (KPI) *Environment Sector*

## Amount of Energy Usage and Carbon Emission

Items	Place Used	Amount of Energy Used			Conversion Factors of Carbon Emissions	Generated Carbon (kg)		
		2019	2020	2021		2019	2020	2021
Electricity (kWh)	Production line utilities and others	26,107,102	27,709,253	28,758,259	0.424	11,069,411	11,748,723	12,193,502
Oil (L)	Gasoline	24,913	20,487	18,927	2.38	59,293	48,759	45,046
	Diesel	36,552	32,455	23,390	2.75	100,518	89,251	64,322
	Kerosene	6,526	6,354	2,327	2.44	15,923	15,504	5,677
LNG (m <sup>3</sup> )	Painting line	499,082	593,725	624,923	2.23	1,112,953	1,324,007	1,393,578
	On-site heater	412,606	434,737	343,981		920,111	969,464	767,078
	Restaurants, etc.	27,823	29,077	29,394		62,045	64,842	65,549
Water	Water supply	82,269	36,058	40,504	0.332	27,313	11,971	13,447
	Wastewater	39,972	34,080	28,402		13,271	11,315	9,429
Waste emissions (kg)	General waste	303,020	320,400	413,990	0.12	36,362	38,448	49,679
	Designated waste	67,070	62,950	65,050		8,048	7,554	7,806
Sum						13,425,248	14,329,838	14,615,113

\* Electricity (Eonha Plant + Hot Stamping, R&D Center + Hot Stamping, etc., Bongdong Plant)

\* Water Supply (Eonha Plant, R&D Center, Bongdong Plant)

\* Wastewater (Pilot Building, Waste Treatment Center)

# Key Performance Indicator (KPI) *Environment Sector*

## Air Pollutants

(Unit: t)

Items	Workplaces	2019	2020	2021
Dust	Eonhaa Building	0.35	0.10	0.10
	R&D Center	0.14	0.04	0.02
	Bongdong	0.03	0.01	0.02
	Yesan	1.58	0.53	0.24
SOx	Eonhaa Building	0.39	0.12	-
	R&D Center	-	-	-
	Bongdong	-	-	-
	Yesan	-	0.03	0.09
NOx	Eonhaa Building	0.03	0.24	0.42
	R&D Center	-	-	-
	Bongdong	-	-	-
	Yesan	0.28	0.38	0.37

\* Air pollutants were measured by the Earth Environment Measurement Corporation, DOOHYUN E&C, and Samyang Construction and Environment Research Institute.

\* There may be fluctuations in measurement items because of the changes in the input of materials during processes, revision of laws and regulations, etc.

## Wastewater Pollutants

Items	Threshold	Workplaces	2019	2020	2021
Hydrogen ion concentration (PH)	5.8-8.6 mg/L	Eonhaa	7.90	7.00	7.30
		Yesan	7.70	-	-
Biochemical oxygen Demand (BOD)	80 mg/L	Eonhaa	6.90	7.90	2.90
		Yesan	10.70	1.70	-
Chemical oxygen demand (COD)	90 mg/L	Eonhaa	23.30	31.30	27.00
		Yesan	22.00	15.70	-
Suspended solids (SS)	80 mg/L	Eonhaa	6.10	13.80	27.00
		Yesan	1.50	1.80	-
Normal hexane (mineral oils)	5 mg/L	Eonhaa	0.80	Undetected	Undetected
		Yesan	-	-	-
T-N	60 mg/L	Eonhaa	3.17	2.05	4.58
		Yesan	6.19	-	-
T-P	8 mg/L	Eonhaa	3.08	0.56	3.99
		Yesan	0.07	-	-
Zn	5 mg/L	Eonhaa	0.49	3.57	1.86
		Yesan	0.45	1.03	-
Copper (CU)	3 mg/L	Eonhaa	0.05	Undetected	0.01
		Yesan	-	-	-
Anionic surfactant (ABS)	5 mg/L	Eonhaa	0.24	0.05	0.03
		Yesan	Undetected	-	-

\* The water quality was measured by the Earth Environment Measurement Corporation, DOOHYUN E&C, and Samyang Construction and Environment Research Institute.

\* There may be fluctuations in measurement items because of the changes in the input of materials during processes, revision of laws and regulations, etc.

\* Bongdong: Entirely entrusted

# GRI Index

## GRI Standards (GRI 100)

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\* For more information, please see the Corporate Governance Report.

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## GRI Standards (GRI 100)

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**Contact Point for Inquiries**

The ESG Bureau of Hwashin Co., Ltd.  
14, Eonhagongdan 1-gil, Yeongcheon-si,  
Gyeongsangbuk-do, Rep. of Korea (38828)  
054-330-5304  
won-do.lee@hwashin.co.kr

**<http://www.hwashin.co.kr>**