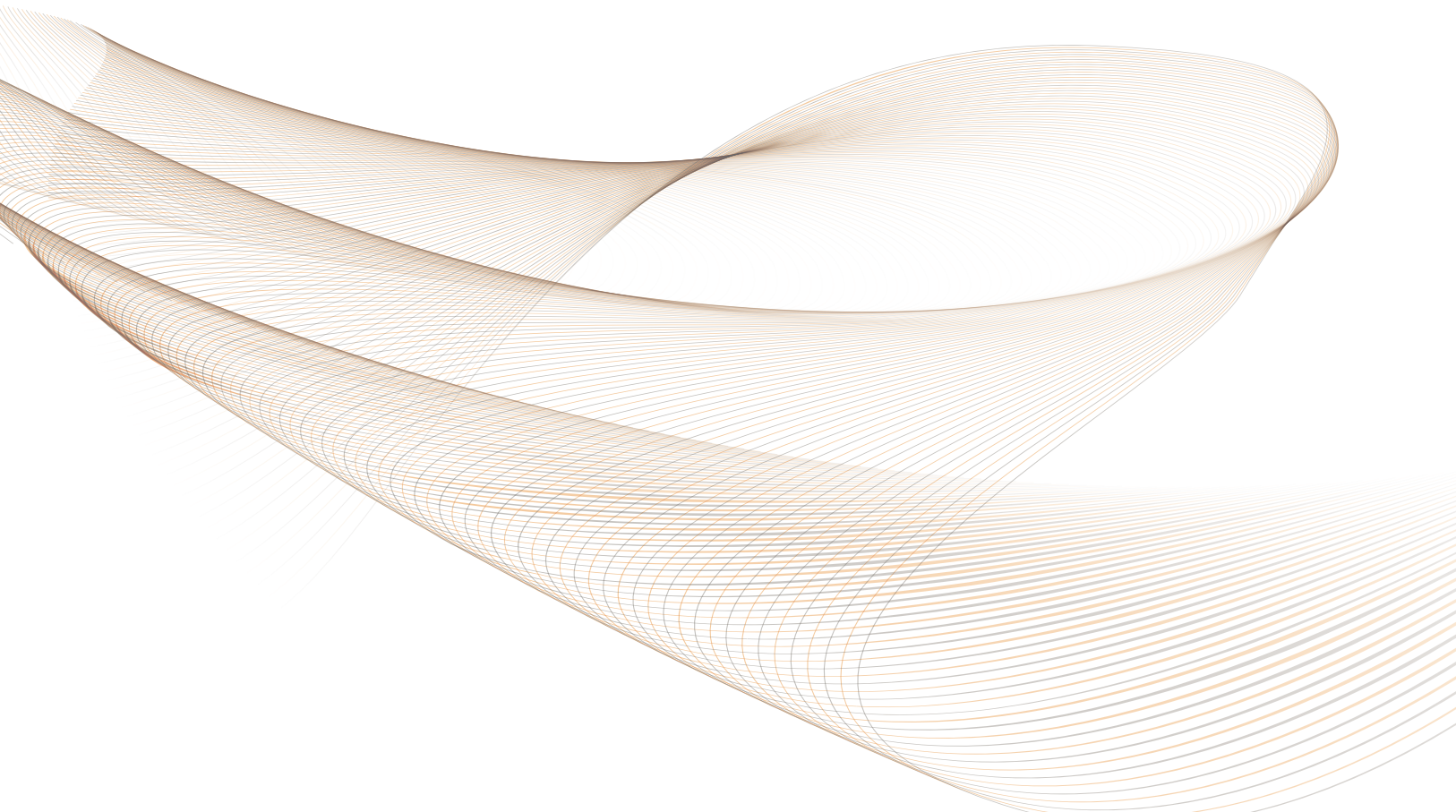


HANKOOK TIRE CSR REPORT 2011/12

DRIVING CSR, DRIVING SUSTAINABLE MOBILITY



ABOUT THIS REPORT

REPORTING PURPOSE

This report aims to present Hankook Tire's endeavors to create economic, social and environmental values as well as overall CSR (Corporate Social Responsibility) achievements in 2011 and to share our action plans and commitments for 2012. We intend to use this report as a communication channel with our esteemed stakeholders in order to incorporate their expectations and demands in the entire conduct of business at Hankook Tire.

REPORTING STANDARDS AND PRINCIPLES

This report was prepared against the GRI G3 guidelines along with Hankook Tire's in-house reporting and disclosure standards to satisfy global standards and enhance its utilization in the overseas market. In doing so, we, as a global company, aim to satisfy the expectations and demands of wide-ranging stakeholders both domestically and internationally. Our CSR reporting principles include reliability, appropriateness and completeness of the report content, transparency and integrity of the reporting process as well as originality and uniqueness of the report itself. Not only do these principles allow better utilization of the report but they also apply to all other public disclosure documents of Hankook Tire. This is our third CSR Report that is published annually. The forth report is slated for publication in April of 2013.

REPORTING PERIOD AND SCOPE

This report comprises data from January 1, 2011 to December 31, 2011 with partial information and data ranging from 2008 to March 2012 for additional coverage through the presentation of CSR performance track records. Moreover, to assist stakeholders in better understanding what we plan to improve against the 2011 achievements, the report paints a detailed picture of our 2012 action plans by key managerial issue. The report primarily covers the Korean business sites including the headquarters in Seoul, plants in Daejeon and Geumsan and the R&D Center. The content also includes our overseas sites in Hungary and China, regarding such areas as Environmental Management, Community Involvement and Development and Employee Value Creation. We aim to expand the scope of reporting continuously in order to make a comprehensive and complete presentation of our endeavors and accomplishments at overseas sites in an effort to promote CSR on a global level. Refer to the corporate overview section for information regarding subsidiaries.

THIRD-PARTY ASSURANCE

The third CSR Report of Hankook Tire was assured by an independent third-party assurance provider to fully ensure the appropriateness and completeness of the reporting process as well as the transparency and comprehensiveness of the disclosed information. A Type 1 assurance engagement in accordance with AA 1000 was performed on the entire CSR reporting process, reporting content as well as critical information and data of this report by independent external assurer, Two Tomorrows (www.twotomorrows.com). The outcomes are summarized and organized in the assurance statement that appears at the end of this report.

TARGET AUDIENCE

This report is dedicated to the transparent disclosure of our CSR performance and the collection of feedback from varied stakeholders: core stakeholders (customers, employees, suppliers, local communities, shareholders/investors) and general stakeholders (civil organizations, students, central and local governments, competitors and media agents).

Joining the DJSI (Dow Jones Sustainability Indexes) Korea

The DJSI (Dow Jones Sustainability Indexes) Korea is the product of joint developments between Dow Jones, the full-service financial index provider in the U.S., and SAM, the sustainability evaluation agency and investment boutique headquartered in Switzerland. Hankook Tire was incorporated into the DJSI Korea for the first time in 2011, which widely recognized our achievements regarding sustainability management. This motivates full commitment to stakeholder engagement and the fulfillment of corporate social responsibility in accordance with the integrated CSR management system.



Detailed Information on the Report

For more information or inquiries on this report, please contact Hankook Tire through one of the contact methods indicated below.

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GLOBAL CEO MESSAGE



Dear Stakeholders,

It is with great pleasure that I announce Hankook Tire's achievement in reaching KRW 6.48 trillion in global sales, the highest-ever in our corporate history, while navigating through numerous management challenges of global economic slowdown and surging prices of raw materials caused by the financial woes in Europe. This astonishing outcome is attributed to the steadfast support of our dear stakeholders and the passion of all employees at Hankook Tire. It is also a clear demonstration of how well our sustainability management system is integrated with daily business operations and is effectively put into action.

In 2012, Global Quality Level-up was newly added to our corporate strategic directions of Brand Value-up, Global Growth Acceleration and Global Operation Excellence in order to emphasize that product quality, the determining factor in the tire industry and a basic requirement for any company, constitutes the core of our competitive edge where no compromise is allowed.

The rapidly changing business environment is urging companies to create environmental and social value in addition to economic value through an enhanced core competitive edge. This means that companies today are faced with growing responsibilities for their conduct of business in accordance with extended roles and influences. At Hankook Tire, we aim to fulfill our social responsibility as well as achieve Vision 2020 in order to become a Leading Global Tire Company that delivers value and satisfaction to customers, building on our 71-year history of trusted progress.

The integrated CSR management system is based on our efforts to reach the goals mentioned above. The materiality analysis was performed in 2011 to identify and manage the Five Focus Areas of: Employee Health & Safety Management, Environmental Management, External Stakeholder Satisfaction Management, Employee Value Creation and Transparency & Business Ethics and relevant key managerial issues in each of these areas. The CSR Strategic Committee attended by the company CEO and top management is responsible for reviewing and determining detailed targets and accomplishments on key managerial issues. In addition, the nine subcommittees ensure that relevant departments cooperate to attain the set goals.

The third Hankook Tire CSR Report outlines the CSR initiatives promised to stakeholders in the previous reports as well as their outcomes and processes undertaken by each department to systematically integrate sustainability management into their existing business operation and to effectively translate it into action.

DRIVING CSR, DRIVING SUSTAINABLE MOBILITY

This report represents our commitment to stakeholder communication, the transparent presentation of CSR track records and dissemination of sustainability management values we pursue at Hankook Tire.

Our steadfast efforts towards sustainability management supported by the integrated CSR management system enabled us to join the DJSI (Dow Jones Sustainability Indexes) Korea for the first time in 2011. We will do our utmost to grow in partnership with stakeholders as a way to fulfill our social responsibility and to bring positive changes to our society while enhancing our corporate value. Your continued interest and support will be greatly appreciated in assuring the sustained and balanced development of Hankook Tire.

Thank you.



Suh, Seung-hwa
Vice Chairman & Global CEO

COMPANY PROFILE

As Korea's first tire producer launched in 1941, Hankook Tire has continued to progress beyond a local player into the world's seventh largest tire manufacturer, interacting with customers in 180 countries.

The challenging environment of 2011 failed to hinder our ambition for continued growth, as we rather took a step closer to becoming a Leading Global Tire Company, reaching KRW 6.4889 trillion in global sales, KRW 567.2 billion in operating profit and a 19% increase in sales growth. We are also aware of our responsibility as a corporate citizen and are fully committed to forging a sustainable future where everyone has the opportunity to live a contented and fulfilling life. Included in our endeavors to strengthen the social responsibility initiatives is 'H-LOHAS (Hankook Lifestyle of Health and Sustainability)', our in-house lifestyle campaign, and the establishment of our company-wide integrated CSR management system. We will continue our journey to become a global company that is respected and trusted for our commitment to a sustainable future through balanced growth with all our stakeholders.

Company Profile	
Company Name	Hankook Tire Co., Ltd.
Establishment	May 10, 1941
IPO (Initial Public Offering)	Dec. 27, 1968
Global CEO	Suh, Seung-hwa
Business Type	Manufacturing, reproducing and selling tires, tubes and components
Headquarters	647-15, Yeoksam-dong, Gangnam-gu, Seoul, Korea
Telephone	82-2-2222-1000
Total Assets	KRW 7,436,379,614,154
Sales	KRW 6,488,973,252,844
Operating Profit	KRW 567,278,272,371
Total Capital	KRW 3,216,698,137,053
Affiliates	ATLASBX Co., Ltd. / Daehwa Engineering & Machinery Co., Ltd. / emFrontier Co., Ltd. / FRIXA Co., Ltd. / MK Technology Corporation

BRANDS & PRODUCTS



Our enfren eco products are Korea's representative eco-friendly tire, rated grade 1 in energy efficiency and grade 2 in wet grip.



enfren eco



Ventus S1 evo² is our high-performance premium tire that meets both performance and environmental requirements. It delivers outstanding handling and grip performance under indiscriminate road conditions and provides customers with best-possible driving experiences.

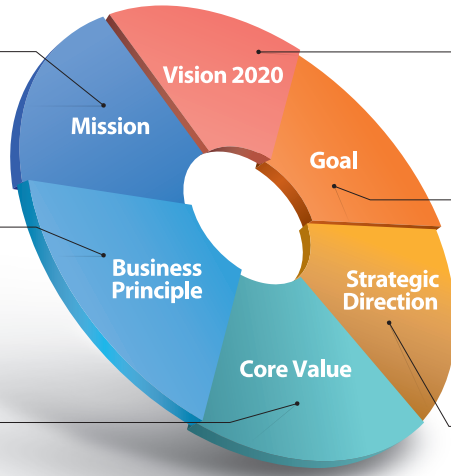


ventus S1evo²

Mission and Vision

Mission Frame

- Mission**
Contribute to Advancement in Driving
- Business Principle**
Voice, Environment, People
Innovation, Ethics, Execution
- Core Value**
Passion, Innovation
Trust, Global



Vision Frame

- Vision 2020**
A Leading Global Tire Company Providing Customers with Value and Pleasure
- Goal**
5-1-1
5: Global **5**th Tire Maker | Global M/S Over **5**%
1: Global EBITDA **1** Bil. USD | **1**st in Profitability
1: Global Production **1** Hundred Mil. Tires | **1**st in Quality & Productivity
- Strategic Direction**
Brand Value-up
Quality Level-up
Global Growth Acceleration
Global Operation Excellence



Hankook is the representative brand of Hankook Tire domestically and internationally and our product line-up consists of the following brand sub-categories by vehicle and product segment.

ventus

Ultra-high performance tires and racing tires

OPTIMO

Premium sedan tires

KINERGY

Eco-friendly tires for the global market

entren eco

Korea's first eco-friendly tires

Dynapro

SUV tires

Smart

Economical tires for the domestic market

vanTRA

Van tires

Winter i*Pike

Winter tires (Stud)

Winter i*cept

Winter tires (Studless)

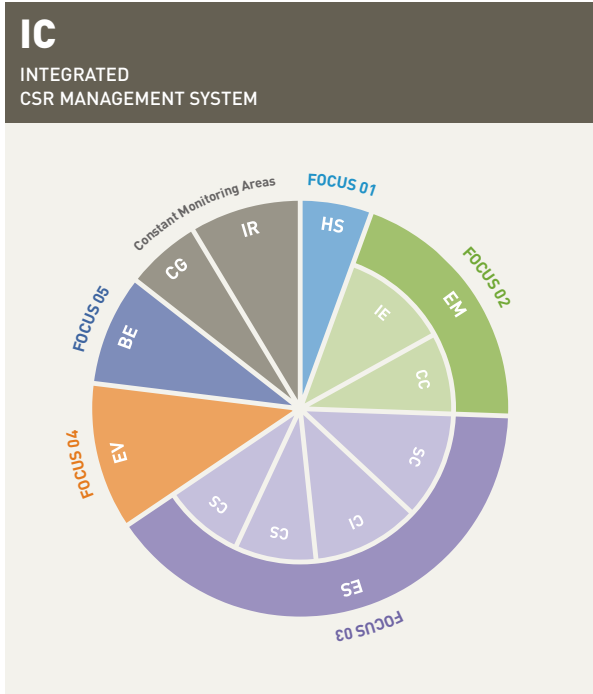


Aurora tires target overseas consumers and are mainly mounted on passenger cars. 'Route Master', which means tires that know the road well, is under operation as a related product brand.



Kingstar targets overseas consumers who prefer economical products and has 'Road Fit' as its product brand, which represents product features that best fit the road conditions at hand.

Integrated CSR Management System



Declaration

We at Hankook Tire aim to build CSR into our corporate culture and into employees' everyday operations. The integrated company-wide CSR management bases our commitment on delivering the best-possible values to wide-ranging stakeholders and seeking sustainable development of the mobility industry.

Management Responsibility and Governance

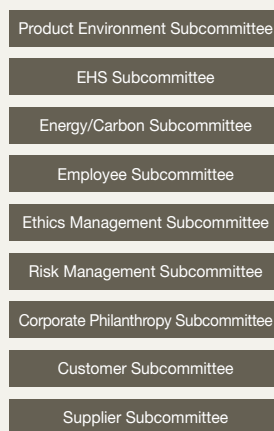
The company-wide CSR initiatives at Hankook Tire are undertaken by the integrated CSR management system, which is built and operated by the CSR Team in the management infrastructure sector. Our CSR Steering Committee, made up of nine subcommittees, assists relevant teams in sharing goals and achievements through communication with the CSR Team and in putting CSR plans into action.

CSR Governance (CSR Committee)

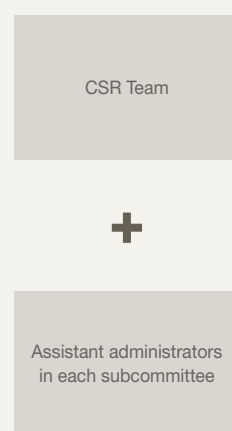
CSR Strategy Committee



CSR Steering Committee



CSR Meeting



*The Car Maker Subcommittee was abolished in 2011 due to its limited scope of work, which was primarily involved in serving as a communication channel with carmakers.

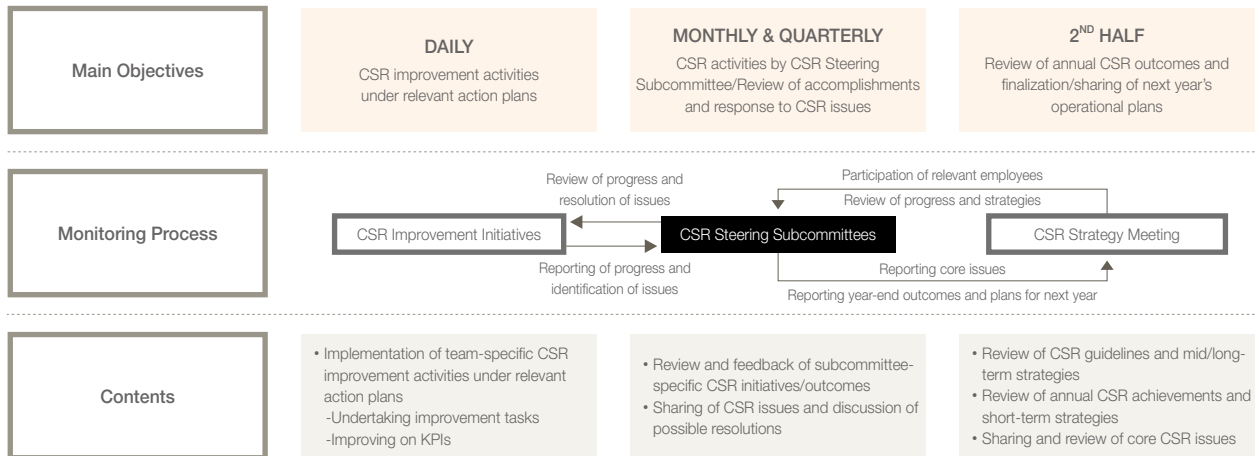
IC

- 07 Operation of the CSR Committee
- 08 Reinforcement of Company-wide Employee Training and Communication
- 08 Stakeholder Communication and Engagement
- 10 Materiality Analysis
- 11 CSR Steering Wheel 2012

IC-1 OPERATION OF THE CSR COMMITTEE

The CSR Strategy Committee and CSR Steering Committees under the leadership of our Global CEO are active at Hankook Tire to ensure that CSR initiatives are undertaken in an integrated manner on a company-wide level. Following outcomes are reported to top management for future directions to be discussed.

At Hankook Tire, our CSR accomplishments and objectives are closely aligned through regular reporting and reviews between the CSR Strategy Committee and respective subcommittees. Our annual CSR reports are also incorporated into the company-wide mid/long-term strategic guide. Moreover, the outcomes of the materiality analysis conducted based on internal/external stakeholder surveys, feedback from external professional evaluation organizations, benchmarking of leading companies and CSR assessments are reflected in next year's strategic guide by each subcommittee.



CSR Strategy Committee in China Headquarters



Our Chinese CSR Committee was newly created in March 2012 to assist the China Headquarters in establishing its own sustainability management system. The CSR Strategy Meeting is held bi-monthly under the supervision of our COO in the China Headquarters to ensure integrated CSR management in the Chinese market. The meeting is attended by the EHS Steering Committee, Corporate Philanthropy Subcommittee, Ethics Management Subcommittee, Employee Subcommittee and Risk Management Subcommittee. Our initiative to assess CSR capabilities and build relevant infrastructure will expand to other overseas business sites in order to establish and widely disseminate our worldwide CSR framework.

IC-2 REINFORCEMENT OF COMPANY-WIDE EMPLOYEE TRAINING AND COMMUNICATION

The objective of our CSR training is to assist employees in applying CSR principles in their daily operation as well as generate systemized outcomes to be reported. To this end, we are fully committed to building wider CSR awareness among employees across the board and stronger capabilities to carry out the CSR initiatives.

Our goal at Hankook Tire is to ingrain CSR into our corporate culture and into daily operation of employees. Therefore, we provide CSR training to all staffs to share the meanings and requirements of CSR. Specifically, for newly-hired employees, training in basic concept and knowledge of CSR along with overall CSR directions at Hankook Tire is provided. For assistant managers and subordinates, workshop-format training was offered to share corporate CSR initiatives at Hankook Tire and to discuss CSR activities that are viable in their daily operations.

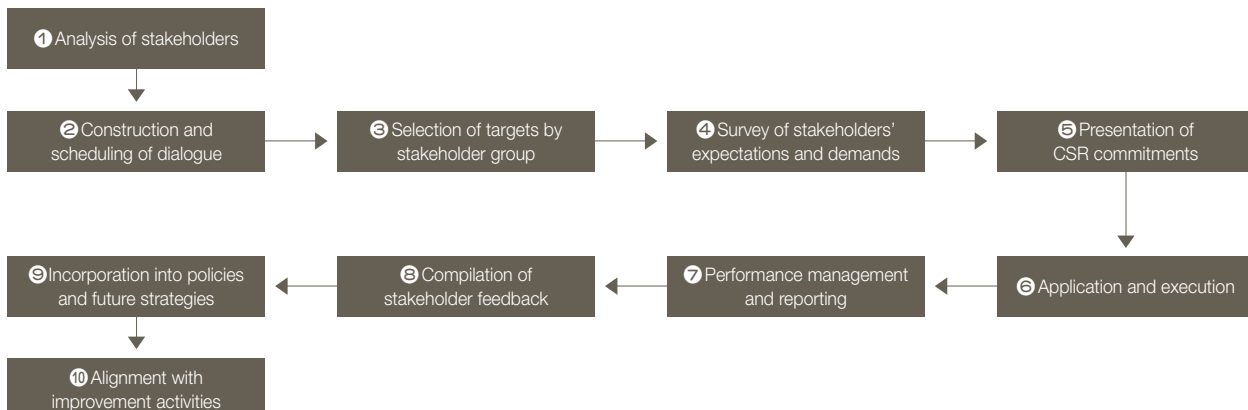
Name of Course	Content	Target	Trainees	Training
Concept and understanding of CSR	CSR at Hankook Tire	New Hires	227	2 hours/person
	Sharing Hankook Tire's CSR initiatives and building CSR into daily business operations	Promotion Candidates	458	2 hours/person

IC-3 STAKEHOLDER COMMUNICATION AND ENGAGEMENT

At Hankook Tire, we classify our stakeholders according to the size and scope of their impact on our business operation and ensure that all our employees are aware of major issues raised by stakeholders through varied communication channels. Stakeholder feedback is reflected in our conduct of business to create sustainable values.

We further clarified our definition of stakeholders by categorizing them into core stakeholders and general stakeholders through analysis of various stakeholders related to our business operation as well as to the internal/external environments. We define core stakeholders as those who are most closely related to Hankook Tire and are influenced by our business operation. General stakeholders are those who affect or are indirectly or potentially affected by our business operation. We are dedicated to sharing our CSR accomplishments and plans with these stakeholders. To this end, wide-ranging communication channels are actively engaged at Hankook Tire for us to hear their candid opinions.

Annual Stakeholder Dialogue Process



IC

- 07 Operation of the CSR Committee
- 08 Reinforcement of Company-wide Employee Training and Communication
- 08 Stakeholder Communication and Engagement
- 10 Materiality Analysis
- 11 CSR Steering Wheel 2012

Stakeholder Model

- Core Stakeholders
- General Stakeholders



Communication Channel by Stakeholder Group

Core Stakeholders	Communication Channels	Key Issues Raised
Customers (Customers and Dealers, Car Makers)	Discussion meetings (with authorized retail stores and retail shops), Dealer satisfaction surveys, Tire Family magazine, Technology exchange, Exhibitions, etc.	<ul style="list-style-type: none"> - Enhancement of product quality and safety - Extension of product responsibility, Responsible marketing - Enhancement of consumer safety/health regarding product use - Actively Communicating with customers and reflecting their opinions, etc.
Employees	Labor-management consultative meetings, In-house IR, HANA site, In-house magazine, Challenge 511, etc.	<ul style="list-style-type: none"> - Recognition of diversity and stricter prohibition of discrimination - Improvement of labor conditions covering workplace safety - Fair performance evaluation and reasonable compensation - Stronger internal communication and labor relations, etc.
Suppliers	Quality and environment workshops, Regular supplier assessments and surveys, etc.	<ul style="list-style-type: none"> - Support program for suppliers' competitiveness (training, technological support, etc.) - Fair trade and mutually-beneficial partnerships - Proactive communication and stronger sharing of information, etc.
Local Community	Local resident meetings, Meetings with local government agencies and NGOs, Gathering opinions from local communities, etc.	<ul style="list-style-type: none"> - Minimization of environmental impact, Revitalization of local economy - Educational and livelihood support for the under-privileged in local communities - Corporate philanthropic initiatives as a way of making social investments, etc.
Shareholders/Investors	Board of directors meetings, Shareholder general meetings, Overseas conferences, IR events, etc.	<ul style="list-style-type: none"> - Maximization of business outcomes and shareholder values - Management of organizational transparency and sustainability - Transparency/ethics management, Integrated risk management, etc.

MATERIALITY ANALYSIS

Our materiality analysis was performed based on stakeholder interest and business impact. This process produced 17 issues that were regarded as relatively important. These issues were further clarified under the CSR Steering Wheel for effective management.

Stakeholder Engagement in the Materiality Analysis and Reporting Process

Our materiality analysis aimed to identify CSR Focus Areas and key managerial issues that would be the focus of intensive management and communication endeavors in 2012. At Hankook Tire, the materiality analysis is conducted by extracting a pool of issues through regular annual CSR assessments, evaluation of stakeholder interest on each of the issues identified, and evaluation of each issue's impact on the business. We will ensure that such materiality analyses assist us in managing material issues that are highly influential on our business conduct as well as of common interest to our major stakeholders in a sustained and systemized way.

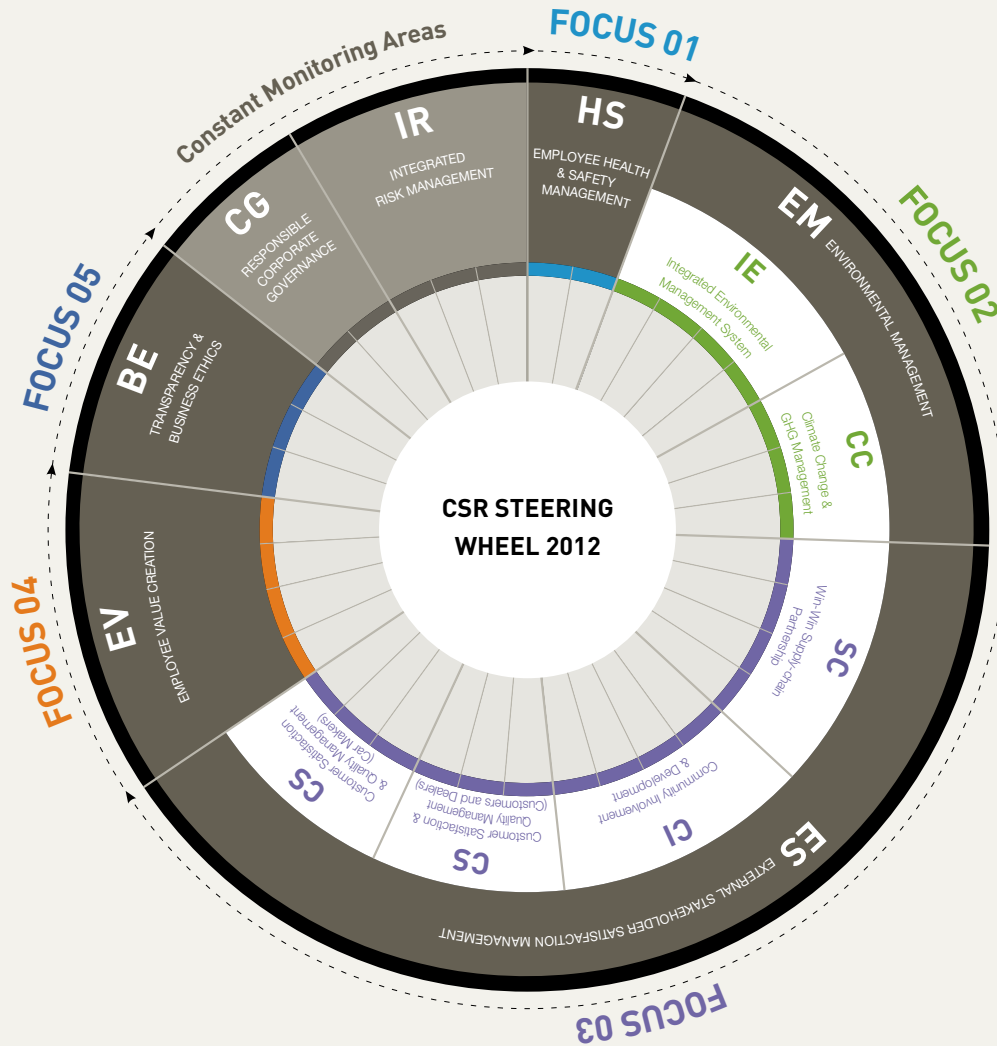


CSR Steering Wheel 2012 Built through the Materiality Analysis

The materiality analysis performed between the end of 2011 and 2012 revealed that management of employee health and safety constituted the top priority issue raised by stakeholders, as was also the case in 2011. As a result, 'Employee Health and Safety Management' became Focus 1 for its elevated ranking merited more intensive management and improvement activities. Such issues of 'Environmental Management', 'External Stakeholder Satisfaction Management', and 'Employee Value Creation' were continuously identified as material issues, while 'Integrated Risk Management' was relocated from 'Focus 4' to 'Constant Monitoring Area' in response to growing demands for constant management of company-wide risk response activities. We at Hankook Tire will ensure that managerial issues and focus areas-crucial, regulatory and intriguing-are proactively addressed and reported.

CSR STEERING WHEEL 2012

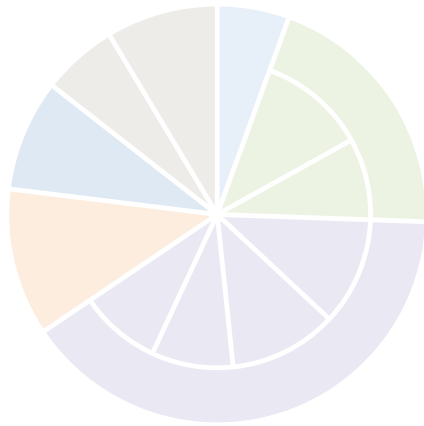
We identified the Five CSR Focus Areas of Employee Health and Safety Management, Environmental Management, External Stakeholder Satisfaction Management, Employee Value Creation and Transparency/Ethics Management based on our integrated CSR management system.



Code	Key Managerial Issues	Page
CG	1. Professional operation of the BOD and its reinforced responsibilities	p.14
IR	1. Selection and management of 10 key risks 2. Establishment of the integrated risk management system 3. Enhancement of company-wide risk response training and establishment of risk culture	p.16
HS	1. Establishment of voluntary safety management system 2. Enhancement of employee health management	p.22
IE	1. Green purchasing 2. Cleaner production 3. Product and environment 4. Management of resources	p.28
CC	1. Energy/carbon management 2. Execution and reduction 3. Supply chain carbon management	p.36
SC	1. Supplier management and supplier relations policy 2. Supplier communication 3. Win-win supplier partnership programs 4. Facilitation of green purchasing	p.40

Code	Key Managerial Issues	Page
CI	1. Establishment of the company-wide philanthropy system 2. Expansion of employee consensus and reinforcement of executive capability 3. Development and brandization of representative programs 4. Reinforcement of communication with local communities and identification of local issues	p.46
CS	1. Win-win customer strategies 2. Reinforcement of customer engagement and communication 3. Impressive customer services	p.52
CS	1. Reinforcement of product competency 2. Establishment of global standard processes 3. Expansion of communication	p.58
EV	1. Open communication-based management 2. HR systems that offer fair opportunities 3. Growth-fostering training systems 4. Work/life balance	p.62
BE	1. Ethics management training and communication 2. Regular monitoring and evaluation 3. Dissemination of ethics management to suppliers	p.70

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HANKOOK TIRE CSR FOCUS AREAS

CONSTANT MONITORING AREAS

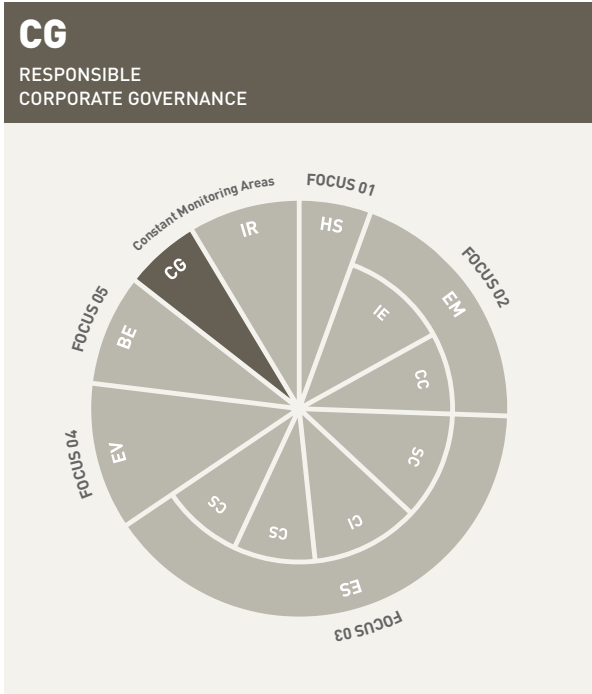
CG	Responsible Corporate Governance	14
IR	Integrated Risk Management	16

CSR FOCUS AREAS

FOCUS 01	HS Employee Health & Safety Management	22
FOCUS 02	EM Environmental Management	
02-1	IE Integrated Environmental Management System	28
02-2	CC Climate Change & GHG Management	36
FOCUS 03	ES External Stakeholder Satisfaction Management	
03-1	SC Win-Win Supply-chain Partnership	40
03-2	CI Community Involvement & Development	46
03-3-1	CS Customer Satisfaction & Quality Management (Customers and Dealers)	52
03-3-2	CS Customer Satisfaction & Quality Management (Car Makers)	58
FOCUS 04	EV Employee Value Creation	62
FOCUS 05	BE Transparency & Business Ethics	70

 You may move on to the related page if you click on it.

Constant Monitoring Areas Responsible Corporate Governance



Declaration

Hankook Tire set an example in adopting a professional management structure as well as a thoroughly independent corporate ownership and management. We are committed to the maintenance of sound corporate governance and reasonable and transparent management practices.

Major Shareholders

The list of Hankook Tire shareholders with stock holdings of 5% and higher as of December 31, 2011 is as follows.

Name of Shareholders	No. of Stocks	Holdings Rate (%)
Cho, Yang-rai	24,335,507	15.99
Cho, Hyun-bum	10,798,251	7.10
Cho, Hyun-shick	8,817,786	5.79
Total	43,951,544	28.88

Board of Directors

Our Board of Directors (BOD) consists of 7 directors: 3 internal directors and 4 external directors, as of March 23, 2012.

Type	Name	Position	Relationship with the Largest Shareholder	Note
Internal Directors	Cho, Yang-rai	Chairman	Largest shareholder	
	Suh, Seung-hwa	Vice Chairman	N/A	BOD Chairman
	Cho, Hyun-shick	President	First son	
External Directors	Hwang, Won-oh	Audit Committee	N/A	
	Min, Hae-yung	Audit Committee	N/A	
	Lee, Yong-sung	Audit Committee	N/A	
	Cho, Kun-ho		N/A	Newly appointed

*Change: As Chang, Sun-kon, who served as an external director, resigned halfway on April 1 of 2011, the 58th General Shareholder Meeting, the first shareholder's meeting held since his resignation, appointed Cho, Kun-ho as an external director in accordance with Article 542 Clause 8 3 of commercial law in Korea.

Compensation for Directors

(Unit: KRW million)

Total Amount Paid to Internal Directors	2,500
Total Amount Paid to External Directors	118
Amount Approved at the Shareholder's Meeting	5,700

*Compensation is for registered directors during their tenure.

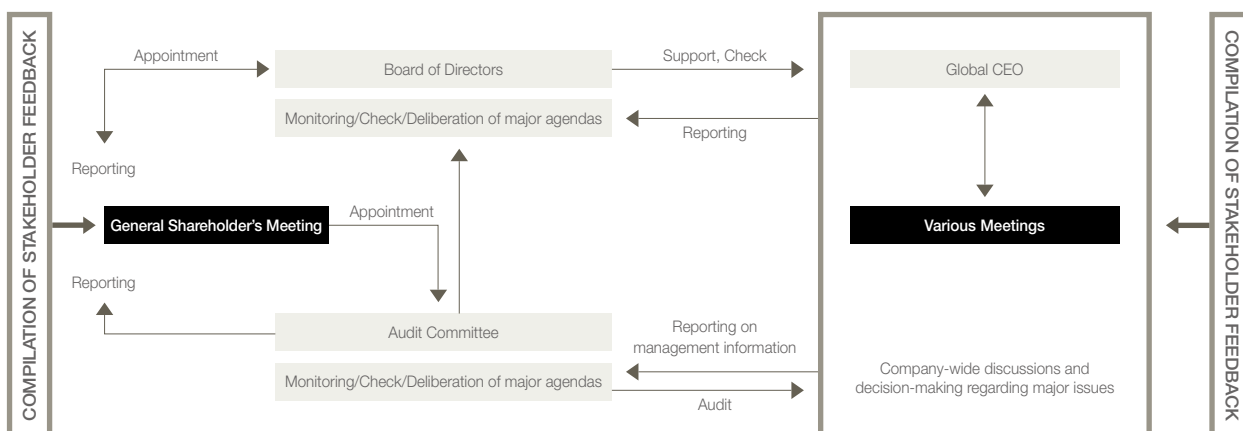
Please click on the icon if you want detailed information in addition to Responsible Corporate Governance in the report.

Professional Operation of the BOD and Its Reinforced Responsibilities

External directors constitute the majority of the Hankook Tire Board of Directors. Therefore their appointment strictly follows transparent and fair procedures of the External Directors Nomination Committee under the BOD. We ensure that individuals with adequate experience are appointed as external directors so that they may assist the company CEO in effective decision-making through advice and consultation and serve as a supervisor for top management.

Decision-making Process at the Top Management Level

Central to our decision-making framework at Hankook Tire is our Board of Directors. We continue to expand open communication channels to gather stakeholder feedback that will be reflected in decision-making process of top management.



BOD Meetings Held in 2011

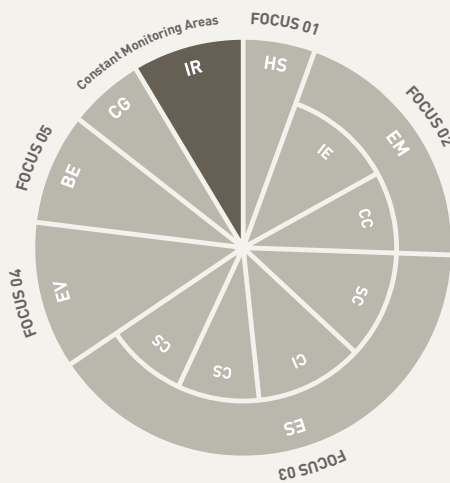
Regular Meetings	Ad-hoc Meetings	Major Agenda	Attendance of External Directors
4 meetings	11 meetings	Approval of financial statements, Payment guarantee for subsidiaries and related companies	86.6%

Committees under the BOD

Type	Composition	Major Functions
Audit Committee	3 external directors	- Auditing of the corporate accounting and business operation - Inspection of the corporate financial assets - Handling of matters stipulated in the corporate regulations and articles of incorporation and matters consigned by the BOD - Request of directors to report on business operations - Request for appointment of external directors
Management Committee	3 internal directors	- Deliberation and resolution on general management matters - Deliberation and resolution on financial matters
External Director Nomination Committee	2 internal directors 3 external directors	- Recommendation of external director candidates

Constant Monitoring Areas Integrated Risk Management

IR INTEGRATED RISK MANAGEMENT



Declaration

We at Hankook Tire prioritize risks caused by uncertainties within our business conduct. Thus, we build an enterprise-wide integrated risk management system that encompasses both proactive management measures and follow-up response guidelines, turning crisis into opportunity.

Management Responsibility and Governance

At Hankook Tire, integrated risk management is addressed through the Risk Subcommittee meetings held under the supervision of the Corporate Strategy Department. These meetings gather together financial, legal affairs, HR, marketing, communication, product quality, R&D, production technology teams and respective core CSR teams to discuss their Roles and Responsibilities regarding major risks and future response directions.

INTEGRATED RISKS

Our integrated risk management system defined the four risk categories in strategic risks, operational risks, financial risks and hazard risks based on the outcomes of risk management surveys. These integrated risks are thoroughly managed in accordance with our company-wide risk sharing and response guidelines.



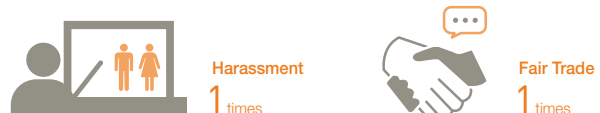
KEY RISKS SUBJECT TO INTENSIVE MANAGEMENT

We selected 10 key risks that are subject to company-wide management endeavors due to their characteristics and managerial significance, to provide constant monitoring of these risks at Hankook Tire. These 10 key risks include anti-dumping, fair trade, harassment, labor-management culture, protection of customer information, disputes over intellectual property/trademark rights, product liability, environmental issues, health/safety and fire.



TRAINING ON 10 KEY RISKS

We are planning to provide function-specific training in accordance with the overhaul of our risk management system while selecting 10 key risks subject to intensive management. Out of the 10 key risks, harassment and fair trade are addressed by developing training manuals; respective risk training programs are held once around the course.



IR

- 18 Selection and Management of 10 Key Risks
- 19 Establishment of the Integrated Risk Management System
- 21 Enhancement of Company-wide Risk Response Training and Establishment of Risk Culture

Stakeholder Interview

Yoo, Jong-ki Senior Manager, Audit & Enterprise Risk Services, Deloitte Anjin LLC

One noticeable trend today is that risks threatening business operations are increasing exponentially in terms of synchronization, lightspeedness and inter-connectedness. I believe that Hankook Tire's integrated risk management initiative is highly proactive and timely in breaking through such complexity and uncertainties. My recommendation is that Hankook Tire takes a more balanced view of overall risks, paying attention to the risks that may eventually promote corporate values and pursue long-term growth. I also suggest continuity of the current activities to ensure its survival as a company covering selection as well as monitoring of key risks that demand company-wide management efforts and intensive management of and prompt response to these risks. The 21st century has proved that businesses profit from tolerating risks and suffer from failing to manage them. What Hankook Tire needs to do at this critical juncture is to fully establish its own 'Risk Intelligence Management': Continue to search for opportunities to create new values while managing risks appropriately, in addition to protecting existing corporate values based on its current risk management capacity.

2011 Achievements

● : Completed ○ : Partially Completed ○ : Not Implemented ○ : Year-round Activity

Code	Key Managerial Issues	2011 Goals	2011 Achievements	Completion	Pages
IR1	Selection and management of 10 key risks	To select and monitor key risks (corporate level risks) that demand company-wide management efforts	Key management issues were selected with an emphasis on compliance risks	○	18, 19
		To strengthen strategic alignments among risk issues (identification of major risks in each headquarters)	Work is underway in accordance with the corporate mid/long-term strategy schedule	○	18, 19
		To operate company-wide risk response processes	Revised risk response processes will be up and running from 2012	○	19
IR2	Establishment of the integrated risk management system	To run the Risk Subcommittee		●	20, 21
		To perform the risk ETA of key risks subject to intensive management efforts	Types and current status of company-wide risks (including regional headquarters) were completely identified	○	18, 19
		To create management manuals regarding key risks subject to intensive management efforts	Manuals for the two key risks, harassment and fair trade were developed	○	21
IR3	Enhancement of company-wide risk response training and establishment of risk culture	To establish and support integrated risk training plans		○	21

2012 Plans

Code	Key Managerial Issues	2012 Commitments	Key Index	Deadline	Department in Charge
IR1	Selection and management of 10 key risks	To update key risks in accordance with changing environments		Year-round	Corporate Strategy Team/ Risk Subcommittee
		To select and manage specific Focus Risk issues in each regional headquarters	More than 3 issues per headquarter	Nov.	Corporate Strategy Team/ Risk Subcommittee
		To disseminate risk management operational systems		Mar.	Corporate Strategy Team
		To run the Risk Subcommittee	4 meetings	Year-round	Corporate Strategy Team/ Risk Subcommittee
IR2	Establishment of the integrated risk management system	To operate company-wide risk response processes		Year-round	Corporate Strategy Team/ Risk Subcommittee
		- Risk identification: Review and management of risk profile (regulations, case studies, organizational structures)			
		- Risk assessment: Creation of risk assessment criteria, measurement of assessment outcomes			
		- Risk response: Creation of risk response measures/analysis of causes, implementation of improved response measures			
		- Risk monitoring: Selection and review of monitoring indicators/analysis of improvements made, examination of management status/reporting of implementation outcomes			
		To identify key risks subject to intensive management and establish response systems		Year-round	Corporate Strategy Team/ Risk Subcommittee
		- Management of 10 key risks subject to intensive management (anti-dumping, fair trade, harassment, labor-management culture, protection of customer information, intellectual property/trademark rights, environmental issues, health/safety, product liability, fire)			
		To establish reporting systems			
IR3	Enhancement of company-wide risk response training and establishment of risk culture	To offer training in helping employees build consensus of the corporate risk management process		Year-round	Corporate Strategy Team/ Culture & HRD Team
		- Creation of plans and relevant support			

IR-1 SELECTION AND MANAGEMENT OF 10 KEY RISKS

We at Hankook Tire continue to examine change factors in internal/external environments in order to monitor relevant risks and build preparedness for wide-ranging risks. Key risks that demand company-wide management endeavors are specifically selected and effectively managed. Moreover, we ensure that these risks, when they do occur, are addressed through prompt responses.

1 Selection and Monitoring of Key Risks that Demand Company-wide Management Endeavors

Financial Risks The year 2011 was marked with a striking increase in global financial market volatility due to the downgraded credit rating of the U.S. economy, prolonged fiscal crisis in the Eurozone and the Arab Spring. In 2012, the global economic recovery may be slower than expected for China's economic growth rate forecast was adjusted downward and we are faced with continued economic woes in the Eurozone and permanent presence of geopolitical risks in relation to North Korea. As such, we expect to see growing uncertainties over financial and economic conditions domestically and overseas and it is extremely difficult to predict how business conditions will turn out. In spite of these uncertainties, we at Hankook Tire are committed to our overseas investment plans to secure future engines of growth while taking conservative approaches in managing risks to ensure sustained and stable growth.

We continue to monitor and manage our financial expenses and foreign exchange positions in order to minimize risks regarding our exposure to the financial market. Our financial market trend reporting system is under constant maintenance to identify any volatile changes in the financial market as early as possible and to maximize the efficiency of top management's decision-making process. Moreover, market information is shared across the board through sustained communication internally and externally.

Currency Risks At Hankook Tire, we use 14 foreign currencies including the U.S. dollar and euro as of the end of 2011. Consequently, we have been keenly calculating and evaluating currency risks on a regular basis and defining appropriate currency risk aversion measures and levels. Our Currency Management Committee serves as the top decision-making body in charge of currency risk issues, meeting quarterly under the supervision of our Global CEO. Included in our currency risk aversion measures are internal measures

such as matching and netting of foreign currency-denominated assets and liabilities and external measures such as forward exchange and derivatives. Our risk aversion strategy primarily aims for natural hedges through the matching of assets and liabilities. However, we do not exclude artificial hedge options that utilize financial vehicles.

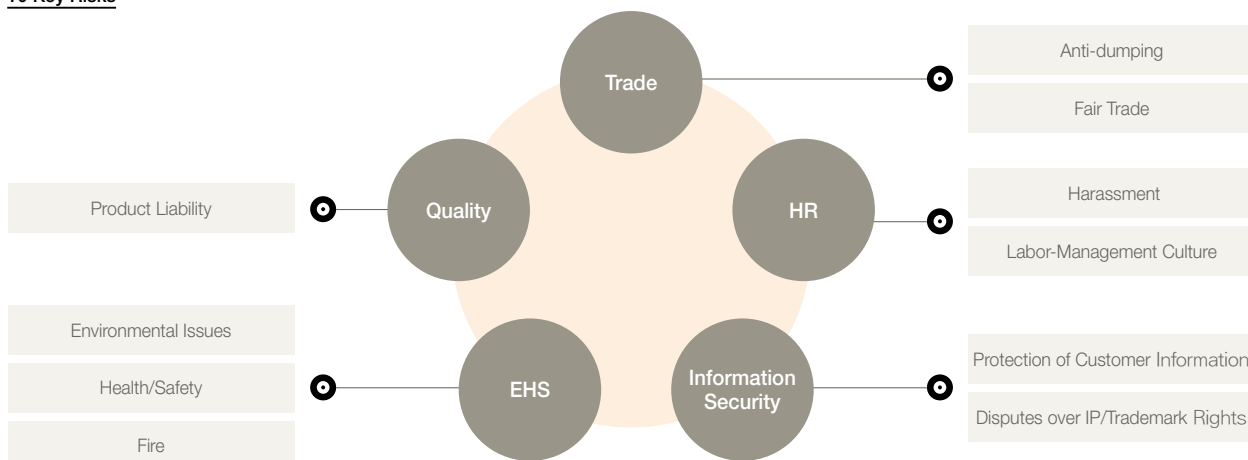
Liquidity Risks Our Korean headquarters is constantly monitoring debts, liquidity levels and long/short-term cash flow of overseas subsidiaries that are dispersed across the globe. In particular, we respond to financial market fluctuations by taking a conservative approach in managing liquidity to ensure stability in our financial position. Moreover, we continue to introduce efficient asset management tools in accordance with evolving financial systems and instruments. Included in such endeavors is the Global Cash Management System, which is under development to integrate each regional headquarters and all Hankook Tire subsidiaries around the world in managing corporate financial resources.

Operational Risks We ensure that our risk management system works systematically in the daily business operation in order to run internal/external risk control organizations and to minimize operational risks through compliance with relevant guidelines. When there are external policy issues to address regarding free trade agreements or labeling systems, special task force teams are established with related departments to enable company-wide communication in response to these issues.

In a bid to ensure safety management at our plants regarding health/safety risks, the Occupational Health and Safety Committee, Supplier Occupational Health and Safety Committee and other various health and safety consultation bodies meet regularly through relevant meetings and constant operation of internal communication channels.

We completed our duty to report GHG emissions generated from our domestic business activities between 2007 and 2011 under the Korean government's GHG energy target management system.

10 Key Risks



IR

18 Selection and Management of 10 Key Risks

19 Establishment of the Integrated Risk Management System

21 Enhancement of Company-wide Risk Response Training and Establishment of Risk Culture

Our corporate GHG inventory covers both domestic and overseas business sites to ensure that Hankook Tire's GHG emissions are properly managed both at home and overseas. Included in our sustained endeavors to reduce GHG emissions is the change in boiler fuel from bunker C oil to LNG.

We participated in the emissions trading scheme pilot project led by the Korea Energy Management Corporation and engaged in allowance trading activities between July and December of 2011. This helped us build preparedness for the introduction of the Korean emissions trading scheme in the upcoming years.

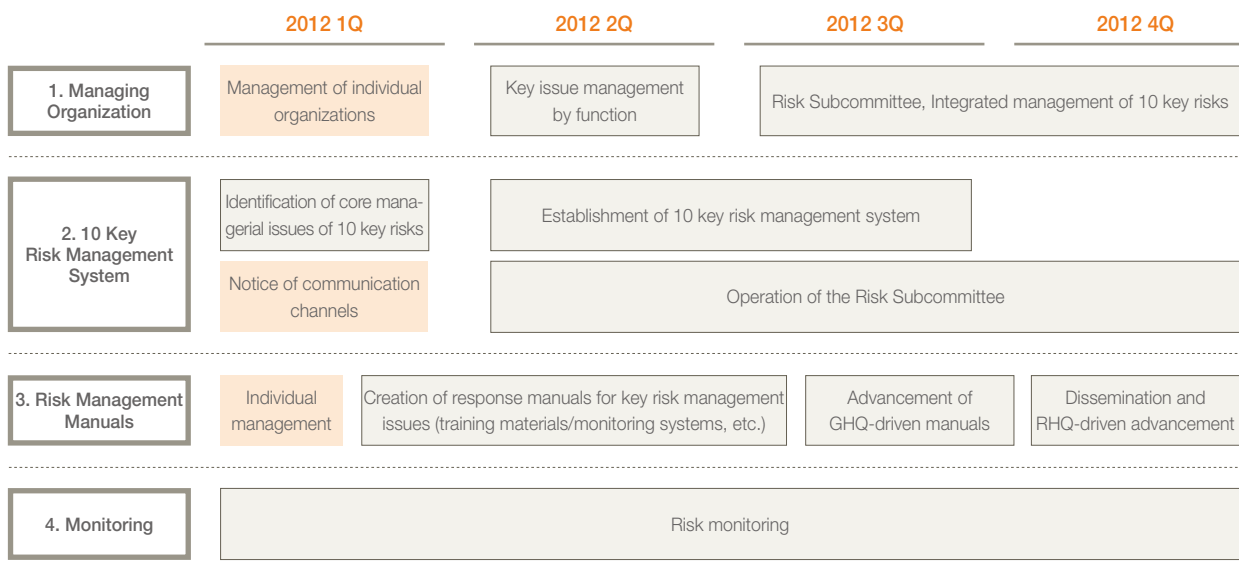
In order to respond to industrial accidents proactively, voluntary safety management systems were installed at our plants while internal risks are managed to prevent industrial accidents.

As our new plants in Indonesia and Chongqing commenced operations in 2012, these plants run in accordance with internal

manufacturing technology guidelines and Zero-defect quality assurance systems are under development to ensure Global One Quality.

In addition to managing risks with an emphasis on current issues, we also reviewed how we prioritized risks and identified major risks in 2011. This enabled us to acknowledge that our existing approach to classify according to risk frequency and impact was inappropriate in identifying risks that require immediate management efforts, though it was useful in understanding the level of importance of respective risk issues. As such, we selected and identified 10 key risks with a focus on compliance risks that demand immediate response and are highly manageable in practical terms. Included in these 10 key risks are major compliance risks in the same line of business, risks that may run against our strategy execution, risks that we experienced or almost experienced and are highly influential and critical to top management.

10 Key Risk Management Road Map



IR-2 ESTABLISHMENT OF THE INTEGRATED RISK MANAGEMENT SYSTEM

We at Hankook Tire have built an integrated risk management system to measure risks from a macro-level perspective. We also manage key risks that require intensive management efforts based on the definitions and classification criteria that are set for respective risks. The Risk Subcommittee is available to enable company-wide risk sharing and responses.

1 Company-wide Risk Response Processes and the Risk Subcommittee

We re-examined our plans to build an integrated risk management system and concluded that a transition into a faster and more workable system was required. The newly defined management directions are as follows.

First of all, our risk management system was built to address and communicate the most critical risk issues first and to enable interactive communication that ensures both a top-down and bottom-up flow of ideas. In other words, Hankook Tire top management is responsible

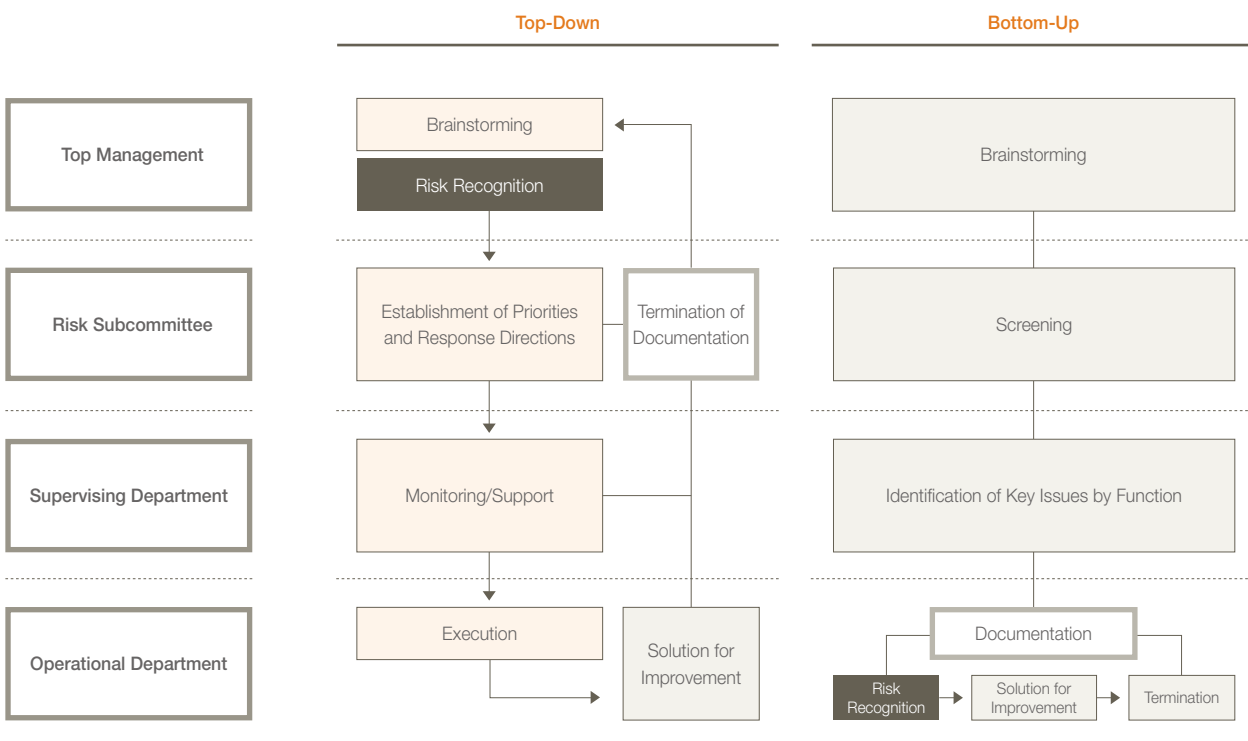
for intensively managing 10 key risks through newly established brainstorming sessions with stronger risk-sensing capabilities.

In responding to daily management risks, the system ensures that working-level staff are capable of addressing them continuously, and if there are any signs of risks occurring, the Risk Subcommittee led by global staff would take the lead in managing risks and setting response guidelines. The set guidelines are revised and supplemented by respective regional headquarters so that they may serve as a basic risk manual framework.

Risk Subcommittee Activities

<p>Building Awareness Prevention of safety accidents caused by unsafe behaviors</p>	<ul style="list-style-type: none"> 1. Safety training for all employees: 40th round of DP (4 hours/round), 85th round of KP (using work shifts) 2. Case presentation of accidents caused by carelessness (KP): May 3~Aug. 10 3. New hires: Provided with "safety experience" courses
<p>Safety System Level Up Discovery/improvement of potential hazards Response to government regulations on hazard assessments</p>	<ul style="list-style-type: none"> 1. Development of quantitative evaluation tools regarding health and safety management systems (OHSAS 18001) 2. PSM certification examination: DP boiler #1~2 and CRCO #3, KP boiler #5~6
<p>Learning Knowledge Fostering shop floor safety experts</p>	<ul style="list-style-type: none"> 1. External professional training courses for managers and supervisors: 16th round (16 hours/person) 2. Publication of the EHS daily newspaper 3. Creation of self facility inspection systems through the use of safety device maps (DP): 1 round/day
<p>Support for Improvement on the Shop Floor Legal compliance Maintenance of safety levels in accordance with international standards</p>	<ul style="list-style-type: none"> 1. Safety evaluation (V-TPM 1 STEP) and improvement (DP) of management facilities by each quality circle - 181 quality circles, 735 facilities evaluated → 619 cases discovered and improved 2. Improvement and expansion of safety devices in accordance with CE standards

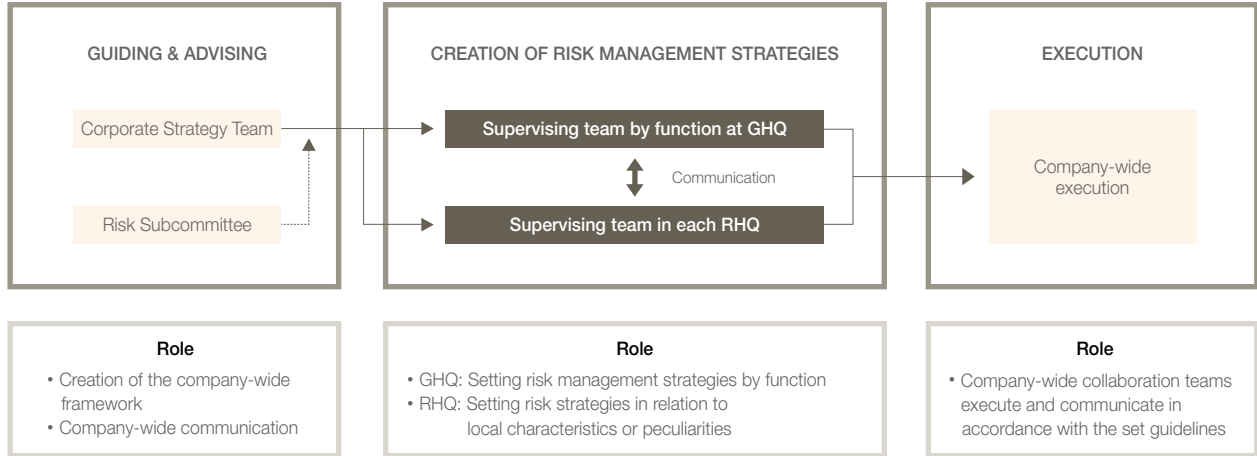
Top-Down/Bottom-Up Interactive Communication



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- 18 Selection and Management of 10 Key Risks
- 19 Establishment of the Integrated Risk Management System
- 21 Enhancement of Company-wide Risk Response Training and Establishment of Risk Culture

Risk Subcommittee Structure



IR-3 ENHANCEMENT OF COMPANY-WIDE RISK RESPONSE TRAINING AND ESTABLISHMENT OF RISK CULTURE

To build new awareness and strategies in accordance with fast-changing business environments on an enterprise-wide level, we will develop training manuals and provide integrated risk management training courses that meet the specific needs of each headquarters. We are also committed to building internal consensus to establish our risk management culture across the board.

1 Creation of and Support for Integrated Risk Management Training Plans

Company-wide training plans are not yet completed due to the change in the overall risk management system. However, function-specific training courses have been provided continuously to ensure appropriate risk management. From the 10 key risks selected, external and internal stakeholders were trained by function covering purchasing,

quality, G.OE and production, along with training manuals that were defined to address harassment and fair trade. Our plan is to prepare company-wide training manuals and provide training that meets specific characteristics of each regional headquarters. Our endeavors in this risk management culture will be based on discovering and managing the 10 key risks and additional risk issues.

Fire Risk Management

Case Study

Hankook Tire continues to invest in fire-fighting facilities to reduce fire risks. With the help of a professional fire safety assessment company, we analyzed fire risks at our domestic plants and defined investment plans to make necessary improvements in 2010. In 2011, we invested KRW 1.31 billion in the 1st phase of the investment plan, which led to a 13.8% drop in our Fire & Explosion Index (F&E) number. In 2012, we will invest KRW 1.36 billion in the 2nd phase of the plan to achieve a 24.2% drop in F&E from 2010. Such endeavors are also expanding beyond our domestic worksites to global worksites. Fire safety assessments were made in conjunction with professional fire safety assessment organizations at our Chinese plants in Jiaxing and Jiangsu in October 2011.

Our Daejeon Plant was certified with 'grade S' in July 2010, the highest grade under the PSM (Process Safety Management) scheme, initiated by the Ministry of Employment and Labor to prevent incidences of fire and explosion. Our Geumsan Plant was also awarded with 'grade S' in 2011, which demonstrates that our worksites are qualified with advanced fire and explosion prevention systems.

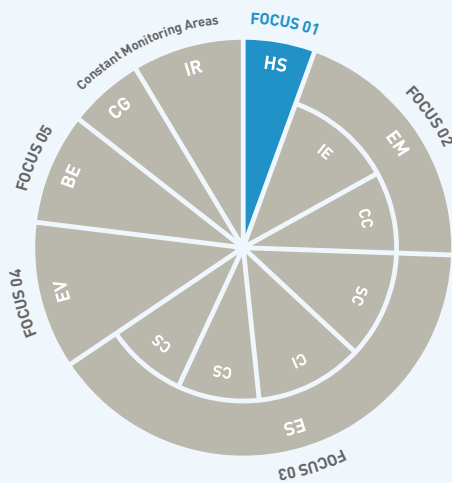
In addition to facility improvement and system operation, we also designated 'special fire prevention management zones' that are functioning in accordance with process-specific fire characteristics. Such endeavors are further complemented by regular patrols, inspections and training. We also undertake virtual fire response training and private-public fire drills to build emergency response capabilities.

FOCUS 01

Employee Health & Safety Management

HS

EMPLOYEE HEALTH & SAFETY MANAGEMENT



Declaration

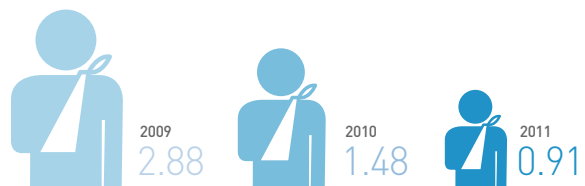
We at Hankook Tire believe that health and safety of our employees are key concerns of CSR and the fundamental driving force behind our sustainable growth. We are fully committed to earning our employee's trust by improving the quality of their work life and offering fulfillment that comes from a company that cares.

Management Responsibility and Governance

At the corporate headquarters, the CSR Team under Corporate Strategy Planning Staff Office is in charge of employees' health and safety issues. At Hankook Tire plants under respective regional headquarters, these issues are supervised by plant managers and governed by the Environment & Safety Team. The health and safety division within the Plant Innovation Office in our Hungarian plant is also designated to administer these issues as well as the R&D Operations Team in R&D Division whose environment and safety division is to undertake health and safety-related initiatives. At our Production & Engineering Division located within the Daejeon and Geumsan Plants, respective plant managers are responsible for overall health and safety matters where the Environment & Safety Team takes charge of managing these issues.

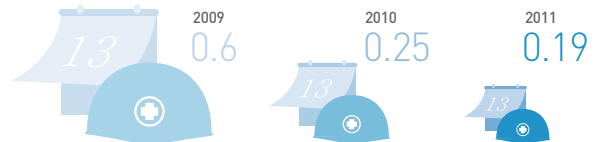
INJURY RATES

Our injury rates at domestic plants declined 39% from 2010 due to safety training for all employees and various events to build safety awareness.
 (*Injury Rates: the number of injuries that occurred per 100 employees)



SEVERITY RATES

Our severity rates also fell by 24% from 2010 due to a variety of safety initiatives.
 (*Severity Rates: the number of working days lost due to injuries per 1,000 working hours per year)



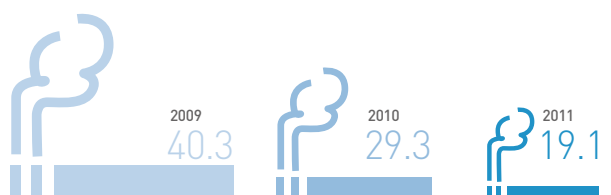
HEALTH CARE RECIPIENTS [NUMBER OF RECIPIENTS]

The number of health care recipients at Hankook Tire diagnosed with hypertension, dyslipidemia, hearing loss or hepatic diseases dropped by 8% from 2009 and 3.4% from 2010 through thorough follow-up medical care and improvement of workplace conditions.
 (*Health care recipients: employees who are classified internally as those who require continuous observation by medical professionals for health improvement as a result of health check-ups)



SMOKING RATES [%]

Overall smoking rates fell by 10.2% from 2010, which is attributable to the anti-smoking campaigns undertaken by each production process group.



FOCUS 01

- 24 Establishment of Voluntary Safety Management System
- 26 Enhancement of Employee Health Management
- 27 Establishment of the Prevention Management System for Employee Health and Safety

Stakeholder Interview

Kim, Chang-soo Professor, Yonsei University College of Medicine

As a medical expert, I am pleased to see Hankook Tire continues to improve on its health and safety management. Hankook Tire's resolution over the past several years in contributing to a better and healthier life for its employees is so striking that I acquired a completely different view of the company. It is my cautious but well-grounded prediction that Hankook Tire will soon become one of the safest workplaces in Korea given that its industrial injury rates continue to fall while employee health improves.

Nonetheless, issues regarding the workplace conditions still persist. By considering possible increase in manufacturing facility capacity as well as production volume and installing and managing ventilation devices, the company would greatly benefit. If such endeavors sustain and generate tangible outcomes, Hankook Tire would be able to earn an even greater trust from internal/external stakeholders for its health and safety initiatives.

2011 Achievements

● : Completed ● : Partially Completed ○ : Not Implemented ○ : Year-round Activity

Code	Key Managerial Issues	2011 Goals	2011 Achievements	Completion	Pages
HS1	Establishment of voluntary safety management system	To provide safety training to all employees	Company-wide training was completed at the Daejeon Plant (40 th round) and Geumsan Plant (87 th round)	●	24
		To undertake awareness-building events (reducing injury rates by 30%)	Injury rates fell by 39%	●	24
		To expand employee's participation using IT systems	Hazard assessment plans and health and safety management plans were registered	●	25
		To improve on team-specific evaluation outcomes	Employees were motivated to in line safety activities	●	25
		To perform V-TPM safety assessments (181 quality circles)	181 quality circles and 735 parts were assessed	●	25
HS2	Enhancement of employee health management	To facilitate communication between employees and health managers	EHS computing systems were utilized	●	26
		To improve on individual employee's health management history/noise control	The number of health care recipients declined by 3.4%	●	27
		To install in-house clinics	Geumsan Plant's in-house clinic opened	●	27
HS3	Establishment of the prevention management system for employee health and safety	To reduce smoking rates by 10% through group-level anti-smoking activities	Smoking rates fell by 10.2% from 2010	●	27
		To operate musculoskeletal disease prevention programs	Facility improvement under progress	●	27
		To improve on facilities	Facility improvement under progress	●	27

2012 Plans

Code	Key Managerial Issues	2012 Commitments	Key Index	Deadline	Department in Charge
HS1	Establishment of voluntary safety management system	To reduce injury rates by 30% by disseminating improvements made through safety model facility assessments in each process and strengthening facility safety	Injury rates	Dec.	Environment & Safety Team
		To reduce injury rates by 30% by preventing injuries that may occur due to abnormal operations through the creation and application of job safety standard practices regarding facilities in each process	Injury rates	Dec.	Environment & Safety Team
		To quantify and evaluate requirements necessary for the OHSAS 18001 certification (Current compliance level is 56% which we intend to increase above 70%)	Evaluation criteria	Sep.	Environment & Safety Team
		To reduce the cost of fire damage by 50% by building fire prevention systems in accordance with fire-fighting capacity evaluations	Cost of fire damage	Aug.	Environment & Safety Team
HS2	Enhancement of employee health management	To reduce the number of health care recipients by 10% through intensive management of those employees who require follow-up measures as a result of medical check-ups	Health care recipients		Environment & Safety Team
		To ensure installed local ventilation units are improved and managed more intensively	Legal threshold		Environment & Safety Team
		To ensure legal standards are fully satisfied			
		To set improvement measures regarding work that may cause musculoskeletal diseases and carry out these measures in consideration of human, mechanical, managerial and environmental factors	Injury rates		Environment & Safety Team

*Establishment of the prevention management system for employee health and safety (HS3) is managed as part of the enhancement of employee health management (HS2) from 2012.

HS-1 ESTABLISHMENT OF VOLUNTARY SAFETY MANAGEMENT SYSTEM

Central to preventing critical industrial accidents and reducing injury and severity rates is the establishment of a voluntary safety management system. In 2011, safety training was provided to all employees along with varied events to build their safety awareness and IT systems to document and manage hazard assessments effectively.

1 Safety Training for All Employees

Along with 40 rounds of safety training at Daejeon Plant and 87 at Geumsan Plant, actual case studies were used to help employees realize the importance of safety and build safety awareness. Another objective of these training courses was to enable employees to recognize that being fully aware of their responsibility in preventing accidents and taking preventive actions generates mutual benefits for the company and individual employees. External instructors were invited to provide professional training courses. After the courses were completed, employees performed independent hazard assessments of their respective facilities in order to build their skills and capabilities in this area.

2 30% Reduction in Injury Rates through Awareness-building Initiatives

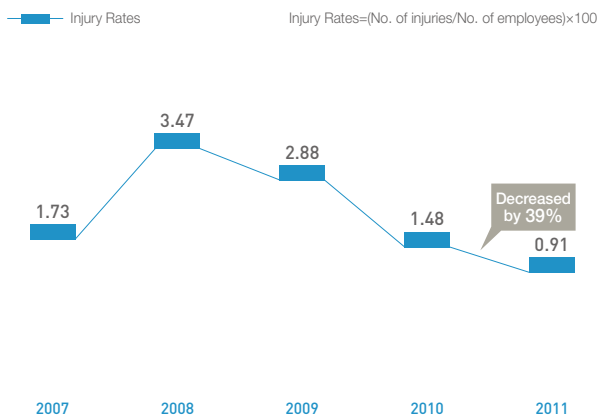
In order to enhance safety awareness, facility safety inspections were conducted by respective employees and a display of photos depicting industrial accidents were posted near central rest areas and restaurants where employees visit frequently. This led to our domestic plants' remarkable performance in reducing injury rates and severity rates by 39% and 24% respectively, from 2010. In 2011, the injury

rates at our Korean plants were 6.2% lower than the total injury rate in the manufacturing industry (0.97) and as much as 35.5% lower than the total injury rate of the rubber product manufacturing segment (1.41).

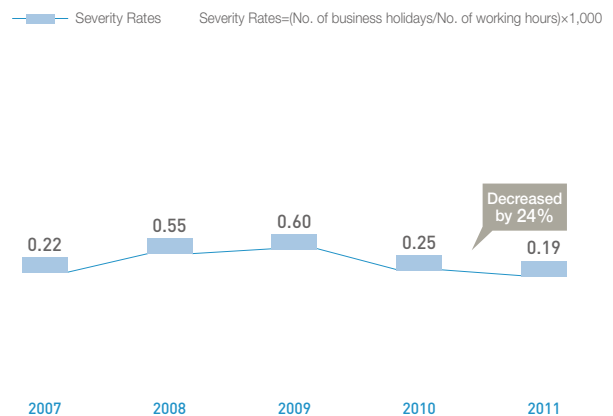
As our overseas worksites use indicators and management standards that are different from their Korean counterparts, we aim to choose integrated global indicators, that are common in all our business sites domestically and internationally, to ensure comparability of safety and hazard indicators. Included in our future endeavors to reduce injury rates are strengthened management and supervision of unsafe practices and enhancement of safety assessment skills, which will further improve our safety evaluation and improvement capability.

In order to prevent industrial accidents, the Occupational Health & Safety Committee (OHS Committee) consisting of nine members from the labor union and top management meets every three months to discuss and improve on ways to ensure employee health and safety and to minimize potential risk factors. In 2011, 80 agenda items out of the total 97 were completed (completion rate 82.5%). This is a remarkable improvement from the previous year's completion rate of 78.4% and we are committed to building on this achievement until all agenda items are resolved as quickly as possible.

Injury Rates (Based on Korea)



Severity Rates (Based on Korea)



*Injury rate in the rubber product manufacturing segment (1.41)/Total injury rate in the manufacturing industry (0.97)

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3 Expansion of Employee Participation using IT Systems

Previously, we used printed hazard assessment forms that were handwritten, physically collated, and re-written in case of mistakes. Consequently, a computerized hazard assessment system was created to eliminate this cumbersome process and enable easier document management. This system also allows us to have a quick look at team-specific evaluation outcomes, improvements and documentation status as well as to understand the overall risk level throughout the worksites.

Moreover, the system not only enables each team to develop, register and manage their respective action plans for health & safety management, which in turn makes it easier to manage health & safety management certificates, but also saves time through self-initiated audits.



Detailed Targets Registration

Hazard Assessment

4 Improvement of Team-specific Level Evaluation Outcomes

Every department pertaining to manufacturing and production is rated on their performance in each evaluation item and team-specific scores are generated monthly. Our in-house health & safety level evaluation system ensures that top-performing departments are awarded for their outstanding health & safety outcomes and further

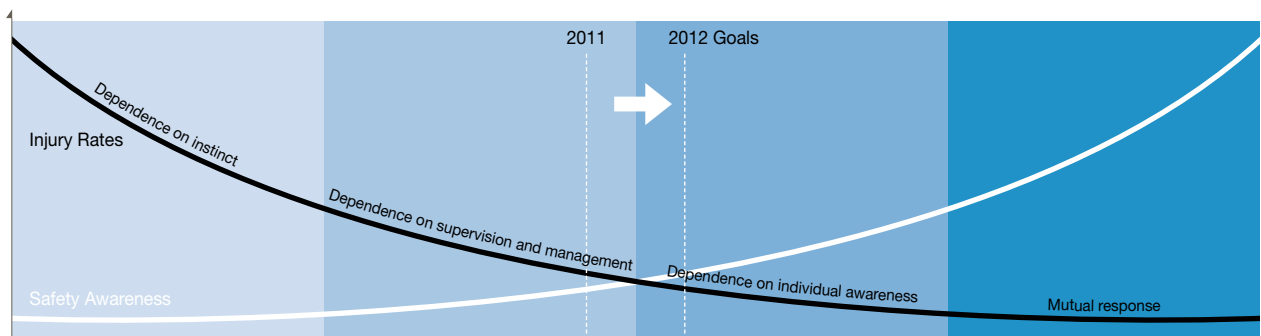
motivated to do even better, while low-performing departments are encouraged to improve on areas where results were less-than-satisfactory. On a scale of 1 to 100, the evaluation system consists of 5 different levels with 20 scores in each class interval. Our current average level is 3.6 (72 points).

We aim to prevent unsafe behaviors by building safety into employee's daily work habits, reduce the level of fire risks, and enhance the compliance indicator level of our health & safety management system in order to reach a level beyond 4.5, given that our safety activities are initiated by employees themselves, and not by supervisors or managers.

* System completion level: We apply quantifiable evaluation criteria by each OHSAS 18001 certification item in making internal assessments of our health and safety management system. In 2011, our system completion level was 56% according to these quantifiable criteria.

5 V-TPM Safety Assessment

V-TPM safety assessments were made of the entire 181 quality circles and led to the identification of 619 unreasonable practices. Out of the five steps that constitute V-TPM safety assessments, Hankook Tire completed Step 1 in 2011 and 100% of the identified unreasonable practices were all addressed and improved. Those identified issues primarily involved health and safety actions that should be taken under the Occupational Health & Safety Act of Korea; hence the appropriateness of facility protection devices was evaluated. The Step 2 evaluation process began in December 2011 to assess whether safety procedures are developed and observed regarding troubleshooting actions in order to comply with safety procedures, safety inspections, fueling and facility operation.



	Forced Response	Self-initiated Response	Mutual Response
No. of Injuries (Year)	Over 30	Over 10	Less than 10
System Completion	50%~70%	70%~90%	Above 90%
Health & Safety Level	Medium (Level 3.6)	High (Level 4.5)	Highest (Level 4.8)

Current Status of Injury Fatalities and Progress of Countermeasures Taken at Hankook Tire

Case Study

Fatalities in 2011

The total number of fatalities in 2011 at Hankook Tire stood at eight including both current and past employees where only one was recognized as work-related. Out of the remaining seven, four did not apply for industrial accident compensation and three were denied their compensation claims. The causes of death included alcoholic ketoacidosis, blood poisoning, esophagus cancer, acute lymphoblastic leukemia, and hepatocirrhosis, along with a total of three suicides. As for the single fatality case approved as work-related, the employee died of blood poisoning while being treated for aplastic anemia. The approval was based on the outcome of epidemiologic investigations revealing that the disease may have been caused by the work-related use of organic solvent although the employee was not exposed beyond the legal threshold level of hazardous organic solvent stipulated under the Occupational Health & Safety Act.

Countermeasures Taken by Hankook Tire

We have substituted benzene-containing DN-400 with HV-250 for it contains non of the following: toluene, xylene, and benzene. While the legal threshold for methylcyclohexane, which is the highest in terms of weight ratio out of HV-250 components, is 400ppm, it is less than 4ppm at our worksites according to measurement outcomes. Even after the transition of the chemicals that we use at Hankook Tire, toluene and other hazardous chemicals are still under strict management through employee health check-ups. We also installed more local ventilation devices to minimize employees' exposure to chemicals on the shop floor. Those who are in need of follow-up management as a result of medical check-ups are classified into a high-risk group and managed continuously. Healthy employees are also under constant management and monitoring. Such endeavors also expand to our subcontractors, whose work environments are investigated for environmental management on the shop floor in order for factors including chemicals, noise and dust to be controlled on par with Hankook Tire's own worksites. Semi-yearly management evaluations aim to guide and encourage subcontractors to properly address health and safety issues.

Fatalities and Injuries

(Unit: No. of persons)

	2007	2008	2009	2010	2011
Work-related Fatalities and Injuries (Hankook Tire)	5	0	0	0	1
Work-related Fatalities and Injuries (Suppliers)	0	0	1	1	0
Total Fatalities and Injuries	10	4	4	6	8

HS-2 ENHANCEMENT OF EMPLOYEE HEALTH MANAGEMENT

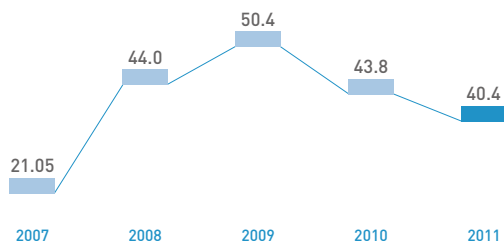
We at Hankook Tire recognize the health of our employees as one of the most critical management factors. The operation of a computerized employee health management system enabled us to manage individual employee health history more thoroughly in 2011. Continued anti-smoking campaigns and the opening of an in-house clinic at Geumsan Plant are part of our intensive investments and endeavors toward the enhancement of employee health management.

1 Open Communication between Employees and Health Managers

Previously, managing employee health status required separate contact points such as an individual's cell phone. The computerized management system, however, enables us to communicate necessary documents or instructions with concerned employees through the online post office box. This system also allows us to send text

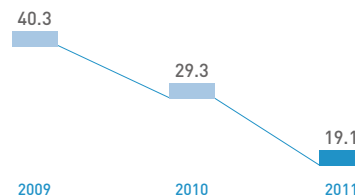
messages and check the history of messages sent, demonstrating our commitment to sustained initiatives of employee health management. The creation of such communication channels made it easier to notify employees who are in need of health care services and to manage individual employee health history as well as to save more time and extend the coverage of our health care guidance for employees.

Trajectory of Health Care Recipients (%)



	2007	2008	2009	2010	2011
No. of Current Employees	4,113	4,346	4,495	4,761	5,009
No. of Health Care Recipients	873	1,905	2,267	2,087	2,025

Trajectory of Smoking Rates (%)



	2009	2010	2011
No. of Current Employees	4,502	4,902	4,614
No. of Smokers	1,814	1,437	880

*The number of current employees were counted as of the date of medical check-ups conducted/Our medical diagnostic criteria became more stringent with the designation of a new medical institution as a health check-up service provider. This means that those who are diagnosed with specific medical conditions at the first check-up are classified into a high risk group that is in need of medical interventions, even though they are not diagnosed with such specific conditions at the second check-up/The number of employees diagnosed with hypertension rose due to strengthened diagnostic criteria in 2009.

FOCUS 01

24 Establishment of Voluntary Safety Management System

26 Enhancement of Employee Health Management

27 Establishment of the Prevention Management System for Employee Health and Safety

2 Improvement of Health Management History for Individual Employees and Noise Control

Our employees who are in need of follow-up care as a result of medical check-ups are classified into a high-risk group, medium-risk group, low-risk group or healthy group. Management standards were developed in each of these groups and our in-house clinics are responsible for offering regular counseling services and follow-up treatment. All details regarding follow-up care processes are registered and managed in our computerized management system to ensure that these critical data are not destroyed or omitted as was the case when paper documentation was common practice in the past. Those worksites, whose noise level is above the legal threshold of 90dB as a result of work environment measurement, are equipped with sound suppressor booths and improved motor devices. Moreover, we ensure that worksites that can possibly exceed the legally-allowed noise level are addressed and improved. These endeavors led to a 3.4% drop in the number of health care recipients from the previous year.

3 10% Reduction in Smoking Rates through Group-unit Anti-Smoking Campaigns

Our anti-smoking initiatives were carried out by each quality circle working in relation to production and manufacturing to ensure that these small groups become their own unit for anti-smoking campaigns. Quality circles consisted of some 15 members and were engaged in sub-group activities as production, quality, safety and health. As a result, a total of 480 Hankook Tire employees in 32 quality circles successfully quit smoking, and these circles were awarded for their achievements. Anti-smoking activities led by sub-groups have proved to be highly influential in reducing overall smoking rates throughout the company as our smoking rates declined by 10.2% from 2010.

4 Opening of an In-house Clinic

Our in-house clinic at Geumsan Plant opened on May 2, 2011. The clinic is responsible for offering counseling and medical treatment to those who are in need of follow-up care as a result of medical check-ups. The scope of its work also includes treatment of general diseases and prescription of medicine. Moreover, the head of the in-house clinic engages in health care education and distribution of over-the-counter medication. A fitness room was newly created as an affiliate facility and a variety of exercise equipment including treadmills enables all employees to work out whenever they can. Exercise therapists were also hired to guide and manage employees to adopt workout methods and dietary habits that suit individual needs.



In-house Clinic at the Geumsan Plant

HS-3 ESTABLISHMENT OF THE PREVENTION MANAGEMENT SYSTEM FOR EMPLOYEE HEALTH AND SAFETY

Along with improvement measures regarding work processes and medical intervention processes to prevent relevant accidents, Hankook Tire uses quantifiable evaluation criteria to manage risk factors of musculoskeletal diseases.

1 Operation of Musculoskeletal Disease Prevention Programs

While the outcomes of the investigation of musculoskeletal risk factors are analyzed to identify possible improvements, the Improvement Committee was developed to address issues and take action in understanding problems and defining directions for improvement.

Each item is then classified into short-term, medium and long-term improvements to develop plans, and medical intervention processes for preventing musculoskeletal diseases were established while measures to be taken in each process are organized and put into action. Moreover, a set of quantifiable criteria was developed to assess whether specific operations and facilities entail a high risk of musculoskeletal injuries and make improvements if deemed necessary.

2 Facility Improvement

Items that entail risk factors were prioritized from high to low risk in accordance with the outcomes of the investigation of musculoskeletal risk factors. Improvement plans were developed to address those items that require mechanical improvement. Our plans will take mid/long-term perspectives in making improvements as short-term measures rarely lead to improvement and prove effectiveness.

Before making mechanical improvements on facilities, a managerial approach is taken to train our employees on protective gear and safe work methods. The filming of musculoskeletal shapes also assists our employees in correcting their body shapes. Stretching exercises before work are part of our sustained initiatives to prevent musculoskeletal accidents that may occur while carrying heavy objects.

FOCUS 02

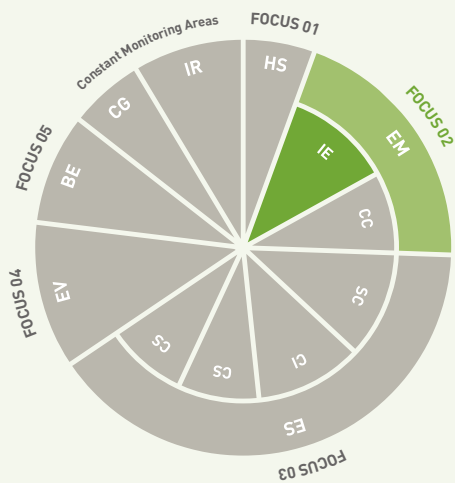
Environmental Management

FOCUS 02-1

Integrated Environmental Management System

IE

INTEGRATED ENVIRONMENTAL MANAGEMENT SYSTEM



Declaration

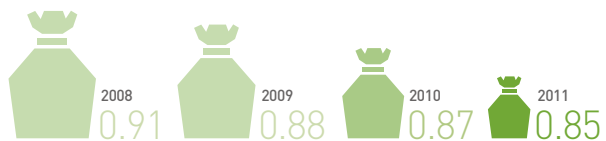
Hankook Tire is fully aware of the environmental impact that may be generated from acquisition of materials, production, usage, recycling and disposal-its production process is committed to minimizing such impact at every stage of production. We will further strengthen our initiatives to improve the earth environment so that customers, through the use of products, may contribute to a greener planet.

Management Responsibility and Governance

Our performance and plans regarding cleaner production and development of eco-friendly products are evaluated and reported on a quarterly and monthly basis through the EHS Committee and the Product Environment Committee, respectively. The EHS Committee, chaired by the head of Daejeon Plant, is attended by relevant teams from the headquarters, business sites and R&D centers to ensure sustained follow-up and improvement on key managerial issues. The Product Environment Committee, under the head of the R&D sector, is in charge of developing and implementing plans to improve on each business objective regarding global warming prevention, resource-saving, use of eco-friendly resources, and user safety & comfort.

CONSUMPTION OF MAJOR RAW MATERIALS [TON/PRODUCT TON]

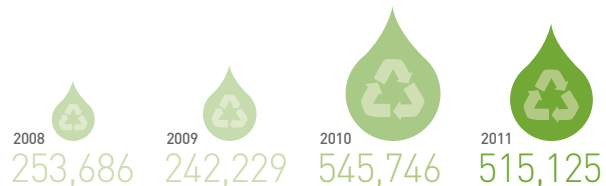
Major raw materials for tires include rubber, carbon black, steel cord, textile cord and beads. While our consumption of raw materials is rising along with greater production volumes, the efficiency in using these materials is also increasing due to a shift towards greener raw materials and reduction of product defects.



RECYCLING OF TREATED WASTEWATER [M³]

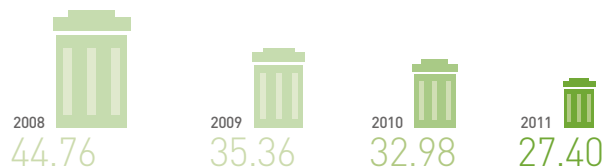
Wastewater generated from the operation of tire production and related facilities is treated and recycled for its use as treatment water for air pollutants and cleaning water, which contributes to the reduction of industrial water consumption.

(*2008-2009: Based on Geumsan Plant; 2010-2011: Based on Daejeon and Geumsan Plants)



GENERATION OF WASTE [KG/PRODUCT TON]

The amount of waste generated per product ton fell by 17% from the previous year in 2011. Our waste processing methods including burial, incineration and recycling are under reinforcement to reduce the amount of waste generated.



RATIO OF ECO-FRIENDLY PRODUCTS (BASED ON PRODUCT VOLUME) [%]

Our eco-friendly philosophy is built into the entire product life cycle spanning from design to use and disposal and such green tire manufacturing is expanding at Hankook Tire. The target market for eco-friendly products was once limited to Korea in 2009; however, it has been expanding into all our business sites around the globe since 2010.

(*2009: Data calculation based on business sites in Korea; from 2010 onward: Data calculation based on all global business sites)



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2011 Achievements

● : Completed ● : Partially Completed ○ : Not Implemented ⌚ : Year-round Activity

Code	Key Managerial Issues	2011 Goals	2011 Achievements	Completion	Pages
IE1	Green purchasing	To develop and apply green purchasing guidelines	Green purchasing guidelines were developed and applied	○	30
		To introduce clean fuel	Clean fuel was introduced at the Geumsan Plant - Two LNG boilers were installed	●	31
		To expand the number of facilities that remove odor-inducing materials	Highly-efficient curing facilities (CFRTO) were introduced - CFRTO 1 part and Wet scrubber 2 parts on curing process	●	31
IE2	Cleaner production	To minimize emissions of environmental pollutants	The development of odor-reducing materials and processing conditions was completed An odor indexing and evaluation method was developed and disseminated	●	32
			Carbon tank leakage was improved - Safety devices were supplemented and C/B tanks were sealed	⌚	32
IE3	Product and environment	To establish detailed processes to develop eco-friendly products	The eco-design consulting project delivered outcomes - Eco-friendly product development processes were investigated / improvement points were identified	●	33
		To initiate the product life cycle assessment	Product life cycle assessments were introduced - LCA TFT was created	●	33
		To reduce tire rolling resistance	Rolling resistance fell by 47.2% from 2007 in accordance with K415 standards	●	34
		To use raw materials containing less hazardous substances	96% of domestic market products were replaced with low PAH materials	⌚	34
IE4	Management of resources	To use eco-friendly raw materials	A new silica compound was developed and the optimization of silica-mixing is underway	⌚	34
		To expand waste recycling	New waste recycling technology, TDF (thermal decomposition facility), was reviewed	⌚	34
		To expand the recycling of treated water	Recycling of treated water increased at Daejeon Plant: 760 tons are recycled per day Usage of treated water: For environmental facilities and cleaning purposes	●	35
		To save resources	Tire reuse technology and reclaimed rubber application technology were developed	⌚	35

2012 Plans

Code	Key Managerial Issues	2012 Commitments	Key Index	Deadline	Department in Charge
IE1	Green purchasing	To develop and apply green purchasing guidelines	Review of actual green purchasing practices (2012)	2013	CSR Team
		To introduce clean fuel	Introduction of clean fuel - Addition of two more LNG boilers	Dec.	Machinery Engineering Team 1
		To prevent environmental risks	EHS assessment EHS process improvement	Dec.	CSR Team/ Environment & Safety Team
IE2	Cleaner production	To minimize emissions of environmental pollutants	Maximization of operational efficiency of pollution control facilities - Stable operation of the highly-efficiency prevention facilities (CFRTO) - Regular replacements of consumable suppliers (filling materials, activated carbon)	Dec.	Environment & Safety Team
			Application of odor-reducing materials and processing conditions on the shop floor Consideration of non-discharging outlets in conducting odor indexing evaluations	Dec.	Material Test Research Team
			Improvement of carbon tank leakage - Replacement of aging facilities	Dec.	Facility Maintenance Team/ Environment & Safety Team
			Expansion of wastewater treatment facilities at the Geumsan Plant	Aug.	Environment & Safety Team/ Machinery Engineering Team 1
IE3	Product and environment	To establish detailed processes to develop eco-friendly products	Development of eco-friendly review processes regarding materials/raw materials	Dec.	CSR Team
		To perform product life cycle assessments	LCA to be conducted for one PCR and one TBR product model Carbon labeling to be obtained for one PCR and one TBR product model	Sep.	CSR Team/ Environment & Safety Team
		To reduce tire rolling resistance	50% reduction in rolling resistance from 2007 in accordance with K415 standards Research of low rolling resistance design technology	Dec.	PCR Compound Team
		To use raw materials containing less hazardous substances	Replacement of 100% Korean market products with low-PAH materials	Dec.	PCR Compound Team
IE4	Management of resources	To use eco-friendly raw materials	Development of compounds that use eco-friendly resources (Full Silica)	Dec.	PCR Compound Team
		To expand waste recycling	Review of new waste recycling technology	Year-round	Environment & Safety Team
		To expand the recycling of treated water	Expansion of recycling of treated wastewater - Development of scouring process lines that use recycled water through the expansion of Geumsan Plant - Improvement of existing supply lines	Oct.	Environment & Safety Team
		To save resources	Use of reclaimed rubber on the shop floor	Year-round	Material Research Team/ Processing Research Team

IE-1 GREEN PURCHASING

Hankook Tire, as a manufacturer of green products and consumer of green raw materials, is maintaining and further enhancing the eco-friendliness of its products. The development and application of green purchasing guidelines is central to the mid-term objective and will provide the base to our endeavors in reducing environmental impact.

1 Development and Application of Green Purchasing Guidelines

Green purchasing constitutes one area that is considered critical by car makers or professional sustainability evaluation organizations. This is because our decisions in purchasing raw and general materials determine the level of environmental impact in the production and product usage stages. While our Supplier Subcommittee was engaged in the purchase of eco-friendly raw materials, we needed to establish more detailed and comprehensive green purchasing guidelines.

This urged our CSR Team at the headquarters to set 2011 objectives as developing and applying green purchasing guidelines. Green purchasing is one of our considerations to help suppliers improve on their CSR practices; however this has not led to significant outcomes for our top priority was focused on issues concerning human rights, labor and business ethics. The newly established mid-term objective will assist us in developing guidelines for 2013 and utilizing green purchasing initiatives as a means to reduce our environmental footprint in the entire product life cycle.

Cooperation for Sustainable Development within the Tire Industry

Case Study

In 2005, Hankook Tire joined forces with 10 global tire manufacturers to form a council dedicated to research and cooperation initiatives for sustainable development of the industry. To ensure joint research activities are conducted in a more objective and concrete manner, the council is run as a TIP (Tire Industry Project) under the World Business Council for Sustainable Development (WBCSD).

The overarching theme of such research activities includes understanding the impact that tire particles generated while driving have on the environment and human beings, requirements to establish eco-friendly collection, recycling and disposal systems for waste tires, and identification of the environmental impact of tire raw materials. These activities are conducted in conjunction with ChemRisk, a research institute, and an assurance group is under operation to allow third-party experts to perform relevant reviews.

According to the review conducted so far of the impact of particles generated from tires and road materials while driving, these particles do not have impact on the environment (aquatic creatures) or people who may inhale them. In addition, manuals were developed to manage end-of-life tires (ELT) and they were distributed in those countries where stringent ELT management is required. These initiatives are the base of our cooperation and endeavors geared toward sustainable development of the tire industry.

Development of New Tire Technology

Case Study

Tires that are widely used today depend on air pressure in delivering such basic performance requirements as braking, load support and controllability. Therefore, drivers are constantly concerned about maintaining the appropriate level of air pressure, and if they fail to do so, it rapidly increases tire fatigue and may rupture tires while driving at high speeds, causing deadly consequences. The 'air injection-free tire' that we are developing at Hankook Tire aims to deliver the same level of basic-level performance as ordinary tires without using air pressure. It is also safer than ordinary tires, which are often involved in car accidents caused by the lack of tire pressure.

Moreover, the 'air injection-free tire' is more eco-friendly in terms of the manufacturing process. While ordinary tires require eight different steps in the manufacturing process, rubber mixing-extrusion-rolling-cutting-beading-forming-curing-inspection, our 'air injection-free tire' may reduce the number of processes into just three, which would comprise of extrusion-hardening-inspection. This in turn could lead to significant reductions in energy consumption, CO₂ emissions and discharge of hazardous substances.

In order to establish our own distinctive tire structure, the 'air injection-free tire' has been developed in three different structure types of Auxetics, Ellipse and Arch, and their performance is under evaluation. Our patent for the Auxetics type was granted in Korea. Our future plan is to locate problems based on tire performance evaluations, identify possible improvements and continue to enhance our technological capability to manufacture these types of tires.

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IE-2 CLEANER PRODUCTION

We at Hankook Tire focus on environmental issues such as introduction of clean fuel, prevention of environmental risks and reduction of environmental pollutant discharge in order to minimize our environmental footprint. Our Daejeon and Geumsan Plants changed their boiler fuel from bunker C oil to cleaner LNG and have environmental prevention facilities in operation to reduce environmental pollutants generated from the tire manufacturing process.

1 Introduction of Clean Fuel

LNG is known for its eco-friendliness as it contains less air pollutants compared to bunker C oil. In consequence, Daejeon Plant made a complete transition from bunker C oil to LNG in its boiler fuel in years 2009 and 2010, and Geumsan Plant followed suit and replaced parts of its boilers under operation in 2011. In 2012, the plant will use LNG for two additional boilers.

2 Expansion of Facilities to Remove Odor-causing Substances
Introduction of Facilities to Remove Odor-causing Substances

We recognize unpleasant odor as a major environmental issue and are committed to assuring local residents against any inconveniences caused by odors generated from the tire manufacturing process.

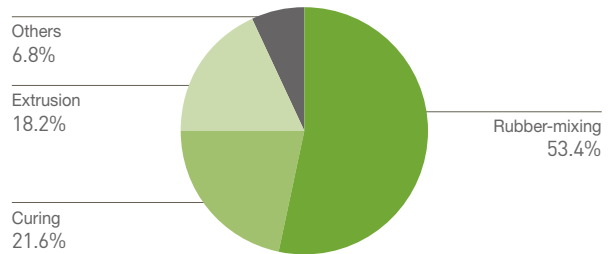
In general, air pollutant control facilities are limited in eliminating odors; therefore we selected facilities that are most effective in reducing odors through facility tests and invested in them accordingly. CRCOs have been installed to reduce odors caused by rubber-mixing process at Daejeon Plant since 2009 and three CRCOs are under operation today. CRCOs are highly efficient with 90% treatment efficiency, whose installation at the plant led to an astonishing 92% drop in 2011 in the number of complaints since 2008.

One CFRTO was newly installed to minimize odor generation in the curing process and the rubber-mixing process and operation was initiated in February 2012.

Odor-reducing facilities that were built at Daejeon Plant are being expanded to cover all our overseas plants as we witness an increasing number of issues raised due to development in the surrounding areas.

- * CRCO: Concentrator Regenerative Catalytic Oxidizer
 Odor-containing air is absorbed by the zeolite concentrator, the concentrated odor substances are desorbed, the catalytic oxidizer is used to oxidize them at low temperatures around 400°C and they are released into the air.
- * CFRTO: Concentrator Flameless Regenerative Thermal Oxidizer
 Odor-containing air is absorbed by the zeolite concentrator, thermally-desorbed odors are burnt at high temperatures around 850°C through RTO (regenerative thermal oxidizer) and are released into the air.

Ratio of Odor Generation in Each Process



3 Minimization of Pollutant Discharge

Development of Odor-reducing Technology and Odor Indexing

Research is underway to identify root causes of odors in addition to the development of treatment technology that address odors generated from the tire manufacturing process. Major raw materials that cause odors are identified and their contributions to odor generation are studied to allow informed decisions in choosing new suppliers or developing new materials. The evaluation of odor indexing outcomes regarding tire materials revealed that odor intensity was the highest in materials containing natural rubber and m-Cresol substances, and R&D activities are underway to develop technology that reduces the consumption of these materials.

In 2011, low-temperature processing techniques were developed to reduce odor generated in the processing of natural rubber and they will be applied on the shop floor in 2012. We are also developing raw materials that do not contain m-Cresol.

Odor intensity indexing and evaluation methods were disseminated across our domestic plants in 2011 in order to control the total odor discharge from these plants. The indexing of discharged odors as measured against the base year (2011) will allow us to compare and analyze how much odor is generated by each plant and to analyze improvements made. Our plan for 2012 is to expand the scope of the evaluation method to cover the spread of odors through non-discharging outlets.

Improvement on Carbon Leakage from Carbon Tanks

Carbon leakages from rubber-mixing carbon tanks at Geumsan Plant occurred once every month on average in 2011. Comprehensive examinations were conducted to identify the fundamental causes; the result was that the substandard performance of safety devices, in case of abnormal pressures caused by carbon transportation and aging facilities, were attributable to these accidents. Included in our endeavors to prevent carbon leakages were replacement of aging facilities and reinforcement of safety devices to prevent leakages in case of abnormal pressures. Further investments in replacing outdated facilities are slated for 2012.

To prevent any recurrence of such accidents, more stringent installation criteria will be applied to newly established facilities as a means to enable remote monitoring of the operation status of these facilities and only those facilities with improved safety devices will be allowed to install carbon tanks. Moreover, work is underway to seal high-risk areas to prevent any carbon leakages that may occur.

* Carbon black: fine black carbon powder used as major raw material in tire products

Air Pollutant Emissions at Major Facilities

Emissions of pollutants generated from such major air pollutant producers as boilers and incinerators are as follows. As domestic plants shifted from bunker C oil to LNG in boiler fuel since 2009 and Chinese plants use steam energy provided externally, the total emissions of air pollutants declined.

Emissions of Air Pollutants (Dust, NOx, SOx) (Unit: ton)



(Unit: emissions (kg)/product (ton))

Type	2008	2009	2010	2011
Dust	0.058	0.032	0.011	0.010
SOx	0.71	0.39	0.17	0.17
NOx	0.71	0.43	0.25	0.16

Discharge of COD (Chemical Oxygen Demand)

Our waste discharge rose along with greater tire production volumes, which in turn increased the discharge of water pollutants. Except for the Geumsan Plant, wastewater generated by our plants goes to industrial wastewater terminal plants for treatment and its environmental impact is only minimal. Still, we are committed to minimizing the discharge of water pollutants through increased wastewater recycling and other initiatives.

Emissions of COD (Unit: ton)



(Unit: emissions (g)/product (ton))

Type	2008	2009	2010	2011
COD Intensity	60.34	60.34	58.06	59.24

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IE-3 PRODUCT AND ENVIRONMENT

We believe that eco-friendly products should be able to contribute to protecting the earth environment through prevention of global warming and resources saving in the entire life cycle of products ranging from design to use and disposal. Moreover, our firm commitment to absolute user safety requirements is the fundamental foundation for our product development efforts that consider both eco-friendliness and performance.

1 Establishment of Detailed Eco-friendly Product Development Processes

Eco-design Consulting The eco-design consulting project that was supervised and sponsored by the Korea Industry Technology Institute was undertaken between June and October of 2011 in order to evaluate our eco-friendly product development processes and to define improvement directions through the analysis of best practices. Product development departments and product planning departments at our R&D centers were in charge of analyzing Hankook Tire's product development processes. It turned out that while our R&D centers were fully committed to the development of eco-friendly products, they were suffering from a lack of quantifiable evaluation methods that use unified indicators to measure accomplishments. Product life cycle assessments were initiated at Hankook Tire based on the above-mentioned conclusions, and LCA will be applied in evaluating the development of eco-friendly products (eco-friendliness indexing) in 2013. Moreover, we aim to strengthen our communication with consumers through labeling or other environmental indicators.

Definition of Eco-friendly Products

Requirements	Methods to Deliver Eco-friendly Performance
1. Prevention of global warming	- Reduce rolling resistance
2. Saving resources	- Optimize product structures • Minimize waste of resources through the optimized development of tire structures
3. Use of eco-friendly resources	- Use eco-friendly materials including LPAH oil - Expand the use of natural resources • Replace oil-based materials with eco-friendly ones
4. User safety/comfort	- Performance on wet surfaces - Noise control

Definition and Status of Our Eco-friendly Products

Our definition of eco-friendly products at Hankook Tire is as follows: products that contribute to protecting the earth environment through prevention of global warming, conservation of resources and use of eco-friendly resources throughout the entire life cycle of products ranging from design and usage to disposal. These products also should deliver both eco-friendly and high-quality performance, as user safety is the critical requirement that should never be compromised. Eco-friendly products accounted for 20.6% of the total product quantities sold in 2011. This was more than doubled from the 7.4% posted in 2010 and is attributed to our proactive response to various tire labeling systems domestically and internationally. We aim to continuously increase sales ratio of eco-friendly products to reach 22% in 2012.

2 Introduction of LCA for Major Products

Life cycle assessments of tire materials have been initiated for the products manufactured at the Geumsan Plant since February 2012 so that the environmental impact in each stage of acquisition of materials, production, consumption to disposal and recycling is analyzed and evaluated in a quantifiable manner. Such assessments of each PCR model and TBR model are underway and our goal is to develop product and environmental strategies and identify related improvement areas.

Hankook Tire LCA (Life Cycle Assessment) Initiation Project

Period	●	Feb. 2012~Jul. 2012 (six months)
Scope	●	<ul style="list-style-type: none"> • LCA performed and carbon emissions calculated of tire products manufactured at the Geumsan Plant (one PCR model and one TBR model) • Life cycle: acquisition of raw materials → transportation of raw materials → production → transportation of finished products → use → disposal and recycling
Objectives	●	<ul style="list-style-type: none"> • To perform LCA of tire products to establish long term application methods of sustainability management indicators • To establish the utilization of LCA results - Creation of the foundation for LCA - Establishment of methods to obtain carbon labeling certificates of tire products through evaluations of carbon emissions - Creation of product environmental strategies

3 Reduction of Tire Rolling Resistance

At Hankook Tire, sustained R&D activities for tire materials have been undertaken in order to improve vehicle fuel efficiency through reduced tire rolling resistance. The development of materials, processing technology and lightweight structures that contribute to reduced rolling resistance enabled us to improve rolling resistance performance by 47.2% from 2007 in accordance with K415 standards. Our goal is to build on this achievement and reach 50% by 2013. The developed techniques are also being expanded to other products.

Our newly launched eco-friendly tire brand 'enfren eco (H433)' comes with a 30% improvement in rolling resistance when compared to another Hankook Tire brand 'enfren (H430)', which is Korea's first-ever eco-friendly tire model.

Improvement on rolling resistance, however, may hamper braking, handling and abrasion performance of tires. Therefore, we will secure optimized performance through research of tire-surface contact pressure and outdoor vehicle performance tests in order to minimize these impact factors.

In developing products, quality requirements are defined for a set of indicators including rolling resistance, brake performance, lightweightedness, handling, abrasion and noise, and we strive to satisfy these requirements.

4 Use of Raw Materials Containing Less Hazardous Substances

Our efforts to minimize PAH substances found in oil that constitutes tire raw materials have been initiated since 2007 and we are reducing the consumption of those PAH-containing materials. Our Hungarian plant uses low-PAH materials only, and our Chinese and Korean plants replaced 82% and 96% of their materials with low-PAH ones, respectively. We are committed to a complete transition to low-PAH materials at our Korean plants by the end of 2012.

* PAH: Polycyclic Aromatic Hydrocarbons

5 Increased Use of Silica

Carbon black, major raw materials used in manufacturing tires, is produced through incomplete combustion of oil that has tremendous impact on the environment. Therefore, research is underway at Hankook Tire to find optimum silica compositions and mixing ratios to gradually reduce the consumption of carbon black and shift to the eco-friendly materials of silica. Silica is also advantageous in improving fuel efficiency and this warranted a decision to create a dedicated task force team for proactive silica research within our R&D centers. Annual silica consumption targets are also set and their progress is managed as well.

IE-4 MANAGEMENT OF RESOURCES

While our consumption of resources is rising along with increasing production volume, we are also dedicated to minimizing our consumption of finite resources through recycling and reduction of wastewater and waste. We also pursue a gradual drop in the consumption of major raw materials by developing new and applied technologies regarding the recycling of waste tires.

**1 Expanded Recycling of Waste
Recovery of Heat Generated from Incinerating Waste Tires**

We signed a waste tire supply contract with the Korea Tire Manufacturers Association in accordance with the extended producer responsibility system. Under this contract, we are provided with waste tires generated from tire replacement services at car repair shops through designated collection companies and these are used to fuel incinerators at our Daejeon Plant. In 2011, more than 1,530 tons of waste tires were burnt to produce heat, which in turn was recovered as steam energy and put back into the manufacturing process. This enabled us to reduce the consumption of boiler fuel required to produce steam energy and to recycle waste internally.

Our goal is to increase steam production volume from the current 4.5 tons per hour to 5.5 tons per hour in 2012. To achieve this goal, we will improve operational efficiency of incinerators and secure more waste tires.

Review of TDF Pyrolysis Facilities At Hankook Tire, review is underway to introduce a new waste tire recycling technology. This technology allows both energy recovery and byproduct sales through the burning of carbon, oil and gas generated through pyrolysis of tire derived fuel (TDF). This is an advanced type of recycling technology as the pyrolysis facility enables us to recycle byproducts in addition to energy recovery, while previous tire recycling techniques that focus

on incineration only allow energy recovery. Preliminary tests were conducted at our pilot plant to analyze operational effects of the pyrolysis facility and improve on operational issues.

In order to minimize our environmental footprint in the areas surrounding our business facilities as well as save resources through recycling, we are also engaged in thorough review of optimal operational conditions of pollution control facilities.

Waste Recycling

We utilize professional service providers in recycling wastes we generate in order to expand the recycling of resources.

Waste Recycling Ratio (%)



Amount of Waste Treated

(Unit: ton)

Type	2008	2009	2010	2011
Consigned recycling	30,130	23,117	25,722	21,304
Consigned incineration	1,787	1,621	2,113	2,802
Consigned landfill	6,811	5,167	4,723	5,227

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2 Saving Resources

Development of Tire Reuse and Reclaimed Rubber Application

Technology While ordinary tire recycling techniques aim to use waste tires as fuel to produce energy, we at Hankook Tire are developing a new approach to re-process waste tires in order to use them as retread tires or materials for reclaimed rubber.

Our TBR retread tire technology was internally developed to produce retreading services both in Korea and around the globe. Continuous research activities are underway to ensure that retread tires deliver the same level of durability and abrasion performance as unused tires.

Reclaimed rubber refers to rubber from waste tires that are shredded into powder, which can transform into sheets through desulfurization (elimination of sulfur from rubber) and milling processes to be reused as fuel. This technology will be applied to treads, sidewalls and bead fillers generated at our Indonesian plant as well as to our P-Brand. Our TBR model is dedicated to developing recapped tread compounds and bead fillers are under review to be used for this technology.

3 Expanded Recycling of Treated Water

Our Daejeon and Geumsan Plants ensure that wastewater purified at treatment facilities is used to process air pollutants (cleaning water for dust scrubbers), cleanse restrooms and for other cleaning purposes. The amount and scope of treated water consumption rose gradually at the Daejeon Plant. The amount of treated water consumed at Geumsan Plant declined as its demand decreased, which means that additional savings of industrial water were possible at the plant. These two plants recycled 285,556 tons and 229,569 tons of wastewater in 2011, respectively. We will further extend the scope of treated water applications so that dust scrubbers to be newly installed in 2012 will be able to utilize treated water.

Water Consumption

Our total water consumption keeps rising due to increasing production volume but we are dedicated to suppressing increase rates through wastewater recycling.

Water Consumption Intensity (m³/product ton)



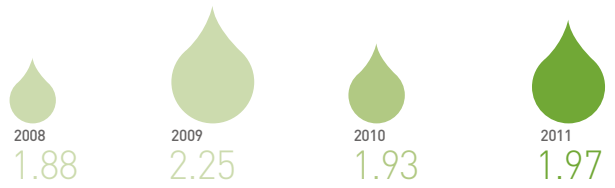
(Unit: 10³m³)

Year	2008	2009	2010	2011
Total Consumption	5,558	5,973	6,420	7,182

Discharge of Treated Water

Along with increasing water consumption and declining amounts of recycled wastewater, we witnessed an increase in treated water discharge. Geumsan Plant recycled less treated water in 2011 than before due to quality and other issues but will increase the amount recycled by securing new demand for treated water in 2012.

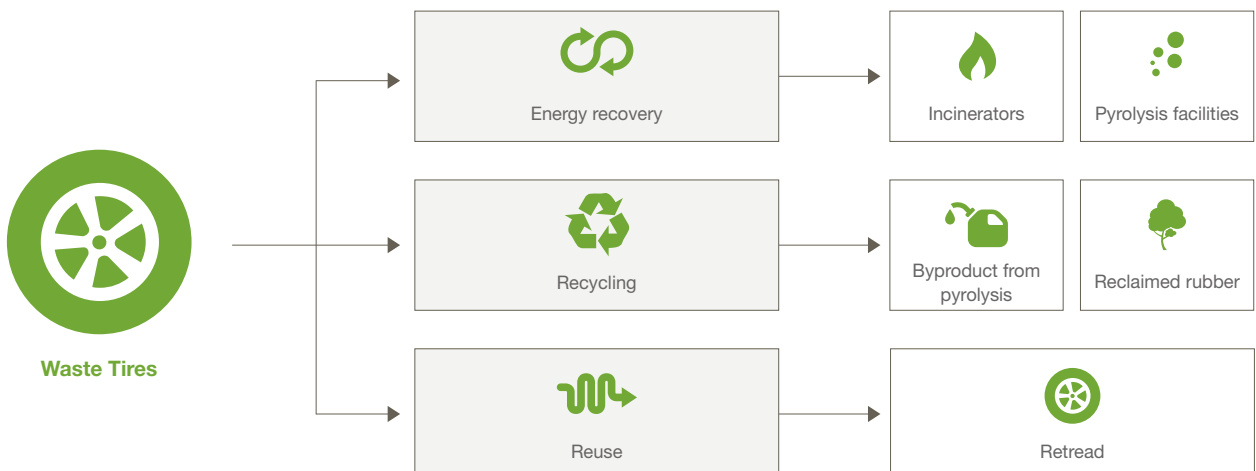
Discharge Intensity of Treated Water (m³/product ton)



(Unit: 10³m³)

Year	2008	2009	2010	2011
Total Discharge	1,626	1,905	1,908	2,107

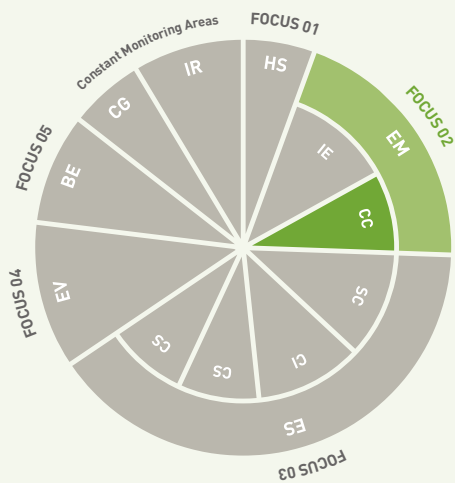
Application of Waste Tires



FOCUS 02 Environmental Management

FOCUS 02-2 Climate Change & GHG Management

CC CLIMATE CHANGE & GHG MANAGEMENT



Declaration

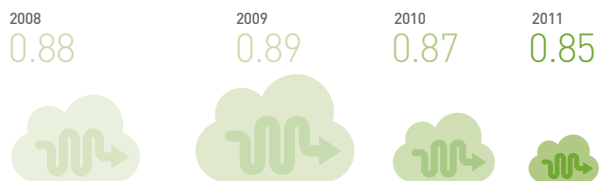
We at Hankook Tire are fully aware that endeavors and initiatives to address climate change on the global, regional and national level constitute critical prerequisites for a sustainable future. We are committed to increasing our competitive edge by preventing business-related risks caused by climate change and turning crisis into opportunity.

Management Responsibility and Governance

Our Energy/Carbon Management Subcommittee was established in 2010 and is chaired by the chief head of the Production & Engineering Division. The subcommittee gathers related teams in charge of planning, monitoring, R&D and reduction regarding energy and carbon management and is structured to ensure a more effective response to climate change.

GHG EMISSIONS [TON CO₂/PRODUCT TON]

Our total GHG emissions have been on the rise due to increasing production facilities and environmental devices. Sustained efforts to reduce GHG emissions, however, have allowed us to reduce GHG emissions per product ton since 2009.



CERTIFICATION OF GHG EMISSIONS REDUCTION [TON CO₂-EQ]

Wide-ranging initiatives undertaken at Hankook Tire to minimize GHG emissions are well recognized by the Korean government.



ENERGY CONSUMPTION [GIGAJOULE/PRODUCT TON]

Our endeavors to reduce energy consumption include utility improvement, recovery and recycling.



GHG INVENTORY ESTABLISHMENT PROCESS

Our GHG inventory was built to cover all business sites by identifying sources of GHG emissions generated by our production facilities across the globe and calculating GHG emissions in 2011.



FOCUS 02

38 Energy/Carbon Management

39 Execution and Reduction

Stakeholder Interview

Eun, Jong-hwan CEO, ECOSIAN CO., LTD.

The Environmental Management section of Hankook Tire's CSR Report 2011/12 presents technical data that may be unfamiliar to ordinary people in an easy-to-understand and concise manner. Each portion of the section is numbered and visually well-arranged to help readers better understand the content. I would say that the overall representation of data in this section is highly recommendable for its graphical display of important numerical data along with actual case studies allows for a story-telling approach in delivering its key messages to general readers.

What is slightly disappointing is that both the 'Expansion of Facilities to Remove Odor-causing Substances' and 'Minimization of Pollutant Discharge' sections outline odor-eliminating activities, which may confuse readers as two different titles entail basically the same content. While the report is addressing multiple issues in environmental management, it needs to become more transparent in demonstrating that it is adequately dealing with environmental issues that are raised by major stakeholders. Specifically, the quality of the report will be further elevated by disclosing in a more detailed manner the types of environmental issues that concern local communities where the company operates and corresponding countermeasures are taken.

2011 Achievements

●: Completed ●: Partially Completed ○: Not Implemented ↻: Year-round Activity

Code	Key Managerial Issues	2011 Goals	2011 Achievements	Completion	Pages
CC1	Energy/Carbon management	To build the GHG inventory that covers all business sites	Sources of GHG emissions generated by Hankook Tire production facilities and their volume were calculated	●	38
		To establish supportive IT systems (Chinese sites)	Supportive IT systems were not established in 2011	○	38
		To disclose GHG emission sources and volume (CDP 2011)	Registration was completed (Not public)	●	38
		To define mid/long-term reduction targets for domestic business sites	Mid/long-term reduction targets were defined for domestic business sites in accordance with the target management system of the Korean government	●	38
CC2	Execution and reduction	To achieve 0.5% improvement regarding energy consumption per product ton (against 2010)	Energy consumption was not reduced (0.27% improvement made)	○	39
		To replace fuel at the Geumsan Plant	Bunker C oil was replaced with LNG to fuel two of the five boilers at the Geumsan Plant	●	39
CC3	Supply chain carbon management	To develop win-win partnership programs to help suppliers with carbon reduction activities	Win-win partnership programs to help suppliers with carbon reduction activities were not developed in 2011	○	39

2012 Plans

Code	Key Managerial Issues	2012 Commitments	Key Index	Deadline	Department in Charge
CC1	Energy/Carbon management	To calculate GHG emissions generated by logistics activities PM	Establishment of the GHG inventory	Oct.	CSR Team/ Global Supply Chain Planning Team, etc.
		To disclose GHG emission sources and volume (CDP 2012)	Response to CDP (Public)	Jun.	CSR Team
		To develop plans to satisfy mid/long-term GHG emissions reduction targets	Development of target and attainment plans	Nov.	CSR Team/Machinery Engineering Team 1/ Energy Operations Sub Team, etc.
CC2	Execution and reduction	To achieve 0.5% improvement regarding energy consumption per product ton (against 2011)	-0.5%	Year-round	Facility Maintenance Operations Team at each plants, etc.
		To shift to low carbon intensity fuel (Bunker C oil → LNG)	Fuel change for two boilers	Aug.	Machinery Engineering Team 1/Facility Maintenance Operations Team (Geumsan Plant)
CC3	Supply chain carbon management	To initiate pilot operation of win-win partnership programs to help suppliers with carbon reduction activities	Presentation of outcomes of joint carbon reduction activities with one supplier	Nov.	CSR Team/Purchasing Planning Team, etc.

CC-1 ENERGY/CARBON MANAGEMENT

Continued endeavors to identify the sources of GHG emissions enabled us to build the GHG inventory that covers all production facilities around the globe in 2011. This laid the foundation to find opportunities to reduce GHG emissions and to participate in various GHG programs including emissions trading schemes.

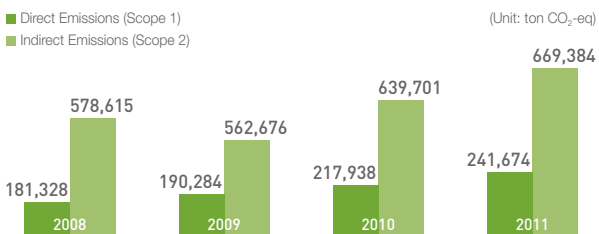
1 Establishment of the GHG Inventory to Cover All Business Sites

In 2011, we identified the sources of GHG emissions generated by our total production facilities around the globe and calculated GHG emissions. We utilized the '2006 IPCC Guidelines', 'A Corporate Accounting and Reporting Standard' and 'Guidelines on the GHG Energy Target Management System' in calculating our GHG emissions. The calculated emissions are yet to be verified.

We found that direct emission sources include fuel-powered boiler facilities whereas indirect sources include purchased electricity and steam energy. The total GHG emissions generated between 2008 and 2011 rose due to continued increases in production facilities and production volume. While the total amount of GHG emissions increased, GHG emissions generated to manufacture one ton of products have continued to decline since they peaked in 2009. This accomplishment is attributed to the replacement of fuel into that of low carbon intensity as well as improved energy efficiency in manufacturing processes. We are determined to undertake these endeavors in the upcoming years.

(Data discrepancies exist from our CSR Report published in 2011 because GHG emissions and production volume in the previous reports were primarily based on Korean business sites.)

GHG Emissions (total volume)



GHG Emissions (per product ton)

Applicable year	2008	2009	2010	2011
ton CO ₂ -eq	0.88	0.89	0.87	0.85

2 Establishment of Supportive IT Systems (Chinese Business Sites)

The establishment of supportive IT systems at our Chinese business sites did not come to fruition as was planned in 2011. We realized that the standardization of Chinese EHS operations was required to ensure that effective IT systems were built and utilized; therefore we modified our plan to standardize EHS operations in China first before building IT systems.

3 Disclosure of GHG Emission Sources and Volume

As requested by the Carbon Disclosure Project (CDP) in 2011, we disclosed our GHG emission sources and volume, and will continue to do so in 2012.

4 Establishment of Mid/long-term GHG Emissions Reduction Targets for Korean Business Sites

Our mid/long-term GHG emissions reduction targets for domestic business sites were developed and submitted to the Korean government in accordance with the target management system that took effect in 2011. These targets were set in the form of reductions against the total emissions, and basic considerations in reaching them include any increases in production volume and the level of efficiency improvement. Our total emissions target for 2012 is 620,403 ton CO₂-eq and this will keep increasing slightly every year. The reasons behind these incremental increases are the continued establishment of new and additional facilities since 2010, installation of additional odor-eliminating devices as well as increased energy consumption caused by the change in the manufactured product types. While the total emissions are expected to rise continuously, we will fully commit ourselves to reducing GHG emissions per one product ton at our plants under operation around the world in 2012.

GHG Emissions Target (Korea)

Applicable year	2012	2013	2014	2015	2016
ton CO ₂ -eq	620,403	623,363	629,665	630,393	640,006

Government's Recognition of Our Voluntary Initiatives to Reduce GHG Emissions

Case Study

Since January 2009, we have shifted to low carbon intensity fuel for our boilers, one of the major GHG emission sources, to reduce GHG emissions. Bunker C oil was replaced with LNG for all the boilers at our Daejeon plants between 2009 and 2010. The reductions made in GHG emissions through the initiative were acknowledged by the Korean government as voluntary reductions and this achievement was credited with incentives.

The first phase incentive amounted to 14,963 ton CO₂-eq –refer to the 'CSR Report 2010 (page 40)' for more details. Our reductions made between 2010 and 2011 were also awarded incentives from the government, which amounted to 19,766 ton CO₂-eq. These recognized credits will be used to attain the set goals under the 'target management system', which is under operation in accordance with the 'Low Carbon Green Growth Act'.

FOCUS 02

38 Energy/Carbon Management

39 Execution and Reduction

CC-2 EXECUTION AND REDUCTION

Our top priority at Hankook Tire is to reduce energy consumption in the manufacturing process in order to minimize the impact caused by energy price fluctuations domestically and internationally, and to put energy/carbon management into action. While our total energy consumption rose due to facility expansion and heat dissipation devices installed to improve employee's working conditions, we are making incremental progress through sustained energy-saving initiatives covering utility improvement, energy recovery and recycling, manufacturing process improvement and change in the boiler fuel.

1 Reduction of Energy Consumption (energy consumption per product ton)

We are fully committed to reducing energy consumption in the manufacturing process by upgrading aging processes and installing high-efficiency devices at all of our business sites. These efforts enabled us to improve on total energy consumption per product ton since 2009. Unfortunately, our performance in reducing direct energy consumption (use of fossile fuel) deteriorated. This is attributed to the increased use of fuel for odor control facilities installed to improve the areas surrounding our business sites, heat dissipation required to improve working conditions, and increased energy consumption generated by change in the manufactured product types. In 2012, we will convene related experts to formulate improvement plans to enhance the efficiency of direct energy consumption.

Energy Consumption (per product ton)

Type	(Unit: Gigajoule)			
	2008	2009	2010	2011
Direct Energy	2.6	3.1	3.2	3.5
Indirect Energy	6.3	6.2	6.0	5.6

2 Supply Chain Carbon Management (Development of Win-Win Partnership Programs to Help Suppliers with Carbon Reduction Activities)

The planned development of win-win partnership programs to help suppliers with carbon reduction activities was not actuated. Our in-house CSR strategic guide (priorities) released in November 2011 classified the development plan as part of the mid-term plan and its application was postponed to 2013. In 2012, we aim to initiate pilot operation of the win-win partnership program with suppliers (carbon reduction activities with one supplier) in order to prepare for the application.

Case Studies of Efforts Made to Reduce Energy Consumption

1. Utility Improvement

The operational control system of air compressors was changed from individual control to centralized control at our Daejeon and Geumsan Plants. This enabled the supply of a stable flux of compressed air into facilities, which in turn reduced energy loss and electricity consumption by 4,256 MWh per year (worth KRW 350 million). This best practice will be applied to our Chinese and Hungarian plants for continuous energy-saving initiatives.

Category	Geumsan Plant	Daejeon Plant
Pilot operation/Operation	Apr. 5, 2011 ~	Mar. 24, 2011 ~
Investment	KRW 101.5 million	KRW 80 million
Reduction in Electricity	2,173,740 kwh/year	2,082,210 kwh/year

2. Energy Recovery and Recycling

Thermal or electrical energy must be used in manufacturing tires. To minimize the leakage of thermal energy during this process, thermal recovery and recycling is critical. Our Geumsan Plant reduced 13,550 Gcal of energy consumption (KRW 520 million in fuel cost) per year by running waste heat recovery/recycling systems. This energy recovery system will be standardized to be applied to other plants.

Category	Detail
Pilot operation/Operation	Jan. 2, 2011 ~
Investment	KRW 243 million
Calories Recovered	1,547 Mcal/hr

3. Improvement in Manufacturing Processes

Out of the total tire manufacturing processes, curing consumes high-pressure steam in large quantities, which means that it holds potential for reducing GHG emissions effectively as a major energy consuming process. Our Jiangsu plant in China replaced and organized existing pipes used to supply steam into the curing process which allowed the plant to reduce pressure loss and 29 tons of steam consumption per day. This amounts to 3% of the total steam consumption and is tantamount to 1,570 ton CO₂-eq in reduced GHG emissions per year (2.1 million yuan of cost savings).

Category	Detail
Reduction in Steam Consumption	29 steam tons/day
Annual Operating Days	353 days
Conversion Factor	668,020 kcal/steam ton
Conversion Factor	3.968254 Btu/kcal
Conversion Factor	0.05772 ton CO ₂ /BTU
Steam Unit Cost	Omitted

4. Change in the Boiler Fuel (Bunker C oil → LNG)

Our Geumsan Plant shifted from bunker C oil to LNG to fuel its two boilers. This led to annual reductions of 11,396 ton CO₂-eq in GHG emissions and KRW 1.63 billion in fuel costs. The plant will add two more boilers in its scheme to shift to LNG fuel and continue to utilize replacements with low carbon intensity.

Category	Detail
Assumption	The same amount of calories is generated per year
Evidence	Bunker C oil in 2010 (t)
Consumption	34,124,628 t → 103,605 ton CO ₂ emitted
Carbon Intensity of LNG (against Bunker C oil)	27.5% (comparison based on the conversion factor of the target management system)

FOCUS 03

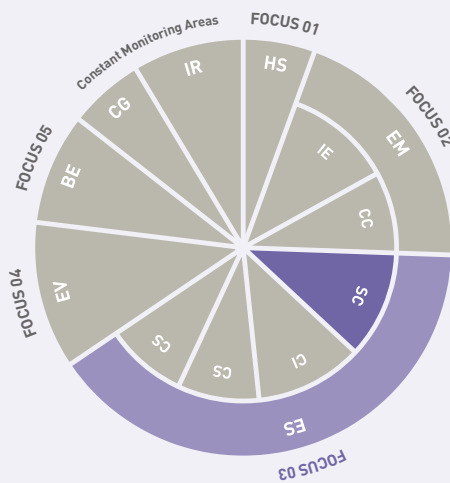
External Stakeholder Satisfaction Management

FOCUS 03-1

Win-Win Supply-chain Partnership

SC

WIN-WIN SUPPLY-CHAIN PARTNERSHIP



Declaration

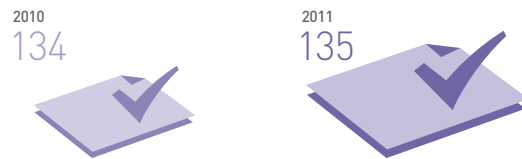
At Hankook Tire, we are committed to a win-win partnership that allows for sustained growth and development based on a transparent and trust-based relationship with suppliers.

Management Responsibility and Governance

The Supplier Subcommittee is responsible for managing suppliers and improving supplier relations under the supervision of executives in charge of purchasing decisions. Our Purchasing Planning Team develops general policies regarding the Supplier Subcommittee and assists respective teams in policy implementation related to purchasing, quality, R&D, and ENG.

REGULAR SUPPLIER SURVEYS [NUMBER OF SURVEYED SUPPLIERS]

Surveys are conducted every year in order to broaden mutual understanding between suppliers and Hankook Tire. The suppliers' requests and suggestions identified through these surveys are fully reflected in our corporate policies.



*Surveys began in 2010.

SUPPLIER SATISFACTION [%]

Our supplier surveys aim to identify their level of satisfaction with Hankook Tire in the following categories of: purchasing policies, supplier evaluation systems, supplier differentiation systems, and win-win partnership.



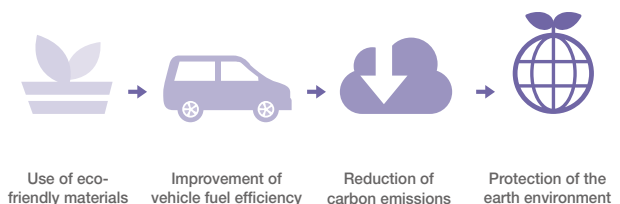
*Surveys began in 2010.

PURCHASING OF ECO-FRIENDLY MATERIALS [TONS]

At Hankook Tire, we are dedicated to purchasing more eco-friendly materials that pose no harm to the human body and help enhance tire fuel efficiency, thereby contributing to better environmental performance of our products.



EXPECTED BENEFITS THROUGH THE PROMOTION OF GREEN PURCHASING



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- 42 Supplier Management and Supplier Relations Policy
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- 45 Facilitation of Green Purchasing

Stakeholder Interview

Park, Soon-bum Senior Manager, LG Chemical

Out of the many areas where win-win partnership with suppliers may further develop, I would like to focus on two major improvements to be made. First, Hankook Tire needs to inform its suppliers about the outcomes of supplier surveys so that these outcomes can be shared and possible improvements and future directions may be discussed. Secondly, as an extension to communicating outcomes, regular meetings may be necessary to share ideas between Hankook Tire and its suppliers. Although price would be the most important issue, Hankook Tire and its suppliers may still have different perspectives as to their needs and wants, and building consensus to resolve these differences is critical in forging long-term relationships.

2011 Achievements

● : Completed ● : Partially Completed ○ : Not Implemented ○ : Year-round Activity

Code	Key Managerial Issues	2011 Goals	2011 Achievements	Completion	Pages
SC1	Supplier management and supplier relations policy	To create computerized systems for supplier management	Supplier modules were completed within the electric purchasing system (HePS)	●	42
		To develop and implement supplier CSR compliance evaluation systems	Major material suppliers (M1, M3) were assessed for their CSR compliance level and the results were incorporated into the total evaluation outcomes in 2011	●	42
SC2	Supplier communication	To run year-round supplier communication channels	The VOC e-mail collection system was initiated within the HePS	●	43
		To perform regular supplier surveys	Surveys were performed and the outcomes were reported	●	44
		To celebrate Supplier Partnership Day	This program will be initiated in 2012	○	44
SC3	Win-win supplier partnership programs	To pursue win-win partnership with suppliers and build strategies to share achievements	Measures to establish differentiated and sophisticated programs were reported	●	44
			Campaigns were conducted regarding holiday gifts	●	45
			Training was offered to improve suppliers' competitive edge	●	45
SC4	Facilitation of green purchasing	To purchase more eco-friendly materials	The purchasing of eco-friendly materials (low-PAH synthetic rubber, low-PAH oil, silica, light-weight steel cords) was expanded	●	45

2012 Plans

Code	Key Managerial Issues	2012 Commitments	Key Index	Deadline	Department in Charge
SC1	Supplier management and supplier relations policy	To support and disseminate CSR to suppliers of raw and subsidiary materials - Provision of CSR practice training - Registration of supplier's consent on CSR compliance		Apr.	CSR Team/ Purchasing Planning Team
		To integrate and standardize supplier management on a global level (HQ & RHQ) - Standardization of supplier operational strategies, assessment methods and differentiation strategies		Oct.	Purchasing Planning Team
SC2	Supplier communication	To facilitate on-line communication - Compilation and response to supplier's VOC - Assessment of suppliers, feedback facilitation - Reinforcement of group notification and messaging (ethics management, distribution of survey questionnaires, etc.)	Year-round	By the end of 2012	Purchasing Planning Team
		To invite suppliers for special events - Executive-level (holding Supplier Partnership Day) - Working staff-level (held in each purchasing segment, awards are given and purchasing policies are introduced)	Once	By the end of 2012	Purchasing Planning Team
SC3	Win-win supplier partnership programs	To carry out differentiation/sophistication strategies - Additional support for top-performing suppliers through verification and screening (awarding merits) - Analysis of the outcomes of strategies and supplementation of these strategies		May	Purchasing Planning Team
		To develop purchasing principles that respect the physical and intellectual property rights of suppliers		Apr.	Purchasing Planning Team
SC4	Facilitation of green purchasing	To purchase more eco-friendly materials	Confirmation of the amount of eco-friendly materials consumed	Year-round	Purchasing Planning Team

SC-1 SUPPLIER MANAGEMENT AND SUPPLIER RELATIONS POLICY

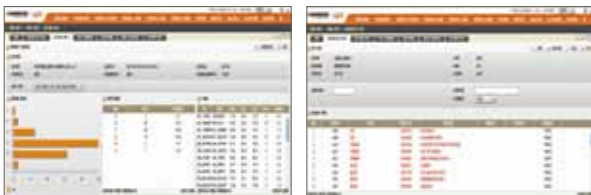
We at Hankook Tire are committed to win-win partnership with suppliers. The HePS, our electronic purchasing system built in 2011, enabled us to establish computerized supplier management systems and create supplier assessment modules. This, in turn, enhanced the transparency in assessing the performance of our suppliers and making relevant inquiries.

1 Computerized Supplier Management Systems Creation of Supplier Assessment Modules within the HePS

The HePS, our internal electronic purchasing system, opened in September 2011 in order to ensure transparency in making purchasing decisions and minimize relevant risks based on trustworthy relationship with suppliers. The creation of supplier assessment modules within the HePS allowed us to manage the pool of assessment items through computerized systems as well as to monitor the execution and progress of supplier assessments. It also enabled us to automatically perform analysis-related functions including the aggregation of assessment outcomes, inquiries of assessment history and outcomes.



Evaluation Item Pool & Evaluation



Evaluation Monitoring & Analysis of Results

2 Development and Implementation of Supplier CSR Evaluation Systems

Assessment of Major Material Suppliers (M1, M3) CSR Performance and Incorporation of the Results to the Annual Assessment

Our suppliers are classified into tire raw material suppliers, facility suppliers and indirect suppliers and they accounted for 59%, 12% and 29%, respectively, of our total global purchases made in 2010. As facilities are purchased only when the needs arise and indirect suppliers are mostly small and medium-sized businesses, we concluded that these two types of suppliers are not appropriate targets of our supplier CSR assessment systems. In December of 2011, we evaluated 31 suppliers (32% of the total) of major materials (synthetic rubber, carbon black, silica, insoluble sulfur, steel cords, textile cords and bead wire) to identify their level of CSR compliance. Our supplier's CSR achievement was identified and they were encouraged to perform even better through the alignment of their CSR outcomes with the annual assessment results.

Our supplier CSR compliance evaluation systems consist of 17 items in the eight fields of human rights, labor, prohibition of discrimination, ethics, safety, health, environment and GHG. The assessment results showed that more than 74% of the 31 suppliers recognized the importance of CSR and was engaged in CSR initiatives.

This was given that the supplier CSR assessments made in 2011 primarily covered major raw material suppliers who are relatively big in size, and 74% of them scored more than 80 points and only 26% scored under 80 points. In 2012, the supplier CSR assessment systems will be further systemized and expanded to include raw and subsidiary material suppliers.

Supplier CSR Compliance Assessment



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CONSENT OF CSR COMPLIANCE FOR HANKOOK TIRE SUPPLIERS

Child Labor

We do not hire youth under 17 years old and take special safety measures to prevent any harm from occurring during work for those under 18.

Compensation

We satisfy the legal minimum wage requirements as stipulated by law in compensating employees for their work (including wage).

Forced Labor

We ensure that forced labor is not accepted under any circumstances and provide regular training to prevent such unfair treatment.

Freedom of Association and Collective Bargaining

We guarantee our employees the freedom to establish and choose membership in the labor union of their choice in order to protect their rights.

Harassment and Discrimination

We develop and implement regulations (or policies) to prevent sexual harassment and discrimination that may affect employees.

Health and Safety

We deliver a work environment where employees can stay healthy and work safely.

Work Hours

We ensure that our employees do not work beyond the maximum legally permissible working hours.

Community Engagement

We do not harm the interest of the local community where we are based and we contribute to the positive development of the local community.

Bribery and Corruption

We develop and implement regulations (or policies) to prevent our employees from giving or taking bribes. These regulations (or policies) should include relevant training, monitoring, and disciplinary and preventive measures in the case of such practices. The compliance and outcomes of these regulations (or policies) should be reported to the top management at least once per annum.

Environment

We strive to minimize our environmental impact (damage) caused by our business conduct (provision of products or services) and satisfy the legally allowable standards regarding discharge of pollutants.

SC-2 SUPPLIER COMMUNICATION

At Hankook Tire, we operate wide-ranging communication channels to widen our mutual understanding with suppliers and to build the foundation for win-win partnership. Our VOC e-mail system was initiated within the HePS to continually receive e-mails containing the voice of our suppliers. Our annual supplier surveys also assist us in fully reviewing the requirements of our suppliers and incorporating them into our corporate policies.

1 Operation of Year-round Supplier Communication Channels Initiation of the VOC E-mail System within the HePS

We announced through the HePS, electronic purchasing system, that we would start collecting e-mails from suppliers so that their requirements for possible improvement might be identified in a timely manner. Given that this online communication channel was established within the HePS, which is still in its initial stage, most of these VOC e-mails concerned the use of the system as well as handling of system difficulties and improvements.



Receiving VOC e-mails from Suppliers

2 Regular Supplier Surveys

Performing Surveys and Reporting the Results

We survey our suppliers annually to identify their level of satisfaction with our supplier relations policy and initiatives and to compile their suggestions. The results are used to understand and improve on unsatisfactory practices as well as our win-win partnership initiatives. In 2011, the survey was conducted with 135 total suppliers regarding 32 items (purchasing systems, supplier assessment systems, supplier differentiation schemes, win-win partnership).

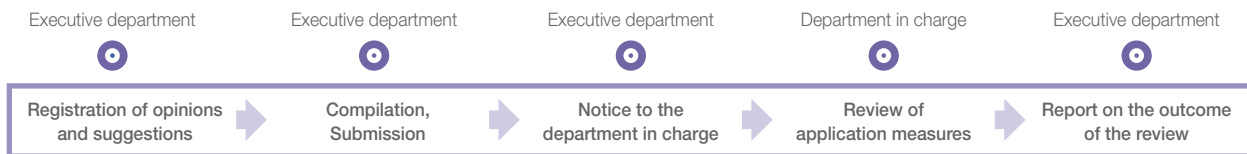
The results demonstrated that 91% of the surveyed suppliers were satisfied with doing business with Hankook Tire. It was also discovered that they had the highest expectations for a guaranteed long-term transaction relationship and price incentives. In full consideration of these requirements, we at Hankook Tire are contemplating ways to offer

differentiated incentives to suppliers in accordance with assessment outcomes and this new differentiation scheme will be put into action in 2012. Moreover, the annual supplier survey will be performed by an external professional survey organization to enhance the level of communication with our suppliers.

3 Celebration of Supplier Partnership Day

We celebrate Supplier Partnership Day every year to express our gratitude to suppliers for their endeavors and cooperation in contributing to the development of Hankook Tire as well as to share our corporate vision, management principles and mid/long-term plans with them. Supplier Partnership Day 2011 will be integrated with Supplier Partnership Day 2012 and held simultaneously.

Year-round Supplier Communication Systems and Operational Processes



Outcomes of Supplier Surveys

<p>Purchasing Systems</p> <p>Satisfied with doing business with Hankook Tire (91%)</p> <p>While fairness and transparency is highly evaluated, price satisfaction needs to be further improved</p>	<p>Supplier Assessment Systems</p> <p>Assessment systems are required (51%)</p> <p>Preferential treatment in accordance with assessment outcomes and encouragement for further improvements were highly demanded (54%)</p>	<p>Supplier Differentiation Scheme</p> <p>Preferential treatment policies: Preferred policies included guarantee of long-term transaction relationships / Expansion of transaction volume / Improvement of payment conditions</p> <p>Encouragement of improvements: Reinforcement of inspections / QA (Quality Assurance) inspections</p>	<p>Win-Win Partnership</p> <p>Willing to become proactive in reinforcing their partnership with Hankook Tire (93%)</p> <p>Factors critical to the partnership include guarantee of long-term transaction relationship / Sharing of achievements / Objective assessments</p>
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SC-3 WIN-WIN SUPPLIER PARTNERSHIP PROGRAMS

At Hankook Tire, top-performing suppliers with strategic importance are provided with differentiated incentives and assistance in order to boost our competitive edge along the supply chain. We also train our suppliers to help enhance their competitive edge and offer quality workshops to open opportunities for shared growth.

1 Development of Strategies for Win-Win Partnership and Sharing of Achievements with Supplier

Reporting of the Supplier Incentive Scheme

Our supplier incentive scheme offers merits or demerits to suppliers in accordance with assessment outcomes to allow differentiated treatment of these suppliers. As part of this differentiation scheme, the existing supplier assessment system that primarily focuses on performance was complemented with the introduction of a multi-faceted assessment approach. Presently, we classify our suppliers into A, B, and C groups and this approach includes an additional verification process for A-rated suppliers. Specifically,

outstanding A-rated suppliers are given an S rating and encouraged to do even better through additional assistance measures such as merit award. Moreover, we strive to achieve shared growth by boosting our competitive edge along the supply chain. S-rated suppliers are entitled to the following preferential conditions: 1) An additional 1% merit is given in addition to the existing winning price in the case of electronic bidding, 2) The electronic bill payment deadline is shortened from the current three months to one month, and 3) The Hankook Tire Top-performing Supplier Award is given.

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- 43 Supplier Communication
- 44 Win-Win Supplier Partnership Programs
- 45 Facilitation of Green Purchasing

Holiday Gift Campaigns Under the Vision 2020 to become a “Leading Global Tire Company that Delivers Value and Pleasure to Customers”, we follow the set code of ethics that serves as the standards of behavior and value judgement. We are also committed to mutual development with suppliers under the principle of good faith. In 2011, we launched the ‘Never Give or Take Holiday Gifts’ campaigns



on the New Year’s Day and Korean Thanksgiving Day. These campaigns will continue in the upcoming years.

‘Never Give or Take Holiday Gifts’ campaign

Training for Suppliers to Boost Their Competitive Edge

Included in our endeavors to seek win-win partnership with suppliers were two rounds of training for SME suppliers to assist them in reinforcing their competitive edge with the help of the relevant government support project. The two training programs, ‘cost reduction simulation practice through the structural analysis of manufacturing cost’ and ‘lean production system establishment process to create added value for SMEs’, were provided to 50 trainees from 35 suppliers.

We will strongly recommend such customized training programs to SMEs to help them improve employee’s job capacity and nurture outstanding individuals.

Supplier Quality Workshop To ensure that our suppliers secure their competitive edge in quality and improve quality mindset, we invited suppliers from China and Hungary as well as domestic suppliers to allow a tour of plant and share industry trends together.

We plan to hold such events regularly to share major issues regarding Hankook Tire and the entire tire industry with suppliers.



Supplier Quality Workshop



Training to Boost Suppliers' Competitive Edge

SC-4 FACILITATION OF GREEN PURCHASING

Central to our endeavors to facilitate green purchasing are the expansion of eco-friendly materials that are nontoxic to the human body and the assistance in the development of green products that are higher in fuel and performance efficiency. These efforts are not only critical in enhancing the environmental value of our products but also form the most important first step in expanding CSR throughout the entire business process of consumption of raw materials, manufacturing and sales.

1 Purchasing of More Eco-friendly Materials

Purchasing of More Eco-friendly Materials (low-PAH synthetic rubber, low-PAH oil, silica, light-weight steel cords)

Our definition of eco-friendly materials refers to materials that contain low or zero PAH substances that are hazardous to the human body, and those that contribute to improving tire fuel efficiency. These green materials include low-PAH synthetic rubber, low-PAH oil, silica, and lightweight steel cords. We have been committed to replacing PAH-containing oil and synthetic rubber with those of low or zero PAH, and such endeavors continued in 2011 as well.

In addition, the use of silica instead of carbon black has contributed to enhancing vehicle fuel efficiency, while lightweight steel cords have been regularly used for higher fuel efficiency through reduced tire weight. In 2011, there was a 7% year-on-year increase in the purchasing of eco-friendly materials to 79,396 tons. Our goal for 2012 is to further improve on our achievement in 2011 to increase the consumption of green materials, as a means to help improve fuel efficiency and responding to the EU Labeling.

Trajectory of Our Consumption of Eco-friendly Materials (Unit: ton)



	2009	2010	2011	Ratio (YoY)
Low-PAH synthetic rubber	13,772	45,163	42,842	95%
Low-PAH oil	6,594	12,412	13,615	110%
Silica	10,192	13,054	15,317	117%
Lightweight steel cords	224	3,651	7,622	209%
Total	30,782	74,280	79,396	107%
Total consumption of materials	517,635	589,010	622,722	106%
Ratio of consumption	5.9%	12.6%	12.7%	

* 2011 data was an estimation based on the Korean headquarters

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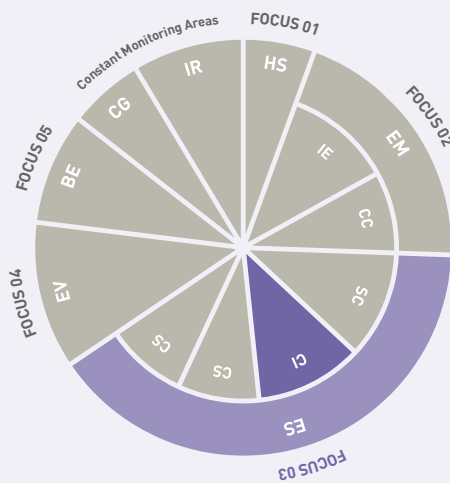
External Stakeholder Satisfaction Management

FOCUS 03-2

Community Involvement & Development

CI

COMMUNITY INVOLVEMENT & DEVELOPMENT



Declaration

At Hankook Tire, we are determined to serve as a direct and indirect contributor to the economic development of our nation and local community and take the lead in addressing key local issues through sustained communication with the local community. We are committed to fulfilling our roles and responsibilities as a corporate citizen as well as creating social values by giving back to society the values we created, and seeking co-existence with those who are in need of our positive contributions.

Management Responsibility and Governance

The CSR Team within Business Infra Division is responsible for building corporate philanthropic strategies and directions, developing relevant programs and other general management affairs. The Philanthropy Subcommittee, which consists of the Vice President of Business Infra Division, CSR Team, Cultural Communication Team, Corporate Communication Team, and Operation Support Team, meets quarterly to ensure that our corporate philanthropic initiatives are undertaken in a way that is integrative and strategic. The subcommittee follows the 4-step operational cycle of planning, execution, checks and reporting.

FUNDRAISING AT THE ONLINE DONATION WEBSITE 'DREAMFULL' [KRW]

'Dreamfull', the online donation website we operate in conjunction with the Corporation Leftovers Love Sharing Community, helps us disseminate the true meaning of donation to our employees and customers and provide them with opportunities to join.

Go to Dreamfull

'Dreamfull' is a donation community that aims to let children, youth and their families in need dream a happy dream through a variety of sharing initiatives.



2011
332,961,613

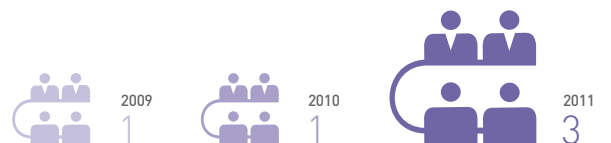
DONATION OF VEHICLES (COMPACT CARS) TO SOCIAL WELFARE AGENCIES [NUMBER OF VEHICLES (ACCUMULATED)]

We continue to expand our support to provide vehicles (compact cars) to social welfare agencies nationwide.



DISCUSSION MEETINGS WITH LOCAL GOVERNMENT AGENCIES AND RELEVANT ORGANIZATIONS [NUMBER OF MEETINGS/MONTH]

We hold discussion meetings three times per month on average with local government agencies, NGOs and representatives of local communities to take the initiative in facilitating communication within the local communities where we are based.



GLOBAL CORPORATE PHILANTHROPIC ACTIVITIES [KRW 100 MILLION]

Our corporate philanthropic initiatives undertaken in countries where we operate ensure that we proactively address local issues and requirements made by local residents.



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Stakeholder Interview

Jeong, Yong-ki Mayor, Daedeok District

With corporate social responsibility gaining importance, Hankook Tire is meeting its social responsibility as a corporate citizen in moving beyond one-time volunteering events to addressing current local issues with community members of concern. In addition to fulfilling its traditional role as a company in creating high-quality jobs and revitalizing local economy through the expansion of production capacity, the company is also forging a network that is conducive to problem solving and reinforcing interactive communication with local residents and governments. I sincerely hope that Hankook Tire's H-LOHAS campaign that aspires to a 'society where everyone lives a happy and fulfilling life together' and the Daedeok district's vision for a healthy and sustainable LOHAS will serve as a driving force behind the local development. I believe that Hankook Tire will play a leading role in building a healthy and sustainable green, ecological city of Daedeok by joining forces with the local community.

2011 Achievements

● : Completed ● : Partially Completed ○ : Not Implemented ○ : Year-round Activity

Code	Key Managerial Issues	2011 Goals	2011 Achievements	Completion	Pages
C11	Establishment of the company-wide philanthropy system	To operate the implementation system and organizations	The global philanthropic system was operated with the CSR Team playing a leading role (Philanthropy Subcommittee / 4 meetings in total)	●	48
		To integrate the budget and performance management of company-wide philanthropic activities	Arbitrary decision-making authority was modified (establishment of the integrated budget and performance management system)	●	48
C12	Expansion of employee consensus and reinforcement of executive capability	To run the online donation website	'Dreamfull' was jointly operated with Corporation Leftovers Love Sharing Community - Fundraising: KRW 332,961,613 raised / 16,355 donations made - Distribution: KRW 212,456,369 was distributed in total / 1,307 children (organizations) benefited	●	48
		To hold campaigns to encourage employees to make donations	Fundraising campaign was performed in alignment with the 70 th anniversary of Hankook Tire Year-end matching grant campaign was undertaken	●	49
		To train employees and disseminate success stories	Training was offered to new hires (2 sessions/2 hours per session) and promotion candidates (1 session/2 hours)	●	49
C13	Globalization of philanthropic initiatives	To identify pending issues in overseas local communities	China and Hungary were the main focus in identifying these issues	○	49
		To continue to undertake philanthropic initiatives domestically and internationally	Initiatives continued in Korea, China and Hungary	●	49
C14	Development and brandization of representative programs	To develop representative philanthropic programs in Korea	Vehicle support was given to social welfare agencies (70 agencies) Operation was transferred regarding the Sharing Foundation	○	49
C15	Reinforcement of communication with local communities and identification of local issues	To strengthen constant communication channels with local communities	Ad-hoc meetings were held at business sites (3 meetings per month on average) New channels were built (Federation of Korean Industries, Social Contribution White Paper)	●	51
		To communicate with local communities and share pending local issues	Ad-hoc committee meetings were held in case of emergency to share pending issues and problems	○	51

2012 Plans

Code	Key Managerial Issues	2012 Commitments	Key Index	Deadline	Department in Charge
C11	Establishment of the company-wide philanthropy system	To expand and organize the Donggeurami Volunteering Team in Korea	Creation of systems and the volunteering team	Jul.	CSR Team/Cultural Communication Team
		To globalize corporate philanthropic initiatives	Development of global philanthropic guidelines	Jul.	CSR Team/Relevant Local Teams
C12	Expansion of employee consensus and reinforcement of executive capability	To facilitate the online donation website	Number of members and donations		CSR Team/Sharing Foundation
		To regularize the donation campaign to facilitate employee's participation	Two rounds of campaigns		CSR Team
C13	Development and brandization of representative programs	To develop representative philanthropic programs in Korea	Development of programs in the safety/environmental segments		CSR Team/Sharing Foundation
C14	Reinforcement of communication with local communities and identification of local issues	To prioritize pending local issues			CSR Team/Cultural Communication Team/Operation Support Team

*Globalization of corporate philanthropic initiatives—These initiatives are included as part of the company-wide philanthropic system to ensure that key managerial issues are under intensive management.

CI-1 ESTABLISHMENT OF THE COMPANY-WIDE PHILANTHROPY SYSTEM

The Philanthropy Charter bases our endeavors on developing mid/long-term philanthropic plans and undertaking philanthropic initiatives in a more systemized and organized manner. Our top priority here is to gather the expectations and requirements of our stakeholders through diversified channels and to establish a corporate philanthropic system that is practical and workable while effectively engaging in employees.

1 Operation of the Implementation System and Organizations

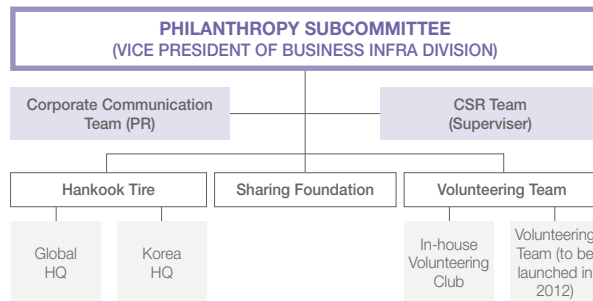
The Philanthropy Subcommittee, which consists of the Vice President of Business Infra Division, CSR Team, Cultural Communication Team, Corporate Communication Team, and Operation Support Team, meets quarterly to integrate company-wide philanthropic processes of planning, execution and reporting of outcomes and to operate and manage these processes efficiently.

The CSR Strategy Briefing Session 2011, attended by all relevant employees, allowed us to develop strategic guidelines in order to ensure that activities of respective CSR-related subcommittees are in alignment with the overall CSR principles and are further sophisticated. The session produced such philanthropic plans for 2012 as the expansion and organization of the Donggeurami Volunteering Team in Korea, development of global philanthropic guidelines and development of representative philanthropic programs in Korea, in consideration of pending issues and characteristics of respective business sites.

2 Integration of Budget and Performance Management of the Company-wide Philanthropic Initiatives

The arbitrary decision-making authority regarding the spending and management of philanthropic budgets was modified in order to establish an integrated budget and performance management system

Philanthropy System



on a company-wide level. Relevant criteria of external organizations were reviewed to sophisticate the manner in which our philanthropic performance is measured. As a result, other expenses regarding corporate philanthropy (labor expenses for public marketing and volunteering work, and indirect expenses caused by the opening of in-house facilities to the general public) were newly added to the performance management items in addition to the existing items that are measured in accordance with accounting standards.

CI-2 EXPANSION OF EMPLOYEE CONSENSUS AND REINFORCEMENT OF EXECUTIVE CAPABILITY

Central to the strategic implementation of corporate philanthropic initiatives is the creation of employee consensus on these initiatives and the facilitation of their voluntary participation. Thus, we at Hankook Tire take a multi-faceted communication approach in training employees on CSR issues and disseminating success stories.

1 Operation of the Online Donation Website

Included in our efforts to facilitate social giving activities at Hankook Tire was the operation of 'Dreamfull', the online donation website, in conjunction with Corporation Leftovers Love Sharing Community as well as existing offline activities. The website not only allowed us to become more active in fundraising and marketing but also offered our employees and customers an opportunity to join this donation initiative. In 2011, a total of KRW 332,961,613 donated through Dreamfull was distributed to 1,307 children (or organizations).

2 Campaigns to Encourage Employees to Donate

Our capability to push ahead with corporate philanthropic initiatives was further boosted through the fundraising campaign in celebration of Hankook Tire's 70th anniversary, the year-end grant matching event and employee's volunteering work through Dreamfull.

3 Employee Training and Dissemination of Success Stories

To help our employee build consensus on our corporate

philanthropic initiatives, we offered training on the necessity of corporate philanthropy and Hankook Tire's philanthropic activities to new recruits (2 sessions/2 hours per session) and promotion candidates (1 session/2 hours). Basic volunteer training was also provided for employee volunteers to increase the effectiveness of their volunteer activities. Moreover, online philanthropic courses were newly created to reach those employees who find it difficult to attend offline training. Our monthly newsletters introduce our philanthropic activities to employees.

Fundraising Campaign in Commemoration of the Hankook Tire 70th Anniversary - Going to School with Excitement

- Participants: 391 people (360 were Hankook Tire employees)
- Donations made: KRW 10,473,501 (Hankook Tire employees: KRW 10,045,001)
- Distribution: 70 bikes for students to commute to school (one bike for each child from low-income families nationwide), one month's worth of transportation expenses for 30 children

Year-end Grant Matching Campaign

- Number of donations made (monetary value): 2,793 donations (KRW 126,548,700)

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Interview

Corporation Leftovers Love Sharing Community

Jeon, Jay Team Leader

Dreamfull was launched as an online donation website under the joint operation with Hankook Tire after the signing of the Memorandum of Understanding on March 17, 2011. Over the past year or so, its operational and promotional activities stabilized thanks to wide-ranging support extended on the part of Hankook Tire, including professional assistance and cooperation regarding business sponsors, PR and marketing and employee's voluntary participation and volunteering work. With a new addition of NGOs as colleagues who brief us on the suffering of the less-privileged in our society, take action in the field, and extend practical help to those in need, Dreamfull is establishing itself as a new venue in the culture of donation in Korea. So far, Dreamfull has encouraged 22,000 people to donate a total of KRW 350 million. A girl who was evicted for not paying the rent was given a new home; a boy with a brain tumor was treated who now dreams of becoming a social worker; a family of North Korean defectors who risked their lives to cross the border to come to South Korea were given sufficient healthy food; and a boy who used to be teased for ill-fitting clothes was given new proper clothing. A center whose roof was torn off by a typhoon was rebuilt with a stronger rooftop and another facility that was burnt down was completely remodeled. Small steps come together to create this beautiful journey that continues even today.

CI-3 GLOBALIZATION OF CORPORATE PHILANTHROPIC INITIATIVES

We undertake wide-ranging corporate philanthropic activities at our domestic and overseas business sites. All of these activities are guided by the same overarching principles while their strategies and themes differ to accommodate specific local culture and characteristics in order to ensure that these activities are sustained as a long-term initiative.

1 Understanding of Pending Issues in the Local Community

Since our domestic philanthropic programs have stabilized, we have been studying pending issues in the overseas local communities we are located to initiate philanthropic activities there. In 2011, we discovered that the corporate philanthropic trend in China was shifting from mere donations to more detailed initiatives based on agreements between businesses and government and private organizations. In 2012, we aim to forge a close network between our overseas business sites and local government agencies so that we may turn our ears to social and environmental issues that concern the local community where we are based and fully reflect these issues in our philanthropic programs.

2 Sustained Implementation of Philanthropic Initiatives Domestically and Internationally

Our philanthropic activities were undertaken under the four themes of sharing, safety, environment, and health against the plans defined in respective domestic and overseas sites in 2011.

We aim to further enhance the social impact of our philanthropic programs by evaluating their performance regarding various social impact including operational support for social welfare service organizations and public organizations, natural disasters, scholarship support for low-income families, and support for local communities.

CI-4 DEVELOPMENT AND BRANDIZATION OF REPRESENTATIVE PROGRAMS

We at Hankook Tire are committed to developing representative philanthropic programs that may strengthen our philanthropic expertise and executive capabilities as well as align with our core business. The vehicle support program for social welfare agencies will be further enhanced as a long-term initiative, which demonstrates our commitment towards enhanced availability of social welfare services throughout the nation.

1 Development of Representative Philanthropic Programs in Korea

Our vehicle (compact cars) support program for social welfare agencies that was initiated in 2008 has been further expanded to ensure that our philanthropic efforts are closely aligned with our core business. These vehicles were donated free of charge to social welfare

organizations across the nation, contributing greatly to the enhanced efficiency of social welfare services. In 2011, a total of 1,001 agencies applied for the program and 70 were selected as beneficiaries of our program. This vehicle support program is our representative philanthropic initiative and will continue throughout 2012 as well.

'Warm Love Shared by All' Hankook Tire's Vehicle Support for Social Welfare Agencies Interview

As a company dedicated to sustainability management and the fulfillment of its social responsibility, Hankook Tire is undertaking philanthropic initiatives that can extend practical assistance to our society, and our 'vehicle support for social welfare agencies' program initiated in 2008 is part of such endeavors. This is our representative philanthropic program that is closely aligned with our core business and aims to help provide better social welfare services to vulnerable populations in our society including children, senior and physically-challenged individuals. The vehicles chosen for this program were compact cars that not only ensure that social welfare services are more effectively delivered, specifically in areas populated by those who lack easy access to these services due to economic or physical limitations, but also help improve the operational efficiency of these agencies. In 2011, 70 compact cars were donated in commemoration of Hankook Tire's 70th anniversary, and the number of compact cars donated to social welfare agencies across the nation over the last four years amounts to 147.

Little Mom Home

Sun, Bong-im Social Worker

Before we became a beneficiary of Hankook Tire's vehicle support program, we never had a single vehicle available at Little Mom Home. These young moms at our facility felt unsafe, and suffered from anxiety while being transferred to the hospital due to acute medical needs or emergency situations. This program, however, enabled us to respond to such situations swiftly and safely. When young moms needed to leave the facility to receive psychological counseling and prenatal education, they were faced with a very tough situation because of all the attention they received. This vehicle support program reduced their psychological stress regarding mobility and their attendance in and satisfaction with various supportive programs increased accordingly.

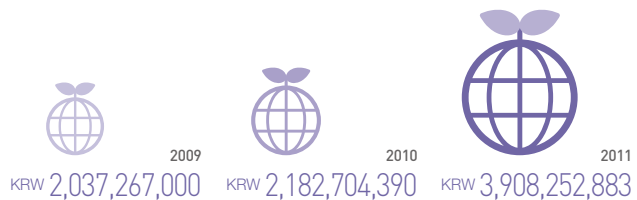
A high school sophomore at our facility said that her child was born with luck because she was the very first person to use the vehicle provided by Hankook Tire to go to her delivery room. She was not at all prepared for giving birth and was unable to raise her child. She put her prenatal diary book, an album of sonogram pictures of her child, and the baby kimono that she made herself in a box and asked us to deliver that box to her child and adoptive parents. Before returning home, she said that her child would grow happy and healthy with adoptive parents who are just as warm-hearted as Hankook Tire employees. These vehicles offered by Hankook Tire give such a great sense of stability to our young moms. I hope that these vehicles will help our little moms prepare for their delivery with peace of mind.

* Little Mom Home is a facility that provides temporary shelter to young single moms before and after their childbirth. It offers medical assistance before and after childbirth and child adoption services.

Reporting of Global Philanthropic Outcomes

- Total expenses rose due to the operation of the representative program
- Total expenses rose due to inclusion of philanthropy-related expenses in addition to those expenses calculated based on accounting standards

	2009	2010	2011
Total Number of Initiatives	91	65	83
Total Expenses	KRW 2,037,267,000	KRW 2,182,704,390	KRW 3,908,252,833



	Initiatives (number of initiatives)			Monetary Value (KRW)		
	2009	2010	2011	2009	2010	2011
Sharing	The operation of the representative program and the online donation website gave rise to increased expenses in the social welfare segment					
Social Welfare	20	21	23	1,183,526,000	1,607,434,540	2,730,995,250
Local Community	51	23	35	242,615,000	129,939,500	194,112,718
Education and Scholarship	10	7	8	279,902,000	272,028,850	335,144,400
Total	81	51	66	1,706,043,000	2,009,402,890	3,260,252,368
Environment	Expenses for public campaigns related to environmental protection were included to enhance the measurement of overall performance					
Environmental Protection	5	5	6	5,724,000	576,500	399,534,050
Total	5	5	6	5,724,000	576,500	399,534,050
Health						
Medical Assistance	1	1	1	100,000,000	100,000,000	100,000,000
International Relief	3	1	1	30,000,000	30,000,000	30,000,000
Emergency Disasters	-	-	1	-	-	9,800,000
Others	-	5	3	-	6,725,000	11,675,000
Total	4	7	6	130,000,000	136,725,000	151,475,000
Safety	Expenses for public campaigns related to free-of-charge vehicle safety inspections were included to enhance the measurement of overall performance					
Safety	-	2	5	-	36,000,000	96,991,465
Total	-	2	5	-	36,000,000	96,991,465
Others						
Others	3	-	-	195,000,000	-	-
Total	3	-	-	195,000,000	-	-

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CI-5 REINFORCEMENT OF COMMUNICATION WITH LOCAL COMMUNITIES AND IDENTIFICATION OF LOCAL ISSUES

We share pending issues and problems in the local communities where we are based through various communication channels with local residents, agencies and organizations founded on the trust we built with the local community. We will continue to establish communication channels and networks to seriously address local issues and offer solutions.

1 Reinforcement of Year-round Communication Channels in the Local Community

We meet with local government offices & agencies, NGOs, and local representatives (three times per month on average) and regularly communicate with local organizations and people through official documents and telecommunication (phone, internet). These endeavors allow us to identify wide-ranging local issues of: environmental issues near our business sites, local economic slowdown, livelihood issues of the local residents in need, the lack of educational infrastructure and the lack of corporate philanthropic activities as a form of social investment. We also created an additional communication channel to disclose our philanthropic initiatives through the annual Social Contribution White Paper published by the Federation of Korean Industries. These efforts will enable us to prioritize pending local issues and deliver solutions to these issues.

2 Communication with the Local Community and Sharing of Local Issues

Operating regular communication channels attended by all stakeholders is not viable due to the fact that stakeholders have their own distinct and diverse requirements. Possible conflicts of interest were another reason why we thought seriously about whether to incorporate their entire feedback into our company-wide philanthropy system. One solution we suggested was to hold ad-hoc committee meetings to ensure the continuity of our communication with the local community and to share pending issues and problems in case of emergency. Moreover, we focused on developing and carrying out representative programs.

Strategic Philanthropic Activities in the Local Community HANKOOK TIRE'S SHARING FOUNDATION

Our Sharing Foundation has been under operation since 1990 to help us fulfill our social responsibilities and duties as a company. Our commitment toward a society where everyone leads a harmonious life prompts us to share even more with the less privileged in our society and our warm-hearted helping hand is reaching wider parts of our society every year.



Scholarship Program

Scholarship Assistance Scholarship assistance is provided to high school and university students who find it difficult to continue their education due to their poor economic conditions. In doing so, we assist them in growing into a talented and healthy member of our society.

2011 Achievements and 2012 Plans (Unit: KRW 1,000)

Category	2011 Achievements		2012 Plans	
	Number of Beneficiaries	Value	Number of Beneficiaries	Value
University Students	6	31,772	10	60,000
High School Students	80	83,600	60	80,000
Total	86	115,372	70	140,000



Medical Welfare Programs

Support for Free Charity Hospitals We support operational expenses at eight hospitals nationwide including Seongga Bokji Hospital (Seoul), a free charity hospital, to help immigrant workers and charity patients who are not protected within the established medical institutional boundary. We assist these people who suffer severely in the blinders of our medical welfare system in recovering their health and in so doing, practice the value of human dignity.

Establishment of Free Hospitals in the Third-World Countries Our initiative to support the construction of free charity hospitals began in 2007 and has been expanding in poverty ridden third-world countries such as East Timor, Paraguay, Indonesia and African countries.

2011 Achievements and 2012 Plans (Unit: KRW 1,000)

Category	2011 Achievements		2012 Plans	
	Number of Beneficiaries	Value	Number of Beneficiaries	Value
Operational Expense Support for Free Charity Hospitals	8 hospitals	118,925	8 hospitals	130,000
Construction of Free Hospitals in the Third-World Countries	Indonesia	30,000	Indonesia	30,000
Total	9 hospitals	148,925	9 hospitals	160,000



Support for Children and Teenagers from Low-income Families

Financial Assistance for Children from Low-income Families We provide financial support regarding livelihood expenses to children from low-income families including children living with grandparents only, children living with single parents, children living alone without any parental support, and children from families coping with the aftereffects of traffic accidents. Our goal is to assist these children in growing up with a firm belief in their dreams and hopes.

Assistance for Malnourished Children We support school meal expenses for malnourished children from low-income families so that these children do not suffer from skipping meals and grow up healthy.

2011 Achievements and 2012 Plans (Unit: KRW 1,000)

Category	2011 Achievements		2012 Plans	
	Number of Beneficiaries	Value	Number of Beneficiaries	Value
Livelihood Expense Support	100	180,000	80	150,000
Malnourished Children	250	50,000	250	50,000
Total	350	230,000	330	200,000



Assistance for Social Welfare Facilities

Assistance for Social Welfare Facilities We provide assistance regarding facility safety and education, medical services and daily equipment to social welfare facilities for children, seniors and the physically-challenged, group homes, and local children's centers across the nation so that residents at these facilities may live and learn in a better environment.

'Tire' Sharing for Social Welfare Agencies We offer tires free-of-charge for vehicles used for business purposes at social welfare agencies nationwide to improve their operation and for service beneficiaries to be able to access safer means of transportation.

2011 Achievements and 2012 Plans (Unit: KRW 1,000)

Category	2011 Achievements		2012 Plans	
	Number of Beneficiaries	Value	Number of Beneficiaries	Value
Assistance for Social Welfare Agencies	61	327,217	50	335,000
'Tire' Sharing	441	263,660	400	260,000
Total	502	590,877	450	595,000

FOCUS 03

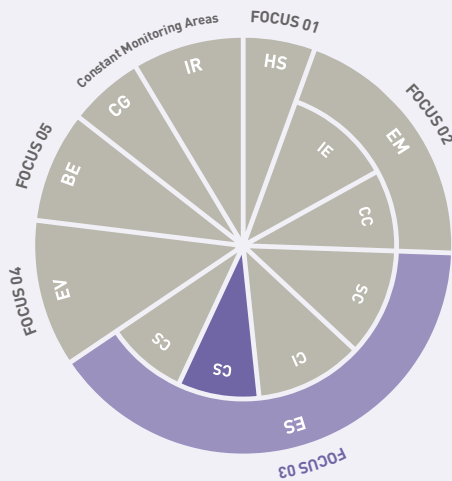
External Stakeholder Satisfaction Management

FOCUS 03-3-1

Customer Satisfaction & Quality Management (Customers and Dealers)

CS

CUSTOMER SATISFACTION & QUALITY MANAGEMENT



Declaration

We undertake differentiated marketing communication initiatives to address the expectations and requirements of customers, and fully commit ourselves to delivering the highest-possible customer satisfaction and value.

Management Responsibility and Governance

The Customer Subcommittee aims to deliver the highest-possible satisfaction and value to customers and dealers. The subcommittee consists of four teams, which include the CRM Team, Retail Marketing Team, TBR Marketing Team and Technical Service Team under the Hankook Tire Korea Headquarters Marketing & Sales Department. It is responsible for assisting our dealers in boosting their sales competency and performance, providing proactive communication, and offering services that maximize customer satisfaction and value.

NUMBER OF INQUIRIES AT THE CUSTOMER SERVICE CENTER [MONTHLY AVERAGE]

The Customer Service Center serves as a direct communication channel with customers to address inquiries regarding products, purchases, and after-sales services.



NUMBER OF CUSTOMERS ATTENDING OUR CUSTOMER SAFETY CAMPAIGNS

We train our customers on the importance of regularly checking tire air pressure. Our two-year warranty scheme and various customer safety campaigns aim to raise customer's awareness of tire safety.



TRAINEES ATTENDING THE NHL (NEW HANTA LINE) TRAINING PROGRAM [NUMBER OF ATTENDING DEALERS]

The NHL (New Hanta Line), our dealer management system, enables us to gather accurate data regarding the purchase, sales and inventory of our dealers. The NHL training is offered every year to provide guidance on the professional use of the system.



SUMMER HIGHWAY SAFETY CAMPAIGN [NUMBER OF PARTICIPANTS]

Our free-of-charge tire safety check services are provided at major rest areas in Korea to ensure the safety of customers who travel long distances during the summer holidays. Useful information on tire maintenance is also offered to help build customers' awareness of tire safety.



FOCUS 03

54 Win-Win Customer Strategies

55 Establishment of the Integrated CRM System, Public Interest Campaigns and Public Interest-aligned Marketing

56 Impressive Customer Services

Stakeholder Interview

Kim, Ji-eun Customer

My impression is that Hankook Tire was deeply engaged in communicating with its customers in 2011. The highway safety and customer safety campaigns that the company wages every year prove to be remarkable initiatives that help Hankook Tire take a step closer to customers. In particular, its commitment to customer communication was clearly demonstrated through wide-ranging online contest campaigns. These online campaigns were highly accessible for ordinary customers like myself who had never been aware of these sharing-driven activities taken on by Hankook Tire. I hope that Hankook Tire will continue to utilize campaigns so that its customers may take advantage of such initiatives with pleasure.

2011 Achievements

●: Completed ●: Partially Completed ○: Not Implemented ○: Year-round Activity

Code	Key Managerial Issues	2011 Goals	2011 Achievements	Completion	Pages
CS1	Win-win customer strategies	To run training and sales support programs	Introductory training for new dealers / Basic-level marketing & sales training / The JUMP program were conducted	●	54
		To run customer upgrade programs	Six key wording categories in addressing customers were chosen (greeting, phone conversation) / SV operational manuals were developed	●	54
		To pursue TBX operational innovation and specialization	Dealer capacity-building training programs were developed	●	54
		To develop sales skill-up programs	Region-specific supervisor activities were undertaken	●	54
CS2	Establishment of the integrated CRM system, public interest campaigns and public interest-aligned marketing	To establish the integrated CRM system / To wage public interest campaigns and public interest-aligned marketing programs	This was postponed due to internal management strategic circumstances	○	55
			A CSR event in alignment with the Lotte Giants baseball team / The Low Carbon Green Growth Expo / The Slow Walking Program were held	●	55
		To share customer compliments on the website / Perform communication channel satisfaction surveys	Customer compliments were shared through FCS	●	55
			A TS channel satisfaction survey was conducted (Aug.)	●	56
		To open the online customer reservation system at the website	'Visiting Services' were provided instead	○	55
CS3	Impressive customer services	To launch the Eco-Drive campaign	Korea Transportation Safety Authority training courses were taken	●	53
		To take F/A six service activities	Corporate account services were provided		
		To perform marketing activities to prevent product quality issues	Customer inquiries were addressed through the Q&A section on the corporate website and the Facebook account	●	56, 57
		To open new after-sales service centers / To provide 'Before Services' / To offer the two-year warranty scheme	Customer safety campaign / Smart Keeping Services / T'Station's right service campaign / T'Station's smart care services / Summer highway safety campaign / Services for island regions and highways / Opening of new service centers / Summer service camp held in conjunction with Volvo Truck Korea		

2012 Plans

Code	Key Managerial Issues	2012 Commitments	Key Index	Deadline	Department in Charge
CS1	Win-win customer strategies	To offer dealer capacity-building training (products, importers of commercial vehicles)	Operation	Dec.	KorJTBR Marketing Team
		To offer basic-level and service training to newly created dealers / To operate the Angel (1,004) Program	Operation	Dec.	KorJRetail Marketing Team/ KorJTechnical Service Team
		To hold new product launching events (Ventus S1 evo2, enfren eco)		Apr.	Brand Communication Team/ KorJCRM Team
		To nurture SAs (Store Advisor) dedicated to retail stores / To seek communication innovation through the JUMP program and discussion meetings		Dec.	KorJRetail Marketing Team
CS2	Reinforcement of customer engagement and communication	To increase the number of TV Hankook Tire stores nationwide (360 stores)	Number of stores	Dec.	KorJCRM Team
		To take on philanthropic activities in relation to 'enfren eco', the newly-launched eco-friendly tire model		Jul.	KorJCRM Team
		To take on co-marketing initiatives with Kizania (driving license training program for children)		May	Brand Communication Team
		To launch a new TV campaign titled 'The Function of Tires in Driving'		Dec.	Brand Communication Team
		To introduce customer DB security solutions		Dec.	IT Strategy Team
		To operate the 'Slow Walking Program' for customers and the less-privileged	Six rounds per year	Dec.	Corporate Communication Team
		To renew the T'Station website and build the POS system	Establishment and operation	Dec.	KorJRetail Marketing Team
CS3	Impressive customer services	To seek communication innovation with franchises through JUMP Meetings		Dec.	KorJRetail Marketing Team
		To wage the summer highway safety campaign and highway safety check campaign		Oct.	KorJCRM Team/ KorJTechnical Service Team
		To address customer inquiries through the Q&A section on the website and Facebook		Year-round	KorJTechnical Service Team
		To provide Mobile Services to the less-privileged and residents of island regions	Six rounds per year	Dec.	KorJTechnical Service Team
		To initiate F/A six service activities		Dec.	KorJTBR Marketing Team
	To launch the TBR Road Show / To forge marketing partnerships with imported commercial vehicles		Dec.	KorJTBR Marketing Team	
	To initiate SMART Care Service / To introduce and implement 5J standards in each store		Dec.	KorJRetail Marketing Team	

CS-1 WIN-WIN CUSTOMER STRATEGIES

At Hankook Tire, we define dealers as one of our core customers. We are fully committed to assisting them in strengthening their sales competency and boosting sales as we believe that their enhanced competency leads to the satisfaction of end-consumers. Moreover, we strive to provide dealer programs in an innovative manner through the development of standardized service manuals and the provision of new types of training.

1 Operation of Training and Sales Support Programs

Training and Sales Support Programs In 2011, three rounds of introductory training were provided to newly established dealers to instill a sense of pride and share our vision. These programs included tire products, service mindset, customer reception manners, sales skills and computing skills. Their satisfaction regarding these programs and exchange with other dealers reached 4.1 points on a scale of 1 to 5, which was fairly high. In response to the dealer feedback that the training hours are too short, these programs have been extended to cover four nights and five days with even richer content for 2012.

Basic-level Marketing & Sales Training We continue to provide marketing & sales training to deliver better services to customers. In 2011, nine sessions of such training were offered to female employees and eight sessions to mechanics in each region. These programs achieved a high rating of 4.2 points on a scale of 1 to 5 - thanks to their focus on practical working-level issues in designing and constructing the training content.

JUMP Program The JUMP Program is centered around a profit-improvement technique that aims to enhance dealer profits and customer-driven perspectives. A total of 20 dealers attended the program for five months between April 1 and August 31, 2011. This led to an astonishing 128% growth in sales over the same period last year in each dealer shop. Moreover, this program allowed us to identify and accumulate various cases to study, which will be utilized later to further improve the JUMP Program with working-level perspectives.

2 Customer Upgrade Programs

Definition of the Six Wording Categories to Address Customers

We decided to define six wording categories in addressing customers in order to clarify the identity of T'Stations as a specialized tire franchise and to ensure the consistency in servicing customers throughout all T'Stations. These six categories include incoming/outgoing greetings, how to address customers in settling payments, and customer phone conversation. As the wording is still under development and not widely disseminated, these categories of words are not fully used in all T'Stations. We believe that sustained training and customer satisfaction surveys will encourage all T'Stations to adopt this new approach in better servicing customers.

3 TBX Operational Innovation & Specialization

Visiting Equipment Training In surveying participants at the collective training in 2010, it was discovered that the reason behind the low training attendance was due to a lack of workforce at our dealers, which clarified the needs for 'visiting' training programs on the part of dealers. Thus, we provided visiting training programs in 2011 to ensure that the training does not interfere with the daily operation of our dealers and that they are more deeply engaged in the training, thereby increasing their satisfaction.

Training for the Importer of Commercial Vehicles In 2011, we provided safety regulation training regarding our TBR tires and the use of equipment to employees at the two service centers (Yangsan, Sacheon) under the direct management of Scania, an importer of commercial vehicles in Korea. This contributed significantly to forging closer ties and exchanges between the two companies.

4 Establishment of the Sales Skill-up Programs

Regional Supervisors In spite of wide-ranging initiatives that we undertake to revitalize our dealers in each region, communication with the headquarters still proves to be critical on many occasions. Thus, we at Hankook Tire chose supervisors in each region to fully support closer communication between regional dealers and the headquarters. These region-specific supervisors analyze reasons behind sluggish sales through dealer analysis, sales training and the JUMP Program and apply various marketing tools in presenting advice and directions to help low-performing dealers overcoming their slump.

Development of the SV Operational Manual Each supervisor is responsible for supporting an entire region, not just one marketing area or a single dealer. This necessitates the use of the same criteria and principles for these supervisors in addressing their respective regions. Thus, we developed the supervisor (SV) operational manual in the first half of 2009. This manual not only allows us to enlist diverse case studies in each region but also ensures that our supervisors rely on clear standards in addressing distinctive situations and supporting dealers or stores. It was revised with the latest case studies in 2011.

FOCUS 03

54 Win-Win Customer Strategies

55 Establishment of the Integrated CRM System, Public Interest Campaigns and Public Interest-aligned Marketing

56 Impressive Customer Services

CS-2 ESTABLISHMENT OF THE INTEGRATED CRM SYSTEM, PUBLIC INTEREST CAMPAIGNS AND PUBLIC INTEREST-ALIGNED MARKETING

Hankook Tire moves beyond customer satisfaction through the delivering of high-quality products to highest possible customer value through wide-ranging public interest campaigns and public interest-aligned marketing initiatives. We are honest in sharing both compliments and complaints from customers, as we believe that these are the very foundation for us to provide even better customer service.

1 Establishment of the Integrated CRM System

Establishment of the Integrated CRM System While we prepared for the establishment of the integrated CRM system in 2011, the initial plan was replaced with the establishment of the POS system due to internal management strategic circumstances.

2 Public Interest Campaign and Public Interest-aligned Marketing

CSR Event in alignment with the Lotte Giants Our public interest-aligned CSR marketing initiatives were undertaken as part of our partnership with the Lotte Giants in 2011. We invited a total of 90 students from local children centers in Busan to three rounds of baseball games between April and June that year.

Low Carbon Green Growth Expo We attended the 'Low Carbon Green Growth Expo' the largest green expo in Korea, in October 2011. Along with our eco-friendly products targeting the global market and our endeavors in using eco-friendly materials, technology and manufacturing processes were demonstrated. We also introduced the process of how waste tires are converted into green energy in an easy-to-understand manner, which encouraged ordinary expo participants to better understand and become interested in tires.

Slow Walking Program Our 'H-LOHAS Slow Walking Program' embodies our belief in the need to walk slowly, keeping pace with nature, in order to rediscover the beauty of mother earth on the paths worn in the past by the speed of a car. The program, initiated in 2009, enables participants to begin a journey looking

for beautiful paths across the nation with the help of professional guides. The class of one of our employee's children was invited on this journey and ordinary customers also joined in the Slow Walking Program. Classmates of the Hankook Tire employee's child were able to experience the ecosystem in the national park in the vicinity of their school facility while ordinary customers walked down the hidden paths never known before along the Blue Road in Yeongdeok, Jarak Road on Sobak Mountain, Nadeul Road in Gangwha, and Bau Road in Gangneung. Our Slow Walking Program is specifically met with positive responses externally as well as internally and serves as a useful means for us to promote H-LOHAS to customers.

3 Sharing Customer Compliments on the Website and Opening of the Customer Reservation System

Sharing Customer Compliments through FCS Users of our T'Stations often leave their compliments on our website or TM. These compliments are uploaded in the announcement section of our internal system FCS and the customer review section of the T'Station website. In addressing customer complaints, we continue to share these complaints so that sales employees in charge can directly identify and provide appropriate feedback to address the issues.

Opening of the Customer Reservation System on the Website

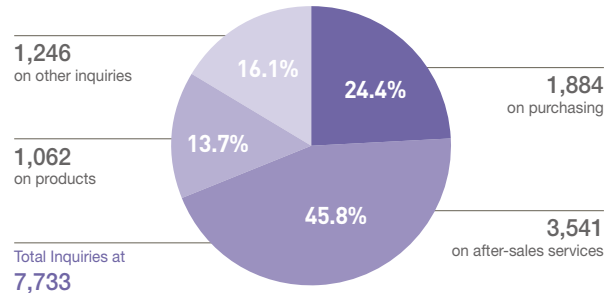
We concluded that the customer reservation system created on our corporate website lacks sufficient applications, as measured against the investments required to develop the program. Instead, we utilized CS resident employees in each region, phone counseling and visiting services to satisfy our customers.



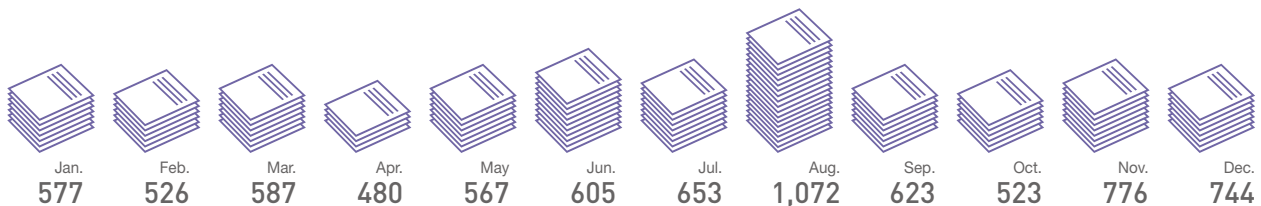
4 Channel Satisfaction Surveys

TS Customer Satisfaction Surveys The 2011 channel satisfaction survey was carried out for three months between September and November. In-person visits were made to 300 stores, while 5,609 customers and 216 T'station owners were surveyed on the phone. The results demonstrated that customer satisfaction was fairly high whereas T'Station owner's satisfaction was relatively low. The most urgent issue to be improved was incoming greetings, and as such, we developed training programs and defined the six wording categories to address customers.

Current Status of the Customer Service Center



Customer Counseling Items per Month



(Unit: No. of Inquiries)

Category	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Purchasing	254	193	189	167	164	90	99	213	62	92	188	173
After-sales services	60	59	59	47	49	80	78	169	58	106	156	141
Products	201	201	265	210	212	314	360	454	406	274	308	336
Other inquiries	62	73	74	56	142	121	116	236	97	51	124	94
Total	577	526	587	480	567	605	653	1,072	623	523	776	744

CS-3 IMPRESSIVE CUSTOMER SERVICES

All employees at Hankook Tire are fully committed to establishing optimized customer service processes as well as enhancing their service competency and delivering core values to customers. Our CS staff boasts best-in-class qualifications and we take customer-centered perspectives and put top priority on customer safety in launching services and campaigns. Such impressive after-sales service allows us to 'touch the heart' of our customers.

1 F/A Six Service Activities

Corporate Account Services Our CS employees visit corporate customers such as bus and taxi businesses to promote Hankook Tire's high-quality products. Moreover, vehicle check services and technical services in each F/A were provided to identify new customers and improve the satisfaction of existing customers.

2 Marketing to Prevent Product Quality Issues

We respond to customer complaints through the Q&A section of our corporate website and Facebook account. The Customer Service Center also allows for one-on-one counseling and immediate feedback to address customer inquiries. In 2012, we continue to assign former on-the-spot CS employees to the Customer Service Center to ensure optimized conditions in counseling customers and handling customer complaints.

FOCUS 03

54 Win-Win Customer Strategies

55 Establishment of the Integrated CRM System, Public Interest Campaigns and Public Interest-aligned Marketing

56 Impressive Customer Services

3 Opening of a New After-sales Service Center, Before Services and the Two-year Warranty System

Customer Safety Campaign We instructed our customers on the importance of regularly checking tire air pressure and waged campaigns to promote a two-year warranty system and build customer's awareness of tire safety between March 28 and December 31, 2011, as we also did in 2010. Every time our customers participated in the campaign, we donated KRW 1,000 on their behalf and KRW 12 million in total that year went to the Corporation Leftovers Love Sharing Community. The donations were used to undertake a philanthropic program to enable children from poverty-ridden and marginalized areas to experience cultural activities.

Smart Keeping Services Our Smart Keeping Services provide a safe storage area for four season tires when customers replace them with winter tires during the ice and snow. Under the slogan "No. 1 Hankook Tire's Smart Care Service, We will take care of your valuable tires safely," these services aimed to make it easier for numerous customers to store their tires while not in use.

T'Station Right Service Campaign Since March 2011, all T'Stations have initiated the Right Service campaign to deliver satisfaction and contentment to customers. More specifically, three promises to ensure life-long customer happiness that our customers may see, hear, feel and practice at the T'Station were translated into behavioral guidelines. These three promises embody behavioral guidelines regarding 10 free-of-charge inspection services, 10 free-of-charge maintenance services and 10 fair and honest services. Moreover, the customer complaint reporting system allows our customers to voice their grievances honestly, urging us to continue to improve on these complaints. The outcomes are also reflected in our assessment of respective T'Stations.

T'Station Smart Care Services Central to the T'Station Smart Care Services, initiated in October 2011, is the financing scheme of 24-month interest-free installment plans and the Auto Planner program that provides vehicle maintenance services for the relevant period. Reducing customer's financial burden when paying for tire replacements and enabling customers to distribute the payment of tires across 24 months with zero interest, this program implicates a shift in the tire purchasing paradigm. To further facilitate these services, we will expand our partnership with credit card companies and add new services.

Summer Highway Campaign Every summer, we offer free-of-charge tire safety check services and consumer safety training at major rest areas in Korea for customers who travel long distances during their summer holidays. In 2011, 50 Hankook Tire employees from the headquarters and service providers conducted safety checks for 17,835 customers at six rest areas nationwide for five days between July 29 and August 2. These services helped customer's vehicles to be better prepared for the heat emitting from summer highway roads and long-distance travel. We also provided information

on the management of tires while driving on the highway to build customer's awareness regarding tire safety.

Services in Island Regions In 2011, our Mobile Services covered the four island regions of Baekryeong Island, Chuja Island, Yeonpyeong Island and Heuksan Island. Island regions specifically distanced from urban areas were chosen and provided with free-of-charge vehicle safety checks and tire purchasing reservation services, leaving high impressions on customers in these regions.

Highway Services These services aim to conduct free-of-charge vehicle safety checks and one-on-one tire counseling to customers for six rounds, covering seven highway rest areas in each round. The Highway Services assist us in improving customer satisfaction as well as our corporate image.

Opening of a New Service Center In January 2012, a new service center opened in Buk-gu, Daegu City in addition to our existing service centers in Incheon and Jecheon. This completed our sphere of service centers connecting the metropolitan area, the central region and the eastern region of Korea, building infrastructure to provide higher-quality services to customers.

Summer Service Camp with Volvo Truck Korea The Summer Service Camp was conducted in conjunction with Volvo Truck Korea in 2011. Non-stop services ranging from vehicle maintenance to tire checks were offered to 1,000 vehicles at the 16 service camps established nationwide.

Summer Service Camp with Volvo Truck Korea

- Number of Vehicles: 1,000 approximately
- Number of Vehicles that Visited Hankook Tire's Service Zones: 700 approximately
- 16 Service Camps Operated Nationwide



Free-of-Charge Safety Check Services



Smart Care Services

Highway Services

- Tire exterior check: 7,231 vehicles
- Tire air pressure check: 10,615 vehicles
- Tire counseling: 1,446 sessions

FOCUS 03

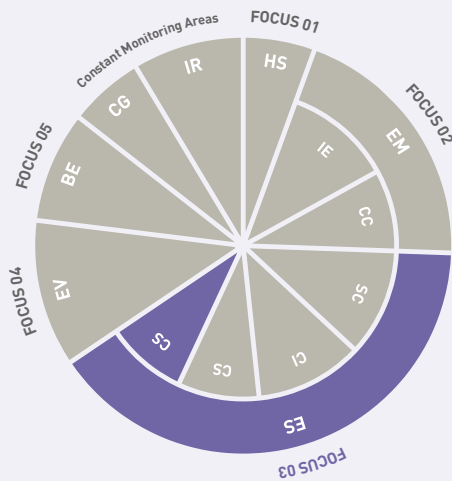
External Stakeholder Satisfaction Management

FOCUS 03-3-2

Customer Satisfaction & Quality Management (Car Makers)

CS

CUSTOMER SATISFACTION & QUALITY MANAGEMENT



Declaration

As a business partner for car makers, Hankook Tire is dedicated to maintaining a sustainable business relationship with these makers by developing technologies that meet their performance requirements and securing an eco-friendly competitive edge in quality, based on top-notch caliber and systemized systems that satisfy global standards.

Management Responsibility and Governance

We run an integrated decision-making process that covers all relevant segments ranging from defining strategies and directions for global OE business to R&D, quality, marketing and sales under the leadership of the head of the Global OE Division. Our strategy to improve quality is specifically geared towards the maximization of R&D and quality competency. This, in turn, bases our communication activities on maximum customer satisfaction between major relevant departments covering marketing and sales and car makers.

CURRENT STATUS OF OUR COMMUNICATION WITH CAR MAKERS

We undertake sustained communication initiatives to maintain trust-based cooperative relationships with car makers across the globe.



AWARDS BY CAR MAKERS

Our best-in-class quality and services are recognized by world-renowned car makers, which is attributable to the advanced product development and continued product innovation at Hankook Tire.



Ford Q1 Award

Our Ford Q1 Award status has been under constant renewal every year since first being awarded in 2000.

Certification based on comprehensive examinations and assessments of the quality and manufacturing of component suppliers in accordance with the stringent assessment methodologies of Ford Motor Company



VW Grade A

We received a Grade A rating in 2007 and 2010 and have been maintaining this status ever since.

Quality audits performed of VW (Volkswagen) suppliers



VW Mexico Supplier Award

We were awarded as the Tire Company of the Year (2011)

Given to the best supplier of the year by screening suppliers to VW Mexico



Daimler Truck's On-Site Assessment (OSA)

We received a Category 1 (highest grade) rating (2012)

On-site assessment (OSA) performed to comprehensively evaluate R&D, production and logistics capabilities of a supplier in confirming its qualifications as a business partner for Daimler Truck

FOCUS 03

60 Reinforcement of Product Competency
61 Establishment of Global Standard Processes

Stakeholder Interview

Ford Honors Top-Performing Suppliers for Excellent Service and Outstanding Support in 2011

- Ford's global suppliers recognized for their strong performance in 2011
- The World Excellence Awards acknowledge superior performance in key areas including on-time delivery and corporate responsibility

Ford Motor Company hosted its annual World Excellence Awards Thursday evening honoring the company's top performing global suppliers. Sixty-two suppliers were recognized during the 14th annual event held at Ford World Headquarters. (June 1, 2012)

*Ford, a member of the Big 3 automobile manufacturers in the U.S., holds the 'World Excellence Awards' attended by its component suppliers from around the world. The criteria in selecting awardees include such diverse areas as quality, technological capability, delivery systems, social responsibility and customer satisfaction.

Alan Mulally Ford President and CEO

Ford president and CEO Alan Mulally thanked all of Ford's supplier partners for their commitment to excellence and for continuing to embrace the ONE Ford mindset. "Our suppliers play a critical role in Ford's growth around the world," Mulally said. "We are so grateful for their work to serve our global customers with a full family of cars, utilities and trucks offering the very best quality, fuel efficiency, safety, smart design and value."

Tony Brown Ford Group Vice President

Tony Brown, group vice president, Global Purchasing, thanked each supplier for its dedication and hard work throughout 2011. "Suppliers are a critical part of our success, and a driving force for continued growth at Ford Motor Company. Without the support, hard work and innovation of our suppliers, we would not be able to deliver on our promise to build quality vehicles," Brown said. "In 2011, our suppliers stepped up to the challenge of building vehicles that improve commonality and efficiency in more ways than ever before, and we are grateful for their unwavering commitment."

Quoted from the remarks made at the World Excellence Awards Ceremony

2011 Achievements

● : Completed ● : Partially Completed ○ : Not Implemented ⌚ : Year-round Activity

Code	Key Managerial Issues	2011 Goals	2011 Achievements	Completion	Pages
CS4	Reinforcement of product competency	To identify technological trends of car makers and review our response	Global OE trends were analyzed	●	60
		To develop new technology to respond to car makers	Technologies were developed to deliver LRR/lightweight and improved dry braking performance	●	60
		To find ways to secure quality to respond to premium OE	Externally recognized by supplying to Premium OE (BMW star marking) Rated Very Recommendable six times and Recommendable 12 times according to magazine test results	●	60
CS5	Establishment of global standard processes	To build CSR policies regarding car makers	Quarterly CSR issues of car makers were addressed and targets were set	●	61
		To respond to CSR issues in relation to car makers	CSR activities were shared and training and other improvement activities were taken on by each car maker	⌚	61
CS6	Expansion of communication	To strengthen communication with car makers and B2B communication	Technology exchange and joint research was undertaken with car makers	●	61

2012 Plans

Code	Key Managerial Issues	2012 Commitments	Key Index	Deadline	Department in Charge
CS4	Reinforcement of product competency	To develop more new products that reflect performance requirements of major car makers	Development of technology to meet high-level performance requirements	Year-round	OE Development Team
		To sophisticate OE quality management systems for each car maker	Proactive response to secure competitive edge in eco-friendly quality	Year-round	OE Quality Team/Global OE Technical Team
CS5	Establishment of global standard processes	To hold car maker business meetings regularly	Regular holding of such meetings and expansion of meeting agenda	Year-round	Global OE Strategy Team
		To bring car maker's requirements up to date	Continued sharing of benefits of improvement initiatives	Year-round	Global OE Strategy Team
CS6	Expansion of communication	To expand B2B Communication	Participation in more exhibitions	Year-round	Global OE Strategy Team
			Expansion of communication through the use of DTM	Year-round	Global OE Strategy Team

CS-4 REINFORCEMENT OF PRODUCT COMPETENCY

Central to our endeavors to secure product competency that satisfies the requirements of car makers is the development of next-generation technology demanded by the automobile market and quality improvement. We meet the needs of car makers by analyzing global trends, developing eco-friendly and new technologies, in addition to conducting systemized tests and monitoring for higher quality.

1 Identification of Technology Trends at Car Makers and Review of Our Response

Analysis of Global OE Trends To proactively respond to technology shifts in the automobile market, we analyze OE trends in accordance with changing vehicle requirements. In response to vehicle downsizing, development of eco-friendly technology and emergence of electric vehicles, we ensure that changes in tire performance and technology requirements are reflected in OE tires through the systemized management and analysis of engineering requirement data. With growing needs for eco-friendly technology and safe tires for car makers, we are focusing more intensively on developing green technology and undertaking a runflat tire project.

* Runflat tires can continue to be driven at constant speed despite the lack of air pressure caused by abrasions, scrapes or punctures. Not only are they safer to drive on but they also allow for lightweightness, increased fuel efficiency and fuel savings, for spare tires are not required.

2 Development of New Technology to Respond to Car Maker Needs

To improve the LRR (Low Rolling Resistance) performance that is critical to eco-friendly tires and to minimize the related trade-off (reduced rolling resistance gives rise to deteriorated performance in other functions), we adopted new technology and materials that enhance handling technology and braking performance. Specifically, trend analysis was performed in Korea and the U.S. where the global

labeling scheme is being disseminated, as well as in Europe where the scheme is recognized as a mandatory requirement for the first time in the world. Moreover, we conduct joint research activities with car makers to improve on LRR technology and wet grip performance. By studying and proactively addressing environmental trends, we were able to achieve a 4~6% improvement in LRR performance through the development of LRR tread design technology.

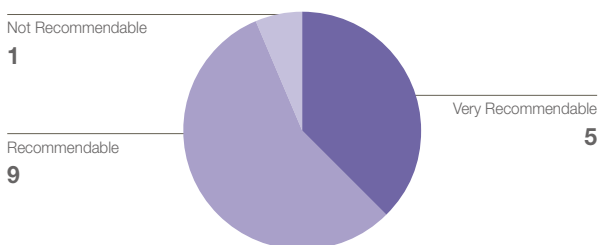
* Labeling regulation: This scheme aims to label new tires regarding fuel efficiency, wet grip, noise performance and other factors just as other general home appliances (labeling items differ by country). It will be implemented mandatorily in Europe in November 2012, in Korea in December 2012 and will be introduced in North America in the upcoming years.

3 Ways to Secure Quality to Respond to Premium OE

We undertook sustained quality improvement initiatives to supply to premium car makers who require a higher level of technology than general car makers. Our systemized testing and strengthened monitoring capability to continue R&D activities and secure product quality enabled us to succeed in becoming a supplier for BMW, earning the Star Mark that is only awarded to BMW suppliers.

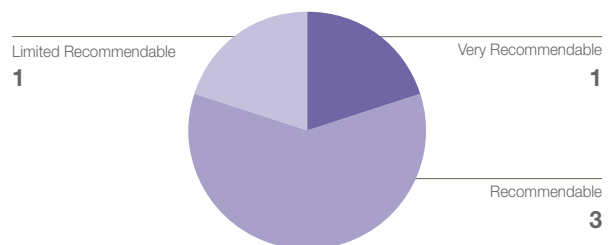
Our sustained quality initiatives led to positive outcomes at the tire tests conducted by world-renowned automobile magazines in Europe and the U.S. In 2011, our tires were rated Very Recommendable in the tire tests performed by six magazines including ADAC Motorwelt, the most influential automobile magazine in Europe.

Magazine Testing Results



Summer Tire Test

Total 15 cases



Winter Tire Test

Total 5 cases

FOCUS 03

60 Reinforcement of Product Competency
61 Establishment of Global Standard Processes

CS-5 ESTABLISHMENT OF GLOBAL STANDARD PROCESSES

We continue to establish global-level response systems while working with car makers across the global. Our partnership with these car makers is maintained by setting CSR policies in relation to car makers, sharing CSR initiatives as a business partner, and taking improvement initiatives such as training.

1 Development of CSR Policies in Relation to Car Makers Addressing CSR Issues Quarterly at Car Makers and Building Related Goals

As we recognize car makers as our major stakeholder, we ensure interactive communication with them to forge stronger partnerships. The opinions and requirements that we gather from car makers are compiled every quarter and the identified issues, depending on their importance, are considered in setting short/long-term goals (activity plans) at the CSR Subcommittee. These policies assist us in proactively responding to the assessments made by car makers and are implemented with transparency by giving feedback to car makers regarding improved areas.

2 CSR Response in Response to Car Makers

We maintain sustained cooperative relationships, which include CSR initiatives with car makers as a business partner.

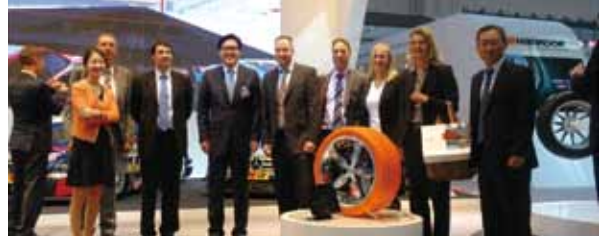
As a newly selected partner for BMW, we shared our CSR activities in the areas of labor, safety, human rights and environment in early 2012 and will continue to develop plans to improve on substandard areas, e.g., dissemination of CSR into Hankook Tire suppliers.

Our cooperation with Ford is being strengthened and we share our progress semi-annually on such CSR issues as working conditions in accordance with the relevant standards of Ford. In 2012, we will attend Ford's training program, which is designed to help us perform inspections on the labor conditions at Chinese plants and disseminate CSR in each business site.

This sustained cooperation and improvement enabled us to achieve the highest ranking in the on-site assessment (OSA) conducted by Daimler Truck, with whom we recently started doing business as a supplier. We were also top-rated in comprehensive audits made by other car makers domestically and internationally and our business partnership (regarding premium tires) is expected to further expand in the upcoming years.



IAA Frankfurt



IAA Frankfurt



Hyundai R&D Motor Show

3 Reinforcement of Communication with Car Makers and B2B Communication

Technology Exchange and Joint Research with Car Makers

Regular technology exchanges continue to expand to ensure lively communication with car makers and to share technology and relevant development issues. Specifically, such technology exchanges including outdoor vehicle tests, were increased in China and successfully concluded with six local companies. Even more opinion-sharing and joint work is underway including joint research with car makers as well as technology exchange initiatives.

Development and Distribution of OE Sales Kits/Attending the IAA and Hyundai R&D Exhibition

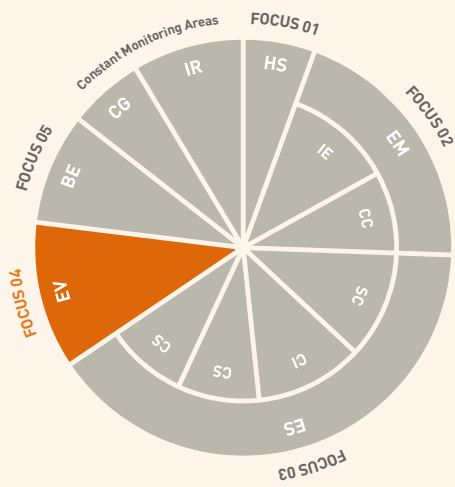
Our sales kits were developed and distributed to car makers to further enhance their understanding of Hankook Tire. We also attended the IAA Frankfurt in September 2011, one of the five largest motor shows in the world. The Hankook Tire Booth assisted us in introducing our business strategies and conducting business consultations with car makers as well as exhibiting our future concept tires driven by new technology. At the request of our car makers, we participated in the 8th Hyundai R&D Motor Show in October, which solidified our cooperative relationship with car makers as well as promoted our eco-friendly and new technology both internally and externally.

FOCUS 04

Employee Value Creation

EV

EMPLOYEE VALUE CREATION



Declaration

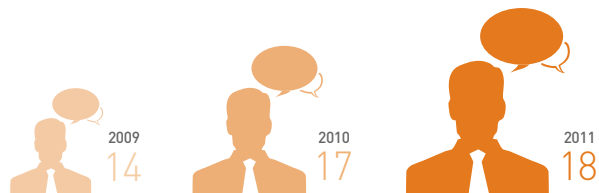
Hankook Tire shares its vision through open communication and provides its employees with fair opportunities in promoting a healthier and happier workplace as well as shared growth between the company and employees.

Management Responsibility and Governance

The Employee Subcommittee, supervised by the Human Resource Management Team under the Business Infra Division, classifies relevant issues into four categories and initiatives in each of these categories are addressed by respective teams (Culture & HRD Team, Corporate Communication Team, etc.). The Human Resource Management Team is responsible for monitoring and offering feedback on these initiatives to each relevant team. The subcommittee meets bi-monthly to share progress and improve on issues in order to encourage employees to expand their values and be engaged in their work with contentment.

TRACK RECORDS OF GRIEVANCE HANDLING AT WORKSITES

Hankook Tire and its labor union ensure that unfair practices do not occur through mutual respect and monitoring, and a grievance resolution system is currently in operation.



AVERAGE TRAINING HOURS PER PERSON [NUMBER OF HOURS]

We continue to reinforce our training systems to nurture talented employees with a global competitive edge so that we may achieve our vision to become a 'Leading Global Tire Company'.



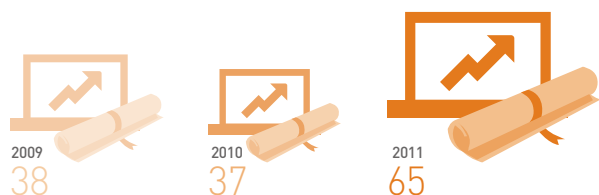
MENTORING PROGRAMS FOR NEW HIRES [NUMBER OF PARTICIPANTS]

Our mentoring programs aim to assist new hires and current employees in the Rookie position in adapting to their new roles early on as Hankook Tire staff.



TRAINING FOR FUTURE RETIREES [NUMBER OF PARTICIPANTS]

Our retiree training programs help future retirees deal with anxiety that retirement may provoke, gain confidence to start a fresh new life and turn retirement into an opportunity to ignite the spirit of challenge.



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Stakeholder Interview

Park, Ye-ri Junior Manager, Corporate Management 2 Team

It is highly encouraging to see that Hankook Tire is dedicated to delivering a happy and pleasant workplace for its employees. In particular, the 'Proactive Friday & Strategic Sunday' program initiated to facilitate internal communication is a unique achievement made at Hankook Tire that allows all employees to take a day off and spend it proactively with co-workers. Communication with colleagues through CoP activities, a daily campaign to encourage us to leave the office on time at six o'clock, and the fitness center open every day to help us stay healthy are all great contributors for us to lead a content work life. I hope that diversity management indicators are developed effectively as part of the major plans for 2012 and that a corporate culture driven by shared growth with vulnerable groups including women, physically-challenged individuals and senior employees is fully established. In addition, we expect that the current internal communication and HR systems be extended beyond the Korean headquarters to overseas regional headquarters to drive the growth of Hankook Tire as a true global company.

2011 Achievements

● : Completed ● : Partially Completed ○ : Not Implemented ⌚ : Year-round Activity

Code	Key Managerial Issues	2011 Goals	2011 Achievements	Completion	Pages
EV1	Open communication-based management	To facilitate in-house communication	Employees' participation in the HANA Site was facilitated / In-house IR contents were improved / Global CEO meetings were held CoP / Proactive Friday & Strategic Sunday	●	64, 65
		To sustain a trust-based labor management culture	The Joint Labor-Management Council was operated / The revised labor union regulations were observed / Labor and management agreed to retirement pension	●	65, 66
EV2	HR systems that offer fair opportunities	To establish fair HR systems	CRA activities were taken / We attended recruitment expos / The recruitment website was updated / Performance management letters were sent / Promotion Points were disclosed / The HANe-HR System was opened	●	66, 67
		To identify human rights/labor issues	Human rights/labor provisions under ISO 26000 were reviewed	○	67
EV3	Growth-fostering training systems	To offer informal learning	Mentoring programs were expanded	●	68
		To strengthen job training	Process experts were fostered / Highly experienced R&D workforce was provided with advanced job training	●	68
EV4	Work/life balance	To expand family-friendly management	On-site childcare centers opened / Employees were encouraged to leave work on time / Family programs were conducted	●	68, 69
		To pursue a pleasant work life	Cultural classes / Weight management and anti-smoking programs were provided	●	69

2012 Plans

Code	Key Managerial Issues	2012 Commitments	Deadline	Department in Charge
EV1	Open communication-based management	To facilitate in-house communication - Reinforcement of communication at overseas regional headquarters (support for regional headquarters in China and Europe) - Reinforcement of PR activities for HR and employee benefits schemes	Year-round	Human Resource Management Team/G.HR Team/Culture & HRD Team/DP)Human Resource Team/KP)Human Resource Team/R&D Operation Team
		To sustain a trust-based labor-management culture - Facilitation of the Labor Union Council	Year-round	Human Resource Management Team/Kor)Labor Relations Innovation Team/DP)Labor Relations Team/KP)Labor Relations Team
EV2	HR systems that offer fair opportunities	To establish fair HR systems - Development of indicators to measure the performance of diversity management - Application of G.HR to regional headquarters in Europe and America (employment ratios of women, physically-challenged individuals and seniors)	Year-round	Human Resource Management Team/G.HR Team/DP)Human Resource Team/KP)Human Resource Team/R&D Strategy Team
		To review global standards regarding labor practices and establish Hankook Tire's application criteria [Review of the scope of information disclosure regarding internal regulations on human rights/labor (recruitment regulations, HR management regulations, etc.)]	Year-round	Human Resource Management Team/G.HR Team/Kor)Labor Relations Innovation Team
EV3	Growth-fostering training systems	To strengthen informal learning - Expansion of mentoring programs (for experienced recruits and female employees) - To introduce and carry out the in-house suggestion system for office workers	Year-round	Culture & HRD Team/R&D Strategy Team/DP)Human Resource Team/KP)Human Resource Team
		To strengthen job training - Facilitation of specialized job training (for each function)	Year-round	Culture & HRD Team/R&D Strategy Team/Global Education Operation Team/DP)Human Resource Team/KP)Human Resource Team
EV4	Work/life balance	To expand family-friendly management and revitalize on-site childcare facilities, To provide support for married female employees	Year-round	Culture & HRD Team/Human Resource Management Team/R&D Strategy Team/DP)Human Resource Team/KP)Human Resource Team/DP)Labor Relations Team/KP)Labor Relations Team/Academy House
		To pursue a pleasant work life - Sustained reinforcement of Work Smart activities - Facilitation of the EAP	Year-round	

EV-1 OPEN COMMUNICATION-BASED MANAGEMENT

At Hankook Tire, the establishment of a creative corporate culture is supported by open communication with employees. Both online and offline communication channels are constantly expanding as well to identify various possible improvements that may contribute to maximizing employee values. These endeavors encourage our employees to be engaged in the management of the company as well as make their voices heard.

1 Facilitation of Internal Communication

Facilitation of Employees' Participation in the HANA Site

We strive to encourage more employees to participate in the HANA (Hankook Tire Agora) Site, which serves as an online communication channel. The 'Story of Hankook Tire Strategy' section on this website is led by top management and serves as a venue for sharing opinions on building and operating corporate strategies. In 2011, a total of 31 postings were uploaded and employees were able to post their replies, allowing an interactive communication between top management and employees. Included in other diverse events that took place on the website was the serial publication of the 'Hankook Tire's 70-year History Cartoon' (seven installments in total) in commemoration of the company's 70th anniversary and the 'Core Value UCC Contest'.

With new content and a variety of events, we will ensure that the HANA Site evolves into a key venue for communication with employees.

Improvement of In-house IR Content

Our quarterly in-house IR (Investor Relation) events aim to communicate with employees in a way that is transparent and direct. While previous IR events focused on business results that may not have been easy for employees to understand, in 2011 we began to focus on the perspectives of working-level employees when launching in-house IR events. The content is prepared in an easy-to-understand manner with intriguing subjects (motor sports, overseas advertisements, purchasing of raw materials, etc.) included. On top of this, these in-house IR events were held throughout all business sites every quarter and relevant information was posted on the HANA Site for everyone to share.

Global CEO Meetings

Our Global CEO Meetings initiated in 2010 allow the company CEO and researchers to communicate with each other directly in sharing the corporate vision and establishing a positive culture of R&D. In 2011, seven such meetings were held with 103 employees in various positions under the theme of 'sharing the story of management,' and the majority of the attending researchers

were highly satisfied and responded favorably.

Our 'Challenge 5.11' program enables our company CEO to directly communicate with employees on the shop floor. This program aims to deepen employees' understanding of the management environment, as well as facilitate mutual understanding and communication among employees, delivering a motivating working environment. Specifically, offering employees the opportunity to have direct communication with the Global CEO is a beneficial way to earn an even greater trust in the company. In 2011, six rounds of the 'Challenge 5.11' program were held with 557 participants.

2 Lateral Communication among Employees

CoP (Community of Practice)

The CoP (Community of Practice) program was recently established for employees at the headquarters to ensure that employees' voluntary initiatives become the driving force behind capacity-building and a lively corporate culture, as opposed to just acting as a mere employee benefits scheme. The CoP program extends the existing in-house club activities that primarily focus on personal hobbies to also cover learning unit activities. As of the end of 2011, 221 employees attended 14 communities under the program. The informal communication facilitated through CoP activities further boosts lateral communication among employees.

Proactive Friday & Strategic Sunday

The 'Proactive Friday' program enables our employees to enjoy an entire proactive day, freed from their daily business routine and orders from executives or team leaders, once every month. They may wear casual clothes to work and independently determine their daily schedule for the day, which may include self-development, informal communication or benchmarking. The 'Strategic Sunday' program is for executives and team leaders to go to work on designated Sundays in order to discuss mid/long-term strategies and interorganizational issues in greater detail than usual.

Communication Channels

Printed Channel	Common	• Donggeurami World • CSR Reports • Annual Reports
	Operators	• Boram Journal • Story of Communication We All Share
Offline Channel	Common	• CoP • Family program to tour Hankook Tire plants
	Office Workers	• G.CEO meetings • Mentoring • In-house IR • Management innovation meetings
	Operators	• Challenge 5.11
Online Channel	Common	• HANe-HR
	Office Workers	• HANA

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Identification of Issues in Each Employment Category

Category	Issue	2011 Progress	2012 Plan
Office Workers	HR systems, policies and systems	<ul style="list-style-type: none"> • Global HR Projects rolled out (China) »To improve on HR systems at the Chinese regional headquarters • Promotion Points were disclosed »To improve the fairness of promotion management and the predictability of individual employee's promotional potential 	<ul style="list-style-type: none"> • Global HR Project will roll out (Europe, America, Indonesia) »To improve HR systems in Europe, America and ASEAN • Job management systems will be renewed »To provide guidelines to foster competent employees • Employees will be developed into in-house instructors (overseas) »To develop expatriate employees into in-house instructors for the purpose of training workforce at overseas business sites
	Performance management	<ul style="list-style-type: none"> • Performance management training was offered and relevant letters were sent »To enhance the acceptance of the performance-based systems through job level-specific performance management training »To build performance management capabilities of managers 	<ul style="list-style-type: none"> • HR activities will be further strengthened »Performance management guide will be distributed and performance management monitoring will be conducted »HR activities will be strengthened to establish practical performance management practices
	Job process	<ul style="list-style-type: none"> • HANe-HR opened (Korea) »To improve employees' satisfaction with HR operation by opening the HR portal system 	<ul style="list-style-type: none"> • HANe-HR will be developed (China, Europe) »To integrate the overseas HR Portal, which was developed with the global system
Operators	Performance management		<ul style="list-style-type: none"> • Employees will be encouraged to build core values into their daily operation »To develop and facilitate wide-ranging communication channels
	HR systems, wage	<ul style="list-style-type: none"> • HANe-HR opened (Korea) »To improve employees' satisfaction with HR operation by opening the HR portal system 	<ul style="list-style-type: none"> • Operators will be trained on HR systems »To develop and facilitate wide-ranging communication channels
	Diversity	<ul style="list-style-type: none"> • The Labor-Management Council was operated/conducted • The CoP system was revitalized 	<ul style="list-style-type: none"> • Family-friendly management will be expanded »Support for multi-cultural families
Researchers	Benefits Scheme	<ul style="list-style-type: none"> • Donggeurami Childcare Center opened (R&D Center) »To encourage employees to be more deeply engaged in their work with the assistance of childcare support »Donggeurami Childcare Center has been under operation since 2010 at the headquarters • The construction of a new R&D center was reviewed »The decision was made to construct a new R&D center and land was purchased 	<ul style="list-style-type: none"> • The construction of a new R&D center is underway »A new R&D center was designed and its construction is in progress • A new system was developed to offer overseas travel opportunities to employees that have been with the company for more than 30 years (company-wide) »To encourage employees serving more than 30 years at Hankook Tire to continue working through increased compensation
	Policies and systems	<ul style="list-style-type: none"> • Promotion points were disclosed »To improve the fairness of promotion management and the predictability of individual employee's promotional potential 	<ul style="list-style-type: none"> • R&D innovation projects were undertaken »To innovate the operation of R&D organizations and to nurture talented employees
	Job process	<ul style="list-style-type: none"> • HANe-HR opened (Korea) »To improve employees' satisfaction with HR operation by opening the HR portal system 	<ul style="list-style-type: none"> • R&D innovation projects were undertaken »To innovate the operation of R&D organizations and to nurture talented employees

3 Establishment of Labor-Management Consultation

Joint Labor-Management Council Hankook Tire and its labor union meet every three months at the Labor-Management Council and Industrial Health & Safety Committee to share the current status of business operations and purposefully consult on matters that concern both parties. In addition to such official consultation bodies, they attend joint consultation meetings to regularly discuss such diverse issues as environment, health and safety. The proactive communication between the company and labor union is critical to the prevention of labor-management conflicts through the enhanced recognition of each other's roles and a greater sense of responsibility.

The in-house grievance resolution system assists our employees in addressing various issues they may have in their professional and private life while the scope of the counseling services is being gradually expanded.

Major Agendas at the Labor-Management Council and the Industrial Health & Safety Committee

Agenda	Details
Working Conditions	<ul style="list-style-type: none"> • Improvement of various facilities concerning ventilation, illumination, dust and heat in order to deliver better working conditions (e.g. Improvement of humes in the rubber mixing and curing processes)
Health & Safety Facilities	<ul style="list-style-type: none"> • Improvement of emergency response facilities and protective gear (e.g. fire) • Elimination of risk factors that may occur while working (e.g., Installation of underground sprinklers for the curing process, installation of wet dust collectors to prevent fires, securing a clear view along the forklift paths in the plant, replacement of heating/cooling devices and fitness equipment)
Benefits Schemes	<ul style="list-style-type: none"> • Improvement of equipment and facilities concerning employee benefits (e.g. rest areas, bath houses, locker rooms, dormitories/parking tower [to be constructed])

Compliance with the Revised Labor Union Regulations

At Hankook Tire, we dutifully comply with labor regulations and all our employees are guaranteed the freedom of labor union activities within the legally-permissible boundary. The Hankook Tire labor union, under the Federation of the Korea Rubber Trade Unions, was established in May 1962. Presently, the labor union is composed of the head office at Daejeon Plant as well as the Geumsan branch at Geumsan Plant, and has seven full-time staff members dedicated to union work under the time-off system. In October 2011, the labor union was chosen as the bargaining agent through the unification of negotiation channels required under relevant government regulations. As a result, our labor union will be officially recognized as the bargaining agent for the next two years. This, in turn, solidified our status once again as a company with a commendable labor-management relationship based on disciplines and autonomy, just as the introduction of the time-off system did in 2010.

Hankook Tire and the labor union will demonstrate mutual respect in fully establishing a trust-based labor-management culture and will be dedicated to voluntary philanthropic initiatives together.

* The application scope of the collective agreements: All regular employees including non-unionized employees (100%)

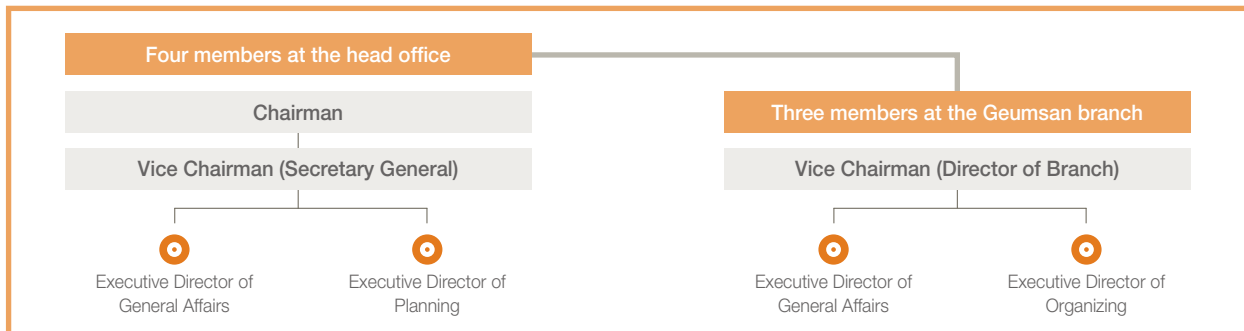
Hankook Tire Labor Union

	Number of Unionized Employees in Each Business Site	Ratio
Head Office	261	5.5%
R&D Center	316	6.7%
Daejeon Plant	2,201	46.5%
Geumsan Plant	1,954	41.3%
Total	4,732	100.0%

Labor-Management Agreement on the Retirement Pension System

Hankook Tire and the labor union agreed to introduce a retirement pension system in January 2012 in order to provide a stable retirement life and benefits to employees. While introducing the system, 255 presentations were held to help employees learn about and better understand the retirement pension system. This ensured that all employees were given a chance to attend such presentations at least twice and that the system was fully communicated to employees through intensive Q&A sessions as part of these presentations.

Labor Union Organizational Chart



EV-2 HR SYSTEMS THAT OFFER FAIR OPPORTUNITIES

Hankook Tire has fair and transparent HR policies for all employees to ensure that the talent-centered management philosophy, a key part of its management principles, is translated into action. Our employee satisfaction will be enhanced through fair assessments and compensation as well as a corporate culture of communication and harmony.

1 Endeavors to Secure Talented Individuals

CRA Activities Our CRA (Campus Recruiting Agent) activities were initiated in the first half of 2011 in order to recruit talented individuals. Under the CRA program, employees with outstanding capabilities in their respective fields are chosen to meet with university professors and students for the purpose of recruiting talented individuals. The CRA program enables us to communicate with students and embrace the latest recruitment trends, thus securing the highest talent potential. We also assist in promoting a balanced development between industry and academia by supporting universities and their departments. In 2012, we will build on the CRA achievements of the last year to promote Hankook Tire to talented individuals.

Recruitment Expo We attended recruitment expos held by universities in Korea in 2011 for the first time in order to secure talented

recruits, the very driving force behind our growth as a company. We talked with 908 students at nine universities who were interested in Hankook Tire and briefed them with a company overview and detailed job descriptions. In 2012, we will utilize more diverse channels to secure individuals with high potential.

Renewal of the Recruitment Section of the Corporate Website

The Recruitment section of the Hankook Tire Global Website was renewed in 2011 to provide company information to talented individuals who desire to join us at Hankook Tire. The newly created year-round recruitment tab enabled these top-performing individuals to complete applications anytime while updates of job descriptions, corporate information and comments from current employees allowed for easier access to employment information.

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2 Expansion of the Global HR System

Establishment of HR Systems at the Chinese Regional Headquarters

Global HR projects began in 2011 to support the fast-growing overseas business and achieve the global business vision. In the first half of 2011, our common philosophy and principles of talent-driven management were established. This was followed by the undertaking of global HR projects to build global-level integrated HR systems and optimized HR systems that reflect local conditions starting from the Chinese regional headquarters in the second half of 2011. This will equip the Chinese regional headquarters with a firm foundation to retain and manage talented employees and successfully secure top-notch talent who will be the base of its business growth. These global HR projects will extend to our regional headquarters in Europe and America in 2012 to enable the integrated support for and management of HR functionalities at overseas business sites. They will also help establish the integrated HR system to grow Hankook Tire into a Global One Company, strengthening underlying HR systems.

3 Facilitation of Performance Management

Sending Performance Management Letters

We have been fully committed to reinforcing our HR systems as a facilitator in order to establish a performance-driven HR culture. Performance-driven HR systems ensure that the entire process of performance generation is managed through seamless communication among employees so that employees are nurtured in a way to contribute to positive organizational performance. To achieve this, monthly performance management letters are sent to executives and team leaders for constant documentation of performance, counseling and coaching on a regular basis along with improvement on our performance management capabilities. In 2012, the facilitator function of our HR systems will be further improved so that the entire spectrum of performance management is monitored and feedback is given to enable practical performance management.

Disclosure of Promotion Points At Hankook Tire, individual employees' promotion points are disclosed in accordance with our HR principle of transparent and fair operation. This constitutes our

representative performance-based HR system as it enables employees to be promoted to higher positions if their promotion points reach required levels regardless of how long they served in the current position. The disclosure of promotion points assists employees in taking the initiative to predict their promotion potential and manage their career development. It also motivates them to increase their competencies to move to higher positions and to work hard towards earning necessary qualifications.

4 Improvement of Satisfaction with HR Services

Opening of the HANe-HR System

We aimed to strengthen the IT infrastructure of our HR systems and enable employees to easily access these systems by developing the HR Portal system, which opened on June 1, 2011. Since its opening under the name HANe-HR, the portal has been used for wide-ranging purposes that include HR support, employee benefits, provision of HR information and HR assessments. The HANe-HR is not a dedicated system for the HR department only, but serves as a portal to allow user groups to research, input and process diverse data related to HR matters. The portal can be used by top executives to monitor the current status of company-wide HR issues (EIS), by managers to manage the performance of junior employees (MIS), and by working-level staff to apply for HR services and communicate with the HR department. Presently, the portal services employees in the Korean business sites only, but will be expanded to cover our global business sites to serve as system infrastructure to deliver the global HR system.

* EIS: Executive Information System, MIS: Manager Information System, ESS: Employee Self Service

5 Review of Human Rights/Labor Provisions of ISO 26000

We are fully committed to complying with international standards on human rights and labor. In 2012, we will undertake consulting projects with the help of outside experts to identify the level of compliance with international human rights/labor norms and possible improvements.

EV-3 GROWTH-FOSTERING TRAINING SYSTEMS

To encourage employees to fully engage in generating outcomes as a fundamental engine of growth and to build greater organizational competency, we provide performance management training and job training by position level. Moreover, our mentoring program aims to help new hires adapt to their new roles early on and build a lively organizational culture.

1 Reinforcement of Performance Management Training

Performance Management/Leadership Training for Managers

At Hankook Tire, we offer performance management and leadership training to managers in order to establish a fair, performance-based culture, assist employees in engaging in their work performance through coaching provided by managers and enhance our organizational competency. In 2011, all managers working at Korean and overseas sites were instructed on how to develop skills to make fair assessments and how to coach and interview team members. Our 2012 plan is to continue training newly appointed managers and existing managers on how to strengthen performance management and leadership skills.

Performance Management Training by Job Level

In 2011, performance management training was provided to team members to help them accurately understand and utilize Hankook Tire's HR systems. Performance management training by job level was offered to 590 employees in 17 sessions in 2011. Trainees were able to learn the intention and details of those HR systems concerning assessment, promotion and compensation that they must be aware of as a Hankook Tire employee, developing full knowledge of the HR systems and building consensus of the performance-based HR systems.

2 Mentoring

Expansion of Mentoring Programs Our mentoring programs led by existing employees assist new recruits in adapting to their new roles early on. In 2011, these programs were offered for three months to 113 and 114 new employees recruited in the first and second half, respectively. Our mentoring programs enable new hires to adapt to their new life at Hankook Tire through wide-ranging activities including cultural events, learning and self-development together with their mentors. Moreover, these programs that initially targeted new recruits are expanding to include employees with two to three years of experience at Hankook Tire. Specifically, the Main R&D Center initiated a mentoring program under which researchers in the assistant manager position form one-on-one mentoring ties with senior managers in other departments to help develop career and facilitate inter-departmental communication. The first pilot class of the program that was run in July 2011 was followed by the second class of the program in 2012, which was extended to cover 30 employees including executives and team leaders. This was differentiated from mentoring for new hires to help them adjust, in that existing employees learned know-how from their seniors and shared inter-generational challenges with them. These mentoring programs will be further expanded to include new hires with experience and female workers.

3 Job Training for Operators

Process Experts Training The 'process expert promotion program' is underway to foster employees capable of addressing quality issues in each process. Over the past two years, the training of operators with competency in element technology on process and manufacturing characteristics nurtured a total of 211 process experts in the following processes of: rubber mixing (30 experts), injection (30 experts), rolling/cutting (35 experts), forming (53 experts), and curing (63 experts). In 2012, the training content will be supplemented with information on the latest technology to train newly assigned production employees in each process.

4 R&D Job Training

Advanced Job Training for Highly Experienced R&D Workforce

The Main R&D Center provides both in-house and external training with consideration given to characteristics of each segment covering design, research and materials in order to help capacity building of highly-experienced researchers. Internal training includes the OE core engineering training to nurture technology leaders in OE development and the element technology presentation to secure and disseminate technology. The in-house Techno MBA will be initiated in May 2012 to foster executives and team leaders into R&D managers. This aims to develop managers qualified with both research competency and management knowledge through the technology management training specialized in Hankook Tire's distinctive R&D initiatives. External training includes study programs at Korean and overseas graduate schools, which are attended by select employees. Presently, we have two employees studying in Korea and one overseas. In addition, our employees are encouraged to audit courses that are open at KAIST (Korea Advanced Institute of Science and Technology) and attend in-house seminars where technology experts are invited as guest speakers.

5 Training for Future Retirees

We offer training for future retirees (retiring due to age restrictions). Its main objective is not only to help these employees address their anxiety over retirement, but also to gain confidence about entering a new phase in their life and turn retirement into an opportunity to ignite the spirit of challenge. This training includes self-management, employment management, start-up management, and life cycle design. The course spans three nights and four days (28 hours in total) and is held semi-annually. In 2012, the training will be accompanied by individual career counseling offered by professional consultants.

Training for Future Retirees

Category	2009	2010	2011
First Half	23	19	28
Second Half	15	18	37
Total	38	37	65

EV-4 WORK/LIFE BALANCE

We are committed to creating a workplace where all employees attain a fair work/life balance, enjoy a high quality work life and feel contentment through an organization that cares. We believe that such endeavors will be translated into enhanced trust and satisfaction, as well as improved health and less mental stress of our employees.

1 On-site Childcare Center

Our 'Hankook Tire Donggeurami Childcare Centers' are under operation to assist employees in achieving the right balance between their professional and personal life and fully engaging in their work by sharing in their child-rearing burden. At the headquarters in Seoul, the center started operation in December 2010. A stand-alone house was renovated into the childcare center with a grassy garden where up to 48 children can freely run about. As of March 2012, 22 children in three classes categorized by age are being taken care of by seven dedicated teachers. The center is a mere 200 meters away from the headquarter building, allowing employees

to watch their children from high floors and visit their children anytime in case of emergency. The top-notch facilities and close proximity help enhance our employees' satisfaction with the center. At the Main R&D Center in Daejeon, a childcare center with capacity of 88 children has been under operation since January 2011. It provides highly stable childcare services and accepts children between the ages of one and five (preschool children). As of March 2012, a total of 52 children are being cared for by the facility, in four different classes categorized by age. To ensure stable growth of employees' children, 11 highly qualified teachers are assigned to offer outstanding childcare programs and services.

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2 Leaving Work on Time

Our 'Leaving Work on Time' campaign encourages employees to leave the office at the scheduled end time of six o'clock so they can spend quality time with their family and invest in self-development efforts. At six o'clock every day, an announcement is made via radio to notify employees that it is time to leave work, and this is being established as part of our corporate culture. Moreover, our Work Smart campaign aims to prevent employees from working after hours by addressing unnecessary work through the improvement of reporting and meeting practices.

3 Family Programs

Writing and Drawing Contests for Employee Families

At the Daejeon and Geumsan Plants, 'writing and drawing contests for employee families' have been held since 2005 on the grassy field near the plant and the Geumsan Academy House, respectively. These events aim to enhance an employee's loyalty and pride as a Hankook Tire employee and to promote healthy communication with local residents. Attended by employees at Hankook Tire and its suppliers, employee families and local residents, these contests are accompanied by various family games, experience programs for children, singing contests and congratulatory performances.

In 2011, just as 2,636 Daejeon plant employees, their family members and 290 local community members participated, and 1,377 Geumsan Plant employees, their family members and 183 local residents

participated. We expect that these contests in 2012 will evolve into a large-scale, open event attended by approximately 5,000 people with both the Daejeon and Geumsan Plants combined.

Cultural Classes for Employees' Wives We provide cultural classes to employees' wives as a representative program for employee families in order to express our gratitude to these wives for supporting their husbands so that they may be fully engaged in work at Hankook Tire. Included in the cultural benefits offered to these women are special lectures by social leaders and singing classes. This program helps strengthen our corporate philosophy that emphasizes the 'oneness of family and company' and instills an even greater pride and loyalty in our employees. In 2011, 176 wives attended these classes in two rounds and another two rounds will be held in 2012.

4 Cultural Classes for Employees

In-house Cultural Classes The 'Charge Your Emotional Battery and Power It Up' classes are provided every month to ensure that our employees contribute to building a more creative corporate culture by deepening their knowledge on liberal arts. We also open classes that address some of our employees' interest areas to satisfy their intellectual curiosity. In 2011, cultural classes regarding 'coffee', 'wine', 'Chosun Dynasty palaces', 'Renaissance arts' and 'opera' were provided to employees at the headquarters. Such classes will be expanded further to cover the rest of the Hankook Tire business sites.

'Donggeurami Childcare Center' Going to Work with My Children

Interview

Kim, Jung-gon Manager, Motor Sports Team

After turning one year old, my eldest child was sent for about a year to a private childcare center located on the first floor of the apartment building where my family lives. As the operating hours were between 9 a.m. and 5 p.m., my parents had to come everyday to bring my child to the center in the morning and pick my child up in the afternoon. Moreover, sending a one-year old baby who can't clearly express what he or she wants to a childcare facility and hearing unfortunate news regarding substandard childcare facilities forced me to constantly worry about my child. Being doubtful about the quality of childcare services for unsubstantiated reasons didn't seem justifiable but I still felt concerned and uncomfortable.

When my company first planned to build a childcare facility, I had a chance to have my say as an interested parent regarding how the facility would be operated and designed. This enabled me to fully sympathize with the intention of the company to help employees reduce their childcare burden by providing the best-possible childcare facility for employees' children through the 'Hankook Tire Donggeurami Childcare Centers'.

Facility-wise, a stand-alone house with a spacious garden and adequate light would be rebuilt with 100% green materials so that children could spend their day in a eco-friendly environment. Operation-wise, the facility would provide meals made from organic ingredients to promote the health of the children, high-quality childcare programs and also hire highly-qualified teachers. All these merits gave me confidence to think that sending my child to the facility would be the best decision that I could make.

Next year, I will have another companion on my way to work. Commuting to work together with both of my children everyday, I have a precious opportunity to forge stronger relationships with my children as a father and live as a happy family. Thus, I'd like to express my gratitude to the 'Donggeurami Childcare Center'.



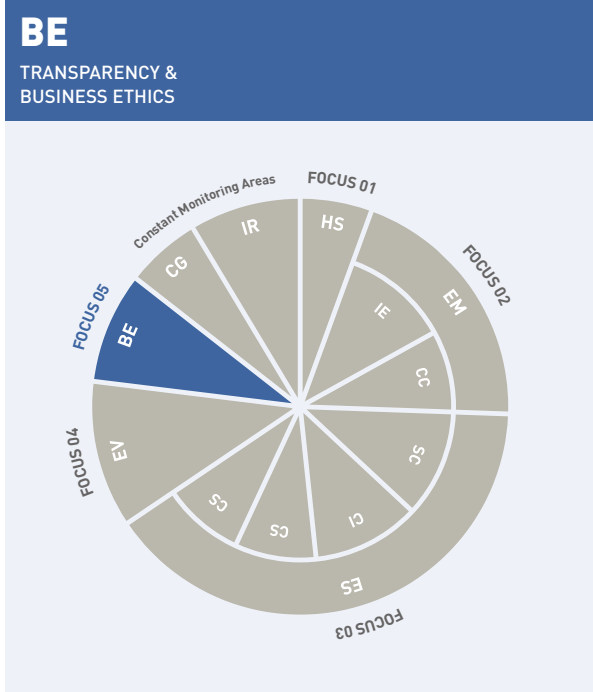
Opening of Donggeurami Childcare Centers



Cultural Classes for Wives of Hankook Tire Employees

FOCUS 05

Transparency & Business Ethics



BE

TRANSPARENCY & BUSINESS ETHICS

Declaration

Ethics management at Hankook Tire aims to help individual employees as well as stakeholders to build and practice proper ethics awareness. Our business ethics are built into corporate mission and vision to serve as a fundamental requirement to build a transparent and healthy corporate culture void of all bribery and corruption.

Management Responsibility and Governance

The Audit Team, dedicated to ethics management at Hankook Tire, is fulfilling wide-ranging roles and responsibilities ranging from diagnosis of management activities, audits or online/offline reports, and internal control to matters related to the Business Ethics Subcommittee. It is also responsible for responding to job-related ethical risks that may occur during daily business operation and examining our current status regarding ethical management through regular monitoring activities.

2011 Achievements

● : Completed ● : Partially Completed ○ : Not Implemented ⌚ : Year-round Activity

Code	Key Managerial Issues	2011 Goals	2011 Achievements	Completion	Pages
BE1	Ethics management training and communication	To regularly review and improve the Code of Ethics	The Code of Ethics was registered at the global and Korean sites	●	71
		To distribute the Business Ethics Guidebook overseas	The English version of the guidebook was published and distributed (overseas regional headquarters, global sales subsidiaries/branches)	●	71
		To expand business ethics training	Promoted employees and promotion candidates were trained	●	71
		To share violations of the Code of Ethics	e-Ethics Management (once per month) was provided (based on the guidebook, and sent to personal e-mail addresses)	●	71
BE2	Regular monitoring and evaluation	To build and operate the RMS (Risk Monitoring System)	The system was operated separately (Total of 50 indicators were utilized in each module of purchasing, accounting, sales, exports, HR)	●	72
		To develop the Business Ethics Index	The Business Ethics Index of Hankook Tire was defined (establishment of the system through PDCA based on survey results)	●	72
BE3	Dissemination of ethics management to suppliers	To send official documents regarding Hankook tire's gift refusal policy	Documents introducing Hankook Tire's ethical management were sent	●	72
		To evaluate the level of ethics management at suppliers and conduct surveys	Surveys were conducted by using the indicators under the Business Ethics Index	●	72

2012 Plans

Code	Key Managerial Issues	2012 Commitments	Key Index	Deadline	Department in Charge
BE1	Ethics management training and communication	To register the Code of Ethics at the local sites in 16 countries	Registration	Jun.	Audit Team/Corporate Communication Team
		To open and operate the ethics management website	Opening	Aug.	Audit Team/Corporate Communication Team
		To expand ethics management training - Expansion of manager training - Ethics management quiz/flash animations	Once per week	Year-round	Audit Team/Culture & HRD Team/ HK Information Team
		To share Code of Ethics violation cases	Once per month	Year-round	Audit Team
BE2	Regular monitoring and evaluation	To operate the RMS (Risk Monitoring System) in China	Establishment of the RMS	Oct.	Audit Team/Chn/Corporate Strategy Team
		To evaluate and monitor the level of ethics management	Survey outcomes	Oct.	Audit Team/CSR Team
BE3	Dissemination of ethics management to suppliers	To send official documents regarding Hankook Tire's gift refusal policy		Jan./Sep.	Audit Team/Purchasing Planning Team
		To provide support programs to help strengthen business ethics at suppliers	Ethics management training	Year-round	Audit Team/Purchasing Planning Team
		To evaluate the level of ethics management at suppliers and conduct surveys		Nov.	Audit Team/Purchasing Planning Team

FOCUS 05

- 71 Ethics Management Training and Communication
- 72 Regular Monitoring and Evaluation
- 72 Dissemination of Ethics Management to Suppliers
- 73 Hankook Tire's Code of Ethics

BE-1 ETHICS MANAGEMENT TRAINING AND COMMUNICATION

Our Code of Ethics is continually supplemented and its action plans are developed and distributed. Moreover, on/offline training enables employees to build consensus on ethics management and strengthen their capabilities to translate business ethics into action. Detailed cases of management evaluation and other ethics management information are shared through our in-house intranet in order to enhance employees' ethics awareness.

1 Regular Review and Improvement of the Code of Ethics

We developed a process to regularly review, improve and supplement the Code of Ethics and relevant action plans. In 2010, the publicly declared mission and vision were built into the Code of Ethics, and countermeasures for violations and the implementation structure were developed. In addition, action plans and detailed standards were set to clearly define the violation criteria in the three areas of bribery, entertainment and hospitality, while procedures for reporting any related violations were defined. The aforementioned details were notified to stakeholders in Korea and overseas to clearly demonstrate that ethics management at Hankook Tire is in progress.

Operation of the Online Cyber Audit Division

(Unit: Number of cases)

	2009	2010	2011
Quality-related after-sales services	11	8	1
Customer response	19	8	11
Employee corruption	8	4	4
Employee compliments	2	0	2
Others	16	4	8

2 Distribution of the Business Ethics Guidebook Overseas

Our Business Ethics Guidebook consists of cases of ethics management practices (in seven sectors including fair conduct of business, basic employee ethics, fair trade with suppliers, etc.) and Q&A (in 10 sectors of internal trading, sexual harassment, management of important information, etc.).



The guidebook, originally published in Korean, was translated into English in order to share the Code of Ethics and action plans that are based on our

corporate vision and mission on a company-wide level. Out of the 600 translated copies, 532 copies were sent to America and Europe at the request of our overseas sites in these regions in order to serve as materials for ethics management training.

3 Expansion of Ethics Management Training

Our ethics management training starts with a top-down approach (from senior level managers) in order to build sustained consensus on ethics management and strengthen employees' capabilities to translate it into action. To strengthen the preemptive prevention of ethical risks, business ethics training was provided to those who were promoted in 2011 as well as those who are slated for promotion in 2012, enabling them to learn about successes and failures of ethics management and the application of the Code of Ethics and action plans at Hankook Tire. (360 employees or 83% of the total 432 trainees completed the training.)

4 Sharing Cases on Violation of the Code of Conduct

Email is sent once every month to the e-Ethics email account held by corporate intranet users in order to share failures of ethics management and to encourage employees to act in an ethical manner when the same or similar issues arise.

Please click on the icon if you want detailed information on Hankook Tire's Code of Ethics.



Code of Ethics posted on the domestic (Korean) and global (English) websites



e-Ethics

BE-2 REGULAR MONITORING AND EVALUATION

Our regulations and processes are reviewed through regular evaluations while ethics management is monitored through reports submitted to the Cyber Audit Division. In addition, surveys are conducted to assess the level of ethics management awareness of employees.

1 Development and Operation of the RMS (Risk Monitoring System)

Our endeavors to improve Hankook Tire's global competitive edge resulted in the accelerating segmentation and integration of organizational units. With this, the scope of risk assessments widened and the risk exposure increased, alerting us to the necessity of an early warning program. The RMS (Risk Monitoring System) was developed to make all corporate data available for use under the current company-wide resources management system. In addition, the RMS was utilized as a regular monitoring channel in order to uncover unethical behaviors and improve on inefficient operations. Under the RMS project, 11 employees (five from the Audit Team and six in charge of consulting & system development) were involved and KRW 176 million was invested in systemizing a total of 51 indicators by module (HR/accounting/purchasing/cost/sales) for five months between January 17 and May 31 of 2011, with the exception of the project preparation period. This was followed by self-initiated risk audits.

2 Development of the Business Ethics Index

The ethics management self-evaluation checklist of the Federation of Korean Industries was reviewed by the Business Ethics Subcommittee for customization (narrowing down from 327 to 202 indicators) and our own Business Ethics Index was developed. Surveys were conducted of 1,225 employees based on this index and the outcomes were analyzed by collecting questionnaires from 1,108 respondents (90% of the total). It was discovered that while Hankook Tire is adequately aware of its economic and social responsibility and operates various programs and systems to meet its responsibility, vulnerable areas continue to exist and its compliance and achievements are not evenly distributed across the entire spectrum of ethics management. Thus, Hankook Tire was assessed to be in the 'institutionalization' stage regarding ethics management.

These vulnerabilities in the institutionalization stage are being complemented through the PDCA system (Plan: Preparing to work on task indicators regarding outcomes → Do: Undertaking tasks → Check: Surveying the outcomes of tasks undertaken → Act: Analyzing and identifying outcomes of surveys conducted) and our ethics management initiatives are moving beyond the 'institutionalization stage' to the upper 'establishment stage'.

Development of the Business Ethics Index

2010		<ul style="list-style-type: none"> • Compilation and review of data for development (selection) of the Business Ethics Index • Selection of the ethics management self-assessment indicator model
2011		<ul style="list-style-type: none"> • Review of assessment indicators • Survey evaluation/Report on results • Selection of assessment indicators (Mar./May) • Implementation of improvement measures

BE-3 DISSEMINATION OF ETHICS MANAGEMENT TO SUPPLIERS

As we at Hankook Tire recognize suppliers as a core partner for sustainable development, we are fully dedicated to offer ethics management training and support ethics management assessment in order to seek mutual growth based on a transparent and trustworthy relationship.

1 Ethics Management Training and Official Documents Regarding Gift Refusal Policy

Ethics management training, one of the major initiatives to spread and disseminate ethics management to suppliers, was provided to 46 suppliers and agents at the headquarters in December 2011. Official documents regarding Hankook Tire's gift refusal policy were sent to 659 suppliers related to facility, raw materials and quality while similar announcements were made through our purchasing system (HePS) to other suppliers to ensure that gifts are not given or received on national holidays (New Year's Day and Korean Thanksgiving Day).

We at Hankook Tire prevent unfair internal trading and ethical risks throughout our purchasing and outsourcing relationships with suppliers, thereby establishing a transparent business relationship.

2 Ethics Management Assessment and Surveys at Suppliers

As we recognize our suppliers as core partners in seeking sustainable development, we undertake multi-faceted initiatives in order to build a system that ensures shared growth based on transparency and trust. In particular, monitoring and sharing of information assist us in facilitating mutual cooperation along the value chain to practice business ethics at suppliers and at Hankook Tire.

The ethics management index we reviewed was customized to identify those indicators required of our suppliers. A total of 71 suppliers agreed that Hankook Tire's policies, systems and programs for ethics management are built and implemented based on an appropriate awareness of business ethics.

HANKOOK TIRE'S CODE OF ETHICS

(MAJOR POINTS)

- Hankook Tire shall regard the Code of Ethics as the standard for all employees' acts and decision-making.
- Hankook Tire shall build mutual trust with all stakeholders by practicing business ethics.

The Underlying Spirit

Hankook Tire pursues the '21st Century Global Standard' that contributes to the safety and happiness of humanity by creating the world's best products and services based on the grand vision of "Extending Trust and Value to the World." This goal can be only achieved when individual employees at Hankook Tire share the utmost ethical values and practice them together.

As such, we institute the Code of Ethics based on the new 21st Century Grand Vision and Hankook Tire's core values of creativity, professionalism, goal orientation and accountability. Hankook Tire seeks to parallel the following values while encouraging stakeholders to do so as well through sound business practices:

High quality production and value for customers

Reward and self-esteem for employees

Higher profits and stock value for shareholders

Trust-based relationship for partners

Sharing the fruits of success with society

All employees at Hankook Tire are respected and treated with dignity. Each employee at Hankook Tire voluntarily complies with and practices business ethics according to the belief that they are positively representing their company and maintaining the reputation of both the company and themselves as pure and thriving at all times.

Am I not violating any laws?

Does it comply with the value of corporate rules and the Code of Ethics?

Is it socially immoral or unethical?

Does it impose unfair damage or burden to the company or stakeholders?

CHAPTER 1 Hankook Tire's Management Activities

Hankook Tire seeks prosperity for everyone based on mutual trust with stakeholders, customers, employees, shareholders, partners and the society that its management activities are targeting.

CHAPTER 2 Work Life of Employees at Hankook Tire

Hankook Tire's employees maintain their own reputation by mutually respecting one another, embodying high moral standards and proper manners, and believing in the maxim, "Honest, fair and proper business ethics shall be prioritized." While respecting individual expertise and creativity to the utmost and striving to make profits for the company, employees seek to initiate and maintain their own individual growth and corporate development alike.

CHAPTER 3 Operation and Practices of Business Ethics


Business ethics at Hankook Tire aim to create a corporate culture of trust and value by actively taking part in ethical activities: ethics campaigns, seminars on ethics for partners and enterprise-wide fair transactions.

CHAPTER 4 Appendix

- 1 Hankook Tire's Code of Ethics shall take effect from August 1, 2001.
- 2 Hankook Tire's Code of Ethics shall take effect from February 1, 2005.
- 3 Hankook Tire's Code of Ethics shall take effect from July 15, 2007.
- 4 In the event that this Code of Ethics overlaps or runs counter to the previous similar code, this shall outweigh it in any decision.

APPENDIX

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AWARDS

CERTIFICATES

Green / Sustainability Management



- DJSI KOREA
- Supervised by Dow Jones and the Korea Productivity Center
- Newly incorporated in 2011



- Green Product Winner
- Supervised by the Korea Management Association
- Awarded for four years in a row

- Korea Sharing Volunteer Awards
- Supervised by the National Council of NPO, Korea
- Awarded for the first time in 2011

Brand Value



- Korea-Brand Power Index
- Supervised by the Korea Management Association Consulting
- Rated top-performer in the passenger car tire sector for 10 years in a row (~2012)

Quality / Technology



- Korean Standard-Quality Excellence Index
- Supervised by the Korean Standards Association
- Rated No. 1 for three years in a row

Customer Satisfaction



- Korea Highest Brand
- Supervised by Brand Stock at the Yonsei Business Research Institute
- Rated No. 1 for two years in a row



- iF Design Awards
- Supervised by the International Design Forum in Germany
- Awarded in the product design segment in the passenger car tire sector in 2010 and 2012

Corporate Reputation



- Korea's Most Respected Company
- Supervised by the Korea Management Association Consulting
- Chosen for three years in a row (2010~2012)



- National Brand Competitiveness Index
- Supervised by the Korea Productivity Center
- Rated No. 1 for four years in a row (~2012)

RESULTS OF TECHNICAL JOURNAL TESTS

Icebear W440	<ul style="list-style-type: none"> • Rated 'Very Recommendable', the highest rating, in a performance test conducted by 'ADAC (Allgemeiner Deutscher Automobil-Club)', Europe's most prestigious automotive industry journal (Sep. 2009)
Optimo 4S	<ul style="list-style-type: none"> • Rated 'Very Recommendable', the top mark, in a performance test conducted by 'Auto Bild' (Sep. 2009)
Ventus S1 evo	<ul style="list-style-type: none"> • Rated 'Very Recommendable', the highest rating, in a performance test conducted by 'Auto Bild Sportscars', Chosen as the 'Test Winner' (Mar. 2009) • Rated 'Very Recommendable', the top mark, in a performance test conducted by 'Sport Aut' (Mar. 2009) • Rated 'Very Recommendable', the top rating, in a performance test conducted by 'Auto Zeitung' (Apr. 2009) • Rated 'Very Recommendable', the highest mark, in a performance test conducted by 'Auto Motor Und Sport' (Mar. 2010) • Rated 'Very Recommendable', the highest ranking, in a performance test conducted by 'Gute Fahrt' (Mar. 2010) • Rated 'Very Recommendable', the top mark, in a performance test conducted by 'Auto Zeitung' (Mar. 2011)
Ventus S1 evo2	<ul style="list-style-type: none"> • Rated 'Very Recommendable', the highest ranking', in a performance test conducted by 'Auto Motor Und Sport' (Mar. 2012) • Rated 'Very Recommendable', the top mark, in a performance test conducted by 'Gute Fahrt' (Mar. 2012) • Rated 'Very Recommendable', the top mark, in a performance test conducted by 'Sport Aut' (Mar. 2012)
Ventus V12 evo	<ul style="list-style-type: none"> • Rated 'Very Recommendable', the highest mark, in a performance test conducted by 'Auto Motor Und Sport' (Mar. 2009) • Named as an 'Outstanding Product' by the U.S. premium automobile magazine 'Car and Driver' (Jul. 2009)
Ventus Prime	<ul style="list-style-type: none"> • Rated 'Very Recommendable' the top mark, in a performance test conducted by 'Auto Bild', Chosen as the 'Test Winner' (Mar. 2009)
Ventus Prime2	<ul style="list-style-type: none"> • Rated 'Very Recommendable', the highest ranking, in a performance test conducted by Test World (Mar. 2012)
Ventus R-s3	<ul style="list-style-type: none"> • Won the tire test held by Japan's leading modified car magazine 'Rev Speed' (Jul. 2010)

MEMBERSHIP OF ORGANIZATIONS AND ASSOCIATIONS

ORGANIZATION

Korea Industrial Technology Association	Korea Fire Safety Association	Federation of Korean Industries	Korea International Trade Association
Korea Electric Engineers Association	Human Resource Development Forum	Korea Environmental Preservation Association	Korea Tire Manufacturers Association
Korea Industrial Safety Association	Korea Chamber of Commerce & Industry	Korea Automobile Manufacturers Association	Korea Management Association
Korea Gas Safety Corporation	*WBCSD-TIPG		

*TIPG refers to the Tire Industry Project Group under the World Business Council for Sustainable Development and has conducted research since 2006 on the two overarching topics:
 1) evaluation of chemicals generated during the tire manufacturing process that have potential impact on health or the environment, and 2) understanding of the characteristics, properties and impact of tire particulate matters generated in normal tire use and installation. We are a member of the TIPG and took part in joint research on the two topics of End-of-Life Tires (ELTs) and Tire Wear Particles (TWPs) in 2011.

GOVERNMENT GRANTS AND REGULATORY VIOLATIONS

GOVERNMENT-COMMISSIONED R&D PROJECTS

(Unit: KRW 100 million)

Project Name	Period	Hankook Tire's Assignment
Development of light-weight think-walled separators for unmanned aerial vehicles	Apr. 2009~Dec. 2014	1.7
Development of intelligent tire systems	Jun. 2009~May 2012	3.9
Development of commercialization technology for building fuel cell separators	Dec. 2009~Nov. 2012	54.6
Development of eco-friendly tires from urethane uni-materials	Jun. 2010~Mar. 2015	45
Carbon-reducing ketone premium textiles and resin	Sep. 2010~Mar. 2019	23.5
Development of biogas-powered 20KW macromolecular electrolyte membrane fuel cell systems	Dec. 2011~Nov. 2014	4.5
Development of Y-grade fuel-saving run-flat tires for passenger vehicles	Dec. 2011~Nov. 2015	27.7

REGULATORY VIOLATIONS

None (in Korea)

FINANCIAL DATA SUMMARY

* Our accounting standards were changed from the previous Korean accounting standards to the Korean International Financial Reporting Standards (K-IFRS) in 2011.
57th Fiscal Year: Jan. 1, 2010~Dec. 31, 2010 58th Fiscal Year: Jan. 1, 2011~Dec. 31, 2011

CONSOLIDATED FINANCIAL POSITIONS (SUMMARY)

(Unit: KRW million)

Category	58 th Fiscal Year	57 th Fiscal Year
Current assets	3,776,632	2,842,198
Cash and cash equivalents	635,196	505,388
Short-term financial instruments	297,355	406,828
Financial assets at fair value through profit or loss	5,512	-
Accounts receivable and other receivable	1,416,374	942,944
Inventory	1,329,259	938,781
Other financial assets	12,101	10,352
Other current assets	80,835	37,905
Non-current assets	3,659,747	3,291,030
Long-term financial instruments	132	16
Financial assets available for sale	14,176	22,152
Investment in related companies	82,318	70,407
Tangible assets	3,333,179	3,066,248
Investment property	70,632	66,299
Intangible assets	93,773	37,979
Other financial assets	10,309	9,420
Other non-current assets	5,019	1,089
Deferred tax assets	50,209	17,420
Total assets	7,436,379	6,133,228
Current liabilities	3,670,344	2,718,135
Non-current liabilities	549,337	511,287
Total liabilities	4,219,681	3,229,422
Capital	76,095	76,095
Other paid-in capital	112,259	112,266
Earned surplus	2,833,835	2,556,076
Other capital components	183,700	159,418
Non-controlling interest	10,809	Δ49
Total capital	3,216,698	2,903,806
Total liabilities and capital	7,436,379	6,133,228

CONSOLIDATED STATEMENTS OF INCOME (SUMMARY)

(Unit: KRW million)

Category	58 th Fiscal Year	57 th Fiscal Year
Sales	6,488,973	5,420,069
Cost of sales	4,813,903	3,792,092
Gross margin	1,675,070	1,627,977
Sales expenses	572,898	530,154
Management expenses	407,348	377,393
R&D expenses	116,721	100,423
Other profit and loss	21,914	12,232
Other revenues	26,564	24,160
Other expenses	15,474	8,352
Operating profit	567,278	623,582
Financial profit	127,026	77,067
Financial cost	231,195	107,422
Gain on investment in related companies	15,670	18,684
Gain on divestiture of investment in related companies	812	-
Income before income tax	479,592	611,912
Income tax expenses	124,371	149,124
Net income	355,221	462,788
Other comprehensive income	-2,778	-28,758
Net total comprehensive income	352,443	434,030

EMPLOYEE DATA SUMMARY

1. TOTAL STAFF

Presently, we operate six Staff Offices at Hankook Tire. The total number of staff rose by 9.8% on average for the past three years including locally-hired employees, contributing to stable employment in Korea and overseas through sustained job creation. Specifically, the number of locally-recruited staff will continue to increase due to the on-going expansion of the No. 3 plant in China and the construction of an Indonesian plant.

Trajectory of Our Global Employment

(Unit: Number of employees)

Category	2009		2010		2011	
Korea	5,692	39.3%	6,159	39.1%	6,510	37.3%
Local Staff	8,803	60.7%	9,576	60.9%	10,962	62.7%
Total	14,495	100.0%	15,735	100.0%	17,472	100.0%
Increase from the Previous Year	-		8.6%		11.0%	

2. EMPLOYEES BY EMPLOYMENT TYPE (KOREA-BASED)

Our employees are classified into office employees and operators. With the continued growth over the past three years, the number of staff at the headquarters rose by 7.0%. We will further increase the number of employees to meet our mid/long-term business goals beginning in 2012.

Employees by Positions in Korea

(Unit: Number of employees)

Category	2009		2010		2011	
Office Staffs	1,813	31.9%	1,886	30.6%	2,009	30.9%
Operators	3,879	68.1%	4,273	69.4%	4,501	69.1%
Total	5,692	100.0%	6,159	100.0%	6,510	100.0%
Increase from the Previous Year	-		8.2%		5.7%	

Note) Office employees include executives, supervisors, CS employees, employees in special service positions, support positions and part-time employees in addition to general office staffs/ The data are based on the Korean business sites

3. GENDER COMPOSITION (KOREA-BASED)

There are considerably fewer female employees at Hankook Tire due to the inherent characteristics of the industry. One of the reasons is that our operators should be capable of handling heavy products weighing more than 10 kg, which renders challenging conditions for women to work in. Another reason is that those jobs fairly available for women (cleaning, etc.) are outsourced. Despite such limitations, female employees account for 11.1% of the total office employees and their numbers continue to rise. (Female workforce grew by 24% in 2011 from 2009.) Hankook Tire will be dedicated to introducing and maintaining women-friendly work systems in the upcoming years.

Gender Composition of Employees by Year

(Unit: Number of employees)

Gender	2009		2010		2011	
Male	5,497	96.6%	5,948	96.6%	6,268	96.3%
Female	195	3.4%	211	3.4%	242	3.7%
Total	5,692	100.0%	6,159	100.0%	6,510	100.0%

Detailed Analysis of Female Workforce in 2011

(Unit: Number of employees)

Category	Total	Female	Ratio
Office Staffs	2,009	224	11.1%
Operators	4,501	18	0.4%
Total	6,510	242	3.7%

4. PHYSICALLY-CHALLENGED EMPLOYEES (KOREA-BASED)

Sustained efforts are underway at Hankook Tire to hire physically-challenged individuals. The number of employees with disabilities rose by 9.5% in 2011 from 2009. Nevertheless, the mandatory employment quota increased and the mandatory staffing ratio declined due to the increase in the total number of employees. We will continue to meet the statutory standards in employment. This will boost our endeavors to hire more individuals with disabilities and deliver appropriate working environments for these employees.

(Unit: Number of employees)

Category	2009	2010	2011
Mandatory Staffing Quota	111	134	144
Actual Employment	74	74	81
Increase from the Previous Year	-	0.0%	9.5%

5. RESIGNED EMPLOYEES (KOREA-BASED)

We witnessed a slight increase in the number of resignations including transfers to other companies due to increasing vitality in the job market. We are committed to encouraging our staff to fully engage in their job and organization based on our talent-centered management philosophy and in doing so, we will deliver a stimulating workplace by reducing staff resignation.

(Unit: Number of employees)

Category	2009	2010	2011
Office Staffs	136	153	169
Operators	52	80	92
Total	188	233	261

6. AVERAGE LENGTH OF SERVICE (KOREA-BASED)

With sustained growth in Korea and overseas, Hankook Tire guarantees employees stable employment. The average length of service over the last three years stands at 12 years. A further analysis of the past three year's data revealed that this number is declining every year, which is attributed to the continued increase in the number of new recruits.

(Unit: Year)

Category	2009	2010	2011
Average Length of Service	12.11	11.98	11.40

7. AVERAGE WAGE LEVEL

Our employees are not discriminated against in wage payment on the grounds of gender and guaranteed wage levels are above the statutory minimum wage. In addition to wage, there is no gender discrimination in terms of other policies or welfare/benefits. We will ensure that our worksites remain discrimination-free in the upcoming years.

CSR PRINCIPLE

CORPORATE SOCIAL RESPONSIBILITY PRINCIPLE

- 1 Purpose and Intent** The CSR Principles are fundamental guidelines to redefine our corporate social responsibility and build CSR into our company culture that serves as the bedrock of our business operations. These principles are the essence of our endeavors for providing the best-possible values to our stakeholders and in fulfilling our roles and responsibilities as a corporate citizen in leading sustainable development and growth beyond the tire industry into an even larger mobility trade.
- 2 Regular Review and Report** Our CSR Strategy Committee annually reviews the CSR Principles and modifies or updates detailed operational guidelines if deemed necessary through materiality analyses including stakeholder dialogue.
- 3 Integrated CSR Management** To propel our CSR activities forward more systematically on a company-wide level, we established the integrated CSR management system in the following way. First, our CSR Strategy Committee functions as the top CSR decision-making body attended by the board of directors and top management. Second, our CSR Steering Committee is operated under an integrated management system, as a working-level association comprised of executives and employees in charge of respective CSR issues. Third, our dedicated CSR Team defines CSR roles and responsibilities such as company-wide CSR planning, operations and CSR report publication.
- 4 Stipulation of CSR Policy** Our CSR policies, systems and issue-specific action plans must be clearly stipulated and disseminated both internally and externally so that they are executed across the board.
- 5 Regular CSR Diagnosis and Monitoring** With our in-house CSR self-evaluation model covering relevant global standards and local regulations, we perform diagnoses and evaluations every year while the CSR Team works with the Steering Committee to constantly monitor progress and outstanding issues.
- 6 Company-Wide CSR Training and Consensus-Building** To disseminate CSR and build consensus among employees, we set up and carry out annual enterprise-wide CSR training plans.
- 7 Dialogue with Stakeholders and Information Disclosure** Our definition of core stakeholders includes customers, employees, suppliers, local communities, nature/ecology/climate, shareholders and investors. We provide regular and official venues for stakeholder dialogue by building permanent communication channels and annual communication plans. Such activities are utilized successfully in setting future business and CSR initiatives. In addition, our CSR and business achievements and plans are disclosed in a transparent and thorough manner through our annual CSR Reports, corporate website and diverse communication channels customized for different stakeholder associations.
- 8 Integrated Risk Management** We ensure systemic management of and appropriate response to non-financial risks (eg. SEE (Social, Environmental, and Ethical) Risk) as well as consistent management of financial risks. In particular, we define all CSR Focus Areas as risk issues and encourage company-wide response measures under the integrated management system of the CSR Steering Committee.

ENVIRONMENTAL POLICY

Our environmental guidelines aim to deliver proactive environment management practices across the entire spectrum of our business activities from production to sales and services in line with our management philosophy and vision, thereby making significant contributions towards a cleaner environment. To this end, we are determined to take action as follows.

- 1 We recognize the environment as a critical factor in management strategy.
- 2 With sustained investments, process improvements and ideal appropriate technology, we fundamentally minimize emissions of environmental pollutants and promote recycling.
- 3 We apply in-house environmental regulations, rules and standards that are more stringent than what is required by law from product manufacturing, to sales, and services to disposal.
- 4 Our environmental goals and detailed targets are fixed and performed based on the pre-evaluation of our environmental impact, which enables sustained improvements.
- 5 We train and educate all employees on environmental issues in the confidence that they will come to recognize the impact of their respective responsibilities.
- 6 To ensure transparency in our environmental management, our guidelines are made available to stakeholders. Moreover, we encourage our affiliated companies to conduct business with a more eco-friendly approach.

SOCIAL CONTRIBUTION CHARTER

Our Statements


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

Characteristics and Direction

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

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CG Responsible Corporate Governance Governance • Hong, Dae-won	IR Integrated Risk Management Risk Management • Nam, Jae-woon
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FOCUS 1	FOCUS 2	FOCUS 3	FOCUS 4	FOCUS 5
HS Employee Health & Safety Management Health and safety management • Kim, Hack-feel	EM Environmental Management Integrated environmental management • Jang, Sun-mi Response to climate change • Kim, Jong-yune Environmental management at worksite • Song, Il-kwon • Kwak, Sang-young Development of eco-friendly products • Kim, Byung-seog • Lim, Ki-won Utility • Seo, Keun-seon Energy management at worksite • Park, Chong-jin • Choi, Pyung-gun	SC Win-Win Supply-chain Partnership Win-win partnership with suppliers • Zheng, Jin-zhu CI Community Involvement & Development Corporate philanthropy • Jeon, Seong-youn Corporate philanthropy (Sharing Foundation) • Kim, Inn-suk CS Customer Satisfaction & Quality Management Car Makers • Seo, Yun-mi Public interest marketing • Lee, Eun-sung • Kim, Go-eun • Lee, Hae-won Services and education • Chi, Han-chan • Cha, Cheol-min • Seo, Ho	EV Employee Value Creation Employee value creation • Lee, Sang-min Recruitment • Park, Chan-yong Evaluation and compensation • Lim, Ji-su • Lee, Hong-suk • Hwang, Eui-taek Welfare/benefits • Bae, Jung-hee • Na, Eun-kyoung • Oh, Jeong-seok • Kang, Ki-poong Communication and education • Lee, Jung-im • Park, Jun-hyung • Shin, Dong-soo • Kim, Young-ki • Shin, Jin-young	BE Transparency & Business Ethics Ethics management • Lee, Hai-pung

Appendix

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INDEPENDENT ASSURANCE STATEMENT

SCOPE AND OBJECTIVES

Two Tomorrows (Asia) Limited has undertaken independent assurance of Hankook Tire CSR Report 2011/12.

The assurance process was conducted in accordance with AA1000AS (2008). We were engaged to provide moderate level, Type 1 assurance, which includes evaluation of adherence to the AA1000APS (2008) principles of inclusivity, materiality and responsiveness (the Principles).

We undertook no checking of sustainability performance data and consequently offer no assurance over performance data or associated claims included in the Report.

RESPONSIBILITIES OF THE DIRECTORS OF HANKOOK TIRE AND OF THE ASSURANCE PROVIDERS

The directors of Hankook Tire have sole responsibility for the preparation of the Report. In performing our assurance work, our responsibility is to the management of Hankook Tire. However our statement represents our independent opinion and is intended to inform all of Hankook Tire's stakeholders. We adopt a balanced approach towards all of Hankook Tire's stakeholders.

We have no other contract with Hankook Tire and this is the first year that we have provided independent assurance. We were not involved in the preparation of any part of the Report. Having reviewed and provided feedback on drafts of the Report, in a number of instances changes were made to the final version. Our team comprised MinGu Jun, project leader, and InMog Yang. This assurance statement was prepared by the team in English, and reviewed and signed off by Jon Woodhead, Sustainability Services Director, Two Tomorrows. Further information, including individual competencies relating to the team can be found at: www.twotomorrow.com.

BASIS OF OUR OPINION

We undertook the following activities:

- Review of Hankook Tire's process for identifying and evaluating material issues.
- Brief materiality assessment based on an internet review of relevant media articles, peer-based norms, peer reports, ESG report of a SRI (Socially Responsible Investment) analyst and our Tomorrow's Value Rating to compare the issues identified through the Hankook Tire materiality process.
- Interviews with an executive management team member and managers responsible for non-financial issues in Seoul headquarters and Geumsan manufacturing site. Interviewees were suggested by Hankook Tire and agreed with Two Tomorrows.
- Review of Hankook Tire's approach to stakeholder engagement. We had no direct engagement with stakeholders other than staff.
- Assessment of information provided to us by Hankook Tire on its reporting and management processes relating to the Principles.
- Assessment of supporting evidence for key claims in the Report.

FINDINGS

We reviewed and provided feedback on drafts of the Report and where necessary changes were made. On the basis of the work undertaken, nothing came to our attention to suggest that the Report does not properly describe Hankook Tire's adherence to the Principles of the AA1000APS.

OBSERVATIONS

Without affecting our assurance opinion we also provide the following observations.

Progress made by the CSR team for implementing and improving the Integrated CSR Management System, as governed by CSR Strategy Committee and CSR Steering Committee, is impressive. Allocation of key managerial issues for each of the CSR Strategy Sub-Committees and the approach to reporting of commitments and achievements for each issue is also commendable. If these efforts are backed up with consistent implementation and further links are made with the corporate governance structure, the Integrated CSR Management System of Hankook Tire could be recognized as an example of best practice in CSR governance among Korean companies.

Reporting on the company's response to injuries and fatalities, as part of Hankook Tire's reporting on employee health & safety management, enhances the balance of the report. Related performance indicators such as injury rates and severity rates demonstrate gradual improvements in performance. As these health & safety issues are expected to remain a key material concern for the stakeholders of Hankook Tire, we recommend that Hankook Tire should further improve the current governance structure for health and safety issues by establishing clear lines of reporting to Board level, arranging opportunities for direct engagement with relevant stakeholders on the issues, and raising the level of reporting on health & safety from global operations to the same level as Korean operations. Particular focus should be placed on employees of subcontracted companies operating on Hankook Tire's sites.

As the tire industry relies heavily on petroleum as the main raw material, Hankook Tire's current efforts for improving the environmental aspects of the product are particularly significant, for example through reduction of hazardous materials, eco-friendly raw material substitution, and resource conservation through tire reuse and recycled rubber technology development. The LCA project at the Geumsan site is also particularly commendable. Future reports should include details of the company's efforts to achieve practical improvements through expansion of the portfolio of eco-products and LCA project sites over time.

Inclusivity concerns the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.

- Hankook Tire's reporting on stakeholder engagement demonstrates good practice, as it includes explanation of who are the key stakeholder groups, the rationale for prioritisation, and details of year-round dialogue process, communication channels and key issues arising. We recommend that Hankook Tire should now consider establishing clear criteria for the Stakeholder Identification Model to support decisions about categorizing stakeholders. Additional improvements could be made through more integrated reporting on the key stakeholder groups: summarizing who, why, and what issues were raised, and providing clear links to the key

material issues and related report contents.

- Hankook Tire's current approach of collating opinion for material issues mainly through internal employees should be expanded to include the opinion of external stakeholders like shareholders/investors, clients, suppliers and local community. We recommend that Hankook Tire should establish and implement a documented stakeholder engagement process to ensure that the year-round stakeholder dialogue processes for key stakeholders are operated by relevant CSR strategy sub-committees and that the collated opinion is used as input for materiality assessments. The stakeholder engagement process should be consistently implemented not only in Korean operations but also in global operations across China, Europe and America.
- The Integrated CSR Management System has no official mechanism for taking account of stakeholders' opinion. Introduction of a stakeholder panel to provide feedback on the materiality process and opinions directly to the CSR strategy committee would constitute a significant improvement to Hankook Tire's governance.

Material issues are those which are necessary for stakeholders to make informed judgments concerning Hankook Tire and its impacts.

- Based on the work undertaken, we are not aware of any high materiality issues that Hankook Tire has not recognised within its report. The topics of 'Responsible Corporate Governance' and 'Integrated Risk Management' should be regarded as elements of a management approach rather than 'issues'. As such, these management elements should be excluded from the list of issues considered during the materiality assessment, although these should continue to be covered by the report.
- Hankook Tire can demonstrate the necessary capacity and resources for operating materiality processes. We recommend that Hankook Tire should ensure that the materiality process is integrated with corporate risk management and operated through the CSR strategy committee and sub-committees.
- We also recommend that the materiality process should be documented, including replicable, assurable and suitable criteria for materiality evaluation and thresholds for Hankook Tire to assess and understand the relevance and significance of the issues from various stakeholders and information sources, and decide input for the reporting.
- As related requirements from the global car makers evolve, the significance of managing suppliers' social and environmental issues beyond Hankook Tire's operation is increasing. We recommend that Hankook Tire should proactively review and respond to CSR issues that are relevant for its local and global suppliers. The impacts of tires on the environment and public health during use is expected to be a subject for discussion over the long term. Hankook Tire should be proactive in participating in global discussions on this issue, monitoring the maturity and disclosing relevant information to stakeholders.
- Development of standard processes and support to stakeholder engagement and materiality processes at global headquarters level, linked to the results of local and global headquarters' materiality assessments, would strengthen Hankook Tire's appreciation of CSR risks and opportunities.

Responsiveness concerns the extent to which an organisation responds to stakeholder issues.

- We recommend that the company should demonstrate increased responsiveness by linking stakeholder engagement to the establishment of new KPIs, performance against targets and establishing of new commitments.
- The majority of current reporting is focused on the performances of Korean operations. We recommend that Hankook Tire should enhance the identification and management of material issues of global sites and suppliers including environment, health & safety, labor relationship and human rights, and expand reporting on performance at local levels. Related management systems between the Korean and global operations should be integrated, and we also recommend continuous implementation of carbon management for supply chain and green procurement schemes, as these are identified as key management issues for suppliers.
- The approach of Hankook Tire to assurance, by initiating the assurance process in the early stage of its report development process is particularly commendable, and has improved the final report by reflecting the feedback on accountability principles during the whole reporting process.

Two Tomorrows (Asia) Limited
Seoul, Korea
17th May 2012

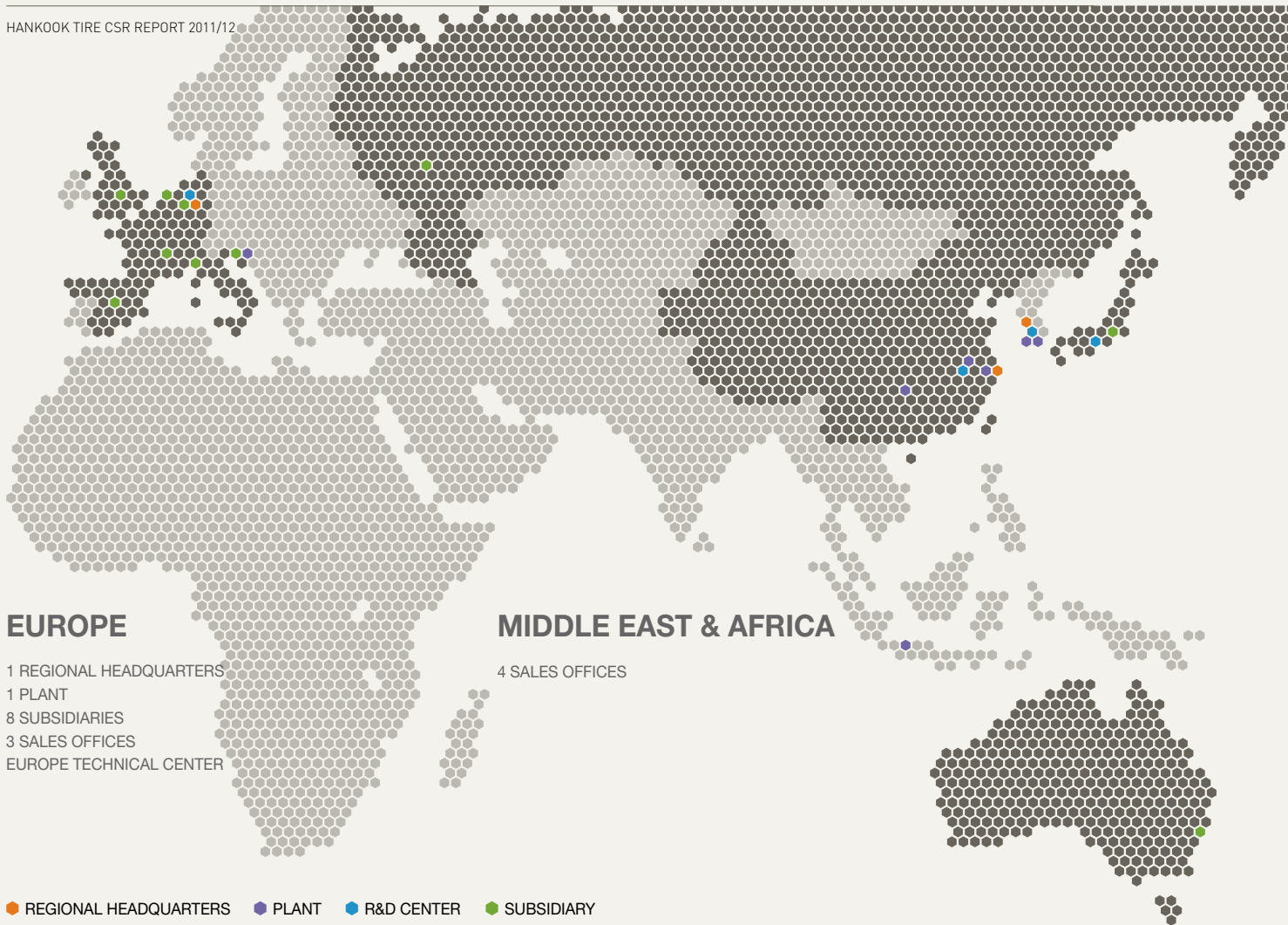


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We deliver tire products that enable safer and more comfortable driving, bringing an increased quality of life and pleasant experiences to our customers around the world. Our sales network spans not only Korea, our headquarters home base, but also China, Europe, America, the Middle East, Africa and the Asia Pacific, offering products that meet various local needs.

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The journey to publish Hankook Tire's third CSR Report has come to an end. The CSR Report 2011/12 aimed to be recognized as an 'engaging and easily understandable' report in order to share and communicate the CSR initiatives as well as achievements that were made possible through the concerted efforts of all Hankook Tire employees and countless stakeholders.

The annual materiality analysis and the identification of the five key managerial issues served as the foundation to present a detailed picture of major accomplishments and future plans. Moreover, stakeholder interviews were conducted regularly to take a fresh look at our CSR initiatives and further build on our past achievements.

Hankook Tire is fully dedicated with heartfelt sincerity to the shared growth with all of its stakeholders through CSR management.


Hankook Tire's Previous CSR Reports



2009



2010

 [Download the Hankook Tire CSR Report](#)

This report is printed on paper certified as sustainable by the Forest Stewardship Council (FSC) using soy-based ink.

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DRIVING CSR, DRIVING SUSTAINABLE MOBILITY

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