

DRIVING SUSTAINABILITY

Driving Innovation for a Sustainable Tomorrow



ABOUT THIS REPORT

Hwaseung R&A has come to publish its first Sustainability Report to cope with changes in the global business environment, meet the expectations of stakeholders, and clearly convey its commitment to sustainable growth. This report serves as a communication channel for stakeholders to systematically disclose the key management activities and achievements across the Environmental (E), Social (S), and Governance (G) sectors pursued by Hwaseung R&A. The report also sets the crucial starting point for presenting strategic directions and goals for future sustainability management.

Reporting Standards

This report fulfills the “in accordance with” requirements of the Global Reporting Initiative (GRI) Standards 2021, a global guideline for sustainability reporting. Additionally, the report has been prepared by reflecting the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) for climate change-related information disclosure, the Sustainability Accounting Standards Board (SASB) industrial standards to address industry-specific material issues, and the indicators and goals of the UN Sustainable Development Goals (UN SDGs).

Reporting Period

This report covers activities and performance from January 1, 2024, to December 31, 2024. For quantitative performance, data from the most recent three years (2022-2024) are included to enable trend analysis. For certain information, the report also covers the first half of 2025.

Reporting Scope and Boundary

This report primarily focuses on the ESG management activities and performance of Hwaseung R&A. Financial data has been prepared based on consolidated financial statements, which include data of Hwaseung R&A and its subsidiary Hwaseung T&C, in accordance with Korean International Financial Reporting Standards (K-IFRS). Unless indicated otherwise, financial performance is based on consolidated financial statements and non-financial performance is based on separate financial statements. Where the reporting scope differs, it is separately noted in the footnotes for the respective information.

Assurance of Report

To ensure the fairness and reliability of the report preparation process and the information presented, an independent assurance body, Korea Productivity Center Quality Assurance (KPCQA), conducted third-party assurance. This assurance was performed using the AA1000AS Assurance Standard, applying the Moderate level and Type 1. Detailed assurance results can be found in the ‘Third-Party Assurance Statement’ on pages 125-126.

Forward-Looking Statements

In addition to information about Hwaseung R&A's present and past, this report may contain forward-looking statements that include future management strategies, ESG targets, and sustainability initiatives. These forward-looking statements are based on assumptions and expectations that Hwaseung R&A's management considers reasonable at present. However, due to the nature of the automotive parts industry, actual business performance may differ from predictions due to various external factors, such as economic fluctuations, instability in global supply chains, strategic changes by major automotive manufacturers, and revisions to relevant laws and environmental regulations. Therefore, this report should be utilized by stakeholders as a reference for understanding Hwaseung R&A's ESG management direction and strategy, and there can be limits in using this report for other purposes, such as investment. Additionally, Hwaseung R&A does not undertake any obligation to revise or update these statements based on new information or future events, unless required by law or regulation.

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OUR BUSINESS

Hwaseung R&A is growing into a responsible company that co-creates the future of the global mobility industry, with customer-centric management, sustainable growth, and innovative technology development as its core values.

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CEO MESSAGE

Dear Respected Stakeholders,

Since its establishment in 1978, Hwaseung R&A has stably grown as a core pillar of the automotive parts industry based on technology and trust. Over 40 years of accumulated experience and strong fundamentals have provided a foundation for competitiveness, even during times of change and challenge.

At the center of this growth is the core value of 'fundamentals.' Fundamentals are the starting point and completion of everything, and faithfully adhering to them is the most reliable way to ensure trust and success. An organization built on proper fundamentals can achieve stability and resilience even in uncertain environments. Hwaseung R&A will continue to uphold the trust of customers and the market through a corporate culture and business foundation that sticks to its fundamentals.

In 2024, an uncertain external environment persisted, with delayed global economic recovery, fluctuating raw material prices, and sustained high interest rates and inflation. In addition, the industry-wide transition to eco-friendliness and changes in workforce structure presented new challenges for corporate management. Nevertheless, Hwaseung R&A maintained stable growth based on its business foundation, true to its fundamentals, and company-wide risk response capabilities. Through robust operations and organic supply chain cooperation, we achieved significant results in both profitability and efficiency.

On top of this organizational foundation, ESG management is adding new direction and competitiveness to our business. ESG is not just a corporate obligation but a strategic choice for a sustainable future. Hwaseung R&A aims to internalize ESG across all aspects of corporate operations, thereby creating positive changes in product quality, business efficiency, and overall organizational culture.

In 2024, we established the ESG Committee to develop a management-driven strategy and strengthen departmen-

tal execution, achieving tangible results for key tasks. We participated in the Carbon Border Adjustment Mechanism (CBAM) pilot program and were selected for the 'Korea Energy Efficiency Project (KEEP+)' by the Ministry of Trade, Industry and Energy, recognized for our environmental management capabilities. Additionally, we obtained family-friendly company certification by fulfilling our social responsibilities. In terms of information security, we received the highest evaluation in TISAX certification, further solidifying trust from customers and the global market.

Under the management philosophy of 'Dongjugongje (sharing the same boat in adversity),' Hwaseung R&A is strengthening its communication system so that the entire supply chain shares a common goal and cooperates organically. Based on this effort, we are enhancing production efficiency through tech-based advancement of corporate operations and innovation in process and inventory management. We are also further reinforcing ongoing FMEA activities to improve the quality competitiveness of our partner companies, prioritizing the practice of customer-centric quality assurance.

These company-wide efforts enhance the practice of ESG management and lead to the creation of sustainable value. In the future, Hwaseung R&A will continue to leap forward as a more trusted company through its commitment to fundamentals and an ESG-centered management strategy.

We ask for your continued interest and participation in our journey toward a sustainable future.

Thank you.

CEO of Hwaseung R&A
Kim Hyeong-Jin



“Hwaseung R&A realizes ESG through the value of ‘Inhwa (harmony among people),’ connecting people with other people, organizations, and society. The future pursued by our management is about creating a sustainable industrial ecosystem where we grow together in harmony.”



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COMPANY PROFILE

INTRODUCTION OF HWASEUNG R&A

Hwaseung R&A is a core affiliate responsible for the automotive parts sector of Hwaseung Group. It is a leading company driving innovation in the global mobility industry. We lead the Korean market in key automotive parts, including weather strips and hoses, and earn the trust of the world's top OEM brands. Through our global network established in major hubs such as North America, Europe, China, India, and South America, we strengthen localized production and technical support systems, providing differentiated quality and value to customers worldwide. Additionally, in line with the expansion of the eco-friendly mobility market, including electric and hydrogen vehicles, we accelerate technological innovation to lead the future car era by focusing our capabilities on developing high-performance, lightweight, and eco-friendly parts. Hwaseung R&A is growing into a responsible company that co-creates the future of the global mobility industry, with customer-centric management, sustainable growth, and innovative technology development as its core values.

As of December 2024

Company Name	Hwaseung R&A
CEO	Kim Hyeong-Jin
Date of Establishment	March 3, 2021
Number of Employees	650 persons
Business	Automotive parts
Head Office Address	61, Chungnyeol-ro, Yangsan-si, Gyeongsangnam-do (Gyo-dong)

HWASEUNG GROUP AFFILIATES

No. 1
tech company known
for its cutting-edge
innovations

HWASEUNG

Under the management philosophy of 'Inhwa (harmony among people)', Hwaseung is opening the future of a 100-year company with the vision of becoming the number one tech company with overwhelming technological capabilities, driven by the core values of profitability first, realizing social value, and building unique corporate assets.



Automotive Parts



Sports Fashion ODM



Materials



General Trading



Chemical



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HWASEUNG R&A'S PAST

1970~2000

- Sep 1978** Established Dongyang Chem Co., Ltd.
- Nov 1982** Won the Prime Minister Award at the 19th Export Day
- Feb 1988** Changed company name (Dongyang Chem Co., Ltd. → Hwaseung Chemical Co., Ltd.)
- Nov 1988** Won the \$10,000,000 Export Award and Presidential Citation at the 25th Export Day
- Feb 1991** Initial public offering and flotation
- Jun 1991** Received the Hyundai Motor Company Appreciation Plaque
- Jun 1992** Established an affiliated technology research institute
- May 1994** Obtained ISO 9001 certificate
- Dec 1994** Won the Gyeongnam Governor Citation for Harmony of Management and Union
- Jan 1996** Established Hwaseung Material Co., Ltd.
- Jan 1997** Selected (by the Minister of Labor) as a labor-management cooperation company
- Nov 1997** Won the \$50,000,000 Export Award and Bronze Tower Order of Industrial Service Merit on the 34th Trade Day
- Nov 1997** Established India local subsidiary: HSI (Chennai)
- Feb 1998** Changed company name (Hwaseung Chemical Co., Ltd. → Hwaseung R&A Co., Ltd.)
- Dec 1998** Obtained QS 9000 certificate



2000~2010

- Jan 2002** Established China local subsidiary: HST (Taicang)
- Feb 2003** Obtained ISO 14001 certificate (KSA)
- Mar 2003** Established USA local subsidiary: HSAA (Alabama)
- Jun 2003** Established China local subsidiary: HSB (Beijing)
- Nov 2003** Won the Presidential Citation as a company with national merit for novel technology commercialization
- Nov 2004** Selected as Top Company with New Labor-Management Culture (Ministry of Employment and Labor)
- Jan 2005** Selected as World Class Product of Korea (Ministry of Trade, Industry and Energy)
- Feb 2005** Won the Hyundai/Kia Motor Company Overseas Support Achievement Award
- Nov 2005** Selected as Top Manufacturing Technology Institute (Ministry of Trade, Industry and Energy)
- Dec 2005** Next-Generation World Top Product-Certified Company (Ministry of Trade, Industry and Energy): Sealing System
- Jun 2006** Obtained ISO/TS 16949 certificate (KSA)
- Feb 2008** Ford-Designated Q1 Preferred Quality Status (Q1 certificate)
- Dec 2008** Selected as World Class Product of Korea (Ministry of Knowledge Economy)
- Selected as Top Company with Good Labor-Management Culture (Ministry of Employment and Labor)
- Nov 2010** Selected as a company subject to be fostered as a Korean Hidden Champion (Export-Import Bank of Korea)



2011~PRESENT

- May 2011** Established Türkiye local subsidiary: HSTR
- Selected as a World Class 300 Company
- Jun 2012** Received the Steel Tower Order of Industrial Service Merit (Ministry of the Interior and Safety)
- Aug 2013** Acquired Five-Star Quality (Hyundai Motor Group)
- Nov 2014** Established Mexico local subsidiary: HSAM
- Dec 2014** Won the \$300 Million Export Tower Award
- Apr 2015** Turned USA local subsidiary into holding company and split companies off (HSAH/HSAU)
- Jun 2015** Established Brazil local subsidiary: HSAB
- Nov 2017** Established India local subsidiary: HSIA
- May 2018** Established Vietnam local subsidiary: HSVA
- Jul 2019** Established Germany local subsidiary: HSAE
- Dec 2020** Established Indonesia local subsidiary: HSID/HSBI
- Mar 2021** Equity spin-off (newly established: Hwaseung R&A, surviving: Hwaseung Corporation)
- Jul 2023** Joined the ESG practice company of the Korean Red Cross
- Jun 2024** Won the Governor (Gyeongsangnam-do) Citation on Yangsan-si Environment Day
- Aug 2024** Won the Merit Award for Industrial Accident Prevention (Ministry of Employment and Labor)
- Oct 2024** Won Membership Merit Award Gold Medal from the Korean Red Cross





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HWASEUNG'S VALUE SYSTEM, HWASEUNG DAUM



Management Philosophy

Vision

No. 1 tech company known for its cutting-edge innovations

Core Value



Prioritize profitability

With profit business as the top priority, Hwaseung's unparalleled technological expertise creates a significant advantage and enables various external convergences.

- **Competitiveness** Achieve creative and unique differentiation
- **Super-gap** Activate your innovative spirit to create a significant competitiveness
- **Converge with the outside world** Collaborate internally and externally to achieve synergy through convergence.



Realizing social value

As upstanding members of society, uphold the right attitude, fulfill responsibilities, respect values, and be initiative.

- **Diversity** Put aside biases, honor diversity, and regard everyone as equals.
- **Fairness** Ensure fairness both internally and externally by using an impartial measure
- **Tolerance** Be inclusive and considerate of other values



Build unique enterprise assets

To become a sustainable 100-year company, maintain diligence and consistency in execution, and preserve unique corporate assets through meticulous record-keeping.

- **Education** Hwaseung fosters an educational culture centered on learning, sharing, and collective growth
- **Research** Continual internal and external research for innovative exploration
- **Recording** The unique asset records of Hwaseung corporation are passed down to ensure the continuity of the company's values and legacy.

Behavioral Commitment 7 Actions

1

Make it a habit to greet everyone first with a smile.

2

Respect each other when having a conversation.

3

Compliment and motivate colleagues.

4

Be willing and able to work together with others.

5

Provide clear guidance and act promptly.

6

Embrace new experiences and support new endeavors.

7

I am now implementing 'HWASEUNG DAUM'.



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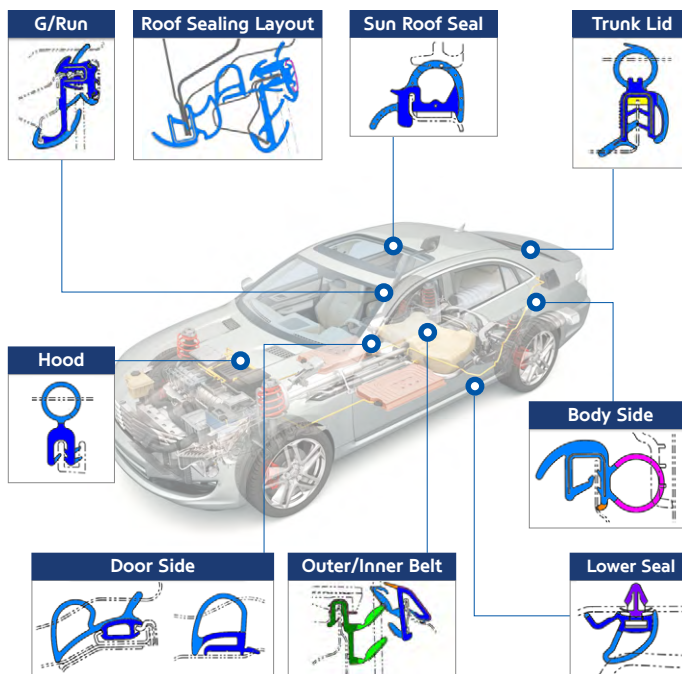
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PRODUCT INTRODUCTION

Hwaseung R&A is a company specializing in the production of automotive parts and industrial rubber products, especially holding the number one market share in Korea for automotive weather strips and various hoses.

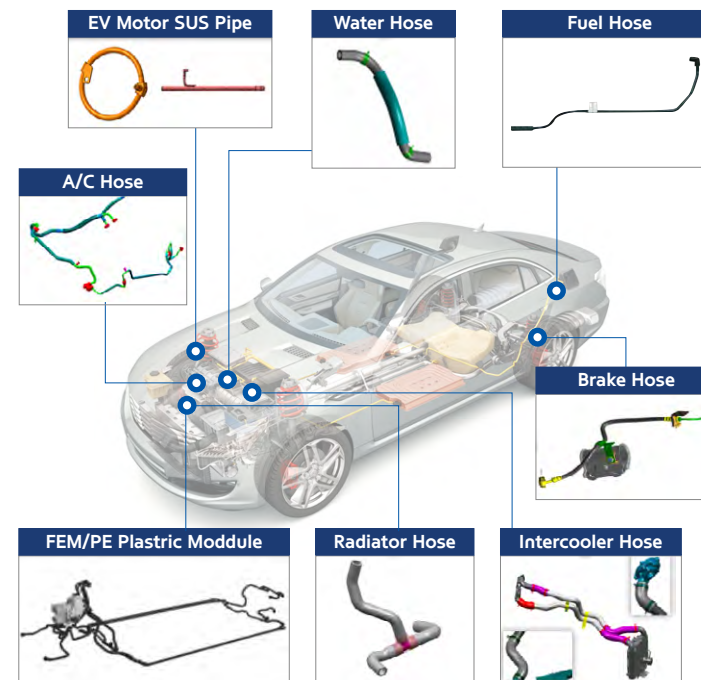
Sealing Products

Sealing products are weather strips referred to as “rubber for leak prevention,” installed on the car body and doors. Besides their basic function of preventing dust and water from entering the cabin, they also ensure proper slip when the glass moves up and down and block drafts and excessive wind noise.



Fluid Products

Fluid products are hoses that transport fuel, various oils, and water and deliver hydraulic pressure for functions like braking to key automotive parts. They possess characteristics such as durability, pressure resistance, heat resistance, refrigerant resistance, and vibration damping.





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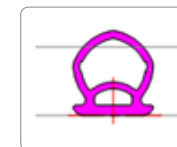
DOOR SIDE

- Mounted on the edge line of the door, playing the role as the primary function for moving parts
- Blocks water inflow from the outside
- Acts as the main sealing to block water leaks, wind noise, and various other noises while driving



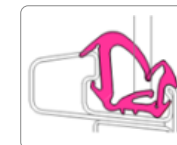
HOOD

- Mounted on the body-side edge of the vehicle hood
- Functions to maintain airtightness and block noise



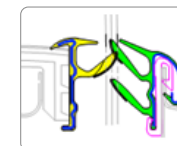
GLASS RUN

- Mounted on the inner edge of the door
- Guides the up and down movement of the glass, which is a primary function of the moving parts
- Acts as the main sealing to prevent water leaks, noise, and wind noise from entering through the glass from the outside



OUTER/INNER CHANNEL

- Mounted on the inner and outer panels in the central part of the door belt
- Removes dust when the glass moves up and down
- Functions to block water inflow





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SEALING PRODUCTS

- BODY SIDE
- FIXED W/STRIP
- TRUNK LID
- SUN ROOF W/STRIP

▶ BODY SIDE

- Mounted where the inner and outer panels of the body overlap
- Improves external appearance
- Tube section functioning as the main sealing for maintaining airtightness and cushioning between the door and the body



▶ FIXED W/STRIP

- Mounted on the edge of the fixed glass in the door
- Prevents the inflow of water, dust, etc., and wind noise
- Enhances external appearance



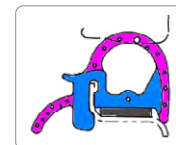
▶ TRUNK LID

- Mounted on the body-side edge of the rear trunk of the passenger car (sedan)
- Plays the role of preventing water leaks and cushioning during trunk opening and closing



▶ SUN ROOF W/STRIP

- Mounted on the sun roof of the car, fixing the glass and absorbing vibrations while driving
- Blocks the inflow of water, dust, etc. and prevents wind noise





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FLUID PRODUCTS

- RADIATOR HOSE
- A/C HOSE · HEATER HOSE
- FUEL HOSE
- INTERCOOLER HOSE
- BRAKE HOSE

▶ RADIATOR HOSE

- A device that cools the heat generated during automobile engine operation to maintain the engine at an appropriate temperature



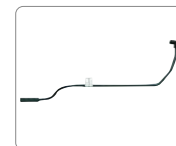
▶ A/C HOSE · HEATER HOSE

- A function that integrates heating, cooling, and ventilation in a car to maintain a pleasant interior environment



▶ FUEL HOSE

- Transports fuel from the fuel tank to the engine via the fuel pump
- Re-pressurizes and injects fuel from the engine-side high-pressure fuel pump for combustion



▶ INTERCOOLER HOSE

- Forcibly supplies air using a turbocharger
- Plays the role of a duct used to increase air density using an intercooler and improve engine output and fuel efficiency



▶ BRAKE HOSE

- A part installed in the duct that transmits brake hydraulic pressure within a car's braking system
- Installed in sections requiring flexibility due to suspension vibrations and wheel steering





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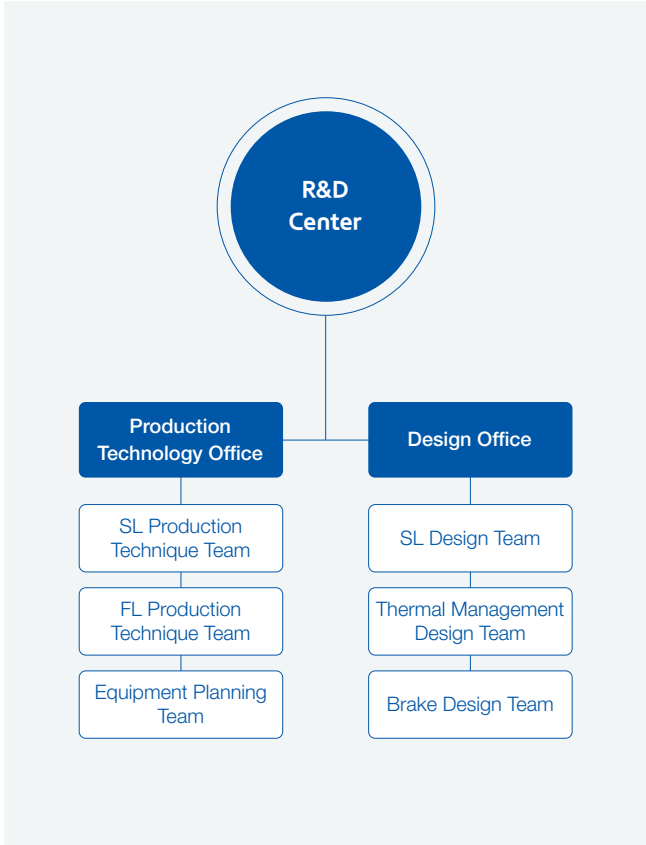
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R&D

Hwaseung R&A, a core affiliate responsible for the automotive parts sector of Hwaseung Group, is focusing its capabilities on R&D to lead the sustainable mobility industry. Since Hwaseung R&A establish the technology institute in 1991, we have been conducting comprehensive R&D activities across the entire life cycle, from material research to product design and process improvement, with the goal of enhancing automotive parts performance and developing new technologies. Based on our excellent personnel and state-of-the-art research facilities, we have accumulated diverse R&D achievements in the field of rubber and related products. We are also continuously strengthening our technological competitiveness through technical alliances and information exchange with advanced companies.

R&D Organization



Research Areas

Research Planning

Hwaseung R&A efficiently utilizes limited resources and time to establish R&D goals and systematically formulates strategies and execution procedures to achieve the goals. Our aim is to systematize R&D strategy development and project management, maximizing the efficiency and performance of R&D activities. Key tasks include identifying long- and short-term national R&D projects and securing research funding, conducting prior technology searches for industrial property rights (patents and utility models), managing technical data, evaluating the technological capabilities of partner companies, and providing administrative support within the research institute.

Applied Technology

The research institute of Hwaseung R&A contributes to product development and quality improvement through Computer Aided Engineering (CAE) technology, which quantifies, models, interprets, and analyzes products. CAE reduces testing time and costs by conducting simulations during the product design and development stages. It also provides integrated support from product planning to process management and is used to analyze the root causes of issues that arise during product use. Based on their expert knowledge in areas such as vibration and noise, structural analysis, and thermal fluid analysis, researchers identify potential problems in the production and design processes in advance and propose improvement measures, thereby contributing to cost reduction and improved product performance and competitiveness. Their primary tasks focus on on-site support for improving production technology and execution of various analyses, including full steering motion, full steering durability, pulsation noise, strength and rigidity, vibration mode, thermal deformation, heat transfer, phase transformation, oil leakage, clamping force, hose internal pressure, reaction force, trajectory, dynamic characteristics, pneumatic pressure, extrusion, and injection flow analysis.

Performance Evaluation/Analysis

The research institute of Hwaseung R&A objectively and reliably evaluates the performance to be exhibited by a product when installed in an actual vehicle, thereby proving its utility and performance. To achieve this, we have established various evaluation equipment capable of conducting performance durability, operational durability, and product testing for both weather strips and hoses. We swiftly and accurately provide performance analysis results essential for R&D activities. Additionally, we offer analytical support for materials and additives upon request from R&D departments. We continuously improve the quality and efficiency of our R&D activities by identifying and addressing issues with existing analytical instruments and methods and by developing or adopting new analytical techniques.



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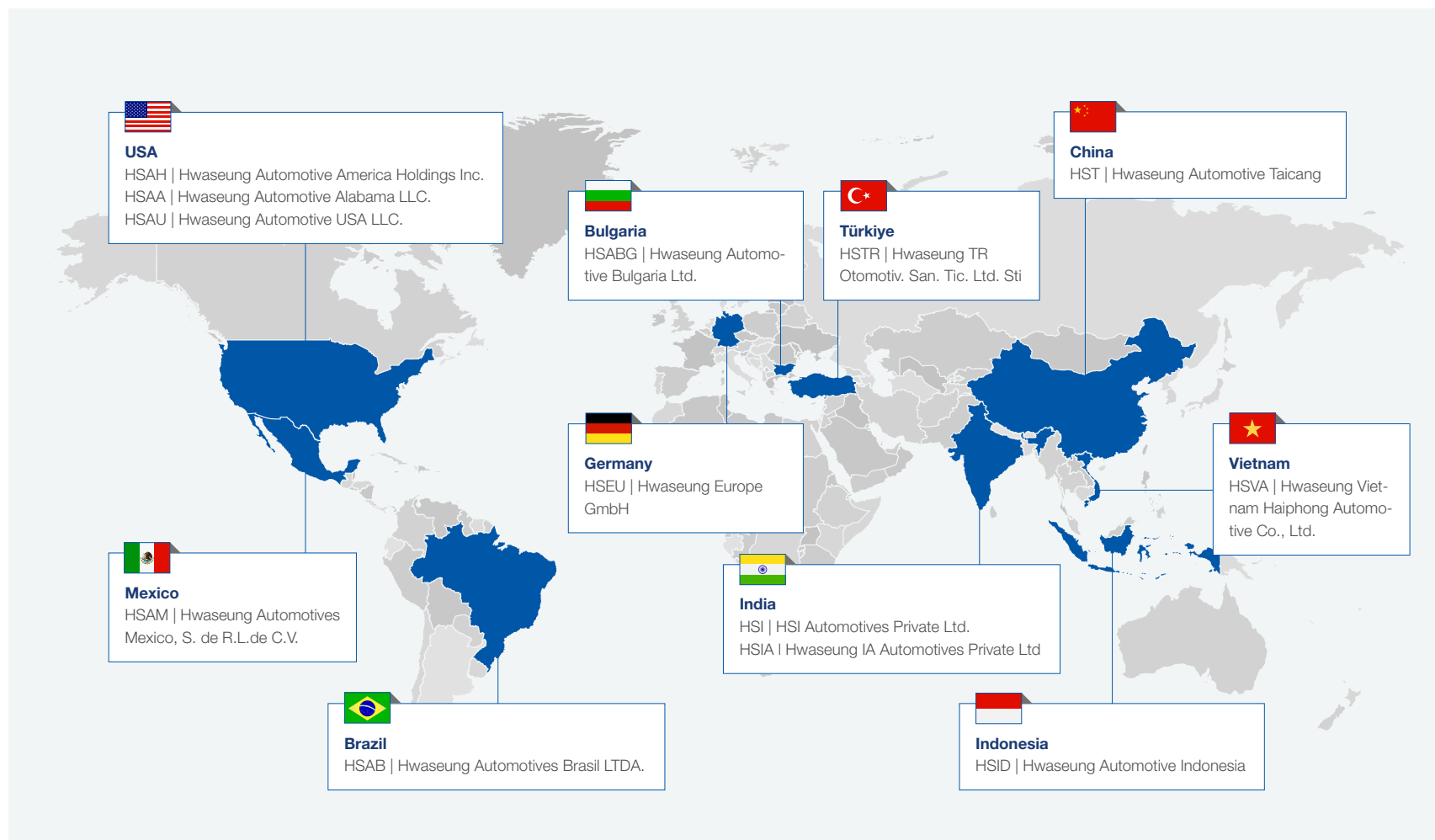
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GLOBAL NETWORK

Hwaseung R&A has established and operates a production and sales network in major locations worldwide to respond to changes in the global automotive parts market proactively and to meet the diverse needs of OEMs. This global network is more than just an export base. It serves as a strategic foundation equipped with region-tailored response systems, strengthening market competitiveness through close collaboration with local OEMs. Each hub integrally performs production, technical support, quality control, and customer response functions, playing a pivotal role in enhancing the global brand value of Hwaseung R&A. Additionally, we can now collect market information and quickly formulate strategies centered around local bases, thereby pursuing product development and sales strategies tailored to diverse regional characteristics and securing both stability and expandability in the global market.



KEY PERFORMANCE IN 2024-2025



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Drastic Increase in Annual Revenue and Net Profit

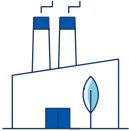
Revenue increased by 3.89%
Net profit increased by 33.93%
Net profit rate increased by 28.91%
Return on Equity (ROE) increased by 0.15%



Selected for Carbon Neutral Smart Factory Dissemination

June 2023

Korea SMEs and Startups Agency



Family-Friendly Company Certification

December 2024

Ministry of Gender Equality and Family



Participated in CBAM Response Pilot Project

December 2024

Korea Energy Agency



Acquired Highest Evaluation Level by 'TISAX' Global Information Security Certification

September 2024

German Association of the Automotive Industry



Newly Established ESG Committee and Dedicated ESG Organization

December 2024



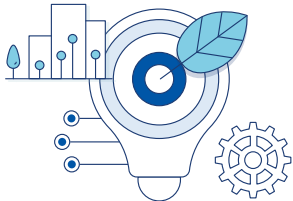
Designated as a KEEP+ Leading Company

December 2024

Participated in Voluntary Energy Efficiency Target Scheme

April 2025

Korea Energy Agency



Raised ESG Evaluation Rating

KCGS B (2023) → B+ (2024)
NQC SUPPLIER ASSURANCE
70 points



Authorized Economic Operator (AEO) Certification

November 2024

Korea Customs Service





ESG MANAGEMENT

Rooted in the Hwaseung Group's management philosophy of 'Inhwa (harmony among people),' Hwaseung R&A has set 'A Sustainable Future Through the Creation of New Value' as its ESG vision and pursues the internalization of ESG management and the enhancement of sustainable corporate value.

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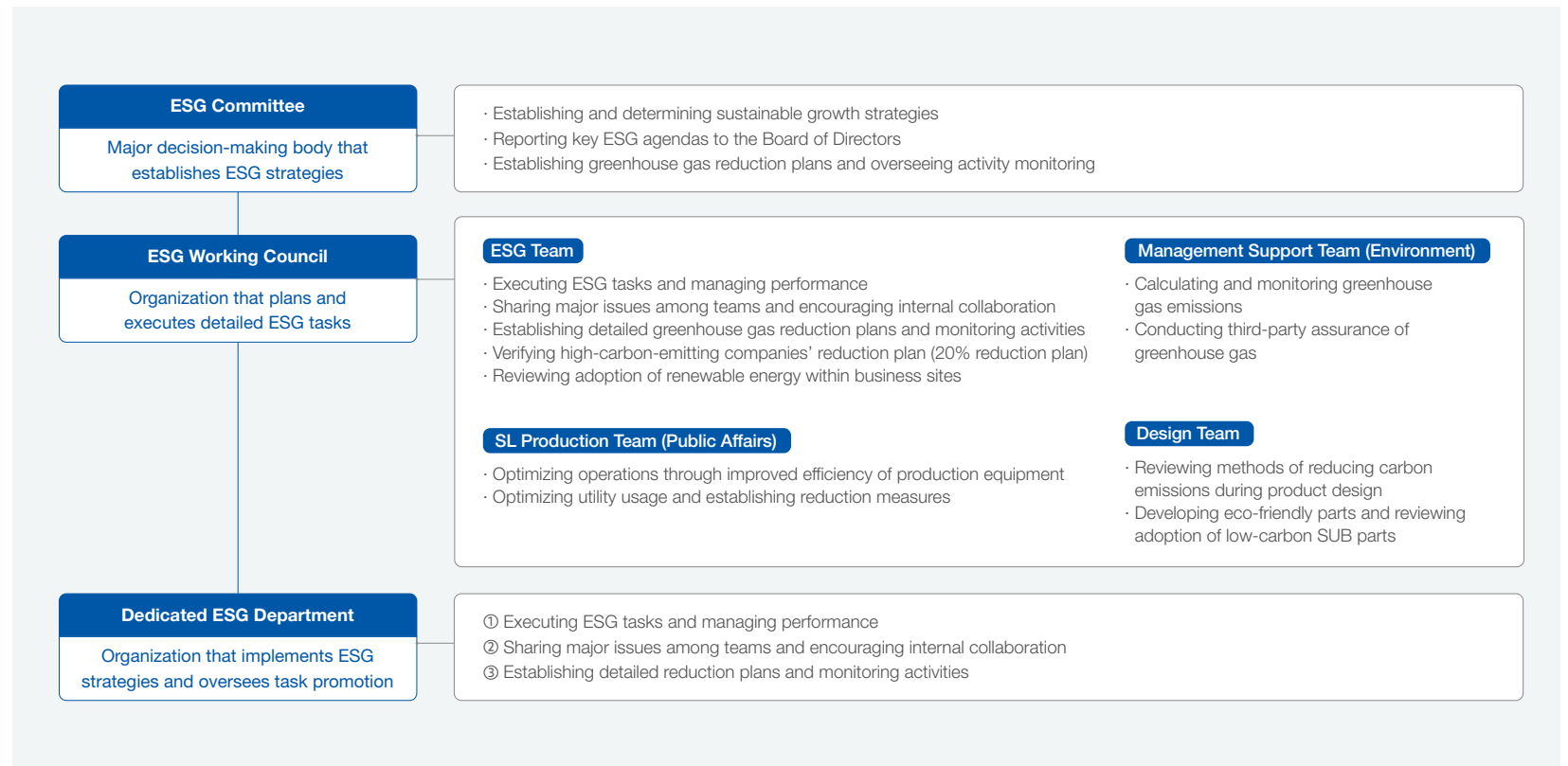
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ESG GOVERNANCE

Hwaseung R&A operates an ESG Committee as a decision-making body for establishing sustainable growth strategies. It consists of nine members, including the CEO, and one assistant administrator. Established in December 2024, the ESG Committee has been holding meetings quarterly since the first quarter of 2025. It is responsible for establishing response strategies for new laws and regulations such as CBAM, developing strategies for building the ESG management system and managing performance, and reporting ESG evaluation results from key evaluation agencies and major ESG agendas to the Board of Directors. According to the ESG Committee operational policy, committee meetings are convened with a notice of agenda and schedule provided to each member three days in advance. Resolutions are made with the attendance of a majority of the committee members and a majority vote of attending members. The ESG Working Council comprises team managers and working-level employees from relevant departments, and since its launch in December 2024, the council has been holding regular meetings on the third Wednesday of each month. The ESG Working Council aims to promote company-wide ESG management by overseeing ESG task execution and performance management, as well as by encouraging the sharing of key issues among teams and internal collaboration. In February 2025, an ESG Team was newly established, dedicated to company-wide ESG task execution and performance management, thereby strengthening implementation capabilities.

ESG Committee and Dedicated Department





- ESG Governance
- **ESG Management Strategy**
- Risk Management
- Stakeholder Engagement
- Double Materiality Assessment
- 2024-2025 ESG Magazine

ESG MANAGEMENT STRATEGY

ESG STRATEGY SYSTEM

Hwaseung R&A has established ‘a sustainable future through the creation of new value’ as its ESG vision, rooted in the Hwaseung Group’s management philosophy of ‘Inhwa(harmony among people).’ To achieve this vision, we have developed clear strategic directions and identified focused tasks for each area of Environment, Social, and Governance by reflecting on our business characteristics and industry environment. In particular, we are ensuring execution capability by strategically incorporating core issues such as climate change response, strengthening safety and health, mutual growth with partner companies, and advancing ethical management. Concurrently, we are pursuing the internalization of ESG management and enhancing sustainable corporate value by establishing a system for company-wide integration and management of ESG strategy and building an implementation foundation that engages all employees.

ESG Strategy

Management Philosophy






ESG Vision

A sustainable future through the creation of new value

ESG Strategic Direction

Focused ESG Promotion Tasks

 Harmony with Environment Settling eco-friendly management	 Synergy with Society Creating social value	 Continuity of reliable Governance Practicing responsible management
Building environmental management system	Balancing work and life	Spreading ethical management
Strengthening climate change response	Innovating products and strengthening stability	Building ESG governance system
Developing eco-friendly technology	Mutually cooperating with supply chain	
Increasing resource efficiency		

ESG Policies

In September 2024, Hwaseung R&A reorganized its internal policy system and promoted the establishment and amendment of relevant regulations to effectively promote and internalize ESG management. The full text of these policies is disclosed on our website for easy access by our stakeholders.

- [Environmental Management Policy](#)
- [Operational Health & Safety Management Policy](#)
- [Code of Conduct for Business Partners](#)
- [Conflict Minerals \(Responsible Minerals\) Policy](#)
- [Human Right Management Policy](#)
- [Corporate Social Responsibility Policy](#)
- [Code of Ethics](#)
- [Hwaseung Group Code of Ethics](#)

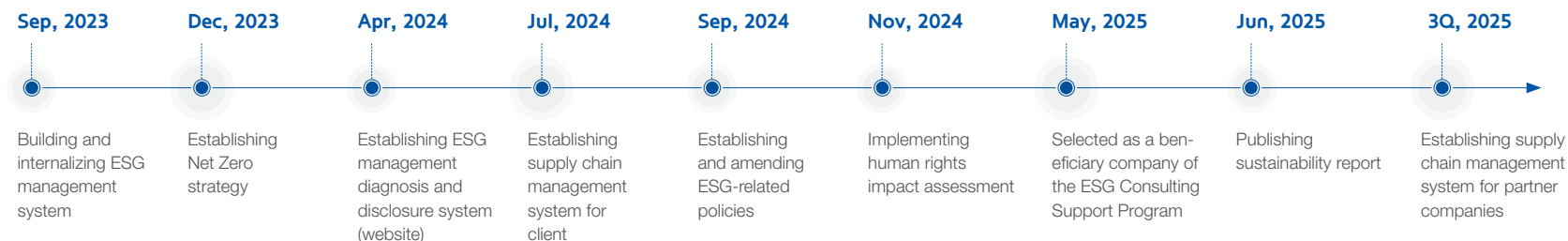


ESG MANAGEMENT STRATEGY

ESG PROMOTION

Hwaseung R&A designated 2023 as a turning point for advancing ESG management and began establishing a systematic ESG strategy and foundation for implementation on a full scale. In the first half of 2023, we established a roadmap to internalize ESG management as a core corporate strategy and built the ESG system, which includes ESG vision and strategic direction. Based on this, we formed a dedicated ESG organization and built an operating system, thereby strengthening implementation capabilities in connection with working organizations in each sector. Additionally, we established and amended ESG policies and internal regulations to reorganize management standards, and prepared the foundation for execution by expanding company-wide ESG education and stakeholder communication channels. In 2025, we were selected for the ESG consulting support project of the Export-Import Bank of Korea. We are planning to undertake Scope 3 calculation to improve CDP/EcoVadis scores and publish TCFD reports.

Progress of ESG Promotion



ESG ROADMAP

To systematically promote ESG management, Hwaseung R&A has established and is progressively implementing a three-stage roadmap: 'Building ESG System,' 'Internalizing ESG Execution,' and 'Advancing ESG Performance.' By 2025, we aim to establish and lay the foundation for ESG strategies, policies, and operating systems. By 2027, we will focus on institutionalizing ESG for company-wide implementation capabilities, spreading employee participation, and internalizing the management system. In addition, by 2030, we plan to quantify ESG management performance, strengthen capabilities to respond to evaluations in Korea and overseas, and advance sustainable management by expanding the application of ESG across the entire value chain.

【Stage 1 | 2023-2025】

【Stage 2 | 2025-2027】

【Stage 3 | 2027-2030】





ESG MANAGEMENT STRATEGY

ESG EVALUATION AND INITIATIVE

Hwaseung R&A is actively responding to major domestic and international ESG evaluations and global initiatives to enhance its corporate sustainability. In 2024, we received an upgraded rating from the Korea Institute of Corporate Governance and Sustainability (KCGS) compared to the previous year, reflecting systematic improvement efforts across all environmental, social, and governance sectors. Additionally, in the evaluation by global sustainability evaluation agency EcoVadis, practical improvement activities in various areas such as environment, labor and human rights, ethics, and sustainable procurement received positive evaluations, resulting in a 23-point increase in the score compared to 2023. Moreover, in January 2024, we submitted our commitment to the Science Based Targets initiative (SBTi), officially setting greenhouse gas reduction targets and striving to strengthen our climate change response capabilities.

ESG INTERNALIZATION

Hwaseung R&A is progressively strengthening its company-wide education and implementation basis to internalize ESG management. In January 2025, we reviewed major ESG regulations and trends in Korea and overseas in relation to the theme of 'ESG management trends and response methods' and conducted executive-level education centered around the response direction of Hwaseung R&A. Through this, we are strengthening the implementation of sustainable management by enhancing the overall ESG understanding of working-level departments and encouraging their voluntary participation. In particular, the educational course included key global issues such as the EU Supply Chain Due Diligence Directive, the Carbon Border Adjustment Mechanism (CBAM), and the International Sustainability Standards Board (ISSB) disclosure standards, focusing on improving comprehension of changes in the business environment and strengthening timely response capabilities. In the future, we plan to consider adopting ESG KPIs for systematic management and evaluation of ESG performance. This effort will allow for a more in-depth reflection of ESG values across company-wide management activities.

External ESG Management Evaluation Results



**Korea Institute of Corporate
Governance and Sustainability
(KCGS)**
Results in 2024

B+



EcoVadis
Results in 2024

53 points



**Hyundai/Kia Motor Company
ESG Evaluation**
Results in 2024

82.7 points



- ESG Governance
- ESG Management Strategy
- Risk Management**
- Stakeholder Engagement
- Double Materiality Assessment
- 2024-2025 ESG Magazine

RISK MANAGEMENT

RISK MANAGEMENT SYSTEM

Hwaseung R&A is establishing a risk management system that encompasses financial and non-financial factors for sustainable management. We identify various risks that may arise across our entire business operation, classifying them by type for systematic management. For major risks, we establish response strategies and monitor implementation status through responsible departments. Additionally, to enhance the effectiveness of risk management, we will regularly report to the Board of Directors and relevant committees and conduct continuous monitoring and improvement activities in the future.

MAJOR RISKS

Hwaseung R&A systematically identifies and manages risks to proactively respond to the complexity and uncertainty of the business environment. Risks are classified into business risks and non-business risks, such as environmental, social, and governance (ESG). Business risks include supply chain instability, raw material price fluctuations, and changes in export and import regulations. Non-business risks include potential impacts from ESG factors such as climate change, human rights issues, inadequate ethical management, and information security. For major risks, after comprehensively assessing the likelihood of occurrence and their impact on the business, we establish response strategies and have relevant departments take the lead in implementing concrete action plans.

Category			Details
Business risks	Market risks	Exchange rate risks	Refers to the risk that the profit or value of the portfolio of a consolidated entity will decrease due to movements in interest rates, foreign exchange, and other market factors
		Interest rate risks	Risk that financial performance may be affected by an increase in a company's interest expenses or a decrease in interest income due to fluctuations the financial market interest rates
		Price risks	Risk that product costs or profitability may be affected by changes in external market prices such as raw materials, energy, exchange rates, and stocks.
	Credit risks		Risk that a company may incur financial losses due to the possibility that external stakeholders, such as partners and financial institutions, fail to fulfill their contractual obligations (e.g., payment)
	Liquidity risks		Risk that operational disruptions may occur due to a company's inability to fulfill short-term obligations or raise funds
	Capital risks		Risk that financial soundness may be impaired if a company fails to meet legal or regulatory capital requirements, or due to capital damage from losses

Category			Details
Non-business risks	Environmental risks	Climate change and carbon risks	Increased costs and export barriers due to strengthened carbon emission regulations and expanded application of Carbon Border Adjustment Mechanism (CBAM)
		Environmental pollution risks	Legal sanctions and reputational risks due to inadequate management of air, water quality, waste, harmful chemicals, or soil
	Social risks	Industrial safety accident risks	Legal liability and production disruptions in the event of industrial accidents primarily involving factory workers
		Human rights and supply chain risks	Decreased brand credibility and contractual disadvantages due to human rights issues among workers of partner companies or insufficient ESG in the supply chain
		Labor practice risks	Difficulty in securing skilled workers and possible decline in productivity due to aging workforce and turnover
	Governance risks	Internal control risks	Legal risks and loss of credibility in the event of misconduct or insider trading
		ESG regulatory risks	Negative impact on reputation and investment attraction if strengthened disclosure requirements, such as K-ESG and CSRD, are not met



STAKEHOLDER ENGAGEMENT

Hwaseung R&A classifies its core stakeholders as employees, customers, partner companies, local communities, shareholders, and investors and continuously strives to listen to the opinions of key stakeholders and actively reflect them in its business activities. By operating various communication channels, Hwaseung R&A continuously strengthens trust with stakeholders, enhances mutual understanding and cooperation, and promotes growth as a sustainable company. Additionally, Hwaseung R&A actively utilizes communication channels by publishing a quarterly company newsletter.



2025 Spring Newsletter

Category	Key Issues	Communication Channels	Response Activities
Employees	<ul style="list-style-type: none">· Employee competency development· Respect for employee human rights and diversity· Continuous improvement of HR and welfare systems· New employee onboarding· Labor-management relations· Safety and health at business sites	<ul style="list-style-type: none">· In-house broadcasting, bulletin boards· Labor-management council· Organizational culture diagnosis and employee satisfaction surveys· Online and offline grievance channels· Various meetings and events (Brown Bag, Lunch Box Meetings)· Onboarding manual	<ul style="list-style-type: none">· Sharing business plans, vision, and strategies· Conducting activities for corporate culture improvement and innovation· Collecting employee feedback and conducting activities to improve corporate culture· Providing useful information, such as Hwaseung Group news and welfare benefits
Customers	<ul style="list-style-type: none">· Quality improvement	<ul style="list-style-type: none">· Company newsletter· Website	<ul style="list-style-type: none">· Participating in cooperative projects such as pre-development and product safety· Introducing innovative, eco-friendly products and new technologies
Partner companies	<ul style="list-style-type: none">· Supply chain ESG management· Support for partner company safety and security management· Support for mutual growth of partner companies	<ul style="list-style-type: none">· Partner company CEO meetings· Seminars and education	<ul style="list-style-type: none">· Listening to feedback from partner company management and sharing Hwaseung's direction for mutual growth· Carrying out and supporting improvement activities through opinions from partner companies
Local communities	<ul style="list-style-type: none">· Job creation and maintenance· Community-tailored social contribution· Sponsoring local residents' events· Building social trust through the practice of social responsibility· Strengthening corporate competitiveness through sustainable management	<ul style="list-style-type: none">· Official websites of local governments or organizations· Official documents and announcements from local governments or organizations· Public bulletin boards and local newspapers· Banners and promotional materials· Participation in public events and activities	<ul style="list-style-type: none">· Facilitating local development and strengthening ties with residents· Providing sponsorship goods to local basic livelihood recipients, low-income groups, and vulnerable groups· Promoting harmony and contributing to revitalizing sports culture through sponsorship of local sports festivals
Shareholders and investors	<ul style="list-style-type: none">· Protecting shareholder rights· Enhancing the expertise and efficiently operating the Board of Directors· Managing financial impact related to climate change	<ul style="list-style-type: none">· General meetings of shareholders and Board of Directors meetings· Corporate disclosures and reports (business, audit, etc.)	<ul style="list-style-type: none">· Sharing key management status and collecting opinions· Transparent sharing of financial and non-financial information



DOUBLE MATERIALITY ASSESSMENT

DOUBLE MATERIALITY ASSESSMENT PROCESS

Hwaseung R&A conducted a double materiality assessment to identify issues impacting corporate sustainability and business. This assessment considers both the impact of corporate business activities on the environment and society (impact materiality) and the financial impact on the company (financial materiality).

Regarding the material issues determined, Hwaseung R&A identified its impact on the environment, society, and stakeholders, as well as the impact of the external environment on its financial risks and opportunities. We conducted an IRO analysis (Impact, Risk, Opportunity) with internal and external stakeholders, considered strategic priorities, and finalized four key material issues. These key material issues identified through the double materiality are used in the organizational risk management processes and are disclosed to stakeholders through the sustainability report.

















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DOUBLE MATERIALITY ASSESSMENT

KEY MATERIAL ISSUES

Hwaseung R&A identified nine material issues (short-list) through the double materiality assessment. Based on the impact assessment of these issues, three key material issues were selected for their high importance in environmental and social impact and financial impact. The key material issues are: management and reduction of greenhouse gas emissions, supply chain ESG management, and information security and personal information protection. Enhancement of occupational safety and health for employees has been a strategically important issue, we mainly reported four issues in total. Hwaseung R&A identifies factors and the degree of their impact on sustainability through regular materiality assessments, manages the selected key material issues proactively, and transparently communicates its performance to stakeholders.

Materiality Assessment Results

Key Material Issue	GRI Index	Related UN SDGs	Report Page	Performance in 2024-2025
Environmental Management and reduction of greenhouse gas emissions	302-1 , 302-3~4, 305-1~2, 305-4, 305-7	 Affordable and Clean Energy  Industry, Innovation, and Infrastructure  Climate Action	30-37, 43, 95-98	<ul style="list-style-type: none">· Participated in CBAM response pilot project· Selected for carbon neutral smart factory dissemination project· Adopted energy monitoring system (FEMS)· Designated as a leading company for KEEP+· Participated in voluntary energy efficiency target scheme
Social Supply chain ESG management	414-2	 Decent Work and Economic Growth  Responsible Consumption and Production  Climate Action  Peace and Justice, Strong Institutions  Partnerships for the Goals	60-67	<ul style="list-style-type: none">· Developed ESG evaluation checklist for partner companies· Held partner company exchange meetings· Published Fair Trade Act and Subcontracting Act Guide Book· Obtained Authorized Economic Operator (AEO) certificate· Supported overseas benchmarking of partner companies
Social Information security and personal information protection	418-1	 Industry, Innovation, and Infrastructure  Peace and Justice, Strong Institutions	68-72, 109	<ul style="list-style-type: none">· Received highest evaluation level from 'TISAX,' global information security certification
Report Issue	GRI Index	Related UN SDGs	Report Page	Performance in 2024-2025
Social Enhancement of occupational safety and health for employees	403-1~10	 Good Health and Well-Being  Decent Work and Economic Growth	49-59, 106-107	<ul style="list-style-type: none">· Established the Seven Standard Rules· Hosted the Safety Proposal Contest· Conducted autonomous safety diagnosis· Hosted the Safety Poster Contest· Conducted Tool Box Meetings (TBM)· Installed pedestrian safety rule signs



Managing Material Issues

Issue	Social and Environmental Impact	Impact Severity				Financial Impact	Financial Importance			
		Impact Magni-tude	Impact Identification		Impact Scope		Timing	Impact Magni-tude	Impact Identification	Timing
Supply chain ESG manage-ment	Strengthening the sustainability of partner compa-nies through the prevention of supply chain risks	●●●	Potential	Positive	Our company, Partner compa-nies	Medi-um-term	Increased revenue due to enhanced brand value	●●●	Opportunity	Long-term
	By identifying ESG risks in advance and establishing response strategies, it is possible to minimize supply chain disruptions and increase operational stability. Supply chain due diligence or regular evaluations can be conducted to prevent misconduct within the supply chain, addressing climate change and natural disasters, labor law compliance, and supply chain risk prevention. This can reduce uncertainties in the global market and contribute to strengthening a company's foundation for sustainable growth.						By operating a sustainable supply chain, a company is perceived as practicing eco-friendly and ethical management, which can strengthen the trust of consumers and B2B customers. Improved brand image can act as a factor that increases long-term revenue growth and oppor-tunities to enter premium product markets.			
Information security and personal informa-tion protection	Reducing cybercrime and hacking threats through regular security inspections	●●●	Potential	Positive	Our company, Partner company, Custom-ers	Medi-um-term	Reduced operational costs by preventing cyberattack damages	●●●	Opportunity	Medi-um-term
	Conducting regular security inspections and infringe-ment incident response training increases the like-lihood of preventing cyber threats such as hacking and ransomware attacks. This can provide a secure digital environment not only for the company but also for various stakeholders, including customers and partner companies.						Operating a strong security system can prevent damages such as data loss and operational downtime caused by ransomware and hacking attacks. This can reduce costs associated with emergency recovery and IT infrastructure recon-struction, avoid legal liabilities and litigation risks, and ensure stable business operations.			
Management and reduction of greenhouse gas emissions	Building a sustainable supply chain through expand-ed GHG reduction of partner companies	●●●	Potential	Positive	Our company, Partner compa-nies	Medi-um-term	Reduced carbon credit costs through the achievement of GHG reduction targets	●●●	Opportunity	Medi-um-term
	To successfully reduce greenhouse gas emissions, emission reduction by partner companies is essen-tial. This can help meet the demand for low-carbon parts from global OEM brands and contribute to building a sustainable supply chain across the auto-motive parts industry.						Achieving greenhouse gas reduction targets can lower the cost of purchasing carbon credits that a company must bear. Especially with strength-ening global regulations such as the Carbon Border Adjustment Mechanism (CBAM), effective management of carbon emissions can lead to long-term cost savings even when carbon credit prices rise.			
Enhancement of occupational safety and health for employees	Increased employee satisfaction through improved worker health	●●	Actual	Positive	Our company	-	Expanded contract opportunities due to increased corporate trust	●	Opportunity	-
	When occupational safety and health for employees are strengthened, the accident rate for workers can decrease, and work-related stress can be reduced. This leads to a qualitative improvement in the work environment and an increase in productivity. A safe work environment can contribute to enhancing a company's human capital competitiveness in the long term.						Global OEMs consider compliance with occu-pational safety and health standards as a key evaluation criterion when selecting suppliers. Companies that thoroughly implement safety and health management are evaluated as hav-ing stable parts supply capabilities, gaining a favorable position in securing new contracts and maintaining long-term business relationships.			



2024-2025 ESG MAGAZINE

HWASEUNG R&A
SUSTAINABILITY REPORT
2025

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OUR BUSINESS

ESG MANAGEMENT

ESG Governance

ESG Management
Strategy

Risk Management

Stakeholder Engagement

Double Materiality
Assessment

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ESG PERFORMANCE

APPENDIX

Establishment of Net Zero Roadmap

February 2025

Hwaseung R&A has declared its goal to achieve Net Zero by 2045 and is actively reducing greenhouse gas emissions through the Science Based Target initiative (SBTi) and a company-wide reduction strategy.



Adoption of Factory Energy Monitoring System (FEMS)

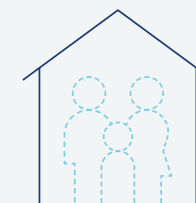
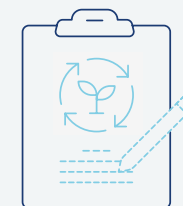
June 2024

To achieve its Net Zero goal, Hwaseung R&A adopted a Factory Energy Management System (FEMS) in June 2024, enabling real-time monitoring and efficient control of energy usage. Through this effort, we expect an annual greenhouse gas reduction of about 378.78 tCO₂eq.

Partial Implementation of Product Life Cycle Assessment (LCA)

July 2024

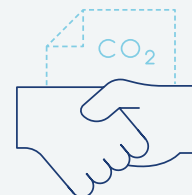
Hwaseung R&A is partially implementing Life Cycle Assessments (LCA) to quantitatively evaluate the environmental impact of its products, with plans for future expansion.



Business Agreement on 'Pilot Project for Reducing Supply Chain GHG in Response to CBAM'

November 2024

In 2024, Hwaseung R&A signed a business agreement with the Korea Energy Agency for the 'Pilot Project for Reducing Supply Chain GHG in Response to Carbon Border Adjustment Mechanism (CBAM).' Through this project, we have begun to improve the greenhouse gas intensity in our product manufacturing processes, thereby strengthening export competitiveness and proactively responding to global carbon regulations.



Family-Friendly Company Certification

December 2024

In December 2024, Hwaseung R&A obtained family-friendly company certification from the Ministry of Gender Equality and Family, recognized for its excellence in operating family-friendly systems such as support for childbirth and flexible working. Through this, we are strengthening our corporate culture that promotes work-life balance.



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Obtainment of Highest Rating in TISAX Certification

August 2024

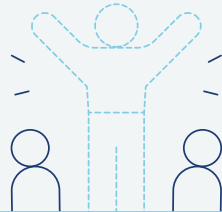
In August 2024, Hwaseung R&A obtained the highest rating (AL3) in the TISAX certification managed by the German VDA, demonstrating its global-level information security capabilities. This achievement fulfills the essential security requirements of European OEMs.



Conduct of Human Rights Impact Assessment

November 2024

In 2024, Hwaseung R&A introduced human rights impact assessments to systematically check human rights risks across its entire business. Through this effort, we are strengthening human rights protection measures that comply with international standards, such as establishing a human rights management system and ensuring non-discrimination in employment.



Declaration of Charter of Human Rights

July 2024

In July 2024, Hwaseung R&A declared the 'Charter of Human Rights' to protect and respect the human rights of all employees and stakeholders. This Charter complies with international standards such as the Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, and the ILO Constitution. It includes various measures for protecting human rights, such as the prohibition of child labor and forced labor, prevention of discrimination and bullying, guarantee of occupational safety, and management of ESG risks within the supply chain.

Technology Exchange and Exhibition with Tokai Kogyo in the first-half

February 2024

On February 28, 2024, Hwaseung R&A held its first-half technology exchange and exhibition with Tokai Kogyo at its head office in Yangsan, Gyeongsangnam-do. The event included sharing of design concepts for frameless parts, a process tour, and an exhibition of new technologies. The technical feasibility of remotely implementing glass run design from Japan was also discussed. Both companies, long-standing partners in the automotive rubber and plastic parts areas, further strengthened their foundation for future technology collaboration through this exchange.



Successful Achievement of AEO Certification

November 2024

In November 2024, Hwaseung R&A obtained Authorized Economic Operator (AEO) certification from the Korea Customs Service, officially recognized for its compliance with trade laws and the reliability of its internal control system. The AEO certification is a system that evaluates a company's overall risk management capabilities, including compliance with laws and regulations, financial soundness, and security management systems. Through this certification, Hwaseung R&A further strengthened its global supply chain stability and competitiveness. This certification reflects the organization's systematic efforts to create a sustainable trading environment and realize ethical and transparent governance.





ESG PERFORMANCE

Hwaseung R&A is promoting ESG management by establishing a system to integrate and manage ESG strategies company-wide, based on key initiatives that reflect business characteristics and the industrial environment for each of the environmental, social, and governance areas, and is building an implementation foundation that engages all employees.

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Environmental

- [Focus topic] Climate Change Response

Environmental Management

Environmental Impact Reduction

Resource Use and Circular Economy

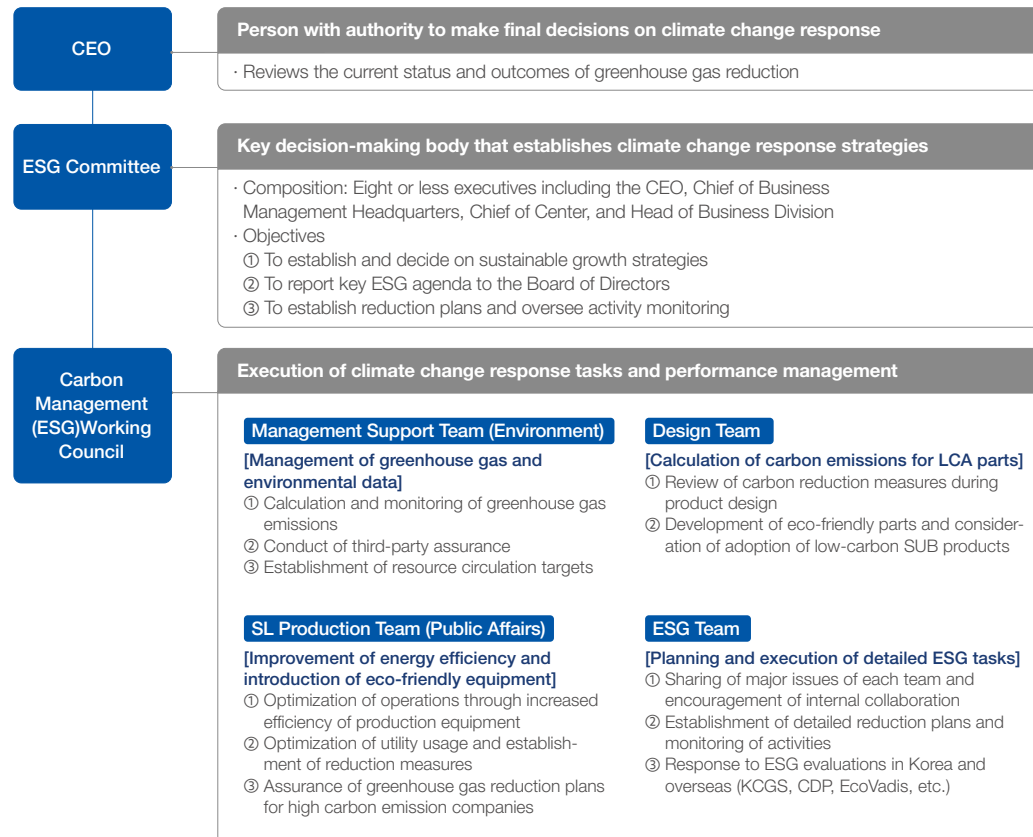
Social

Governance

GOVERNANCE

To systematically promote strategic decision-making across sustainable management, including climate change response, Hwaseung R&A has been operating an ESG Committee since December 2024. The ESG Committee regularly reviews major climate-related issues, including greenhouse gas reduction, and the key agenda is reported to the Board of Directors to be reflected in management-level response directions. The CEO serves as the final decision-maker for all climate change response activities, directly reviewing the progress and key achievements of greenhouse gas reduction activities to enhance company-wide execution. Furthermore, we operate an ESG Working Council involving various departments, holding regular meetings on the third Wednesday of each month. The ESG Working Council shares major issues among teams, inspects climate change response tasks through mutual collaboration, and derives and manages tangible results.

Governance System for Climate Change Response



Major Discussions on Climate Change

Category	Time	Details
ESG Committee	May 2025	<ul style="list-style-type: none">Reviewed ESG evaluation results in 2024Reviewed installation of roof type solar panels for each business siteEstablished reduction plans for high carbon emission companies for HMG
ESG Working Council	January 2025	<ul style="list-style-type: none">Identified climate change risks and opportunitiesProvided guidance to high carbon emission partners on reduction plansProvided guidance on energy saving plans for 2025Developed carbon-reduced products
	March 2025	<ul style="list-style-type: none">Completed reviewing installation of solar panels and reviewed companiesDeveloped carbon-reduced products



ESG Working Council



Environmental
• [Focus topic] Climate Change Response
Environmental Management
Environmental Impact Reduction
Resource Use and Circular Economy
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APPENDIX

STRATEGY

Risk Identification

Hwaseung R&A is responding to climate change risks by categorizing them into physical risks and transition risks for systematic management. Physical risks refer to the risks from physical environmental changes caused by climate change that have direct impacts on business operations and assets. Transition risks are defined as the risks that policy, regulatory, technological, and market changes occurring during the transition to a low-carbon society pose to a company's finances and operations. Each risk has been assessed based on the time of occurrence (short-term, medium-term, long-term) and the size of its impact on the business. Based on this assessment, we identified key risks that require a priority response and established strategic response measures.

Risks and Opportunities Due to Climate Change

●○○○○ Low | ●●○○○ Low-Medium | ●●●○○ Medium | ●●●●○ Medium-High | ●●●●● High

Category	Type	Details	Impact Timing	Impact Size	Major Impact	Response Strategy
Physical risks	Acute	Floods, typhoons, etc.	Short-term, medium-term, long-term	●●○○○	· Discontinuation of production lines due to facility damage	· Restoration of damaged structures and reinforcement of buildings · Conduct of simulated training based on disaster scenarios
	Chronic	Heat waves	Medium-term, long-term	●●●○○	· Decrease in worker productivity · Increase in possibility of legal action (work prohibition) · Occurrence of three or more occupational illnesses defined by the presidential decree, such as acute poisoning, from the same hazard within one year	· Provision of food and beverages for heat wave prevention and inspection and maintenance of air conditioning systems · Sharing of heat wave advisories and measurement of temperature and humidity · Treatment of heat-related illnesses and distribution of saline glucose
		Rising sea level	Long-term	●○○○○	· Discontinuation of production lines due to facility damage	· Installation of flood barriers in major expected flood areas in preparation for overflow of Yangsancheon Stream
Transition risks	Regulatory	Increasing electricity prices	Short-term, medium-term, long-term	●●●○○	· Increase in direct and indirect operating costs due to rising electricity prices in Korea	· Installation of renewable energy generation facilities · Construction and advancement of carbon-neutral smart factories · Monitoring using high-efficiency energy facilities and computerized EMS
		Carbon tax, CBAM	Medium-term, long-term	●●●●●	· Increase in regulatory costs due to carbon tax, CBAM, etc.	· Identification of domestic and international climate change policies and regulations, and analysis of costs · Reduction of product unit greenhouse gas emissions
	Technological	Transition to low-carbon (eco-friendly) vehicle technologies	Short-term	●●●●●	· Decrease in revenue due to increasing demand for low-carbon products	· Expansion of investment in low-carbon emission products · Development of eco-friendly products · Conduct of LCA for each product · Carbon footprint certification for each product
	Reputational	Increasing concerns and negative views among stakeholders	Short-term, medium-term, long-term	●●●●●	· Loss of corporate image due to inadequate response to climate change	· Continuous communication through sustainability reports, website, etc.



Environmental

- [Focus topic] Climate Change Response

Environmental Management

Environmental Impact Reduction

Resource Use and Circular Economy

Social

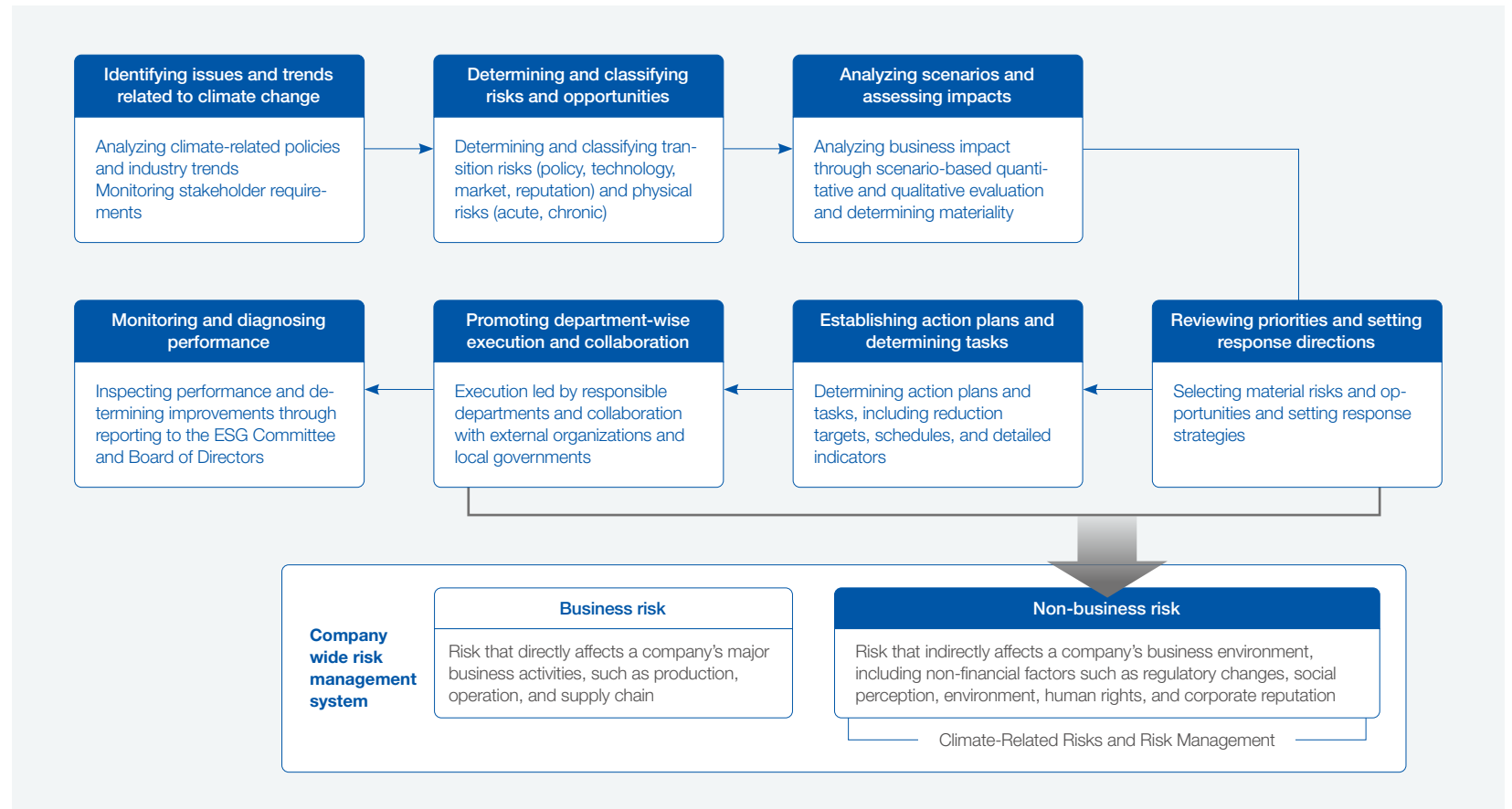
Governance

CLIMATE CHANGE RESPONSE

RISK MANAGEMENT

Hwaseung R&A addresses climate change risks proactively by conducting regular assessments and also reviews priorities based on the impact and likelihood of the identified risks. Based on these assessments, we establish action plans and determine tasks for risk mitigation to be implemented by the respective departments. The implementation status and results of each task are inspected by the ESG Committee, and key matters are reported to the Board of Directors for management-level review and improvements. This system strengthens the implementation of risk management activities and continuously enhances the effectiveness of our climate change response strategy.

Process for Managing Risks and Opportunities Due to Climate Change





Environmental

- [Focus topic] Climate Change Response

Environmental Management

Environmental Impact Reduction

Resource Use and Circular Economy

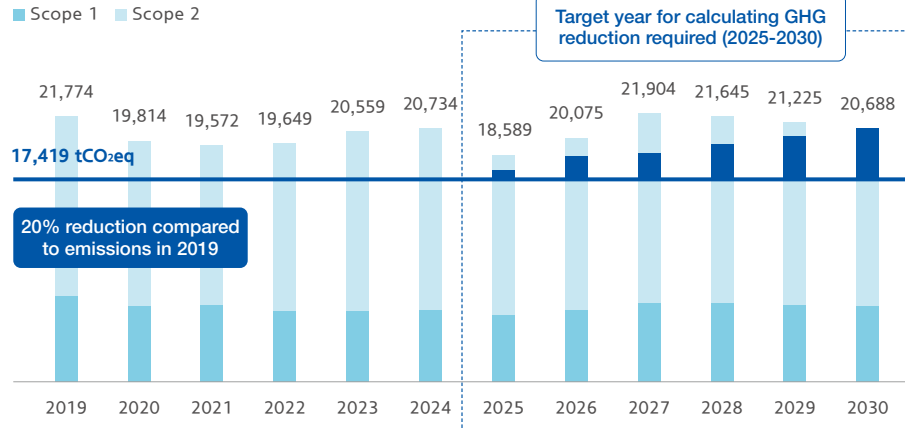
Social

Governance

METRICS & TARGETS

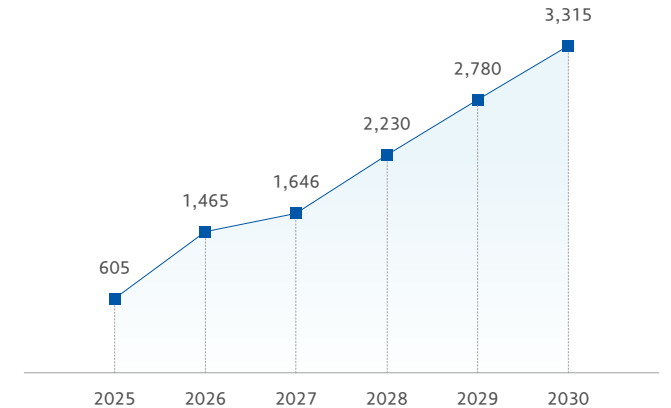
Hwaseung R&A has set a target to reduce greenhouse gas emissions by 20% by 2030 compared to 2019 and has established a step-by-step reduction plan to achieve this target. We decide on reduction priorities for direct emissions (Scope 1) and indirect emissions (Scope 2) within our business sites and manage them systematically by specifying implementation timelines. Reduction measures under consideration include replacement with high-efficiency equipment and introduction of renewable energy facilities. We also plan to pursue external reduction measures such as green premium and Power Purchase Agreements (PPAs). Alongside these efforts, we are conducting campaigns to encourage employee participation, aiming to prepare the foundation for company-wide practice. Going forward, we will continue to prioritize reduction activities based on their urgency and feasibility, and manage greenhouse gas emissions in a stable manner according to medium- and long-term roadmap.

Greenhouse Gas Reduction Required



Greenhouse Gas Reduction Target (Cumulative)

(Unit : tCO₂eq)



Medium- and Long-Term Net Zero Plan

Category		Carbon Emissions(tCO ₂ eq)
Base year (2019)		21,774
Final target (2030)		17,419
Target reduction		4,355
Reduction in 2020-2024	Reduced energy consumption	1,040
Reduction in 2025-2030	Reduced energy consumption	1,507
	Campaigns	653
	Renewable energy purchases	1,155

Greenhouse Gas Emission and Reduction Status

Category	Unit	2022	2023	2024
Rate of change	%	0.39	4.63	0.85
Scope 1 emissions	tCO ₂ eq	5,875	5,864	6,058
Scope 2 emissions	tCO ₂ eq	13,774	14,695	14,676
Total GHG emissions	tCO ₂ eq	19,649	20,559	20,734
GHG emission intensity*	tCO ₂ eq/KRW 100 million	2.99	3.04	2.95

* Intensity is calculated using revenue on the separate financial statement to ensure consistency in data calculation standards.



- Environmental
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 - Environmental Impact Reduction
 - Resource Use and Circular Economy
- Social
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Focus Topic + CLIMATE CHANGE RESPONSE

PERFORMANCE

Conducting Product Life Cycle Assessment (LCA)

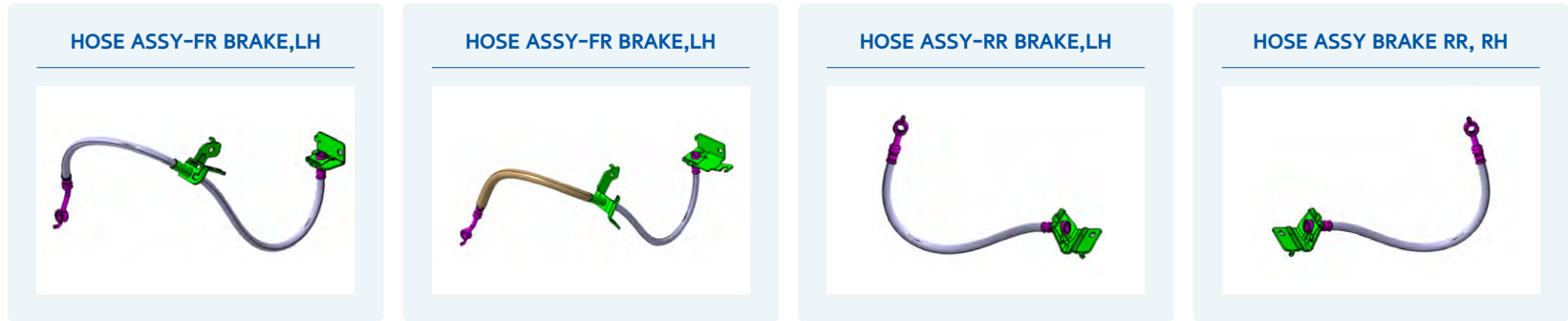
Hwaseung R&A conducted a product life cycle assessment (LCA) to analyze the environmental impact throughout the life cycle of its products. Through the LCA, we measure carbon emissions across the entire process, from raw material extraction to manufacturing, distribution, use, and disposal, and identify major emission sources per product unit to develop greenhouse gas reduction strategies. The focus is on minimizing negative environmental impacts resulting from corporate activities. In particular, Hwaseung R&A is collaborating with Hyundai Motor Group (HMG) to promote part-specific LCA projects from 2023 to 2025. In 2023, we selected one part in 2023 and four parts in 2024 to calculate their carbon emissions. We plan to expand LCA to all products to measure the environmental impact of products scientifically and manage them systematically.

LCA Status by Product

Product Name	Unit	Carbon Emissions			
		Before Manufacture	Manufacture	Delivery	Total
HOSE ASSY-FR BRAKE,LH	kgCO ₂ -eq	0.755	1.274	0.001	2.015
HOSE ASSY-FR BRAKE,LH	kgCO ₂ -eq	0.873	1.274	0.001	2.135
HOSE ASSY-RR BRAKE,LH	kgCO ₂ -eq	0.438	1.274	0.001	1.698
HOSE ASSY BRAKE RR RH	kgCO ₂ -eq	0.457	1.274	0.001	1.717

LCA Products






Hoses that connect the brake tube and caliper, transmitting the hydraulic pressure needed for braking



Improving Energy Efficiency

Hwaseung R&A promotes energy efficiency within its business sites actively. In 2024, 11.26 TJ of energy was saved and 558 tCO₂eq of greenhouse gas emissions were reduced by replacing high-efficiency chillers in extrusion lines, repairing air-leaking parts, and replacing high-efficiency compressors. Hwaseung R&A will continue to implement its carbon-neutral roadmap actively by introducing more high-efficiency equipment and advancing energy management. Through this effort, we aim to achieve greenhouse gas reduction and productivity enhancement simultaneously. In 2025, we plan to reduce annual greenhouse gas emissions by 605 tCO₂eq by replacing outdoor lighting in all factories with solar power types, installing a central control system for air conditioning, and introducing equipment for boiler condensate recovery and reuse.

Plans to Improve Energy Efficiency

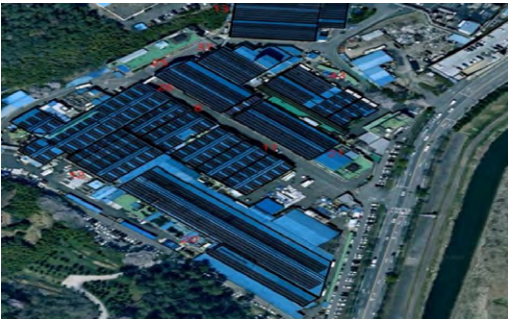
Activities to improve energy efficiency				
2025	2026	2027		
<div><div>• Replacing outdoor lighting at all factories with solar power types</div><div>• Installing a central control system for air conditioning</div><div>• Using ring blowers for cooling tanks and plasma pre-treaters</div><div>• Repairing air leaks using ultrasonic inspection devices</div><div>• Introducing boiler condensate recovery and reuse facilities</div><div>• Dismantling P#1 through line rationalization</div></div>	<div><div>• Replacing with high-efficiency lighting</div><div>• Replacing with inverter-controlled air compressors (2 units)</div><div>• Installing an integrated compressor control system</div><div>• Adopting a sequential control system for vulcanization kilns</div></div> <div></div>	<div><div>• Adopting outdoor air and cold water systems for chillers</div><div>• Saving energy through boiler air preheater replacement</div><div>• Replacing extruder DC motors with AC motors (3 units)</div><div>• Replacing with inverter-controlled air compressors (2 units)</div></div> <div></div>		
2028	2029	2030		
<div><div>• Rationalizing the operation of the curing process cooling system</div><div>• Replacing extruder DC motors with AC motors (3 units)</div><div>• Replacing with inverter-controlled air compressors (2 units)</div></div> <div></div>	<div><div>• Replacing with high-efficiency motors in environmental prevention facilities (dust collectors) (11 units)</div><div>• Replacing extruder DC motors with AC motors (3 units)</div><div>• Replacing inverter-controlled air compressors (2 units)</div></div> <div></div>	<div><div>• Applying rooftop solar power generation in the main building</div><div>• Replacing with inverter-controlled air compressors (2 units)</div></div> <div></div>		

Introducing Solar Power Generation

Hwaseung R&A plans to install solar power generation facilities on the roofs of its business sites to reduce greenhouse gas emissions and expand renewable energy use. We will install solar panels of 2,764 kW capacity across a total area of 8,660 m², aiming to produce about 3,874,022 kWh of electricity annually. This amount corresponds to about 13% of our annual electricity consumption. The adoption of solar power is a key strategy to reduce reliance on fossil fuel-based electricity and contribute to Scope 2 (indirect emissions) greenhouse gas reduction. Hwaseung R&A intends to increase the ratio of renewable energy continuously and continue its efforts to achieve Net Zero through the improvement of energy efficiency and the adoption of eco-friendly facilities.

Expected Effects of Solar Power Generation

Category	Unit	Details
Installation area	m ²	8,660
Intallation capacity	kW	2,764
Annual electricity production	kWh	3,874,022



Expected Installation Layout for Solar Power Generation



Environmental

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Focus Topic

EFFORTS OF HWASEUNG R&A FOR CLIMATE CHANGE RESPONSE

Business Agreement on Pilot Project for Reducing Supply Chain GHG in Response to CBAM

As part of its climate change response, Hwaseung R&A signed an agreement in November 2024 on the 'Pilot Project for Reducing Supply Chain GHG in Response to CBAM,' overseen by the Korea Energy Agency. We explore the background and future plans for this project.

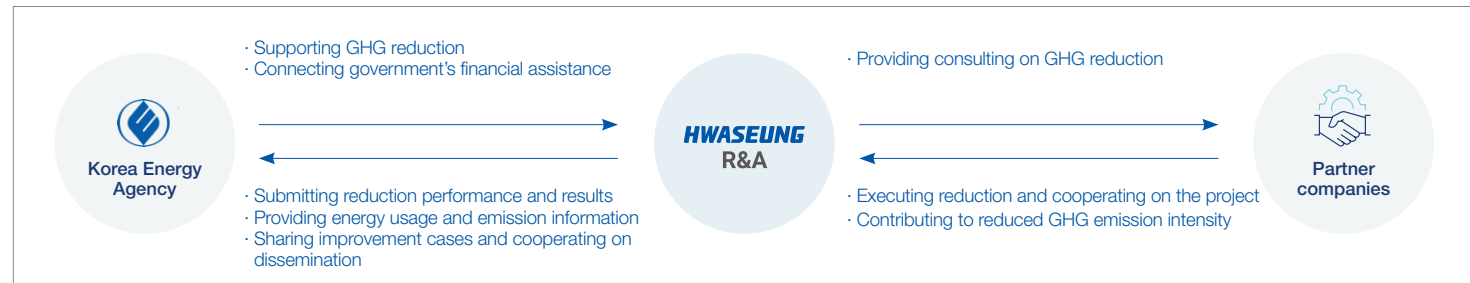
This project helps Korean companies prepare for the Carbon Border Adjustment Mechanism (CBAM) introduced by the European Union (EU). Hwaseung R&A took this opportunity to diagnose product-unit greenhouse gas emissions during the automotive parts manufacturing process and apply methods of reducing emissions. We meticulously examined how much energy is used in each process and worked on improving the accuracy of emission calculations. We also collaborated with our partner companies to find practical reduction methods for each stage, striving to move the entire supply chain toward carbon reduction. Unlike previous initiatives that focused on calculating and reporting total greenhouse gas emissions during

the transition period, this project centered on breaking away from the gross emission perspective and improving product-unit intensity. By setting the goal of tangibly reducing embedded emissions in preparation for CBAM implementation, we have prepared a foundation for managing greenhouse gas information systematically in the short term. In the medium to long term, this effort has helped enhance our EU export competitiveness and reduce supply chain risks. We believe this marks the first step of Hwaseung R&A in practicing ESG management and preparing for a sustainable future together with the entire value chain.



Signing ceremony of business agreement on the 'Pilot Project for Reducing Supply Chain GHG in response to CBAM'

Business Agreement System for Greenhouse Gas Reduction





Environmental

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Focus Topic

STAKEHOLDER INTERVIEW

“
Climate change response is our responsibility for the future generation.”

Gyeonggi Research Institute
Dr. Han Jin-Yi



A climate change expert presents Hwaseung R&A's future direction for Net Zero.

Q1 What do you consider as the opportunities and risks related to 'climate change' faced by the automotive parts manufacturing industry? Also, what do you believe to be the ESG factors or considerations that should be prioritized to ensure the medium- and long-term sustainability of this industry?

Primary raw materials used in manufacturing automotive parts, such as steel, aluminum, and chemicals (e.g., carbon black, synthetic rubber), could affect manufacturing costs when the EU CBAM is applied. Additionally, as global OEM clients are demanding the disclosure of carbon emissions and carbon information across the entire supply chain, proactive responses are absolutely necessary. Also, with the accelerated transition to eco-friendly vehicles such as electric vehicles (EVs) and hydrogen vehicles, there is an increasing demand for new materials development and light-weight parts suitable for such vehicles. If we prepare our technology and products in advance according to these changes, we can actually leverage them as opportunities for business expansion. By establishing eco-friendly manufacturing processes as part of our RE100 implementation and Net Zero response, we can strengthen partnerships with global OEMs and secure competitiveness in building a sustainable supply chain.

Q2 Considering the characteristics and industrial environment of the automotive parts manufacturing industry, what strategies or implementation plans should be supplemented or strengthened to evaluate the effectiveness of the Net Zero roadmap created by Hwaseung R&A and to ensure its practical implementation?

The automotive parts manufacturing industry is an energy-intensive business area and belongs to the industrial group with a high difficulty in achieving Net Zero. When a Net Zero target is set, it must be accompanied by a concrete and feasible implementation plan. If achieving Net Zero is realistically difficult due to the industrial characteristics of Hwaseung R&A, then establishing a realistic and step-by-step plan within a feasible scope would be deemed more appropriate.

Q3 Please advise whether the major risks within the categories of physical and transition risks due to climate change are reflected appropriately, considering the characteristics of the automotive parts manufacturing industry, or if there are additional risks that should be considered.

In terms of physical risks, if a climate disaster occurs at an overseas raw and side material production site, a temporary delay or disruption of the supply chain could become unavoidable. This could lead to product manufacturing setbacks, resulting in non-fulfilled delivery dates and revenue losses. Therefore, it is necessary to diversify raw and side material supply and advance inventory strategies. In terms of transition risks, the expansion of supply chain risks must be considered. Specifically, the CBAM, RE100 implementation requirements, and the Circular Economy Action Plan (CEAP) of the EU are expected to mandate recycled material percentages for parts. In addition, the introduction of the Digital Product Passport will require technical and institutional responses to the obligation of disclosing information such as material information and the recycling history of products. Additionally, since financial risks such as rising prices in the carbon emission trading scheme (ETS) market and increased insurance premiums due to the reflection of climate risks are factors that will increase operating costs in the long term, it is necessary to analyze scenarios that incorporate these factors.

Q4 What are the ways to implement the strategic directions and practical tasks for achieving greenhouse gas reduction targets more effectively, and what additional strategies and tasks might there be? Also, if we were to set a more challenging target, what direction would be appropriate?

To refine the medium- and long-term Net Zero plans and strategies of Hwaseung R&A and enhance their execution, we can consider additional tasks and complementary strategies. These include advancing supply chain reduction management through Scope 3 expansion, developing LCA-based eco-friendly products and expanding certifications, enhancing the alignment of climate information disclosure systems with international standards, establishing green finance strategies to integrate circular economy strategies, and designing and operating employee-participatory reduction programs.



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ENVIRONMENTAL MANAGEMENT

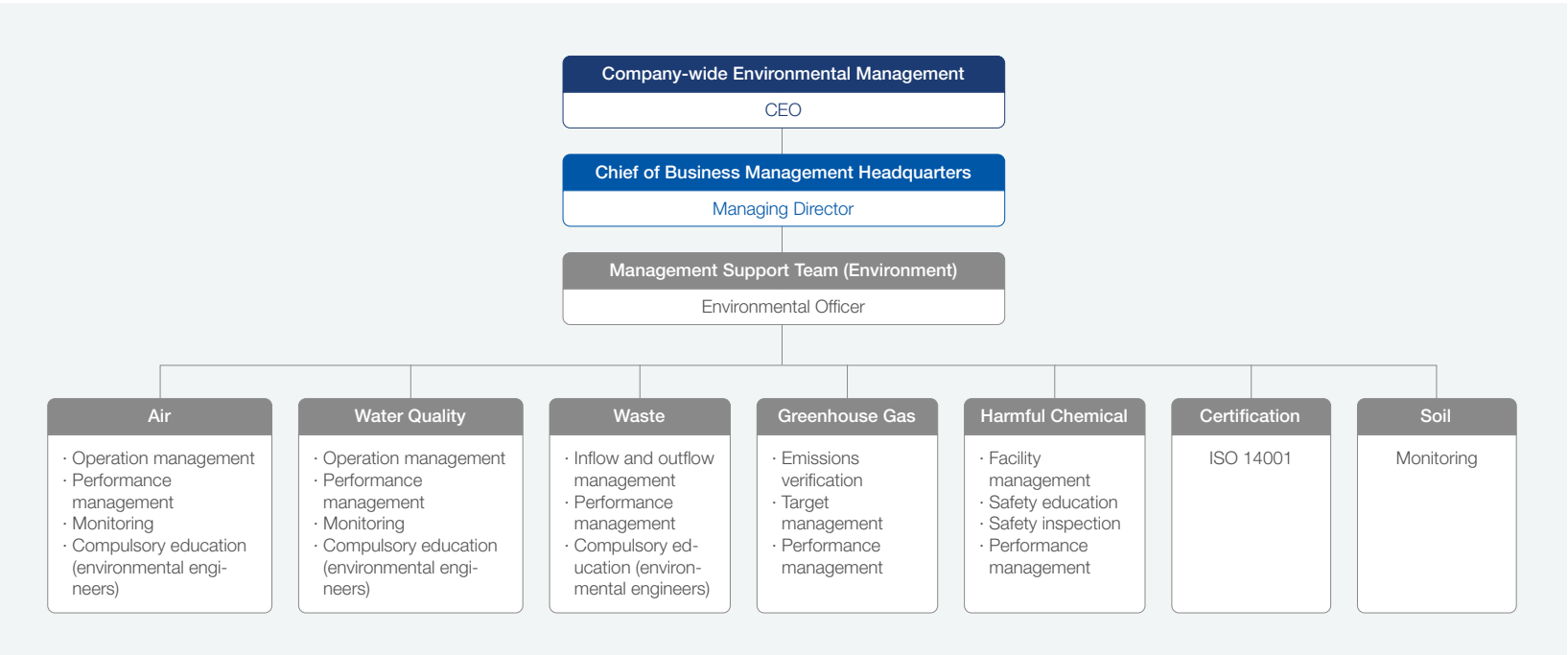
BUILDING ENVIRONMENTAL MANAGEMENT SYSTEM

Based on its basic philosophy of respect for humanity, Hwaseung R&A operates a dedicated environmental management organization to achieve sustainable development based on the harmony of nature and technology and establishes an environmental management system that manages and oversees company-wide environmental management implementation in accordance with its environmental management policy. Hwaseung R&A makes continuous efforts to minimize the direct and indirect environmental and safety impacts of all activities, products, and services, and strictly complies with environmental safety laws and regulatory requirements. Building on this systematic environmental management, Hwaseung R&A obtained ISO 14001:2015 environmental management system certification in February 2003 and has continuously renewed this certification through 2024, thereby establishing an environmental management system that meets international standards.

Dedicated Environmental Management Organization

Hwaseung R&A operates a dedicated environmental management organization, responds proactively to key environmental indicators, and strengthens its company-wide environmental management system through action-centric management activities. The CEO oversees environmental management on the company level, and councils composed of practitioners in each sector are formed to enhance implementation and build an organized environmental management system. Through this effort, we secure momentum for environmental duties while progressively improving overall business processes by focusing on the environment.

Dedicated Environmental Management Organization Chart





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ENVIRONMENTAL MANAGEMENT

ENVIRONMENTAL MANAGEMENT SYSTEM CERTIFICATION

Hwaseung R&A has officially established the environmental management system by obtaining ISO 14001 international standard certification. Based on this, we are strengthening our company-wide environmental risk management and performance improvement activities. ISO 14001 is a global standard for managing environmental impacts systematically and improving them continuously. Hwaseung R&A has set key objectives, including improving resource use efficiency, reducing greenhouse gases, minimizing waste, and reducing harmful chemicals. Each task is managed by the respective department based on concrete action plans and quantitative indicators. Additionally, we build stakeholder trust through proactive responses that go beyond compliance with environmental laws and regulations. We also promote the creation of tangible ESG performance through increased energy efficiency in processes, the development of eco-friendly products, and the refinement of the environmental data management system.



ISO 14001 certificate

Environmental Management Goals and Activity Plans

Category	Goal (Criterion)	Activity Plans
Air pollutant and odor management	Maintain within emission limit standards (based on the Clean Air Conservation Act)	<ul style="list-style-type: none">Improving pollutant treatment efficiency through regular replacement of consumables in pollution control facilitiesReducing pollutant and odor generation through production process improvementsManaging periodic data analysis through consulting and measurement
Water pollutant load reduction	760 mg/Sm ² (based on the pollutant emission load)	<ul style="list-style-type: none">Reducing wastewater discharge through process and method improvementsReducing pollution levels by using eco-friendly raw and side materialsImproving pollutant treatment efficiency through wastewater treatment facility improvements
Waste recycling	85.35% (based on the recycling rate compared to waste generation)	<ul style="list-style-type: none">Conducting waste valorization and reduction through separate waste disposal activities at business sitesDiscovering and applying new companies for waste valorization
Reduction in harmful chemical usage	59,925 kg/year (based on the amount of harmful chemicals used)	<ul style="list-style-type: none">Reducing usage through process and method improvements → Reducing hazardous chemical usage through transition to water-based coating
Reduction in greenhouse gas emissions	-2.53% (based on the government recommendation)	<ul style="list-style-type: none">Enhancing energy use efficiency by replacing outdoor lighting with solar power at all factories and introducing a central control system for air conditioningMinimizing energy loss through air leak repair using ring blowers and ultrasonic inspection devicesExpanding resource circulation and reduction facilities, such as introducing boiler condensate recovery and reuse equipment and replacing with high-efficiency compressorsConducting company-wide energy saving campaigns, such as simplifying the summer dress code and creating a paperless office environment



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ENVIRONMENTAL MANAGEMENT

ENVIRONMENTAL MANAGEMENT STRATEGY

Hwaseung R&A has established an environmental management policy to achieve sustainable development and is implementing environmental management strategies and practical tasks. Hwaseung R&A strictly complies with environmental safety laws and regulatory requirements and continues its efforts to minimize the direct and indirect impacts of all activities, products, and services on the environment and safety. We have set 'a sustainable future through the creation of new value' as our vision and declared our commitment to environmental management with the slogan, 'Hwaseung R&A is the number one company known for its cutting-edge innovations leading an environmental culture that considers the environment as the top priority value in all areas.' To realize its vision, Hwaseung R&A has established four strategic directions: Emission Reduction (reducing Scope 1 and 2 emissions), Renewable Energy (stable procurement of renewable energy), Eco Design (expanding carbon-reduced products), and Governance (establishing implementation systems and strengthening monitoring). We defined 16 practical tasks based on these directions to promote environmental management systematically.

Environmental Management Policy



Environmental Management Strategy and Action Plan

Vision

A sustainable future through the creation of new value

Slogan

Hwaseung R&A is the number one company known for its cutting-edge innovations leading an environmental culture that considers the environment as the top priority value in all areas.

Strategic
Direction



Emission Reduction

Scope 1,
Scope 2 reduction



Renewable Energy

Stable procurement of
renewable energy



Eco Design

Expansion of carbon-
reduced products



Governance

Establishment and monitoring
of implementation system

Practical Tasks

Increasing Process Efficiency

- Replacing with high-efficiency equipment
- Expanding the use of waste heat

Energy Management

- Adopting an energy monitoring system
- Building FEMS

Adopting Renewable Energy

- Monitoring policies and establishing plans
- Adopting renewable energy

Expanding Renewable Energy

- Installing renewable energy
- Purchasing renewable energy (REC, PPA)

Developing Eco-friendly Products

- Establishing plans for eco-friendly products
- Developing eco-friendly products

Introducing Carbon Footprint

- Conducting LCA for each product
- Obtaining carbon footprint certification for each product

Specializing ESG Organization

- Forming a specialized ESG organization
- Monitoring carbon neutrality implementation

Raising Employee Awareness

- Conducting carbon neutrality education and campaigns
- Establishing purchasing policies for green and eco-friendly products

ENVIRONMENTAL MANAGEMENT

ENVIRONMENTAL EDUCATION

Hwaseung R&A conducts company-wide environmental education to raise environmental awareness among employees and strengthen their practical capabilities. Educational courses include compulsory education for all employees and specialized education for employees in charge of environment-related duties, operated systematically according to job-specific needs. Hwaseung R&A will continue strengthening its environmental education to encourage employee participation and spread an environmental management culture throughout the organization.

Environmental Education Status		(Unit: Persons)		
Category	Cycle	2022	2023	2024
Environmental education (compulsory)	Annual	915	823	886
Education for workers related to harmful chemicals	Annual	820	806	796
Education for persons handling harmful chemicals	Once/2 years	92	11	85
Safety education on harmful chemicals (persons in charge)	Once/2 years	2	3	3
Education for specialized air engineers (persons in charge)	Once/3 years	1	0	1
Education for specialized water quality engineers (persons in charge)	Once/3 years	0	1	1
Education on waste disposers (persons in charge)	Once/3 years	0	2	0
Environmental education (job training)	-	1	1	0

* Environmental education (compulsory): Total number combining education for related workers, handlers, and persons in charge



Environmental education for employees



ENVIRONMENTAL CAMPAIGNS

Hwaseung R&A continuously operates employee-participatory campaigns to internalize ESG management and create an in-house culture. To practice environmental protection in daily life, we conduct life-style-based activities like reducing the use of consumables, saving energy, conserving water, and recycling resources. We also provide a tumbler as a welcome gift to new employees and promote the use of reusable mugs to encourage eco-friendly practices. Additionally, we share climate change and ESG information consistently through internal communication channels, trying to raise employee awareness and drive behavioral changes. Since June 2024, we have implemented a simplified summer dress code and a system to maintain appropriate indoor temperatures, reducing the use of air conditioning units by lowering perceived temperatures, preventing heat-related illnesses, and saving energy at the same time. Primary spaces such as offices and meeting rooms are set to 26°C. Such practice-oriented activities naturally integrate ESG management throughout the organization and contribute to creating a sustainable work environment based on voluntary participation.



Campaign to reduce disposable products



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ENVIRONMENTAL IMPACT REDUCTION

ENVIRONMENTAL POLLUTANTS MANAGEMENT

Hwaseung R&A operates an organized management system for air, water quality, soil, waste, and harmful chemicals to minimize the environmental impact of its business sites. Air and water pollutant emissions are reduced through process improvements and regular maintenance of prevention facilities. To prevent soil contamination, we inspect the safety of harmful substance storage facilities. Additionally, we promote periodic measurements and equipment improvements, practice eco-friendly management beyond legal compliance, and strive continuously to improve environmental performance.

Managing Environmental Complaints (Odor)

Hwaseung R&A continues its efforts to reduce odors by replacing consumables in pollution control facilities within its business sites periodically and improving aged environmental equipment. In addition, we prevent odor generation by introducing pre-treatment facilities. By managing odor measurement data systematically, we comply with odor emission standards each year. Through these activities, we minimize the environmental impact on local communities near our business sites and fulfill our corporate responsibility to create a more pleasant workplace environment.

Water Pollutants Management

Hwaseung R&A is actively promoting the reduction of wastewater discharge by improving production processes and methods. We also apply eco-friendly raw and side materials to lower pollution levels and constantly enhance pollutant treatment efficiency through the advancement of wastewater treatment facilities. Such comprehensive improvement activities not only reduce the environmental impact of business sites but also strengthen the sustainable management system of Hwaseung R&A.

Compliance with Odor Emission Standards

Category	Unit	Emission Concentration
Site boundary	Times	15
Vent	Times	500

Water Pollutant Emission Status

Category	Unit	2022	2023	2024
Total Organic Carbon (TOC)	kg	42,496	49,379	35,311
Biological Oxygen Demand (BOD)	kg	3,999	17,130	5,611
Suspended Solid (SS)	kg	442	219	463
Water pollutant emission intensity	kg/KRW 100 million	7.14	9.85	5.89

* Grounds for calculating water pollutant emissions: Based on the National Pollution Source Survey





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ENVIRONMENTAL IMPACT REDUCTION

Air Pollutants Management

Hwaseung R&A continues its efforts to reduce air pollutant generation by replacing consumables in its pollution control facilities regularly. In 2024, we further enhanced pollutant treatment efficiency by replacing the existing outdated wet electrostatic dust collection facility with a primary absorption facility and a secondary wet electrostatic dust collection facility. Alongside this, we also conduct activities to reduce pollutant generation through production process improvements and perform periodic monitoring for more eco-friendly business site operations.

Soil Pollution Management

Hwaseung R&A conducts monitoring around its facilities by measuring pollution levels once every two years to manage soil contamination within its business sites and implements necessary actions through periodic inspections. Based on the soil contamination test results in 2023 and 2025, all test items satisfied the legal requirements by showing values below the criteria of the Soil Environment Conservation Act. Hwaseung R&A plans to continue managing soil contamination risks systematically and minimize environmental impacts on its business sites and local communities.

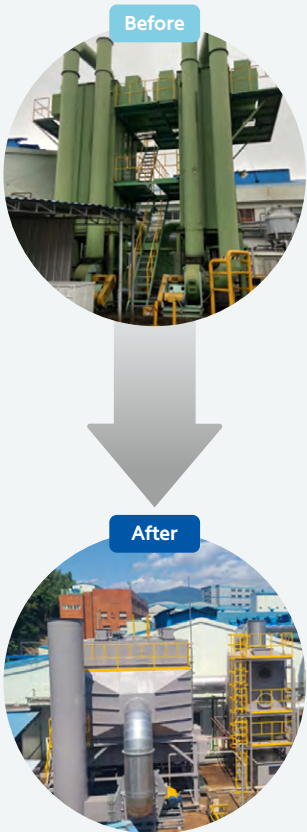
Air Pollutant Emission Status

Category	Unit	2022	2023	2024
Nitrogen oxides (NOx)	kg	5,134	8,194	7,000
Sulfur oxides (SOx)	kg	1,411	1,841	803
Dust	kg	631	531	1,420

Environmental Investment Status

Category	Unit	2022	2023	2024
Our investments in environmental equipment	KRW million	102.7	103.0	520.4
Government investments	KRW million	-	-	983.9
Operating costs for environmental equipment and environmental expenses	KRW million	861.9	1,225.7	1,044.2
Waste treatment expenses	KRW million	233.6	345.0	292.7
Wastewater burden	KRW million	147.2	177.3	162.6
Environmental measurement fees	KRW million	131.7	153.9	118.9
Operating costs for environmental equipment (dust collectors, wastewater treatment plants)	KRW million	349.4	549.5	470.0
Environmental expenses of partner companies	KRW million	150.4	69.6	101.1
Other environmental expenses	KRW million	38.2	46.6	51.7

Replacing Dust Collection Facility





ENVIRONMENTAL IMPACT REDUCTION

HWASEUNG R&A
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OUR BUSINESS

ESG MANAGEMENT

ESG PERFORMANCE

Environmental

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APPENDIX

Harmful Chemical Management

Hwaseung R&A follows the harmful chemical management process to manage harmful chemicals systematically during all processes, from procurement to storage, handling, use, and disposal. Through this, we strive to minimize impacts on the environment, safety, and health, protect worker health, and prevent environmental pollution accidents. Material Safety Data Sheets (MSDS) are kept within business sites for managing substance information, and we are working actively to reduce emissions by continuously improving production processes and methods and strengthening the maintenance and management of pollution prevention facilities.



Harmful chemical management status at business sites

Harmful Chemical Management Status

Category	Unit	2022	2023	2024
Reduction rate	%	2.6	5.7	7.1
Chemicals used	Tons	74.29	70.03	65.08

Safety Education for Workers Related to Harmful Chemicals

Category	Unit	2022	2023	2024
Collective education by harmful chemical manager	Persons	446	237	203
Online education on chemicals*	Persons	374	569	593

* In 2022, one person received education at a safety education institution other than the National Institute of Chemical Safety.

Safety Education on Harmful Chemicals

All new harmful chemicals are reviewed in advance for impact assessment and approval before use and management. Facilities handling harmful chemicals are inspected periodically, and any non-conformities are addressed according to corrective and preventive action processes. Additionally, the disposal of harmful chemicals is handled legally by adhering to waste management procedures and separate collection guidelines. We conduct safety education for all employees in accordance with relevant laws and regulations, thereby strengthening safety awareness about handling harmful chemicals.

Compliance with Environmental Laws and Regulations

Hwaseung R&A regularly reviews major domestic and international policies, laws, and regulations applicable to its business activities of relevant departments, including air, water quality, harmful chemicals, and waste. We manage the lawful treatment of environmental pollutants strictly by installing and operating various types of environmental pollution prevention facilities, thereby preventing the violation of environmental laws and regulations. From 2022 to 2024, there have been no significant environmental law violations in Korea and overseas.

2023 Register of Environmental Laws and Regulations

Environmental Law and Regulation Compliance Status

Category	Unit	2022	2023	2024
Violation of environmental laws and regulations*	Cases	0	0	0
Fines and penalties	KRW million	0	1.4	0
Non-monetary sanctions (improvement orders, etc.)	Cases	0	2	0

* Violation of environmental laws and regulations: Cases with a payment amount of KRW 10 million or more per violation



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ENVIRONMENTAL IMPACT REDUCTION

PROTECTING BIODIVERSITY

Hwaseung R&A recognizes biodiversity conservation as a core element of corporate sustainability management and continues systematic efforts to minimize its impact on ecosystems across all business operations. We inspect and assess risks of biodiversity degradation and loss throughout the entire process, including parts procurement, business site operations, and product distribution. We have established a biodiversity protection policy based on this effort. This policy was formulated by referencing the Convention on Biological Diversity (CBD), the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), guidelines from International Union for Conservation of Nature (IUCN). The application of the policy is recommended not only for domestic and international business sites but also for stakeholders such as suppliers and partner companies. We plan to conduct biodiversity assessments at our business sites

Biodiversity Protection Policy 

and the surrounding areas. Based on the assessment results, we will identify affected species and their distribution status to establish and implement conservation, restoration, and expansion plans.

Biodiversity Protection Management Principle

Hwaseung R&A establishes and implements a biodiversity protection policy consisting of governance, grievance handling, education, dissemination, and performance management. Our management supervises biodiversity risks, and the Board of Directors or its committees plan to review and deliberate on responses to relevant laws and regulations, establishment of protection plans, and investment decisions. For reported cases related to biodiversity degradation or loss, response measures are prepared based on court precedents, regulations of the competent authorities, and past internal handling practices. If a reported case has a considerable possibility of violating laws and regulations, impacts the property rights of residents, or has a high probability of escalating into corporate reputation risks, response measures are discussed at the highest decision-making body, such as the management meeting. Additionally, we raise awareness regarding the necessity of biodiversity conservation, restoration, and expansion through environmental management education for employees, encourage consideration of biodiversity in work processes, and promote reporting of any biodiversity-related issues found. We disclose biodiversity conservation activities and performance transparently through our website and sustainability reports and strive to enhance the effectiveness of biodiversity conservation by cooperating with industries, local communities, and specialized institutions.

Declaration of Biodiversity Protection

1. Aim

- ① No Net Loss
- ② Not Operate
- ③ Positive Impact
- ④ Strategic Mitigation
- ⑤ External Collaboration

2. Areas Evaluating and Protecting Biodiversity

- ① Internationally designated protected areas (e.g. IUCN Category Ia)
- ② Intact wilderness areas (e.g. IUCN Category Ib)
- ③ Nationally designated protected areas (e.g. IUCN Category II)
- ④ Natural monuments (e.g., IUCN Category III)
- ⑤ Habitat/Species management areas (e.g. IUCN Category IV)

3. Inspection Procedures

- ① Establishment of a procedure to assess biodiversity species, distribution status, and potential biodiversity risks, focusing on the areas near business sites and 'protected areas'
- ② Preparation of appropriate measures and response systems when biodiversity degradation or loss is identified and risks are recognized
- ③ Inspection of the implementation of biodiversity protection measures and response systems
- ④ Recommendation that partner companies inspect and improve biodiversity risks as part of the 'Code of Conduct for Business Partners'
- ⑤ Inspection of biodiversity degradation or loss at the origin for sustainable raw material procurement, and implementation of protection measures for endangered species
- ⑥ Collection of opinions from local communities and stakeholders regarding biodiversity degradation or loss and natural habitat destruction caused by business operations, and preparation of improvement plans





Environmental

[Focus topic] Climate
Change Response

• **Environmental
Management**

Environmental Impact
Reduction

Resource Use and
Circular Economy

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ENVIRONMENTAL IMPACT REDUCTION

DEFORESTATION PREVENTION POLICY

Hwaseung R&A established a Deforestation Prevention Policy in July 2024 to systematically manage the deforestation risk that may arise from all business operations, including raw and side material procurement, business site operation, product distribution and sales, and end-of-life product recycling. This policy was prepared based on the 'UN Strategic Plan for Forests (2017-2030),' the 'Reducing Emissions from Deforestation and Forest Degradation (REDD+)' for forest conservation in developing countries, and the 'Protected Area Management Guidelines' of the International Union for Conservation of Nature (IUCN). Through this, Hwaseung R&A actively incorporates international forest conservation standards. The policy applies to domestic and international business sites, as well as to the entire value chain, including suppliers and partner companies. We strive to raise awareness about deforestation prevention and forest protection in local communities. For forest areas near our business sites, we conduct regular surveys to inspect risks and, if necessary, promote activities to maintain and restore green spaces.

Deforestation Prevention Policy 

Deforestation Prevention Management Principles

Hwaseung R&A has established and is implementing deforestation prevention management principles comprising governance, grievance handling, education and dissemination, and performance management. The Board of Directors and the ESG Committee are responsible for deliberating on forest-related risk management and prevention plans and making investment decisions. A dedicated organization systematically carries out risk inspections, activity implementation, employee education, and stakeholder cooperation. Additionally, we spread the importance of forest protection through environmental education for employees and encourage the proactive reporting of any forest-related issues discovered during work. Hwaseung R&A plans to manage its medium- and long-term performance with goals such as new afforestation and reforestation, participation in REDD+ in developing countries, and operating zero deforestation businesses. Key activities and achievements are transparently disclosed through the website and sustainability reports. Hwaseung R&A produces rubber, which is one of the items covered by the European Union Deforestation Regulation (EUDR), and has received related compliance requests from clients. After reviewing its applicability to products Hwaseung R&A was confirmed to produce synthetic rubber, not natural rubber, and therefore does not fall under the scope of due diligence. In the future, Hwaseung R&A will continue to monitor relevant regulations, including the EUDR, and strengthen its management system to ensure compliance with relevant laws and regulations from the raw material procurement stage.

Declaration of Deforestation Prevention

1. Aim

- ① Future Reforestation
- ② End All Deforestation
- ③ Carbon Offset

2. Protected Areas

- ① Internationally designated protected areas (e.g. IUCN Category Ia)
- ② Intact wilderness areas (e.g. IUCN Category Ib)
- ③ Nationally designated protected areas (e.g. IUCN Category II)
- ④ Natural monuments (e.g., IUCN Category III)
- ⑤ Habitat/Species management areas (e.g. IUCN Category IV)

3. Inspection Procedures

- ① Establishment of a procedure to assess deforestation status and potential deforestation risks, focusing on the areas near business sites and protected areas
- ② Preparation of appropriate measures and response systems when deforestation is confirmed and risks are recognized
- ③ Inspection of the implementation of forest protection measures and response systems
- ④ Recommendation that partner companies inspect and improve deforestation risks as part of the 'Code of Conduct for Business Partners'
- ⑤ Inspection of deforestation risks at the origin for sustainable raw material procurement, and establishment of restoration plans for destroyed origins
- ⑥ Management of issues of stakeholders related to forest areas affected by business operations





Environmental

[Focus topic] Climate
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• Resource Use and
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RESOURCE USE AND CIRCULAR ECONOMY

WASTE MANAGEMENT

Hwaseung R&A practices resource valorization through separate discharge of waste generated at its business sites, thereby reducing waste generation continuously. In addition, we draft a resource circulation implementation plan each year and establish specific measures to achieve a higher circulation rate than our set targets. Moving forward, we will further strengthen our waste management system to lessen the environmental load and contribute to realizing a circular economy.

Waste Recycling

Hwaseung R&A sets annual circulation rate targets for each waste type and manages implementation performance. We identify and apply recycling companies to improve circulation rates. For some items, circulation rates have improved compared to 2023.

Waste Management Status

Category	Unit	2022	2023	2024
Total waste generated	Tons	2,741	2,830	2,679
General waste generated	Tons	2,673	2,758	2,608
Designated waste generated	Tons	68	72	71
Volume recycled	Tons	2,388	2,375	2,279
Recycling rate	%	87.14	83.90	85.10

EXPANDING APPLICATION OF RECYCLED MATERIALS

As part of its strategy for a sustainable future, Hwaseung R&A concentrates on developing bio-based, recycled, and upcycled raw material technologies. These technologies were showcased at the 'Automotive Parts Industry ESG Carbon Neutrality Expo' hosted by HMG and KAP in April 2025 and received positive evaluations from industry experts. We recycle all waste rubber in our production processes to reduce raw material usage and minimize environmental impact. Through this effort, we contribute to resource circulation and carbon emission reduction within the automotive parts industry. At the same time, we are pursuing various technological developments to improve the quality of recycled materials. For instance, we are applying a technology that converts rubber extracted from waste tires into fine powder for use as a new parts material. This technology helps expand the application scope of recycled materials while maintaining the elasticity and durability of rubber. In the future, Hwaseung R&A will enhance the technological com-

Waste Recycling Status

Category	Unit	2022	2023	2024
Liquid waste organic solvents	%	90.70	90.00	91.57
Other waste organic solvents	%	90.23	89.72	86.21
Liquid waste insulating oils	%	91.9	90.22	91.32
Waste synthetic resins	%	42.41	31.51	41.51
Waste synthetic rubbers	%	99.91	99.46	100
Waste activated carbon	%	98.06	97.39	95.53
Waste wood	%	100	100	100

pleteness of recycled materials and expand their application to various product groups, thereby strengthening its sustainable management.

WATER RESOURCE MANAGEMENT

Hwaseung R&A considers water resource conservation and sustainability as crucial management tasks and has established and operates a management policy. Our business sites regularly measure water usage and discharge, preventing water pollution through a system that can block pollution pathways in advance. Furthermore, we routinely practice water-saving, reuse, and recycling activities. We have introduced zero wastewater discharge facilities and purification facilities to minimize effluents. These efforts not only enhance water resource conservation but also form a foundation for stable management of the water resources essential for business site operations. Hwaseung R&A also monitors areas at risk of water scarcity and depletion regularly, identifies operational risks at business sites proactively, and promotes water resource protection activities linked to local communities as necessary.

Water Resource Management Status

Category	Unit	2022	2023	2024
Water intake	Tons	247,733	196,903	213,258
Water usage	Tons	204,821	153,127	166,026
Water discharge	Tons	42,912	43,776	47,232

※ Water discharge: Based on the National Pollution Source Survey



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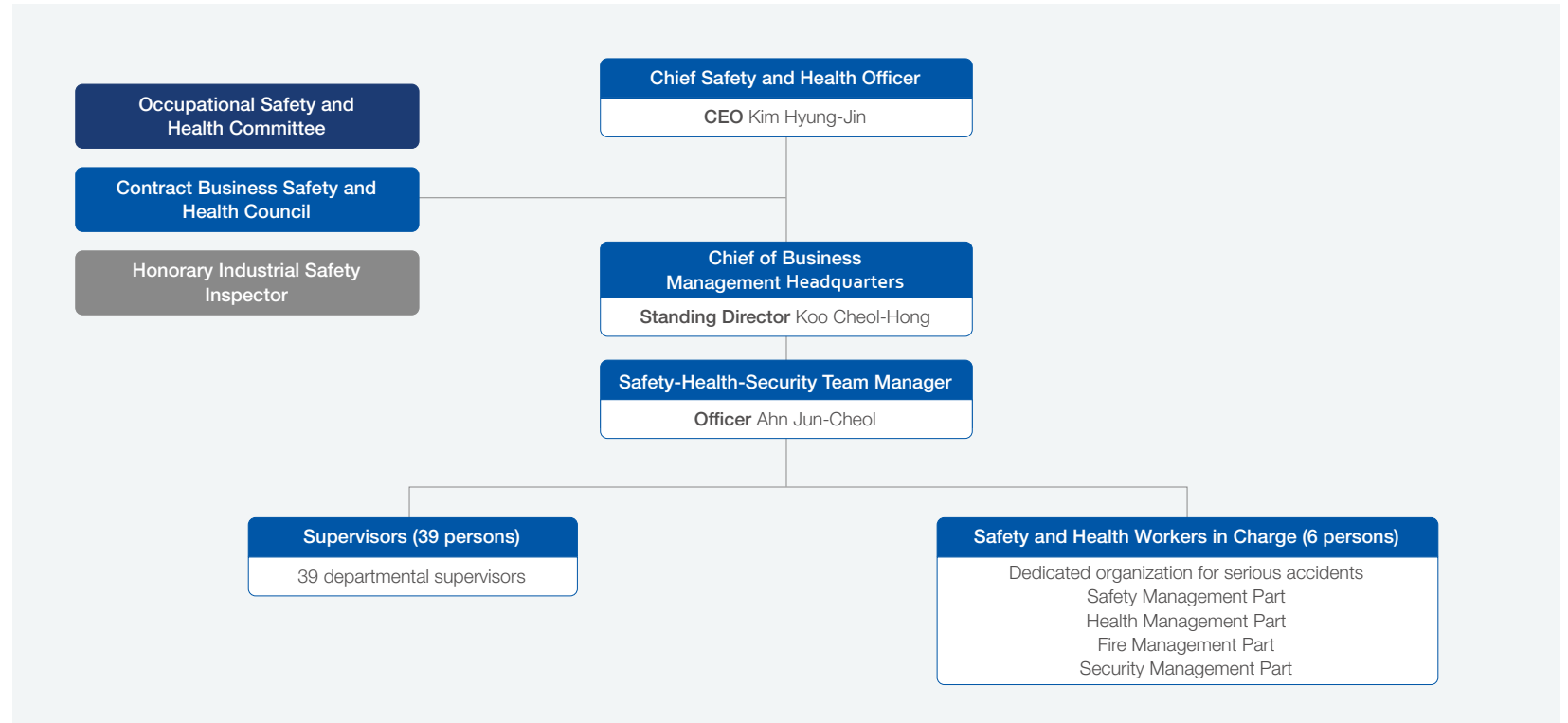
Special topic +

SAFETY AND HEALTH MANAGEMENT

GOVERNANCE

Hwaseung R&A has designated its CEO, the top executive, as the Chief Safety and Health Officer to build and operate safety and health management systems within the organization. The CEO oversees the Safety-Health-Security Team through the Chief of Business Management Headquarters (Standing Director) and commands the establishment and implementation of the overall safety and health principles for business sites. The safety and health management organization is centered around the manager of the Safety-Health-Security Team, with a total of six persons in charge, including a dedicated organization for serious accidents, the Safety Management Part, and the Health Management Part, performing on-site safety and health duties alongside 39 departmental supervisors. Additionally, through the Occupational Safety and Health Committee as a statutory consultative body, the Contract Business Safety and Health Council, and the Honorary Industrial Safety Inspector system, we gather on-site opinions and prepare improvement measures for safety and health issues. Through this organization-based integrated safety and health governance, Hwaseung R&A operates a strategic response system for settling a proactive safety culture beyond legal compliance and preventing serious accidents.

Safety and Health Organization Chart





Environmental

Social

- [Special Topic] Safety and Health Management

[Focus Topic] Supply Chain Management

[Focus Topic] Information Security and Personal Information Protection

Product Quality and Safety

Human Rights Management

Human Resource Management

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SAFETY AND HEALTH MANAGEMENT

STRATEGY

Safety, Health, and Environmental Policy

Hwaseung R&A has established and is implementing a safety, health, and environment policy to make its stakeholders, including employees, workers of partner companies, and customers, aware that design, procurement, production, and sales activities of Hwaseung R&A are essential for respecting human lives and fulfilling corporate ethical responsibility by minimizing environmental impact and safety, health, and environmental risks. This regulation applies to all employees and contracted workers within our business sites. We have set 'building healthy and safe business sites free from serious accidents' as our top management value, and safety and health management systems are in place to prevent and respond to accidents across all business sites and facilities. We are committed to protecting the lives and safety of our employees through continuous preventive activities and are strengthening strategic efforts to enhance safety and health standards. To have all employees follow the Seven Standard Rules and spread a safety and health culture, we are pursuing practical improvements centered on five strategic directions: establishing safety and health management systems, conducting specialized risk assessments, promoting adherence to the basic rules, strengthening safety and health capabilities, and building communication and cooperation systems. Through this strategic approach, we manage safety risks across all business sites systematically and create a sustainable safety and health culture.

Safety and Health Management Strategies and Action Plans

Vision

Building healthy and safe business sites free from serious accidents

Objective

To comply with the Seven Standard Rules with all members and spread a safety and health culture

Promotion Strategy



Building safety and health management systems

Establishing safety plans
Implementing safety plans
Enacting and amending safety regulations



Conducting autonomous risk assessment

Identifying and improving hazards and risk factors
Diversifying risk assessment
Enhancing expertise of risk assessment



Complying with basic safety and health rules

Establishing basic order
Complying with safety procedures for dangerous tasks
Complying with basic safety and health rules



Strengthening safety and health management capabilities

Assessing duties of persons in charge
Strengthening management of partner companies
Upgrading safety education



Settling safety culture built together

Safety promotional activities
Substantializing communication channels
Building cooperation system with relevant institutions



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RISK MANAGEMENT

Hwaseung R&A has established and operates a risk management guideline to manage safety and health risks and opportunities effectively and to continue improving performance. Risk management is divided into regular analyses, conducted every three years by the responsible department and all departments, and ad-hoc analyses, performed when there is an event that has a significant impact on the management system or when performance improvement is needed. All analyses are executed according to the processes specified in the guideline. Risks and opportunities are identified systematically and analyzed based on risk assessment criteria. After reviewing the risk level based on the analysis results, matters requiring management are registered as important risk management items to establish separate handling and response measures. These risk response measures are documented as specific implementation plans and executed. The responsible department compiles and reviews the established plans to confirm their appropriateness and continuously manages them.

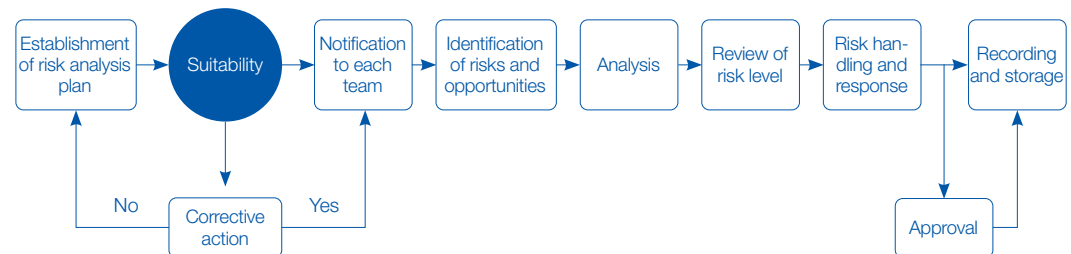
Risk Assessment Criteria

Degree of Damage	Financial Damage	Work Damage	Time-related Damage
1	Financial impact is low and within the risk manager's control.	Work impact is very low, and minor adjustments are needed to achieve pre-planned performance due to the risk.	Impact is very low, and there is very little effect on process time management.
2	Financial impact is low and included in emergency contingency plans.	Work impact is low, and planned work outcomes must be reduced due to the risk.	Impact is low and may cause delays or require additional processes, but does not affect overall process time.
3	Financial impact is moderate and may exceed emergency contingency plans but can be handled without additional budget.	Work impact is moderate. Planned work performance must be reduced due to the risk, but without reducing overall performance.	Impact is moderate and overall process time increases slightly, but it is unlikely to affect scheduled performance.
4	Financial impact is high, exceeds allocated budget, and requires additional budget.	Work impact is high, and planned work performance is significantly reduced due to the risk.	Impact is high, process time increases significantly, and performance may be delayed to maximize profit.
5	Financial impact is critical, and added costs negatively affect business profit and make the organization unstable.	Work impact is critical, and planned work performance is significantly reduced due to the risk, causing negative impacts on operating profit.	Impact is critical, and increased process time significantly delays performance and negatively affects business operations.

Business Site Risk Management Status

Category	Unit	2022	2023	2024
Number of business site risk factors identified	Cases	9	9	9
Number of business site risk factors improved	Cases	9	9	9
Ratio of risk factors improved	%	100	100	100

Risk Management Process





Special topic +

SAFETY AND HEALTH MANAGEMENT

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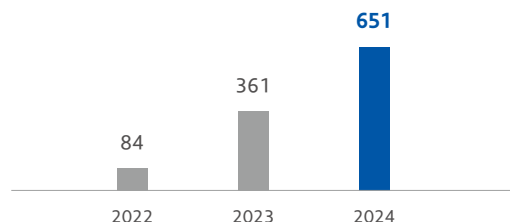
METRICS & TARGET

Hwaseung R&A diligently complies with safety and health laws and related regulations in all its business activities. We are strengthening the foundation for all members to practice a responsible safety culture through systematic safety and health implementation. We establish safety and health action plans applied to all business sites and build a safety and health management system that discovers and improves hazards and risks, evaluates safety and health activity performance, and prepares improvement measures based on activity analysis. Hwaseung R&A has set step-by-step goals: establishing a safety culture system by 2025, advancing the safety management system by 2026, and completing safety internalization by 2028. By achieving these goals, we aim to form a culture

where all members at our business sites proactively participate in safety and health activities, thereby improving safety standards. In 2024, the active participation of our management led to a 290-case increase in safety and health inspections from the previous year, totaling 651 cases, among which 98% were improved. All employees, except for essential production workers, completed safety and health education. All machinery and equipment passed hazardous and dangerous machinery safety inspections, and health check-ups for all employees and health consultations for those with findings have been 100% completed. We will check the implementation progress at each stage through ongoing monitoring and assessment, driving continuous improvement activities.

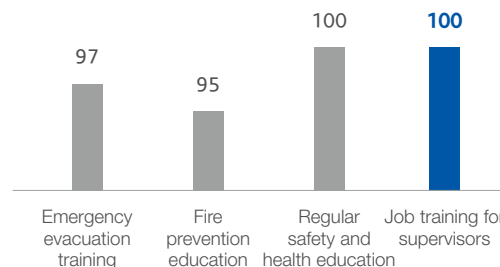
Safety and Health Inspection Activities

(Unit: Cases)



Safety and Health Education Completion Rate

(Unit: %)



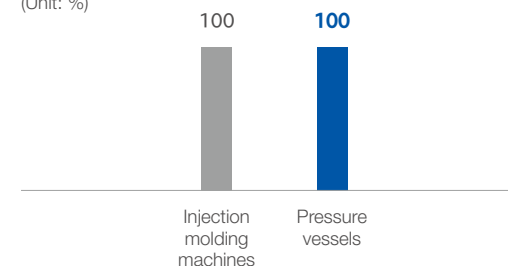
ISO 45001 certificate



ISO 22301 certificate

Hazardous and Dangerous Machinery Safety Inspection Completion Rate

(Unit: %)



Safety and Health Goals

2024

Spreading Safety Culture



Establishing safety culture

- Establishing basic order based on the Seven Standard Rules

2025

Entrenching Safety Culture



Expanding cultural activities and participation

- Increasing safety participation of each department through various safety culture activities
- Expanding rewards for outstanding performers

2026

Advancing Safety Management



Increasing expertise

- Preparing and implementing detailed evaluation criteria
- Enhancing safety levels of partner companies

2028

Internalizing Safety



Creating autonomous safety culture

- Implementing autonomous safety management



Special topic +

SAFETY AND HEALTH MANAGEMENT

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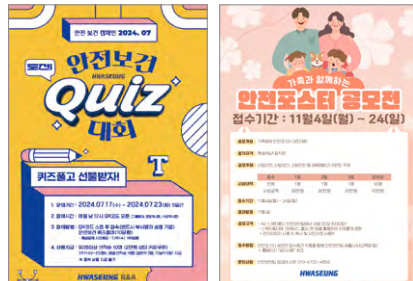
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PERFORMANCE

Safety Activities

Hwaseung R&A operates facility investments and various programs, including safety inspections of dangerous machinery and equipment, to create a safe work environment for its employees and workers from partner companies. To establish a safety culture within our business sites, we allocate and execute budgets necessary for facilities, equipment, and various related activities. In 2024, we invested KRW 1,227 million in health check-up expenses, purchase of safety-related consumables, repair of firefighting and safety facilities, and improvement of safety and health-related facilities. We provided support to improve the work environment for employees so they can work more safely, targeting SL production facilities, pipe production preparation facilities, and pipe production low-pressure facilities. In particular, we raised safety and health awareness by operating themed programs for our employees to participate in, such as safety-related competitions and contests.

In addition, we have formed an emergency response organization to respond swiftly and systematically to oil and dangerous material spills that may occur at our business sites. The Head of the Production Division serves as the chief officer, and the organization is structured around the on-site commander, comprising a disaster control team, relief team, recovery team, and other support teams, with clear roles defined for each sector.



Safety contest posters

Major Safety Activity Status

Activity	Targets	Description
MY AREA activity	All factories, all departments	Prevented safety accidents through tidiness in assigned areas, involving participation of the management
Establishing the Seven Standard Rules	All factories, all departments	Established and settled basic order to create pleasant and safe business sites
Safety Proposal Contest	All employees	Proposed ideas for creating safe business sites, 18 participants
Safety and Health Quiz Contest	All employees	Conducted daily at noon using QR codes, selecting 10 first comers
Autonomous safety diagnosis	Electrical sector	Identified hazards and risks through safety diagnosis by a specialized external institution
Safety Poster Contest	All employees	Poster contest to create a safety culture and raise safety awareness
Tool Box Meeting (TBM)	All on-site direct and indirect production departments	Shared key safety and health matters through pre-work safety meetings
Laboratory precision safety diagnosis	3 FL sites, 1 SL site	Created a pleasant and safe research environment, identifying 17 improvement points and taking corrective actions
Safety inspection on hazardous and harmful machinery and equipment	Hazardous and dangerous machinery and equipment	Conducted and passed all regular safety inspections
Work evaluation on supervisors	All supervisors	Improved safety management capabilities through supervisor job performance evaluation
Regular risk assessment	All departments	Identified and removed risk factors (48 cases) within business sites with all workers
Installing pedestrian safety signs	18 pedestrian pathways	Installed in-house pedestrian safety signs to promote safety rules and culture
Our Pledge	Direct production departments	Had all employees hand-sign the pledge to be displayed on the bulletin board for serious accident prevention
Installing safety devices on hazardous and dangerous machinery and equipment	Pressure testing machines, clip machines	Installed double safety devices (safety cover, interlock)



Conducting autonomous safety diagnosis



Establishing the Seven Standard Rules



Special topic +

SAFETY AND HEALTH MANAGEMENT

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SUSTAINABILITY REPORT
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[Focus Topic] Information
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Health Activities

Hwaseung R&A perceives employee health as an important corporate value and promotes various activities to protect health and provide a pleasant work environment. To improve the work environment, we conduct work environment measurements and install soundproof covers for high-noise processes. For employee health management, we conduct regular and special health check-ups and operate diverse training sessions and programs, striving to create a healthy work environment. In 2025, we plan to conduct surveys on tasks that incur musculoskeletal burdens and promote ergonomic improvements to the work environment.



Promoting heat-related illness prevention



Regular general and special health check-ups



CPR



Installing soundproof covers for high-noise processes



Work environment measurements

Major Health Activity Status

Activity	Targets	Description
Measuring work environment	On-site workers	Protected on-site workers' health and created a pleasant work environment, keeping all processes below the exposure limits (excluding noise)
Installing soundproof covers for high-noise processes	Braiding machines	Installed split type soundproof covers to reduce noise by 20dB
Promoting heat-related illness prevention	All employees	Prevented health problems in employees caused by heat waves in the summer
Illuminance measurement	All factories	Complied with legal illuminance standards and prevented safety accidents
First aid and CPR education	Safety and health managers, on-site supervisors, and key internal position holders	Cultivated first aid capabilities among key on-site managers
Health check-up	Resident workers	Diagnosed exposure levels to harmful factors and health status
Partial comprehensive health check-up	Employees aged 40 or above	Provided precise health management for employees, 90% participation rate
Hearing preservation program	Processes with noise exposure over 85dB	Conducted noise exposure assessment, managerial and engineering measures, special education, etc.
Confined space work program	50 confined spaces within the company	Conducted suffocation and poisoning prevention, work procedure, permits, management, and special education for confined space work
Follow-up management for individuals with special findings	270 persons	Maintained health through follow-up management based on health check-up results
Musculoskeletal hazard survey	Individuals subject to management and those who report pain	Strengthened preventive activities to reduce work-related illnesses (provided stretching guides, health counseling, muscle taping, and massage devices)



- [Special Topic] Safety and Health Management

[Focus Topic] Supply Chain Management

[Focus Topic] Information Security and Personal Information Protection

Product Quality and Safety

Human Rights Management

Human Resource Management

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SAFETY AND HEALTH MANAGEMENT

Firefighting Activities

Hwaseung R&A regularly inspects firefighting facilities at its business sites and enhances safety by improving equipment as necessary to prevent human casualties and property damage due to fires. Additionally, we conduct special fire safety education for all employees to strengthen their ability to respond quickly and systematically in the event of a fire. Through these efforts, we make continuous efforts to raise fire awareness and spread a safety culture at our business sites. In 2024, 75% of outdated firefighting facilities were improved. The completion rate of fire safety education was 95%, and the participation rate of emergency evacuation training was 100%.



Completion rate of firefighting safety education

95%

Improvement rate of outdated firefighting facilities

75%

Major Firefighting Activity Status

Activity	Targets	Description
Electric heater safety inspection	All electric heaters within the company	Checked safety certification acquisition and operating status of safety devices, passed by 22 devices
Improving emergency evacuation routes	13 locations in all factories	Increased visibility by installing emergency evacuation route signs and guide lights
Inspecting leaking firefighting pipes	Buried firefighting pipes	Confirmed major leakage areas and scope
Improvement work on firefighting pipes	Firefighting pipes on the first floor of the main building	Removed buried firefighting pipes and installed new pipe lines
Improving fire alarms	High-noise generating processes	Increased awareness of emergency situations by installing visual alarms
Reinforcing evacuation facilities	FL starting building, main building rooftop	Reinforced descending life line facilities in high-rise buildings
Inspecting statutory firefighting facilities	All business sites	Conducted operational and comprehensive inspections of in-house firefighting facilities
Special education for prevention of winter fire	Employees of Hwaseung parent company and partner companies	Cultivated fire safety awareness through theoretical and practical education
Reinforcing firefighting facilities in parking tower	Hydrant boxes, firefighting pipes	Performed insulation work on major freezing facilities in the parking tower



Inspection of leaking firefighting pipes



Improvement work on firefighting pipes



Improvement of emergency exits



Fire prevention education for winter

Safety and Health Education

Hwaseung R&A conducts regular safety and health education for all employees and persons in charge of safety and health duties. Additionally, we systematically strengthen the safety and health capabilities of members by providing occupational safety education for managers, supervisors, production workers, and employees of in-house partner companies. In 2024, all employees, excluding essential production workers, completed safety and health education, thereby creating a safety culture within business sites and increasing the implementation rate of statutory education.



Number of safety education participants

625 Persons



Safety education participation rate

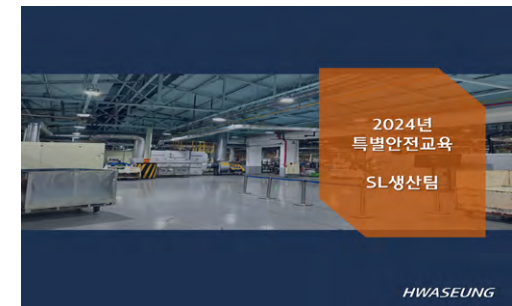
More than 90%

Safety and Health Education Status

Category	Unit	2022	2023	2024
Number of safety education participants	Persons	582	577	625
Hours of safety education per manager or supervisor	Hours/person	16	16	16
Hours of safety education per production worker	Hours/person	24	24	24
Hours of occupational safety education per in-house partner company employee	Hours/person	24	24	24
Number of participants in occupational safety education for in-house partner company employees	Persons	265	270	275
Number of managers and supervisors who completed occupational safety education	Persons	340	337	348
Number of production workers who completed occupational safety education	Persons	228	226	267



Education to strengthen the response of partner companies to the Serious Accidents Punishment Act



Special safety education in 2024



- [Special Topic] Safety and Health Management

[Focus Topic] Supply Chain Management

[Focus Topic] Information Security and Personal Information Protection

Product Quality and Safety

Human Rights Management

Human Resource Management

Good Organizational Culture to Work

Local Community Contribution

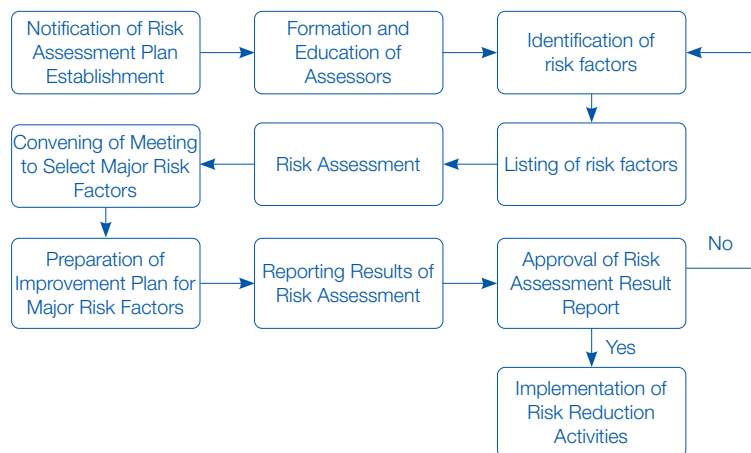
Risk Assessment

Hwaseung R&A conducts risk assessments across all its business sites to create a safe and pleasant work environment and prevent industrial accidents. Assessments are applied broadly to all equipment, including equipment brought in from outside, routine and non-routine tasks, and the activities of employees, contractors, partner companies, and visitors. Risk assessments are performed in various situations, such as the establishment of new processes, introduction of new equipment, process changes, regular reviews of existing operations, occurrence of serious accidents or disasters, and stakeholder requests. The scope of as-

essment includes hazardous and dangerous facilities and harmful chemicals within the workplace, routine tasks, and emergency response tasks. The degree of risk is calculated by combining the likelihood and severity of an accident, and the final risk level is recorded in the assessment report by reflecting current safety measures. The risk assessment procedure proceeds systematically in the order of planning and notification, formation and education of assessors, identification and listing of risk factors, meeting for selecting major risk factors, reporting and approval of results, and implementation of risk reduction activities. Based on

the assessment results, risk reduction measures are established and executed jointly by labor and management after approval by the Occupational Safety and Health Committee. After implementing risk reduction measures, we monitor the reduction in accidents and improvement in productivity once a year. The results are then reflected in the following year's business plan and accident reduction targets to promote continuous improvement. In 2024, all employees identified a total of 95 in-process risk factors during the regular risk assessment involving all 13 departments, and all issues were improved through appropriate actions.

Risk Assessment Process



Risk Assessment Outcomes

Category	Unit	2022	2023	2024
Risk assessment discoveries	Cases	63	59	95
Risk assessment improvements	Cases	63	59	95

Management Criteria According to Risk Levels

Risk Level		Management Criteria	Remarks
1~3	Negligible risk	Maintenance of current safety measures	
4~6	Insignificant risk	Risk that requires the provision of safety information and periodic work education	Acceptance of hazardous work (work can be done in the current state)
8	Slight risk	Risk that requires administrative measures such as attaching risk signs and indicating in work procedures	
9~12	Considerable risk	Risk for which safety management measures must be established during regular inspections and maintenance	Conditional acceptance of hazardous work
13~15	Critical risk	Risk for which immediate temporary safety measures must be established before work, followed by safety management measures during regular inspection periods	(work can be done if there is no immediate risk, but with risk reduction activities)
16~20	Unacceptable risk	Immediate discontinuation of work (risk that requires immediate improvement to continue the work)	Prohibition of hazardous work(work must be stopped immediately)



Environmental

Social

- [Special Topic] Safety and Health Management

[Focus Topic] Supply Chain Management

[Focus Topic] Information Security and Personal Information Protection

Product Quality and Safety

Human Rights Management

Human Resource Management

Good Organizational Culture to Work

Local Community Contribution

Governance

Special Topic

EFFORTS OF HWASEUNG R&A FOR SAFETY AND HEALTH MANAGEMENT

‘Safety is My Job!’ Understood Through MY AREA 5S

Hwaseung R&A conducts the ‘My Area 5S’ activity company-wide on the 4th of each month. Learn more about this activity.

The ‘MY AREA Activity’ started with the aim of preventing safety accidents by having each department organize My Area. Every department, from the head office to each business site, participates without exception. Both inside offices and factory sites, employees inspect and tidy their assigned areas, creating a clean and safe work environment. One of the important points of this activity is that our management also participates directly. It is not just a top-down directive because our leaders set an example by going around the sites with employees, naturally encouraging employees to take more responsibility. The core idea is not just to clean up once but to repeat the activity consistently every month to build safety management habits. We believe that making tidiness a habit will naturally reduce hazards and prevent unnecessary accidents. Going forward, we will continue striving to raise the awareness that ‘safety is my job’ throughout the entire company through the MY AREA Activity.



Always Conducting a ‘Safety Meeting (TBM)’ Before Starting Work

Hwaseung R&A always conducts safety meetings (Tool Box Meeting, TBM) before starting work. Learn about the purpose and content of these meetings.

Hwaseung R&A's safety meetings involve all direct and indirect production departments on-site, incorporating the concept of ‘target behavior management.’ This approach helps workers set and practice ‘safe behaviors’ as their own goals. For example, it is crucial to set a concrete behavioral goal, such as “Always check safety hooks when working at heights,” and practice it during the day. Safety through self-awareness and self-practice is the essence of TBM. In fact, most accidents occur 1-2 hours after work begins and 1-2 hours before work ends. During these times, the body may not be fully relaxed or have accumulated fatigue, or workers may have psychological factors such as distraction. Therefore, TBM helps check workers' conditions and maintain tension and concentration by sharing risk factors in advance. After the meeting, our workers do not just disperse. They all do stretches together and yell out safety slogans to reinforce safety awareness. We believe that each of these processes contributes to creating a safer workplace and healthier us.





- [Special Topic] Safety and Health Management

[Focus Topic] Supply Chain Management

[Focus Topic] Information Security and Personal Information Protection

Product Quality and Safety

Human Rights Management

Human Resource Management

Good Organizational Culture to Work

Local Community Contribution

Special Topic

STAKEHOLDER INTERVIEW

“

Safety and health are the promise we make to protect people and value.

Hwaseung R&A
Safety-Health-Security Team
Assistant Manager Kim Jun-Yeong



Today's Safety for a Sustainable Tomorrow: Meet the Safety-Health-Security Team of Hwaseung R&A!

Q1 Hwaseung R&A adopted 'spreading a safety culture' as its principle in 2024 and pursued various activities with the goal of 'establishing a safety culture' company-wide. Please introduce the reasons for setting this direction and the major activities implemented to realize it.

The ultimate pursuit of Hwaseung R&A is the establishment of an 'autonomous safety culture.' Simply put, our final goal is to create a culture where each and every employee voluntarily upholds and manages safety. To achieve this goal, we thought that the voluntary participation of employees and a change in their safety awareness were paramount. That is why we established the management principles of 'spreading a safety culture' and 'establishing a safety culture,' and carried out various activities to embed them. For example, we have thoroughly reinforced the basics by enacting the Seven Standard Rules and the Seven Safety Rules. We also ran programs that allow for direct on-site participation, including the My Area 5S Activity and Safety Inspection Day events. Additionally, we continue to maintain an improvement suggestion system, near-miss reporting, and safety and health-themed activities so employees can identify and share improvements on their own. In December 2024, we held an 'Improvement Suggestion System Exhibition' to share improvements made during the year. Through these processes, we expect to see an autonomous safety culture take root naturally.

Q2 Hwaseung R&A achieved the feat of improving 75% of its outdated firefighting facilities in 2024. Please tell us about the strategies and efforts that led to this outcome, difficulties faced during the improvement process, and future plans.

Fires are not just simple accidents. They are serious incidents that can lead to casualties, property loss, and even legal and economic problems. So, our biggest goal was to create a system that could prevent fires and respond quickly and effectively if a fire did occur. To achieve this, Hwaseung R&A came up with a strategy to reduce malfunctions by installing site-tailored firefighting facilities. The biggest challenge was establishing new wiring for outdated automated detection facilities and replacing fire detectors to match the work environments that differ among processes. We had difficulties when minimizing malfunctions and selecting appropriate detectors, but the system has now been stabilized. Moving forward, we plan to take another step by promoting the adoption and spread of smart firefighting systems. We will continue our efforts to build an advanced firefighting system using cutting-edge technology, including IoT-based smart fire detectors, automatic warning systems, and fire prediction systems based on AI.

Q3 Hwaseung R&A has set 'entrenching a safety culture' as its principle for 2025, specifically aiming to expand cultural activities and participation rates. Please explain the connection with the major achievements for establishing a safety culture in 2024, and what strategies and concrete action tasks will be prioritized in 2025.

Whereas the management principles of Hwaseung R&A established in 2024 focused on 'spreading and establishing a safety culture,' we have set a more advanced goal of 'entrenching a safety culture' in 2025. This means embedding that culture within the company on top of the activities conducted in 2024. In particular, we are planning various safety and health-themed activities in 2025 designed for collaboration and natural participation by many people. For instance, we will naturally entrench the safety culture through various activities including a departmental safety UCC contest, a safety and health campaign at the main gate, a Challenge! Safety and Health Golden Bell event, and a departmental safety culture slogan contest. Additionally, Hwaseung R&A has set medium- and long-term plans divided into three stages: spreading and establishing a safety culture in stage 1, entrenching a safety culture in stage 2, and mutually growing with partner companies in stage 3. Our ultimate objective is to create a company with an autonomous safety culture, and we are committed to making this a continuous and long-term effort.



Environmental

Social

[Special Topic] Safety and Health Management

• [Focus Topic] Supply Chain Management

[Focus Topic] Information Security and Personal Information Protection

Product Quality and Safety

Human Rights Management

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Good Organizational Culture to Work

Local Community Contribution

Governance

SUPPLY CHAIN MANAGEMENT

STRATEGY

Supply Chain Management System

Hwaseung R&A has established a Code of Conduct for Business Partners based on global automotive industry guidelines and the Responsible Business Alliance (RBA) standards, incorporating the latest global trends such as the European Union's Corporate Sustainability Due Diligence Directive (CSDDD). The code was developed based on domestic and international safety and health laws and regulations, international standards such as ISO 45001 (safety and health management systems), and Hwaseung R&A's safety and health management principles, strategies, and goals. Through this, we are spreading a sustainable and ethical business culture across the entire supply chain, encompassing legal compliance, environmental protection, and respect for human rights. All partner companies are required to adhere to the Code of Conduct. In the future, we plan to continue strengthening our supply chain governance in line with global standards and advance our sustainable management system for mutual growth with partner companies.

Code of Conduct for Business Partners



Supply Chain Management Policy

Hwaseung R&A systematically regulates procedures for all aspects of vendor operations to enhance supply chain transparency and responsible management. All operational management procedures, including vendor selection, contract signing, utilization, evaluation, and termination, are stipulated in the vendor management regulations to establish a fair and efficient business cooperation system. These regulations are disclosed on our website. The regulations encompass vendor selection criteria, transaction periods, contract cancellation and termination procedures, pre-renewal vendor evaluation and screening methods, audit and sanction standards for vendors, and exceptions. Through these regulations, we aim to ensure sustainability and ethics within our supply chain.

Conflict Minerals (Responsible Minerals) Policy

As a global corporation, Hwaseung R&A actively participates in the prohibition of conflict minerals and responsible mineral sourcing, striving to build a sustainable supply chain and fulfill its social responsibilities. In July 2024, we established a new 'conflict minerals (responsible minerals) management policy' to prevent human rights violations and environmental destruction within the global supply chain and also set up a more robust management system. The policy aims to ensure ethics and transparency throughout the entire process of mineral extraction and distribution. We guide all partner companies on the management standards and request their adherence. We provide partner companies with a conflict minerals management guide and to raise awareness while conducting regular surveys to reinforce the use of responsible minerals across the supply chain.

Conflict Minerals (Responsible Minerals) Policy

Fair Supply Chain Transactions

Hwaseung R&A applies a competitive purchasing method to ensure fairness and legitimacy throughout the entire process, from partner selection to contract signing and execution. When signing contracts, we adhere to the 'Standard Subcontracting Agreement for the Automotive Industry (December 2023)' established by the Fair Trade Commission, clarifying clauses that protect the rights of partner companies and specifying payment terms for subcontracting fees. By improving payment terms, we continue enhancing the rights of our partner companies during contract execution. For information security, we follow the standard non-disclosure agreement of the Fair Trade Commission, regulating necessary provisions for the use and protection of partner company information. Since 2017, we have participated in the 'Mutual Growth Index' evaluation overseen by the Korea Commission for Corporate Partnership and the Fair Trade Commission as part of the Win-Win 5-Star program of the Hyundai Motor Company. Also, in January 2024, we established a Supplier Cooperation Team to strengthen systematic support activities aimed at entrenching a fair trade culture and promoting sustainable win-win cooperation with partner companies.



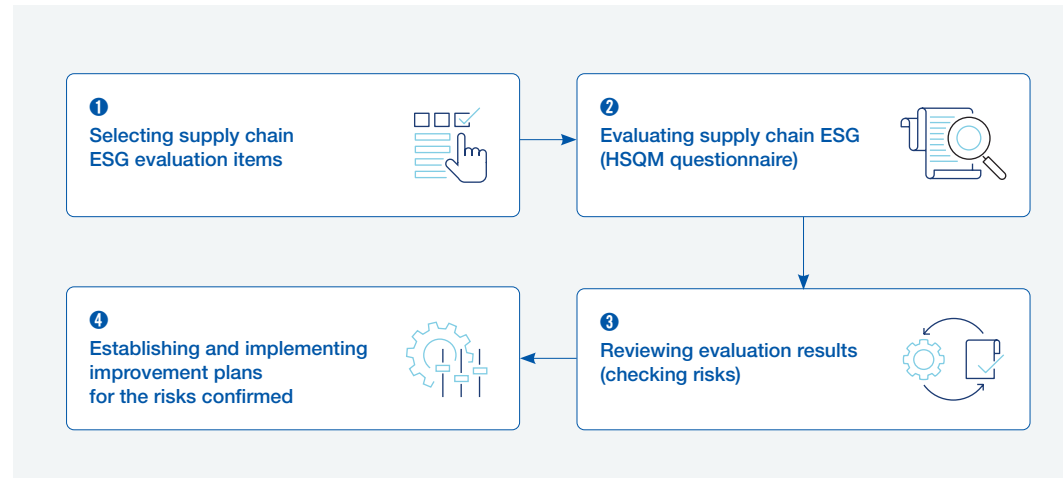
RISK MANAGEMENT

Supply Chain ESG Evaluation

To identify the sustainability level of partner companies systematically and manage supply chain risks proactively, Hwaseung R&A developed and implemented a partner ESG evaluation checklist in 2025. The checklist focuses on three key areas: environment, social, and governance. In the environment sector, it evaluates factors like possessing external environmental management certifications, carbon emission measurement and management, and waste recycling status. For the social sector, it verifies compliance with basic labor standards, including obtaining safety and health

management certifications, paying above the statutory minimum wage, adhering to the 52-hour work week, and prohibiting the employment of minors. In the governance sector, it reviews the legal sanction history of the corporation and its employees. If supporting documentation is insufficient or risk factors are found, partner companies are required to establish an improvement plan. Improvement plans are created based on the risk level identified by evaluation results, and their implementation is monitored periodically to manage ESG risks in the supply chain systematically.

Supply Chain ESG Evaluation Process



Supply Chain ESG Evaluation Criteria

1 Objective



To confirm ESG risks in the supply chain and monitor improvement results through ESG evaluation on partner companies

2 Targets of evaluation



58 partner companies of HSQM

3 Cycle of evaluation



Annual (conducted with HSQM due diligence)

4 Method of evaluation



- ① HSQM on-site due diligence (3% of the score)→Review of data and conduct of interviews (guidance on the Code of Conduct for Business Partners)
- ② Establishing improvement plans for the ESG risks confirmed / monitoring improvement activities



Focus topic +

SUPPLY CHAIN MANAGEMENT

HWASEUNG R&A
SUSTAINABILITY REPORT
2025

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OUR BUSINESS

ESG MANAGEMENT

ESG PERFORMANCE

Environmental

Social

[Special Topic] Safety and
Health Management

- [Focus Topic] Supply
Chain Management

[Focus Topic] Information
Security and Personal
Information Protection

Product Quality and
Safety

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Management

Good Organizational
Culture to Work

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APPENDIX

Fair Trade Reporting Channels for Partner Companies

We operate a communication channel on our website to comply with the fair trade principles and protect stakeholders, listening to various opinions from all stakeholders, including employees, customers, partner companies, and local communities. Reports can be submitted through channels that guarantee anonymity, such as online, postal mail, and phone calls. Various fair trade violations are subject to reporting, including undue contract changes, coercion, price reductions, returns, delayed payments, management interference, disruption of business activities, and abuse of dominant position. Submitted reports are handled promptly and thoroughly by conducting a factual investigation. A reporter protection program is in operation to ensure the reporter's identity and the content of the report is not disclosed without consent, protecting them from disadvantages or discrimination. In addition, those who

cooperate with investigations also receive the same protection and a liability reduction system is applied to voluntary reporters. The handling procedure involves receiving the report, conducting a factual investigation, notifying of the results, and concluding the case. When further investigation or follow-up action is necessary, we provide advanced notifications.

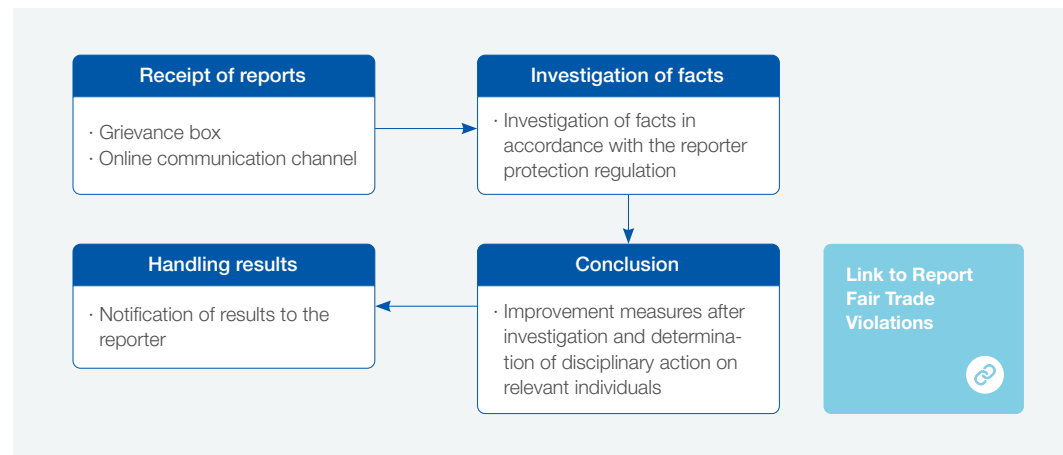
Autonomous Fair Trade Compliance Program for Partner Companies

Hwaseung R&A strives to create a transparent and fair trading environment across the supply chain. To secure honesty and trust in our domestic and international business activities, promote sustainable corporate growth, and protect the rights and interests of employees and stakeholders, we established and declared Code of Fair Practices. Also, in 2024, we produced

and distributed the Fair Trade Act Guidebook and Subcontracting Act Guidebook to all employees. These guidebooks are also available on our website, making it easy for everyone to access and comply with them. Hwaseung R&A's Code of Ethics specifies its commitment to fair competition and fair trade order. The ethical practice guidelines also emphasize transparency and fairness with business partners, ensuring all employees practice them. Furthermore, we formed the SL/FL Supplier Cooperation Team in January 2024 to strengthen our autonomous fair trade compliance system, actively supporting fair trade compliance and win-win cooperation with partner companies. In the future, Hwaseung R&A will continue to practice corporate management that fulfills sustainable growth and social responsibility, built upon a clean transaction culture that adheres to laws and ethics.

Code of Fair Practices

Fair Trade Reporting Process



Fair Trade Act Guidebook, Subcontracting Act Guidebook



Environmental

Social

[Special Topic] Safety and
Health Management

- [Focus Topic] Supply
Chain Management

[Focus Topic] Information
Security and Personal
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Good Organizational
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SUPPLY CHAIN MANAGEMENT

PERFORMANCE

Support for Partner Companies

Hwaseung R&A recognizes that mutual growth with partner companies is essential for sustainable management, listens to on-site feedback through partner company meetings, and operates various support programs. Through these efforts, we help our partner companies in enhancing their management stability and competitiveness. In 2025, we plan to conduct ESG evaluations of our partner companies to identify future support needs and strengthen our programs for enhancing their management safety, quality competitiveness, and safety and health capabilities.



Coffee trucks for outstanding partner companies

Financial Support

To alleviate the financial burden on our partner companies ahead of major holidays like Lunar New Year and Chuseok in 2024, we made early payments worth KRW 1.4 billion to seven partner companies. In addition, to help our key partners cope with fluctuating external business conditions, such as rising raw material prices and increased labor costs, we adjusted purchasing prices by a total of KRW 4.62 billion, contributing to their business stability. We held coffee truck events for eight partner companies in 2023 and 2024 to boost their morale, and four partner companies were additionally supported on credit rating expenses to enhance their financial soundness.

Technology Support

Throughout 2024, we provided 10 instances of technology support, amounting to KRW 875 million, to major partner companies. In particular, we supported the installation of equipment for improving production line efficiency to enhance Units Per Hour (UPH), enabling our partner companies to produce more products in the same amount of time.

Financial Support Status

Category		Unit	2023	2024
Win-win financial support	Supported amount	KRW thousand	1,858,000	1,400,000
	Number of partner companies	Companies	11	8
Increased purchasing price	Supported amount	KRW thousand	400,000	4,621,000
	Number of partner companies	Companies	6	-

Technology Support Status

Category		Unit	2023	2024
Support for technology development	Supported amount	KRW thousand	281,000	875,000
	Number of partner companies	Companies	6	10

Focus topic

SUPPLY CHAIN MANAGEMENT

Safety and Health Management for Partner Companies

Hwaseung R&A conducts emergency evacuation training, installation of safety culture signs, inspection of safety and health compliance of partner companies, operation of food trucks to prevent heat-related illnesses, and work environment measurements to create a safe work environment for its partner companies. In 2024, we also endeavored to manage safety and health risks for our partner companies, supporting 128 companies and 1,003 individuals.

Safety and Health Support Status

Category		Unit	2023	2024
Support for industrial safety prevention activities	Supported amount	KRW thousand	21,296	10,060
	Number of partner companies	Companies	70	128



Safety Prayer Ritual



Safety and health seminars for partner companies



Emergency evacuation training



Installing safety rule and culture signs on the main road



Safety Proposal Contest



Special safety education for subcontractors



Installing forklift charging station



Focus topic +

SUPPLY CHAIN MANAGEMENT

HWASEUNG R&A
SUSTAINABILITY REPORT
2025

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OUR BUSINESS

ESG MANAGEMENT

ESG PERFORMANCE

Environmental

Social

[Special Topic] Safety and
Health Management

- [Focus Topic] Supply
Chain Management

[Focus Topic] Information
Security and Personal
Information Protection

Product Quality and
Safety

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Good Organizational
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APPENDIX

Exchange Meetings with Partner Companies

From January to October 2024, Hwaseung R&A hosted a total of eight exchange meetings with partner companies. These exchange meetings, involving 39 partner companies, included a meeting on Hwaseung Supplier Quality Management (HSQM) and shared a comprehensive report on client quality indices, dolly standards and usage methods, examples of production standard non-conformities, and methods of managing container standardization. Additionally, the meetings introduced business objectives and new vehicle development information, strategies for enhancing the capabilities of partner companies, safety accident prevention cases, and operation methods and best practices of partner companies. Education on management mindset and awards for outstanding partner companies were also conducted. Moreover, we provided guidance on VOC channels and strengthened our communication system to collect opinions and address troubles faced by partner companies during their work.



Awarding outstanding partner companies



Safety, Health, and Fire Protection Key Activities Introduction



Partner company meetings

Supporting Overseas Training

Hwaseung R&A supported overseas benchmarking training for eight Korean partner companies to visit the Takasago and Nichirin Factories of Tokai Kogyo (TK) twice in 2023. The training program was structured around content that was practically helpful to the partner companies, including post-processing management techniques, process improvement cases, and excerpts of horizontal deployment items. The program received positive evaluations from participating companies. This program is part of our efforts to strengthen the technical capabilities of partner companies and secure their global competitiveness, and we will continue providing this support in the future.



Overseas training for partner companies



Hwaseung R&A Partner Exchange Meeting Status

8 times /
39 partner companies



Environmental

Social

[Special Topic] Safety and Health Management

• [Focus Topic] Supply Chain Management

[Focus Topic] Information Security and Personal Information Protection

Product Quality and Safety

Human Rights Management

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Focus Topic

EFFORTS OF HWASEUNG R&A FOR SUPPLY CHAIN WIN-WIN COOPERATION

‘Safety’ of Partner Companies Leads to Our ‘Safety’

Hwaseung R&A, regarding safety as its top priority, builds a ‘safe workplace’ together with its partner companies as a win-win cooperation based on mutual trust. We listen to the story of safety and health cooperation with our partner companies.

With the enforcement of the Serious Accidents Punishment Act in 2022, companies have increased awareness that they need to manage the safety of their partners. Hwaseung R&A had already been carrying out safety and health activities with its partner companies consistently through the ‘Safety and Health Coexistence Cooperation Project’ long before then. As a result, we have been recognized multiple times as an outstanding workplace in the eastern region of Gyeongsangnam-do. Currently, we have evolved the project into the ‘Safety and Health Win-Win Cooperation Project,’ focusing on activities that provide tangible help to our partner companies rather than mere formality. For example, we offer consulting on safety and health management systems, provide necessary key supplies, and share information through monthly council meetings. We also conduct walk-around inspections every two days and joint quarterly inspections with our partner companies to examine on-site risk factors meticulously. Furthermore, we operate special safety education and health promotion programs, concentrating on elevating the standards of partner companies that have relatively inadequate safety and health infrastructure. Hwaseung R&A will continue to pursue a path of true win-win cooperation, building a safe workplace together with our partners based on mutual trust.



Safety and health education for partner companies

Status of Safety and Health Win-Win Cooperation with Partner Companies

Safety and health education for partner companies

Purpose: To raise safety awareness through practical and experience-based safety and health education
Targets: 12 partner companies (117 persons)
Outcome: 100% completion rate

Practical education for partner companies on the Serious Accidents Punishment Act

Purpose: Practical education for partner companies within our business sites on the Serious Accidents Punishment Act and distribution of booklets
Targets: CEOs of partner companies (persons in charge)

Health care programs for partner companies

Purpose: Counseling for prevention of cardiovascular and musculoskeletal illnesses
Targets: 11 partner companies (64 persons)



Focus Topic

STAKEHOLDER INTERVIEW



Win-win
cooperation is the
key to opening a
sustainable future.

Partner Company
Seungho Co., Ltd.
CEO Lee Dong-Seok



Asking the CEO of a Partner Company on
Our Journey Together!

Q1 Please provide an overview of your company and its business relationship with Hwaseung R&A.

Seungho Co., Ltd. is a key partner of Hwaseung R&A, having long experience and technical expertise in automotive parts manufacturing. Through our primary products, weather strips, we contribute to enhancing the airtightness and driving stability of vehicles. The two companies have maintained a business relationship since 1996, working together for stable parts supply and quality improvement. Seungho Co., Ltd. actively participates in Hwaseung R&A's safety and health, quality improvement, and win-win cooperation programs, taking the lead in creating sustainable value. In particular, we cooperate on expanding ESG management and strengthening supply chain competitiveness, thereby achieving mutual growth.

Q2 Hwaseung R&A supports its partner companies in various areas, including finance, technology, and safety. Among the support activities undertaken by Hwaseung R&A, which experiences were particularly meaningful, and how do you think this support will impact the sustainable management of your company?

We received consulting support from Hwaseung R&A regarding the Serious Accidents Punishment Act. We were at a loss on how to proceed because we lacked experienced management personnel to draft the relevant documents, so their assistance was a great help. Hwaseung R&A provided us with various improvement measures: a comprehensive manual for implementing the Serious Accidents Punishment Act, a risk assessment manual, a manual for promoting the campaign for creating a safe workplace, a manual for TBM (safety checks before starting work) operations, and guidelines for resolving serious accident risks for each focused management target. Through this safety and health system consulting, Seungho Co., Ltd. aims to equip the person in charge of implementing the Serious Accidents Punishment Act with document forms for duty-specific implementation schedules and procedures, enabling easier work execution. We will also engage workers in accident prevention activities and implement the use of self-inspection checklists.

Q3 Please share any areas where Hwaseung R&A can supplement or strengthen its win-win cooperation support activities to provide more tangible assistance to partner companies. In addition, please tell us if you need any further support or have suggestions regarding ESG management activities from the perspective of a partner company.

Recently, global buyers and large corporations have been increasingly demanding ESG management and activities. It would be helpful to receive support with interpreting ESG evaluation criteria and actual response methods. As a partner company, we would be able to secure ESG evaluation response capabilities if we were to receive tailored support based on company size and business characteristics, including on-site diagnostics, identification of inadequacies, and establishment of an improvement roadmap. For instance, it would be beneficial to receive step-by-step guidance through consulting on practical topics like carbon emission calculation methods (GHG Protocol), supply chain human rights risk assessment, and ESG report writing. We hope that this collaborative foundation will lead to the internalization of the ESG system across the entire value chain in the future.

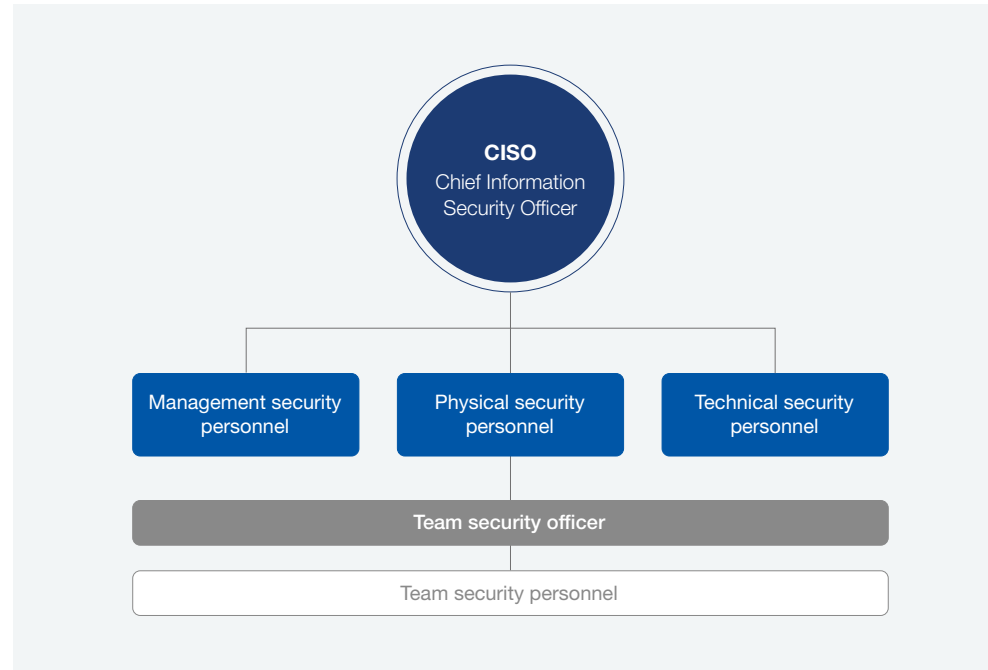


INFORMATION SECURITY AND PERSONAL INFORMATION PROTECTION

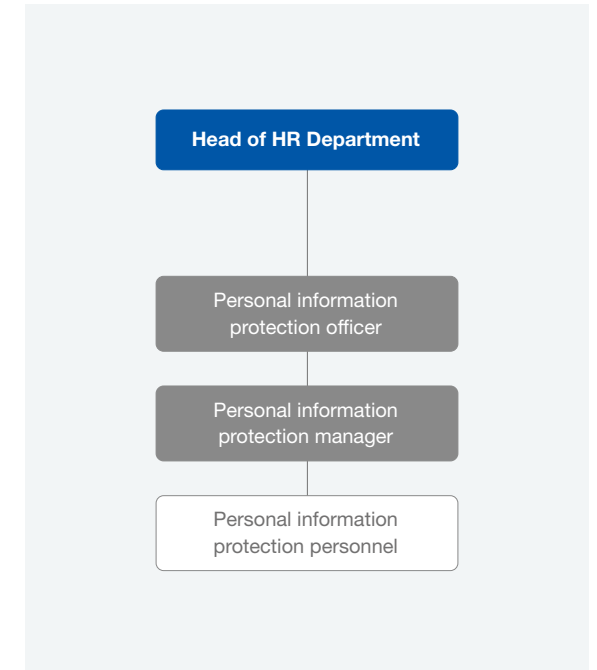
GOVERNANCE

Since 2009, Hwaseung R&A has established corporate information protection management regulations and has continued systematic activities for managing and protecting corporate information. The information security organization is operated by the Chief Information Security Officer (CISO), with company-wide security personnel and team-specific security officers appointed. The Security Committee is responsible for establishing and operating major information security-related policies. The CISO leads the establishment of security regulations, review and incorporation of security policies according to changes in the external environment, company-wide training, inspections, and audits. The implementation status of security policies is reviewed at company-wide security personnel meetings held at least once a quarter, and the security responsibilities for all employees and relevant stakeholders are defined clearly. Additionally, a CISO is appointed to oversee information system operations and security tasks, ensuring system stability and information reliability. In parallel, we establish and operate separate guidelines for information security and information asset management regulations, personal information protection policies and principles, and personal information security regulations. In 2024, we prepared new personal information protection policies and principles to strengthen our personal information protection system, clarifying personal information collection and management, entrusted processing, opinion collection, complaint handling, and management officer designation.

Security Committee Organization Chart



Personal Information Protection Organization Chart





Environmental

Social

[Special Topic] Safety and Health Management

[Focus Topic] Supply Chain Management

• [Focus Topic] Information Security and Personal Information Protection

Product Quality and Safety

Human Rights Management

Human Resource Management

Good Organizational Culture to Work

Local Community Contribution

Governance

Focus topic +

INFORMATION SECURITY AND PERSONAL INFORMATION PROTECTION

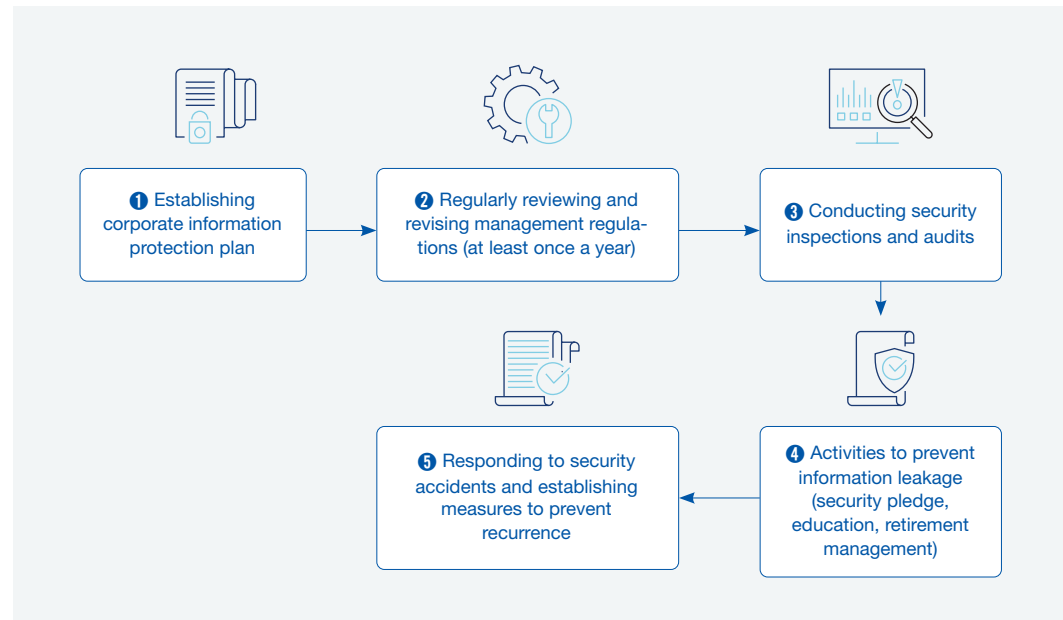
STRATEGY

Information Security Strategy

Hwaseung R&A perceives information protection as a core management element and establishes an annual corporate information plan to manage information protection performance systematically. Based on this, we review corporate information protection management regulations at least once a year and revise them to promptly reflect changes in laws and client policies. The establishment and revision of these regulations are finalized through deliberation by the Security Committee and final approval of the CISO. All departments handling corporate information conduct security inspections and audits at least once a year. The inspection items are set based on comprehensive indicators, including security policy, security organization, asset management, human resource security, physical security, and technical security. New employees sign a security pledge submitted to the HR department, agreeing not to disclose corporate information during their employment or to leak or use information without authorization after retirement.

Corporate Information Security Management Regulation

Process for Managing Corporate Information Protection

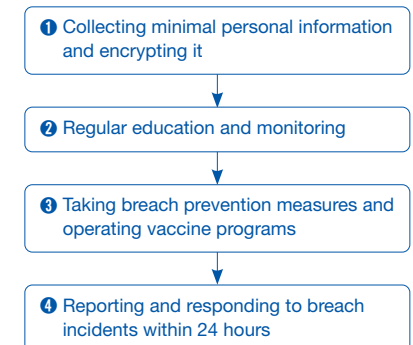


Personal Information Protection Strategy

Hwaseung R&A protects the personal information files of users and transmitted data by encrypting them or applying file lock functions. Infringement risks are blocked in advance through periodic antivirus program updates. Following our internal personal information protection guidelines, we adhere to the principle of minimum data collection throughout the entire process of personal information collection, processing, storage, and destruction, prioritizing anonymization. In the event of a personal information leakage, we report it to the relevant authorities within 24 hours in accordance with relevant laws. We continuously strengthen our personal information protection capabilities through regular personal information protection education and monitoring. Through this integrated strategy encompassing both corporate and personal information protection, Hwaseung R&A safely protects customer and stakeholder information in a rapidly changing digital environment and continuously enhances the reliability and transparency of its information protection system.

Personal Information Protection Policy

Process for Managing Personal Information Protection





Environmental

Social

[Special Topic] Safety and Health Management

[Focus Topic] Supply Chain Management

• [Focus Topic] Information Security and Personal Information Protection

Product Quality and Safety

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INFORMATION SECURITY AND PERSONAL INFORMATION PROTECTION

RISK MANAGEMENT

Responding to Security Breach Incidents

Hwaseung R&A operates a Security Incident Response Team to respond to cybersecurity risks quickly and systematically. This team, comprised of the CISO and company-wide security personnel, leads incident investigation, evidence collection, cause analysis, and the establishment of recurrence prevention measures when an incident occurs. Should a security violation arise, the company-wide security personnel assess the severity. Minor issues result in a warning to the respective employee and their team manager, whereas serious violations are reported immediately to the CISO for strict action in accordance with regulations. When necessary, we cooperate with specialized external companies and organizations to enhance our incident response capabilities. The Security Committee designates controlled areas in major facilities to protect corporate information and important assets. Security personnel and equipment are deployed at entrances to strictly control access of outsiders. Visitors must undergo a pre-registration process for entry and are allowed to access only limited areas under escort by an employee. For partner companies and subcontractors, a security pledge must be submitted to prevent corporate information leakage. During joint projects, employees from relevant organizations are also required to sign a corporate information protection pledge.

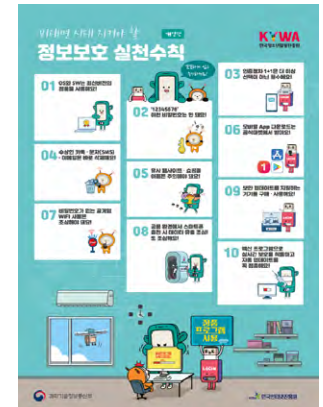


Responding to Personal Information Leakage Incidents

Hwaseung R&A adheres to the principle of collecting minimal personal information throughout the entire process of collecting, processing, storing, and destroying personal information, prioritizing the anonymization of collected personal information. In the event of a personal information breach, we thoroughly fulfill our reporting obligation to relevant authorities within 24 hours in accordance with relevant laws. Through systematic risk management activities, such as continuous advancement of incident response and prevention systems, we prevent information protection risks proactively and strengthen our ability to respond to potential cyber threats.

Information Protection and Security Education

Hwaseung R&A conducts annual information protection and security education to raise information protection awareness among employees and strengthen security capabilities. The education programs include core topics for practice, including basic information protection rules, user ethics, the ten major information protection practices, ransomware prevention, usage of Endpoint Protection (EP) and email systems, operation of in-house authentication system, network access restriction system, Virtual Private Network (VPN) utilization, and Cloudium (in-house cloud system). Through such programs, our employees can actively respond to the latest security threats, contributing to improving the overall information security level of the company.



Information Security Practice Rules



Environmental

Social

[Special Topic] Safety and
Health Management

[Focus Topic] Supply
Chain Management

• [Focus Topic] Information
Security and Personal
Information Protection

Product Quality and
Safety

Human Rights
Management

Human Resource
Management

Good Organizational
Culture to Work

Local Community
Contribution

Governance

Focus Topic

EFFORTS OF HWASEUNG R&A FOR INFORMATION SECURITY AND PERSONAL INFORMATION PROTECTION

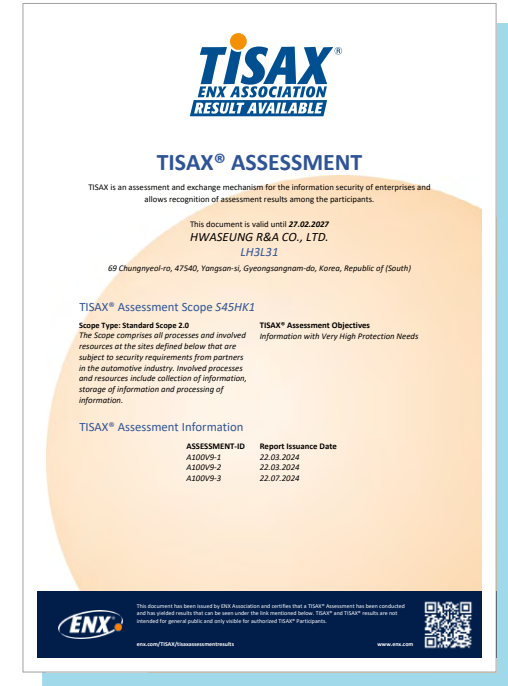
Receiving Highest Rating from TISAX Certification

In August 2024, Hwaseung R&A received the highest rating in Trusted Information Security Assessment Exchange (TISAX), a global information security certification supervised by the German Association of the Automotive Industry (VDA). Here is the story about the purpose of this certification and the process of obtaining it.

TISAX certification is an international standard created to enhance information security trust within the automotive industry. Built upon international security standards like ISO/IEC 27001 and 27002, this certification serves as a system to evaluate and manage information protection levels across the supply chain. There was continuous demand from global OEMs for this certification, but we approached it cautiously due to the high level of requirements for acquiring the certification. We have always managed all confidential information generated during our business operations strictly, and we immediately block account access authority when our employees transfer departments or resign. When external personnel are involved, we obtain and keep information security pledges. For IT equipment or facility management outsourced externally, we always include information security clauses in the contracts. We believe that such systematic management and efforts allowed us to receive the highest TISAX rating this time. This certification goes beyond simply showing 'good security' and plays a crucial role in gaining trust for transactions and collaborations with global automotive companies. Through this certification, Hwaseung R&A has gained international recognition for its information security capabilities. We expect to continue stable cooperation with more global customers and see more opportunities open up in the future.



TISAX(Trusted Information Security Assessment Exchange)



TISAX certificate



Focus Topic

STAKEHOLDER INTERVIEW

“

Information security and
personal information
protection are the most
basic requirement of a
trusted company.



Hwaseung Corporation
IT Team

Senior Manager Kang Myeong-Joo

Checking Security Strategy with the
IT Team to Cope with Cyber Threats!

Q1 Hwaseung Corporation manages information security and personal information protection for all affiliates. Please explain the system and operational methods that are commonly applied, including for Hwaseung R&A.

Hwaseung Corporation manages information security and personal information protection systematically at the group level. It applies to all affiliates, including Hwaseung R&A and Hwaseung T&C. First, an information security management system based on ISO 27001 standards has been established, and related policies and procedures are applied to all affiliates uniformly. For personal information protection, we strictly adhere to relevant laws such as the Personal Information Protection Act, and we have prepared and disclosed procedures and standards to protect the rights and interests of information subjects. Employee education is the most important of all. Since human awareness is the biggest variable in information security and personal information protection, we conduct regular education for all employees. By operating an integrated system at the group level, all affiliates are elevating their information security standards together.

Q2 In 2024, Hwaseung R&A obtained TISAX certification to strengthen company-wide information security. Please introduce what TISAX certification is and what positive changes or effects this certification brings to Hwaseung R&A.

TISAX certification is an information security certification system created by the German Association of the Automotive Industry (VDA). Simply put, it is a mandatory security certification required by German OEM clients for their partners. Without this certification, companies face disadvantages such as being unable to participate in bidding or share parts design drawings and data. Considering these points, Hwaseung R&A obtained TISAX certification in 2024, enabling us to meet the security standards demanded by our clients. This has further solidified our partnerships with customers, and it was an opportunity to elevate our information security capabilities internally. Ultimately, obtaining this certification brought two benefits: increasing external credibility and strengthening our internal security system.

Q3 With the amendment of the Personal Information Protection Act and the advancement of AI technology, information security issues are emerging as core matters in corporate management. Please explain what response measures and activities are planned by Hwaseung R&A to strengthen information security and personal information protection.

These days, information security is not just an IT issue but a core issue in corporate management. Hwaseung R&A is also following this trend by strengthening its security infrastructure and technical measures. In particular, it conducts regular education and training annually to raise security awareness among employees. It also conducts internal vulnerability inspections through specialized external organizations. Hwaseung R&A strives to respond proactively to potential threats by immediately addressing any vulnerabilities found during these inspections. Additionally, it is considering implementing system access control and MFA (secondary authentication) to prevent internal information leakage, block external intrusion threats, and ensure compliance response. Their goal is to further elevate security levels by preparing countermeasures in such diverse areas.



Environmental

Social

[Special Topic] Safety and Health Management

[Focus Topic] Supply Chain Management

[Focus Topic] Information Security and Personal Information Protection

• Product Quality and Safety

Human Rights Management

Human Resource Management

Good Organizational Culture to Work

Local Community Contribution

Governance

PRODUCT QUALITY AND SAFETY

QUALITY MANAGEMENT SYSTEM

Hwaseung R&A manages quality levels systematically by aggregating monthly quality performance and indexing it by production site. We manage quality issues cumulatively from the product development stage by tracking their history, and prevent the recurrence of similar quality problems through horizontal deployment. When defective products occur, we confirm improvements through the inspection of conditions and identify exemplary improvement cases to share with partner companies in the same business area, thereby promoting an enhancement in quality levels. As a result of these continuous quality improvement efforts, we have obtained IATF 16949 certification, an automotive industry-specific quality management system, to build a system that meets global quality standards.



IATF 16949 certificate

CUSTOMER SATISFACTION PROCESS

Hwaseung R&A operates a customer satisfaction management process led by the SL/FL QA Team and the Quality Management Team. The SL/FL QA Team monitors satisfaction based on customer performance indices and internal indices according to customer-specified requirements and performs improvement activities based on the monitoring results to enhance customer satisfaction. Additionally, we listen to and manage customer opinions and trends daily through online portals for each client, striving to reflect them proactively. Moreover, we identify areas for improvement through continuous improvement activities in management systems and manufacturing sectors, as well as quality improvement activities of major clients. We operate the entire process from initial planning to execution and post-management systematically, thereby creating added value through increased productivity, improved quality, and reduced cost. The Quality Management Team identifies and implements improvement activities based on customer satisfaction surveys.

Category	Description
Monitoring quality improvements and seeking horizontal expansion	<ul style="list-style-type: none">Aggregating monthly quality performance and managing and monitoring indices for each production siteReflecting horizontal deployment of past quality issues during product developmentSelecting exemplary defect improvements and reflecting horizontal deployment among partner companies
IATF 16949 risk management process	<ul style="list-style-type: none">Identifying, evaluating, and managing potential risks in products supplied to automotive customers to protect customers from risksQuality management items<ul style="list-style-type: none">Inspection and testing, change management, quality index managementQuality assurance, quality management, and partner management

RESPONDING TO QUALITY VOC

To produce and supply products that can satisfy customers, Hwaseung R&A strives to improve quality and operates customer satisfaction surveys, VOCs, and product recalls. All complaints received through VOCs of Hwaseung R&A have been handled over the past three years. We received and handled customer complaints by maintaining an internal customer complaint management ledger, and there were no voluntary recalls. In 2024, based on product verification and process inspection monitoring using a dedicated organization for partner companies, VOC submissions decreased by 33.3% compared to the previous year. In addition, we establish a customer satisfaction process and manage customer opinions and trends via online portals for each client.

PROVIDING CUSTOMER SATISFACTION SERVICES

Quality 5-Star

In 2024, Hwaseung R&A received a score of 71.52 from the Hyundai and Kia Motor Company Quality 5-Star evaluation, marking a 1.39% increase from the previous year's score of 70.54. This evaluation system is a comprehensive program by Hyundai and Kia that assesses the quality level of supplier deliveries, assigning ratings across five tiers (5-star to 1-star) based on the score. Hwaseung R&A attained a satisfactory quality level (4-star) through continuous improvement activities aimed at quality enhancement. Going forward, we plan to strengthen our quality competitiveness further, prioritizing customer satisfaction.

VOC Status

Category	Unit	2022	2023	2024
Received	Cases	113	260	170
Handled	Cases	113	260	170

Quality 5-Star Status

Category	Unit	2022	2023	2024
Evaluation score	Points	69.34	70.54	71.52



Environmental

Social

[Special Topic] Safety and Health Management

[Focus Topic] Supply Chain Management

[Focus Topic] Information Security and Personal Information Protection

Product Quality and Safety

• Human Rights Management

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HUMAN RIGHTS MANAGEMENT

HUMAN RIGHTS MANAGEMENT SYSTEM

Hwaseung R&A considers human rights a core corporate value and strives to respect and protect the human rights of all employees and stakeholders. To this end, we established the 'human right management policy' and the 'diversity & inclusion policy' in July 2024. We also built a system to prevent and mitigate human rights risks across all business activities, complying with international standards such as the Universal Declaration of Human Rights (UDHR), UN Guiding Principles on Business and Human Rights (UNGPs), ILO Core Conventions, and OECD Guidelines for Multinational Enterprises. Based on this, we are strengthening our management system continuously to prevent human rights violations for employees and stakeholders and to provide prompt remedies when necessary. In the future, Hwaseung R&A will make the best effort to spread a culture that respects human rights throughout the company and to realize sustainable management that fulfills social responsibilities.

Human Right Management Policy 

Diversity & Inclusion Policy 

MANAGING HUMAN RIGHTS RISKS

Human Rights Impact Assessment

Hwaseung R&A conducted a human rights impact assessment in 2024 to identify and assess actual and potential risks that corporate activities could pose to human rights. This assessment involved both surveys and in-depth interviews with employees, through which we understood human rights risks within the organization and the difficulties faced by employees in depth. According to the R&A assessment (an external professional evaluation framework that comprehensively diagnoses a company's human rights management level and risks), we received satisfactory evaluations with a score over 70 points in areas such as guarantee of occupational safety and health, environmental rights, and prohibition of forced and child labor. However, we received relatively lower scores in areas like the establishment of a human rights management system, non-discrimination in employment, guarantee of freedom of association and collective bargaining, and responsible supply chain management.

Accordingly, Hwaseung R&A plans to establish concrete improvement measures for the items identified as human rights risks and to reconsider its internal human rights policies and implementation directions comprehensively. In particular, we intend to drive changes in our organizational culture, activate free communication among employees, and strengthen education and campaigns to raise human rights awareness. Also, in the long term, we aim to build an organized human rights management system to prepare a foundation for continuous management and prevention of human rights risks.



Human Rights Risks and Improvement Methods



Building a human rights management system

Internal and external disclosure of basic human rights policies, operation of grievance channels, and officialization of prompt relief measures



Managing the supply chain responsibly

Partner evaluations based on the Code of Conduct for Business Partners and management in connection with the procurement system



Freedom of association and collective bargaining

Reinforcement of labor-management and employee communications through councils, meetings, and workshops



Environmental

Social

[Special Topic] Safety and Health Management

[Focus Topic] Supply Chain Management

[Focus Topic] Information Security and Personal Information Protection

Product Quality and Safety

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HUMAN RIGHTS MANAGEMENT

Channels for Handling Human Rights Grievances

Hwaseung R&A operates a grievance handling system in accordance with labor-management council regulations to protect the rights of employees and enable smooth communication. Employees can freely raise grievances through online communication channels or via verbal or written reports to grievance officers. Two grievance officers are appointed from the labor-management council members, and submitted grievances are handled through consultation by both officers. Employees are informed of the action taken within 10 days of submission to help their understanding. Matters that grievance officers cannot resolve are referred to the subsequent or extraordinary labor-management council meeting for prompt handling. Grievances received and their resolutions are recorded systematically and retained for one year. In addition, we also accept various suggestions other than grievances, including removing wasteful elements, improving on-site conditions, reducing costs, enhancing work environments and procedures, and improving internal practices, through the online communication channel. We offer a reward to excellent proposers to encourage active participation. Hwaseung R&A continues its efforts to listen to the voices of employees through the grievance handling system and to create an organizational culture of respect and trust.

Grievance Handling Status

Category	Unit	2022	2023	2024
Received	Cases	11	10	12
Handled	Cases	11	10	12
Handling rate	%	100	100	100

HUMAN RIGHTS EDUCATION

Hwaseung R&A conducts statutory human rights education for all employees, including education for improving disability awareness, preventing sexual harassment, preventing workplace bullying, and prohibiting child labor and forced labor. Beyond simply fulfilling legal obligations, we design programs to ensure the educational content can be applied to human rights protections in actual work environments and daily life. Through these programs, all employees can enhance their basic understanding of human rights and foster a healthy and respectful organizational culture. Additionally, we conduct preliminary education for interviewers to prevent potential human rights violations during the interview process for new hires and establish fair, non-discriminatory recruitment procedures. This education emphasizes that discriminatory questions about education, age, gender, illness, marital status, and disability, as well as informal or dismissive language, are violations of the Fair Hiring Procedure Act, thereby preventing inappropriate conduct during interviews.

Human Rights Education Participation Status

Category	Unit	2022	2023	2024
Improvement of disability awareness	Persons	246	693	705
Prevention of sexual harassment	Persons	802	819	867
Prevention of workplace bullying	Persons	206	698	672
Prohibition of child labor and forced labor	Persons	388	609	234



2024 Disability Awareness Education
Participation Status

705 Persons





Environmental

Social

[Special Topic] Safety and Health Management

[Focus Topic] Supply Chain Management

[Focus Topic] Information Security and Personal Information Protection

Product Quality and Safety

Human Rights Management

• Human Resource Management

Good Organizational Culture to Work

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HUMAN RESOURCE MANAGEMENT

TALENT RECRUITMENT AND OPERATION

Ideal Talents

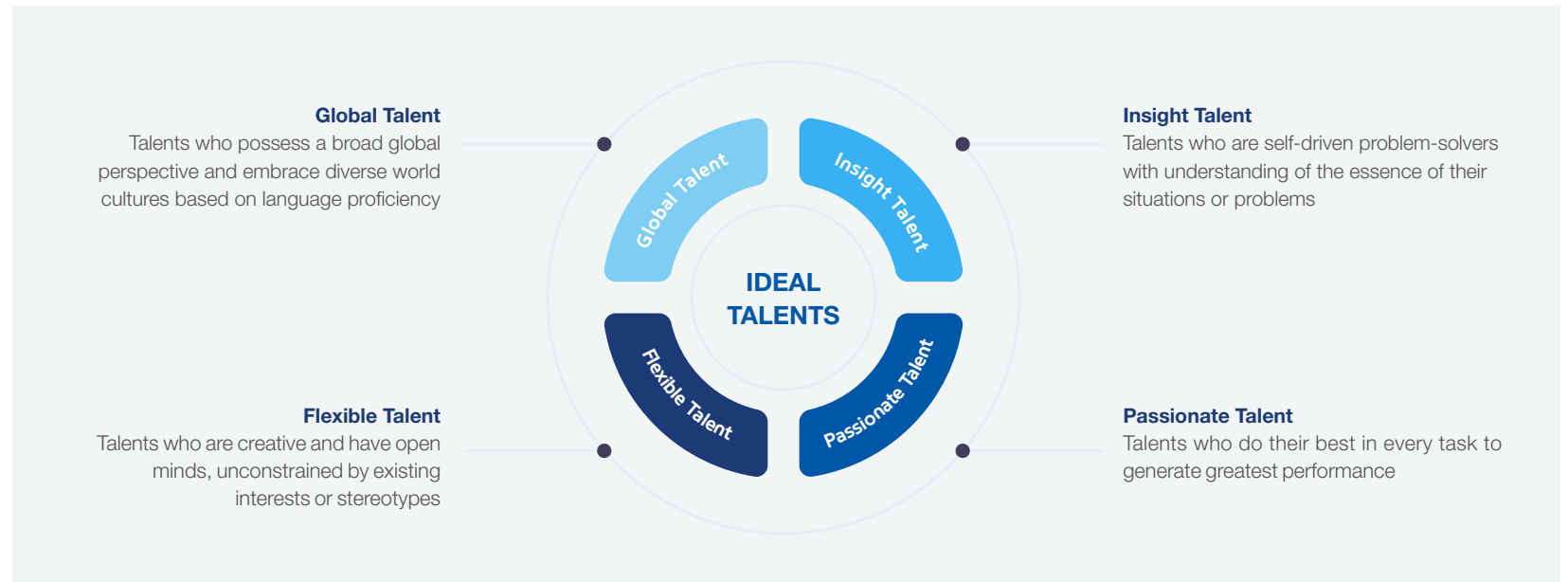
Hwaseung R&A defines Hwaseung people as talents with an upright personality capable of respecting, understanding, and building trust with others. We seek talents who possess a broad global perspective and embrace diverse world cultures based on language proficiency, are self-driven problem-solvers with an understanding of the essence of their situations or problems, are creative and have open minds, unconstrained by existing interests or stereotypes, and do their best in every task to generate greatest performance.

Talent Recruitment

Hwaseung R&A regulates its recruitment procedures through the Employment Rules. Candidates must undergo defined selection processes and submit specified documents. New hires undergo a three-month probationary period, during which employment may be canceled based on work appraisals. Once hired, employees sign an employment contract. The contract term is within one year, unless it is a contract with an indefinite term, and can be renewed as necessary. Additionally, Hwaseung R&A pursues inclusive talent recruitment, actively recruiting disabled persons and persons of national merit. As of 2024, these individuals account for 3% of all employees.

Inclusive Recruitment Status

Category	Unit	2022	2023	2024
Disabled persons	Persons	18	12	12
Persons of National Merit	Persons	8	7	8



HUMAN RESOURCE MANAGEMENT

LEADERSHIP AND JOB COMPETENCY EDUCATION

In October 2024, Hwaseung R&A conducted a survey to increase the educational satisfaction of employees and formulated an education plan by incorporating courses that employees found to be beneficial or necessary. In 2025, Hwaseung R&A strengthened AI education appropriate for technological innovation and the work environment and launched courses on AI literacy education, practical education for new employees, communication education for position holders, and stress management education for both organizational and personal growth. With a total of 15 courses, we organized the educational methods by reflecting the program characteristics, divided into residential, group, and online education. We enhanced the quality of employee education by introducing smart language learning and new book learning as new courses and tried to meet the needs of employees by opening special lectures on humanities and health management.

Employee Educational Expense Status

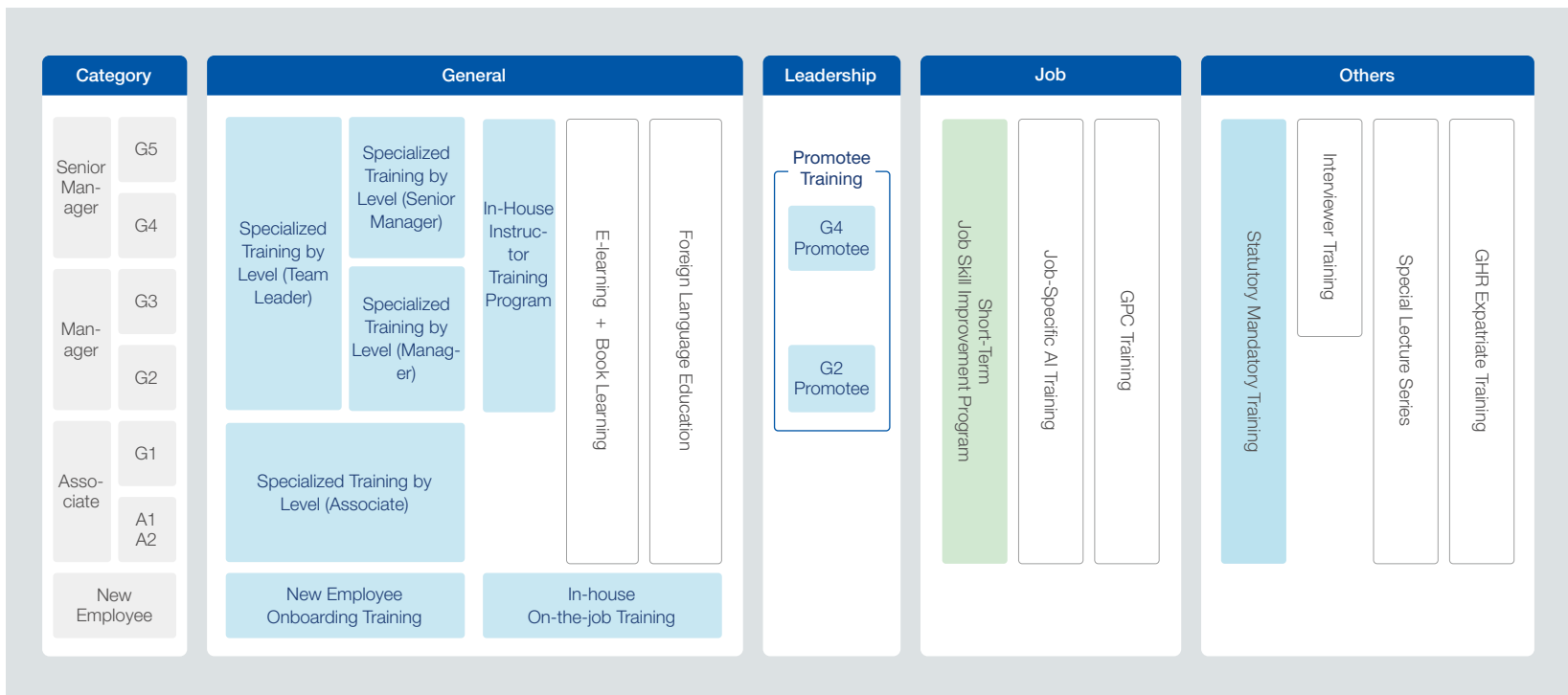
Category	Unit	2022	2023	2024
Total educational expenses for employees	KRW thousand	83,577	174,547	219,954
Educational expenses per employee	KRW thousand	133	268	326

Employee Education System

Mandatory

Optional

Exclusive



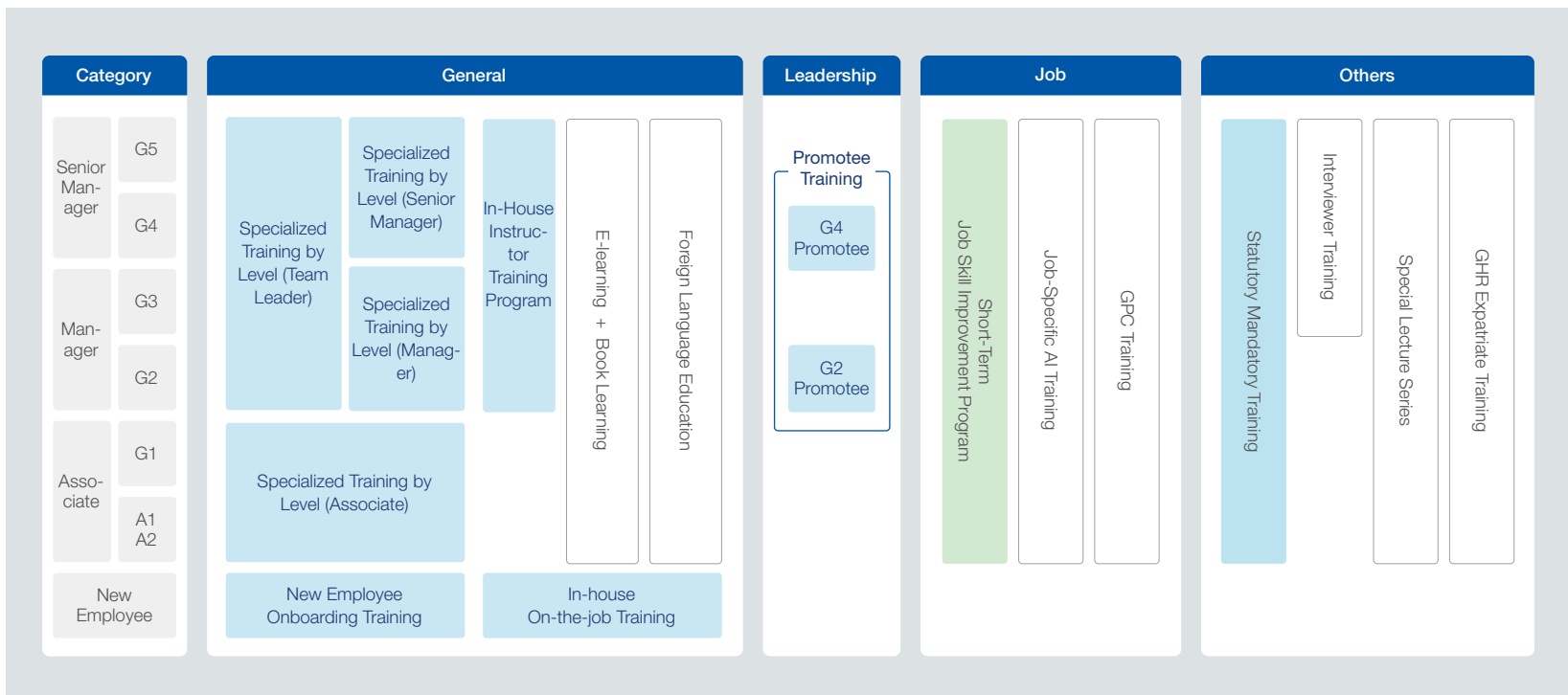
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Employee Education System

Mandatory

Optional

Exclusive



LEADERSHIP AND JOB COMPETENCY EDUCATION

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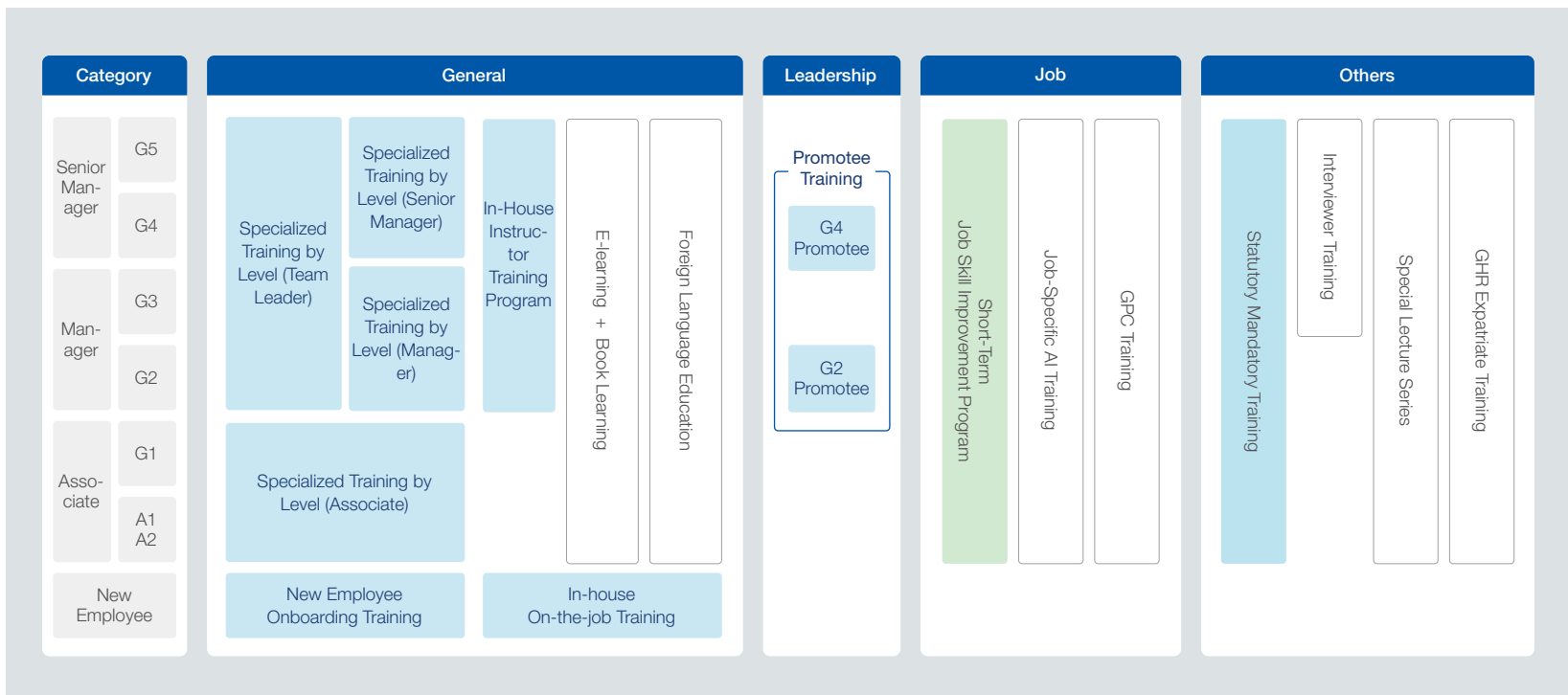
Category	Unit	2022	2023	2024
Total educational expenses for employees	KRW thousand	83,577	174,547	219,954
Educational expenses per employee	KRW thousand	133	268	326

Employee Education System

Mandatory

Optional

Exclusive





Environmental

Social

[Special Topic] Safety and Health Management

[Focus Topic] Supply Chain Management

[Focus Topic] Information Security and Personal Information Protection

Product Quality and Safety

Human Rights Management

• Human Resource Management

Good Organizational Culture to Work

Local Community Contribution

Governance

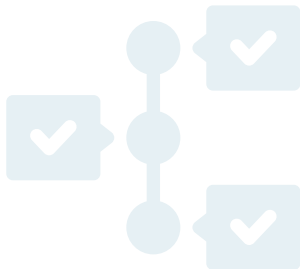
PERFORMANCE REWARD SYSTEM

Appraisal System

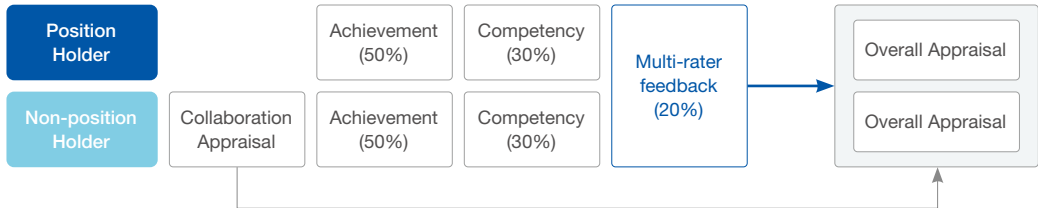
Starting in 2024, Hwaseung R&A has implemented fair performance appraisal to address the silo phenomenon between employees and the organization. Achievement appraisal was rearranged to introduce process appraisal and establish meaningful goals. The weight of competency appraisal in the overall performance appraisal has been reduced. A newly introduced collaboration appraisal is conducted among relevant departments, applying a team-based total score system. Multi-rater appraisal involves employees assessing each other within the organization. Lastly, the overall appraisal results are calculated by reflecting 50% from achievement appraisal, 30% from competency appraisal, and 20% from multi-rater appraisal.

Appraisal Process

Hwaseung R&A has established and operates a process composed of appraisal indicators by appraisal category, appraisal targets, appraisers, appraisal methods, and appraisal results. The score for each appraisal item is derived as an overall appraisal result, reflecting 50% from achievement appraisal, 30% from competency appraisal, and 20% from multi-rater appraisal, serving as objective data for assessing employee performance.



Appraisal System



Process of Each Appraisal

Appraisal Type	Appraisal Criteria	Appraisal Target	Evaluator	Appraisal Method	Appraisal Results
Collaboration Appraisal	Organizational Collaboration Appraisal	Department	Related Department	Score Aggregation by Question	5-Point Scale (Score Weight Adjustment Role)
Competency Appraisal	Appraisal of Task Achievement (Process and Results)	Position Holder / Non-position Holder	First Evaluator (Team Leader / Department Head / Executive)	Task Outcome or Process	On a 100-point scale
Achievement Appraisal	Competency Level Appraisal	Position Holder / Non-position Holder	First Evaluator (Team Leader / Department Head / Executive)	Score Aggregation by Question	On a 100-point scale
Multi-rater Appraisal	Leadership and Competency Level Appraisal	Position Holder / Non-position Holder	Peer / Higher or Lower Rank Evaluators	Score Aggregation by Question	On a 100-point scale
Overall Appraisal	Achievement Appraisal (50%) + Competency Appraisal (30%) + Multi-rater feedback (20%)				

GOOD ORGANIZATIONAL CULTURE TO WORK



HWASEUNG R&A
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OUR BUSINESS

ESG MANAGEMENT

ESG PERFORMANCE

Environmental

Social

[Special Topic] Safety and
Health Management

[Focus Topic] Supply
Chain Management

[Focus Topic] Information
Security and Personal
Information Protection

Product Quality and
Safety

Human Rights
Management

Human Resource
Management

• Good Organizational
Culture to Work

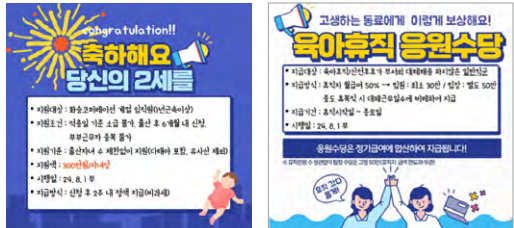
Local Community
Contribution

Governance

APPENDIX

OPERATING CORPORATE CULTURE ACTIVITIES AND PROGRAMS

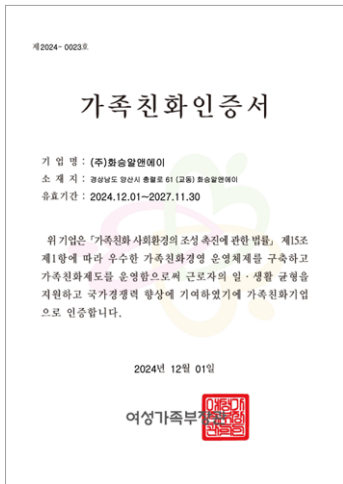
Hwaseung R&A perceives that employee happiness is an important company value and strives to provide a better work environment. We offer diverse welfare programs in Family, Work & Life, and Refresh areas and run health management programs to support employees in maintaining health and achieving work-life balance. Such efforts and achievements were recognized with the family-friendly certification from the Ministry of Gender Equality and Family in December 2024. Additionally, to understand employee needs and areas for improvement, we conducted a work satisfaction survey in 2024. Hwaseung R&A assesses satisfaction with the work environment and organizational culture regularly, using the results to promote improvement activities. The recent employee satisfaction survey revealed an overall score of 70 points, and we have derived improvement tasks focusing on areas that received relatively lower scores on the survey items.



Posters regarding parental leave

Family-Friendly Company Certification

In December 2024, Hwaseung R&A was designated as a family-friendly certified company by the Ministry of Gender Equality and Family, being recognized for the successful implementation and practice of family-friendly systems, including support for childbirth and childcare and the operation of flexible work systems. Family-friendly certification is an official recognition granted by the Ministry of Gender Equality and Family to exemplary companies and organizations that operate systems supporting employees' work-life balance. Hwaseung R&A plans to continue expanding various family-friendly systems to improve the quality of life for employees and enhance workplace sustainability.



Family-friendly certificate

LABOR UNION COMMUNICATION

Hwaseung R&A pursues sustainable corporate growth and enhances the rights of workers by fostering a fair and sound labor-management relationship. To achieve this, we have formed and operated a Labor-Management Council comprising five worker representatives and five employer representatives. Based on its regulations and collective bargaining agreement, the Labor-Management Council respects and guarantees the three basic rights of workers (freedom of association, collective bargaining, and collective action) and regularly discusses key labor issues. Topics of discussion include: productivity enhancement and profit sharing; employee recruitment, placement, and training; prevention of labor disputes; grievance handling and work environment improvement; strengthening safety and health; procedures for employment adjustments (reassignments, retraining, dismissals, etc.); improvements to working hours and wage systems; response measures for the introduction of new technologies and processes; support for employee asset building; and enhancement of worker welfare. Key agreements are communicated promptly to all employees via in-house announcements, company newsletters, and bulletin boards. Through these efforts, both labor and management strive to expand common benefits for the company and workers based on mutual trust.

Labor-Management Council Operating Status

Category	Unit	2022	2023	2024
Number of labor-management council meetings held	Times	4	4	4



GOOD ORGANIZATIONAL CULTURE TO WORK

OUR BUSINESS

ESG MANAGEMENT

ESG PERFORMANCE

Environmental

Social

[Special Topic] Safety and Health Management

[Focus Topic] Supply Chain Management

[Focus Topic] Information Security and Personal Information Protection

Product Quality and Safety

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• Good Organizational Culture to Work

Local Community Contribution

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APPENDIX

Welfare Benefits for Employees

Hwaseung R&A operates various welfare programs to help employees achieve work-life balance, find happiness with their families, and refresh healthily within the organization. The welfare policies that respect and support the lives of each individual are a core foundation for sustainable corporate management and are central to the healthy organizational culture pursued by Hwaseung R&A.

 FAMILY	Category	Description
	Company with family-friendly certification	· Obtaining 'family-friendly company' certification and creating family-friendly corporate culture
	Congratulatory grand upon childbirth	· Provision of a grant of KRW 3 million per child upon childbirth
	Parental leave	· Provision of 90 days of leave and salary before and after childbirth to female workers · Provision of 10 days of paternity leave for male employees
	Tuition support	· Support for childcare expenses, school uniform expenses, university tuition fees, etc.
	Encouragement gifts for child's enrollment and college entrance exam	· Provision of congratulatory gifts for enrollment in elementary school and encouragement gifts for college entrance exam
 REFRESH	Family invitation events	· Cultural and artistic events such as musicals, ballets, and magic shows to enjoy with families
	Category	Description
	Five additional days for summer vacation	Granting 5 additional days of non-annual paid leaves
	30-minute annual leaves	Using annual leaves flexibly in 30-minute increments as necessary
	Recharge leave for position holders	Operating recharge leaves of 3 days or longer for position holders
	Vacation trips for exemplary employees	Selection of exemplary employees in the first and second halves of each year, providing a 5-day overseas trip
 WORK & LIFE	Condominium and resort	Provision of stay at Hanwha or Daemyung Sono condominium or resort at employee discount rates
	Various vacation supports	Sandwich annual leaves, family care leaves, congratulatory or condolence leaves, infertility treatment leaves, etc.
	Category	Description
	Welcome Kit	Provision of a welcome kit to celebrate the exciting occasion of the first day at work
	Staggered commute system	Provision of a flexible working arrangement allowing employees to commute to work between 7 and 10 AM
	Smart Work	Settlement of a culture of leaving work on time, such as PC-OFF system, pursuing work-life balance for Hwaseung people
	Congratulations and condolences	Provision of support for one's marriage, including 100% of base salary
	Parental leave support allowance	Provision of monthly allowance of KRW 300,000 to 500,000
	Global language program support	Provision of video, phone, or online lectures on English, Chinese, Japanese, and other languages
	Soft landing support for new employees	Implementation of onboarding programs such as new employee orientation, OJT, and mentoring program
	Provision of vehicle maintenance allowance	Provision of monthly vehicle maintenance allowance of KRW 150,000 to 230,000, only to car owners
	Holiday and anniversary gifts	Provision of gifts for Lunar New Year, Chuseok, company anniversary, Family Month, and picnic expenses
	Employee apartment operation and support	Operation or support of employee apartments to provide housing convenience and opportunities for home ownership
	Club support	Support for in-house clubs created by Hwaseung people for futsal, soccer, bowling, foot volleyball, fishing, and mountain climbing
	Long service reward	Rewards up to KRW 10 million in 5-year increments from 10 to 30 years of service



GOOD ORGANIZATIONAL CULTURE TO WORK

HWASEUNG R&A
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OUR BUSINESS

ESG MANAGEMENT

ESG PERFORMANCE

Environmental

Social

[Special Topic] Safety and
Health Management

[Focus Topic] Supply
Chain Management

[Focus Topic] Information
Security and Personal
Information Protection

Product Quality and
Safety

Human Rights
Management

Human Resource
Management

• Good Organizational
Culture to Work

Local Community
Contribution

Governance

APPENDIX

Employee Health

Hwaseung R&A operates various health promotion programs so that employees can maintain healthy lives. We actively support the physical and mental well-being of employees through regular comprehensive health check-ups, job stress prevention and management, healthy lifestyle practice education, and smoking cessation programs. Especially, we have introduced a non-face-to-face psychological counseling program for job stress prevention since 2023. By reflecting high participant satisfaction and positive improvement opinions, we expanded the number of participants and the number of counseling sessions per participant in 2024, providing three in-depth counseling sessions for a total of 20 employees. Hwaseung R&A plans to continue expanding diverse health management programs to support the well-being and psychological stability of employees in the future.



Q. 심리상담? 그게 이상한 사람들이나 받는거 아닌가요?

A. 그렇지 않습니다!

'고민이 없는 사람은 이미 죽은 사람'뿐이다'라는 이야기를 들어보셨나요?

이 세상에 고민이 없는 사람은 없다!는 의미겠지요.

그럼, 저마다 가지고 있는 여러 고민과 걱정들을 크거나 무게로 겨룰 수가 있을까요?

우리는 모두 다른 사람이기에, 자신의 기준으로 '힘들'을 객관화 시킬 수는 없습니다.

나 스스로가 힘들다고 느낀다면.. 말이 새어나갈까봐 아무에게도 털어놓지 못하고 가슴에

돌처럼 쌓아둔 이야기가 있다면.. 단순히 누군가가 나의 이야기를 들어주길 바라다면..

어떠한 주제라도 괜찮으니 혼자 끙끙 앓지 말고 상담 전문가의 도움을 받아보세요!

이가 아프면 치과에 가듯이 마음이 답답할때 심리상담을 받는 것이라 이해하면 쉬워집니다.

또한, 전문 상담 기법에 의한 심리검사 해석과 상담의 경험은 나 스스로를 먼저 이해하고 여러 문제들을 현명하게 대처할 수 있는 마음의 근육을 단단하게 해주어, 앞으로 더 나은 사람으로 성장할 수 있게 도와줄 것입니다.

요즘 MZ세대들이 상담, 명상과 같은 정신건강 관리를 자기계발 영역으로 여기는 게 이런 이유일 것 같습니다. 마음이 건강해야 신체도 건강하다는 것! 꼭 잊지마세요~

Q. 심리상담! 비밀보장이 되나요? 회사에서 불이익이 생길까봐 불안해요..

A. 안심하세요!

심리상담사와 주고받은 모든 상담내용은 근로복지기본법 제 83조(근로자지원프로그램) 및 상담사의 윤리 강령에 의해 철저히 비밀이 보장됩니다.

※ 단, 아래의 '비밀보장 예외사항'은 있어요!

① 자해 및 자살 혹은 타해 및 타살 등 사회적 위험이 확인된 경우

② 치명적인 감염성 질병이 있다는 확실한 정보를 가졌을 경우

③ 미성년 내담자가 학대를 당하고 있거나, 내담자가 학대를 하고있는 경우

④ 법적으로 정보공개 명령이 내려진 경우

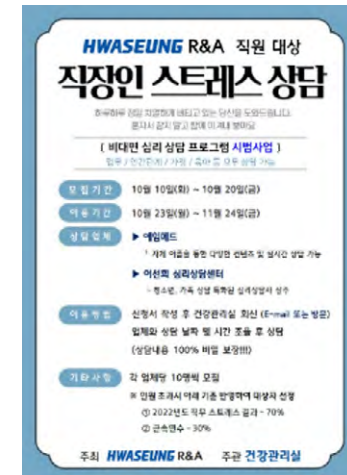
Mental health promotion program

Job Stress Prevention Management Program Operating Status

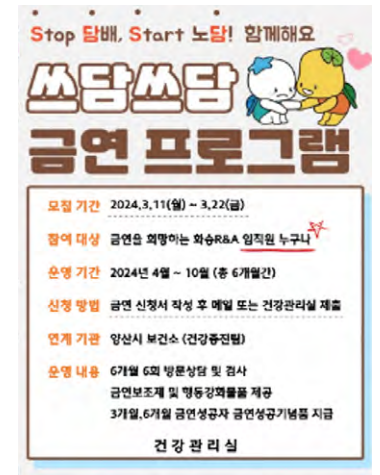
Category	Unit	2023	2024
Number counseled	Persons	8	20
Number of times supported	Times	1	3
Minutes supported	Minutes	50	50

Sseudam Sseudam No Smoking Program Operating Status

Category	Unit	Number of Participants
Number of participants	Persons	15
Number succeeded	Persons	2



Posters for job stress prevention management program



Poster for Sseudam Sseudam no smoking program



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LOCAL COMMUNITY CONTRIBUTION

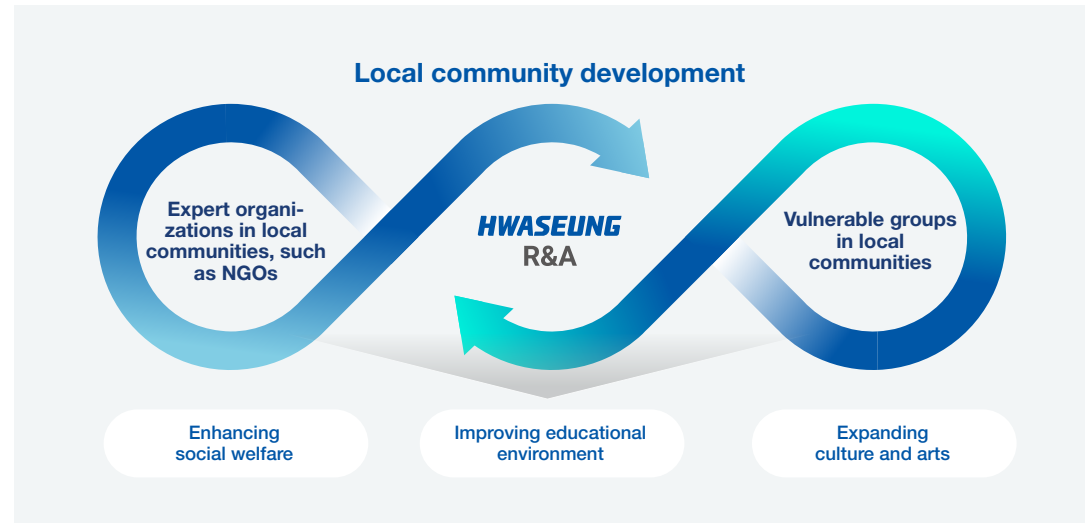
LOCAL COMMUNITY CONTRIBUTION PROMOTION SYSTEM

Hwaseung R&A listens to various social issues and strives to solve them. Particularly, we maintain continuous interest in underprivileged groups and neglected areas, establishing a Corporate Social Responsibility Policy in July 2024 so that all employees can practice authentic sharing. Based on a management principle that prioritizes coexistence with society, we continue improving our social contribution systems. We operate social contribution programs linked to corporate operations, striving to fulfill social responsibility that engages direct employee participation. In the future, Hwaseung R&A will continue creating meaningful value as a company that coexists with the local community and will lay the foundation for sustainable growth by going beyond social responsibility.

Corporate Social Responsibility Policy

LOCAL COMMUNITY CONTRIBUTION GOALS

Hwaseung R&A promotes local community development by applying the standards of the United Nations Sustainable Development Goals (UN SDGs) and ISO 26000. We operate various local community contribution programs aimed at improving educational environments, enhancing social welfare, and expanding opportunities in culture and arts for vulnerable groups in the local community by working together with specialized organizations in the local community, such as NGOs.



Local Community Sponsorship Projects

Project Title	Project Details	Annual Project Expense(KRW Million)
Sponsorship of Yangsan Sapryang Cultural Festival	Annually donating cash to revitalize local festivals as a social contribution activity	20
Sponsorship of the Republic of Korea National Red Cross	Regularly sponsoring KRW 500,000 each month	6
Sponsorship of local resident events	Sponsoring the Gangseo-dong Residents' Day Festival Sponsoring Gyo-dong Village Community resident events Sponsoring Yangsan-si Community Security Council Sponsoring Events for Yangsan-si Residents (Samseong-dong)	7
Regular sponsorship of Pusan National University Yangsan Hospital Supporters Association	Regularly donating KRW 50 million each year	50



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LOCAL COMMUNITY CONTRIBUTION

MAJOR ACTIVITIES

Culture and Arts Support Projects

Hwaseung R&A provides extensive support in the culture and arts area to provide opportunities for local community members to gain diverse cultural and artistic experiences. We sponsor the Buil Film Awards, which had been suspended due to financial difficulties, and contribute to the development of sports in the local community. Additionally, we continue inviting the Korean National Ballet for performances in the Busan

region, supporting young artists with developmental disabilities, and donating artifacts and development funds to the Busan Museum.

Social Welfare Projects

Since 2003, Hwaseung R&A has annually sponsored related organizations that support vulnerable groups in the local community, such as the Korean Association

for Children with Leukemia and Cancer and the Community Chest of Korea. In addition, Hwaseung R&A has planned and operated the 'Hwaseung Kkumteul Project' since 2014, supporting the economic independence of disabled persons by having employees act as mentors to help persons with disabilities obtain professional licenses.

Culture and Arts Support Projects

Project Title	Details	Program(Sponsorship) Title	Annual Expense (KRW Million)
Buil Film Awards sponsorship	The Buil Film Festival started in 1958 as the first film award in Korea, but was discontinued due to financial difficulties. It was revived in 2008 after 35 years with Hwaseung's support and became a film festival enjoyed by citizens. Hwaseung is providing ongoing sponsorship.	Buil Film Awards sponsorship	200
Korean National Ballet invitational performance	We participate actively in Mecenat activities, including inviting the Korean National Ballet for performances for Busan citizens to vitalize the ballet culture in Busan.	Planning Korean National Ballet invitational performance	50
Donation of artifacts to Busan Museum	In accordance with the will of the founder, the late chairman, 67 precious personal artifacts were donated to the Busan Museum in 1978. In 2024, we donated KRW 100 million as a development fund.	Supporting replacement of outdated facilities at Busan Museum	20

Social Welfare Projects

Project Title	Details	Program(Sponsorship) Title	Annual Expense (KRW Million)
Sponsorship of Korean Association for Children with Leukemia and Cancer	We have been supporting the Busan Branch of the Korean Association for Children with Leukemia and Cancer as its main sponsor since its opening in 2003.	Sharing Love Family Walk for pediatric patients	50
Sponsorship of Community Chest of Korea, Busan	We have been donating at the beginning of each year through the Community Chest of Korea. Especially, we have continued our sharing by donating emergency relief supplies during disasters.	Hope sharing campaign Special fundraising for disaster relief	100
Hwaseung Kkumteul Project	We operate the Hwaseung social contribution program that matches employees and disabled persons one-on-one. The participants challenge themselves to acquire licenses through learning, laying the foundation for the independence of disabled persons.	Hwaseung Kkumteul Project	40



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BOARD OF DIRECTORS

BOARD OF DIRECTORS COMPOSITION

Hwaseung R&A deliberates and resolves key management affairs through the Board of Directors, which comprises all directors. Board meetings are convened by the CEO, who serves as the Chair, and all directors are notified in advance of the meeting convocation. Resolutions are made with the attendance of a majority of directors and the consent of a majority of attending directors, but some agenda items require a two-thirds majority. A Management Committee, Audit Committee, and Internal Transaction Committee are established under the Board of Directors to enhance expertise and transparency. Directors' remuneration is determined through the general meeting of shareholders, and severance pay follows separate regulations.

Board of Directors Composition								(As of March 2025)
Category	Name	Gender (Age)	Title/Position	Career	Initial Ap- pointment	Expiration	Committee in Charge	
Inside directors	Kim Hyeong-Jin	Male (60s)	· CEO · Chair of Board of Directors · Chair of Management Committee	· MBA, Oklahoma City University · CEO of Hwaseung R&A	Mar 2022	Mar 2028	· Management Committee	
	Hyun Seung-Hoon	Male (80s)	· Chairman	· Bachelor of Commercial Science, Pusan National University · Chairman of Hwaseung	Mar 2021	Mar 2027	-	
	Hyun Ji-Ho	Male (50s)	· Vice-Chairman	· Bachelor of Economics, Bates College · General Vice Chairman of Hwaseung	Mar 2021	Mar 2027	· Management Committee	
	Koo Cheol-Hong	Male (50s)	· Chief of Business Man- agement Headquarters	· Bachelor of Accounting, Dong-Eui University · Chief of Business Management Headquarters, Hwaseung R&A	Mar 2024	Mar 2027	· Management Committee · Internal Transaction Committee	
Outside directors	Nam Dong-Seong	Male (60s)	· Chair of Internal Transaction Committee	· Graduated from National Tax College · Former) CEO of Dasom Tax and Accounting	Mar 2021	Mar 2027	· Internal Transaction Committee · Audit Committee	
	Koo Tae-Woo	Male (50s)	· Chair of Audit Committee	· Graduated from Pusan National University College of Commerce and Economics · Present) Head of FAS Headquarters, Ankyung Accounting Corporation	Mar 2021	Mar 2027	· Internal Transaction Committee · Audit Committee	
	Hong Jon-Hee	Male (60s)	· Member of Audit Committee	· Doctor of Chemical and Biological Engineering, Korea University · Former) Worked at Hyundai Motor Company	Mar 2022	Mar 2028	· Audit Committee	



BOARD OF DIRECTORS

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DIRECTOR APPOINTMENT

Hwaseung R&A appoints directors who meet the requirements stipulated in relevant laws and the Articles of Incorporation. Inside directors are selected from a continuously managed group of candidates who possess expertise and leadership. Outside directors are appointed based on their understanding of the manufacturing industry, their career experience in specialized areas like accounting and tax, and no interest relations with the company and its largest shareholder. All directors are appointed through the general meeting of shareholders, thereby enabling the Board of Directors to perform its independent oversight and advisory functions regarding company management.

BOARD OF DIRECTORS OPERATIONS

Hwaseung R&A is strengthening management transparency and responsibility through the continuous and systematic operation of the Board of Directors. Board resolutions require the attendance of a majority of directors and the consent of a majority of attending directors. Directors with a special interest in a resolution are prohibited from exercising their voting rights. In 2024, a total of nine Board meetings were held, during which five agenda items were reported and ten agenda items were discussed and passed. Key agenda items included 'approval of the safety and health management plan for 2024,' 'report on the operation status of the internal accounting management system in 2023,' and 'introduction of the electronic voting system for the 3rd regular general meeting of shareholders.' Hwaseung R&A will continue to strive for sustainable growth and enhanced stakeholder trust through active discussions and decision-making by the Board of Directors.

COMMITTEES WITHIN BOARD OF DIRECTORS

Management Committee

Hwaseung R&A has installed and operates a Management Committee within the Board of Directors to facilitate swift and professional decision-making. The Management Committee consists of three inside directors

and is responsible for deliberating and resolving key management issues delegated by the Board of Directors, including investments, receivables and payables, and sales and production activities. The Management Committee contributes to enhancing our management stability and competitiveness through swift decision-making and efficient business management.

Board of Directors Operating Status

No.	Date Held	Details	Attendance(%)
1	Feb 14, 2024	· Approval of the separate financial statements (pre-audit) for the third term · Approval of the safety and health management plan for 2024	100
2	Feb 28, 2024	· Report on the operation status of the internal accounting management system in 2023 · Approval of the consolidated financial statements (pre-audit) for the third term	
3	Mar 13, 2024	· Evaluation report on the operation status of the internal accounting management system in 2023 · Cash dividends · Convocation of the regular general meeting of shareholders for the third term · Introduction of the electronic voting system at the regular general meeting of shareholders for the third term	
4	Mar 28, 2024	· Appointment of members of the Management Committee · Appointment of members of the Internal Transaction Committee	
5	May 11, 2024	· Report on the consolidated and separate financial statements for 1Q 2024	
6	Aug 13, 2024	· Report on the consolidated and separate financial statements for the half-year of 2024	
7	Sep 20, 2024	· Joint surety of the corporate bonds of Hwaseung Corporation	
8	Nov 7, 2024	· Report on the consolidated and separate financial statements for 3Q 2024	
9	Dec 31, 2024	· Approval of the incentive payment regulations for executives	

Management Committee Operating Status

No.	Date Held	Details	Attendance (%)
1	Jan 11, 2024	· Corporate guarantee according to local borrowings of overseas local subsidiaries	100
2	Feb 23, 2024	· Borrowing operating funds for Hwaseung R&A from the Korea Development Bank · Joint surety for borrowing operating funds for Hwaseung Corporation from the Korea Development Bank	
3	Mar 19, 2024	· Joint surety for borrowing operating funds for Hwaseung Corporation from the Korea Development Bank	
4	Apr 22, 2024	· Extension of loan agreement for Hwaseung R&A · Extension of payment guarantee for Hwaseung Corporation · Corporate guarantee according to local borrowings of overseas local subsidiaries	
5	May 24, 2024	· Joint surety for borrowing operating funds for Hwaseung T&C from the Korea Development Bank	
6	Jun 11, 2024	· Extension of loan agreements for Hwaseung R&A with NH NongHyup Bank · Joint surety for borrowing operating funds for Hwaseung Corporation from the Korea Development Bank · New payment guarantee for Hwaseung T&C with KEB Hana Bank	
7	Jul 10, 2024	· New payment guarantee for Hwaseung T&C with KEB Hana Bank	
8	Nov 7, 2024	· Corporate guarantee according to local borrowings of overseas local subsidiaries	
		· Corporate guarantee according to local borrowings of overseas local subsidiaries	



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BOARD OF DIRECTORS

Audit Committee

Hwaseung R&A has installed and operates an Audit Committee to ensure accounting transparency and management responsibility. The Audit Committee consists of three outside directors and performs an independent auditing function over our accounting and overall operations. The Audit Committee may demand an extraordinary Board meeting by submitting a written request detailing the purpose and reason for the meeting if necessary. It can also request business reports from subsidiaries or investigate their business and financial status. In addition, the committee possesses the authority to select external auditors, and the resolutions of the Audit Committee cannot be re-resolved by the Board of Directors. Through these measures, the Audit Committee strengthens its function of checks and balances over company management, ensuring its independence and fairness.

Internal Transaction Committee

Hwaseung R&A has installed and operates an Internal Transaction Committee to enhance the transparency and fairness of transactions between the company and

related parties. The Internal Transaction Committee consists of one inside director and two outside directors. The committee deliberates and resolves matters related to our internal transactions in advance, thereby preventing unfair internal transactions and supporting shareholder value protection and transparent corporate management. In 2024, the Internal Transaction Committee was convened once to deliberate and handle key agenda items. Through the operation of this committee, we contribute to establishing fair trading practices and enhancing stakeholder trust.

Expertise and Independence of Directors

Hwaseung R&A nominates candidates for directors who meet the qualifications required by relevant laws and the Articles of Incorporation. Outside directors are appointed through the general meeting of shareholders from candidates who possess expertise in areas such as accounting, taxation, and the overall automotive industry, and can supervise directors and company management from an independent position because they do not have interest

relations with the company and its largest shareholder. Hwaseung R&A has established and operates a support system to ensure that outside directors can perform their duties faithfully based on their expertise. A separate support organization has been formed to ensure the smooth activities of outside directors by providing necessary data and administrative assistance, and we guarantee sufficient information accessibility and working conditions to ensure the independent decision-making of outside directors.

Education for Outside Directors

Hwaseung R&A conducted internal education within the Board of Directors on business status and ESG to enhance the business understanding of outside directors. In February 2025, separate educational programs for outside directors were implemented by supplementing future education topics and methods, including 'safety and health management plan,' 'electronic voting system for general meetings of shareholders,' and 'ESG education'. In the future, we will conduct tailored education by considering the schedules and expertise of outside directors. We are also reviewing a Board of Directors evaluation system to conduct regular evaluations of the Board of Directors.

Director Remuneration

Hwaseung R&A pays remuneration for directors within the limit approved by the general meeting of shareholders. The severance pay for directors is also paid according to the severance pay regulations for executives, resolved by the general meeting of shareholders. For inside directors, remuneration is paid differentially by job rank based on our internal salary system and within the remuneration limit approved by the general meeting of shareholders. For outside directors, remuneration is paid at a fixed rate based on the contractual terms agreed upon at the time of appointment, determined through internal review within the remuneration limit resolved by the general meeting of shareholders. Through these efforts, Hwaseung R&A operates a remuneration policy that fairly reflects the performance and responsibilities of directors and maintains the independence and expertise of the Board of Directors.

Key Activities of Audit Committee

No.	Date Held	Details	Approval	Auditors		
				Koo Tae-Woo (Attendance: 100%)	Nam Dong-Seong (Attendance: 100%)	Hong Jon-Hee (Attendance: 100%)
1	Feb 1, 2024	Appointment of external auditors	Approved	Approved	Approved	Approved
2	Feb 28, 2024	Report on operating conditions of the internal accounting management system in 2023	Reported	-	-	-
3	Mar 28, 2024	Appointment of the Chair of the Audit Committee	Approved	Approved	Approved	Approved
4	May 10, 2024	Report on consolidated and separate financial statements for 1Q 2024	Reported	-	-	-
5	Aug 13, 2024	Report on consolidated and separate financial statements for the first half of 2024	Reported	-	-	-
6	Nov 7, 2024	Report on consolidated and separate financial statements for 3Q 2024	Reported	-	-	-

Internal Transaction Committee Operating Status

No.	Date Held	Details	Attendance (%)
1	Mar 28, 2024	Appointment of the Chair of the Internal Transaction Committee Report on internal transactions in 2023 and approval of internal transactions for 2024	100

Director Remuneration Payment Status

(Unit: KRW thousand)

Category	Number of directors (persons)	Total remuneration	Average remuneration per person
Directors	7	2,062,841	250,748
Registered directors		1,954,841	379,358



PROTECTING SHAREHOLDER RIGHTS

GENERAL MEETINGS OF SHAREHOLDERS

Hwaseung R&A operates general meetings of shareholders to guarantee shareholder rights and strengthen corporate transparency and responsible management. A regular general meeting of shareholders is held within three months after the end of each fiscal year, and extraordinary general meetings of shareholders are convened as necessary by a resolution of the Board of Directors. General meetings are convened by the CEO, who notifies shareholders in writing or by electronic document of the date, time, location, and purpose of the meeting at least two weeks prior to the meeting date. Shareholders have one voting right per share, and the non-uniform exercise of voting rights is possible through a written notification made at least three days prior to the meeting date. Resolutions of the general meetings of shareholders are made with the consent of a majority of the voting rights of attending shareholders and at least one-quarter of the total number of shares issued. We introduced an electronic voting system starting from the 1st general meeting of shareholders on March 29, 2022, and announced it through the convocation notice. The electronic voting system was also implemented at the 4th regular general meeting of shareholders held on March 31, 2025, to enhance shareholder convenience. Additionally, a proxy voting solicitation system has been introduced to support shareholders in exercising their voting rights directly, by postal mail, or by electronic mail. Hwaseung R&A plans to continue improving the transparency and accessibility of its general meetings of shareholders to strengthen shareholder rights further.

DIVIDENDS

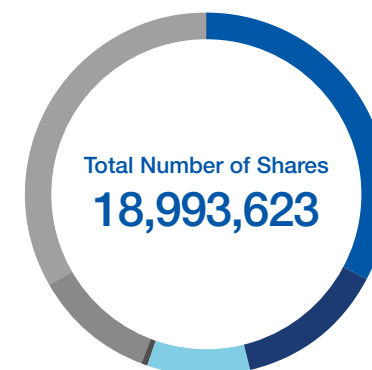
Hwaseung R&A views dividends as a fundamental means of returning profits to shareholders. The decision regarding whether to distribute dividends and their size is made by comprehensively considering the company's profit size, investment resources for future growth, and financial soundness. Cash dividends are implemented strategically after first reviewing financial policies, investment plans, and cash liquidity and then considering overall performance and cash flow circumstances. Key matters related to dividends are confirmed through a resolution of the Board of Directors and approval at the general meeting of shareholders, and we disclose relevant information transparently through public announcements and our website. Hwaseung R&A plans to continue its efforts to enhance shareholder value through a responsible dividend policy in the future.

Dividend Status

Category	Unit	2022	2023	2024
Cash dividend per share	KRW	50	50	75
Dividend yield	%	1.4	1.3	2.4

SHARE OWNERSHIP STATUS

The total number of shares issued by Hwaseung R&A is 18,993,623 common shares. The stockholding status is as follows.



As of March 31, 2025

Category	Amount (Unit: Shares)
Total number of shares issued	18,993,623
• Treasury shares	2,837
Shares with voting rights	18,990,786
• Hwaseung Corporation	6,228,799
• Hyun Seung-Hoon	2,560,893
• Hwaseung Industries	1,758,079
• Hyun Ji-Ho	82,527
• Shareholders holding 1% or more	2,043,058
• Minority shareholders	6,317,430



STRENGTHENING ETHICAL MANAGEMENT

ETHICAL MANAGEMENT SYSTEM

Hwaseung R&A plays a pivotal role in social and economic development through management that respects customers, shareholder-centric management, management that respects employees, and socially responsible management, practicing corporate management that contributes to the advancement of the nation and humanity. To achieve this, the 'Hwaseung Group Code of Ethics' was established in 2015 as a standard for the value judgments and behaviors of employees in all business activities. The Code of Ethics specifies standards concerning our basic ethics, responsibility towards employees, basic ethics of employees, responsibility towards customers, respect for shareholders, relationships with business partners, roles towards the nation and society, and compliance with the Code of Ethics. In addition, we support employees in understanding and practicing the ethical management policy, which includes the Code of Ethics and the Hwaseung Group Code of Ethics. The criteria for judging conduct and standards for handling ethical management-related tasks are clarified. In particular, based on the Hwaseung spirit of 'harmony among people, creative challenge, customer first, social service,' Hwaseung R&A aims to be a company that delivers satisfaction to customers, protects the rights and interests of shareholders, provides growth and improved quality of life to employees, and fulfills its responsibilities to the nation and society. The Code of Ethics is disclosed on the official website of Hwaseung R&A. Furthermore, for the concrete implementation of the Code of Ethics, we established the ethical practice guidelines in 2015, applied to all employees in Korea and overseas. The guidelines include details on relationships with stakeholders, transparency with business partners, prohibition of improper equity participation, use of company assets, prohibition of document manipulation and false reporting, and security management.

Hwaseung Group Code of Ethics



Hwaseung Group Ethical Practice Guidelines



Hwaseung R&A Code of Ethics



Ethical Code of Conduct Guidelines



Overview of Ethical Management

Compliance with laws and regulations

"We establish discipline through thorough compliance with laws and regulations."

- Respect for national policies, compliance with all laws and social ethical norms
- Compliance with management policies and relevant regulations, dedication to responsibilities and duties
- Creation of sound profits, continuous job creation, diligent performance of basic duties

Management that respects customers

"We practice the motto of a customer-first, customer-respecting company."

- Customer trust
- Provision of differentiated quality and services
- Formation of a transparent and fair trading culture, maintenance of sound partnerships

Shareholder-centric management

"Shareholder satisfaction is our top priority, and we grow together with our shareholders."

- Increased profits for shareholders and investors through high management performance
- Rational and transparent management
- Respect for rights and realization of sound profits

Management that respects employees

"People are our assets, and we grow with the trust of people."

- Mutual respect among employees, formation of a rational and sound corporate culture
- Creation of a culture of challenge and creativity and a pleasant work environment
- Eradication of unreasonable discrimination

Socially responsible management

"A company must practice mutual growth in harmony with society."

- Co-prosperity through social obligations, responsibility, and social contribution activities
- Pursuit of an environment-friendly company and a company respected by society



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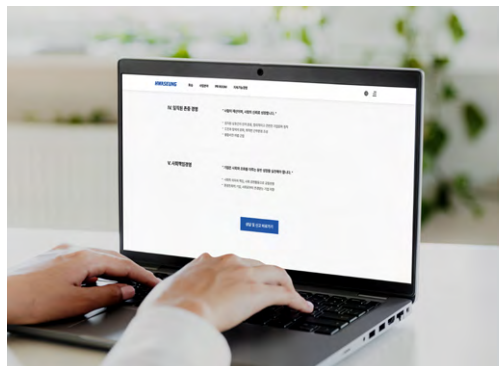
STRENGTHENING ETHICAL MANAGEMENT

ETHICAL MANAGEMENT GOVERNANCE

Hwaseung R&A strives to establish a healthy corporate culture by presenting and practicing upright ethics, thereby maintaining the dignity of individual employees and the company's reputation and ensuring fairness in transactions with partner companies. To this end, we established the Code of Ethics and the ethical practice guidelines in 2015 to be taken as standards for the value judgments and actions of employees in all business activities. We have also prepared the Ethical Code of Conduct guidelines to specify the attitudes and methods necessary for our employees and partner employees in performing their duties, compliance requirements, and procedures for reporting and handling violations of transparent management guidelines. Through these efforts, we have established a system to ensure that ethical management policies can be applied consistently company-wide. We support all employees and stakeholders to understand and practice the Code of Ethics clearly and disclose the Code of Ethics and guidelines on our website to enhance transparency. In the future, Hwaseung R&A plans to continue prioritizing ethical values, strengthening social trust, and solidifying its foundation for sustainable management.

REPORTING CHANNELS

Hwaseung R&A operates various reporting channels for all employees and stakeholders to freely present their opinions and report misconduct in accordance with ethical management principles. Reports can be submitted through various means, including online, postal mail, and phone calls, and the scope of reporting includes not only the internal employees of Hwaseung R&A but also its external stakeholders, such as customers, partner companies, and local communities. Particularly, online reports can be submitted easily either with a name or anonymously through the 'Counseling and Reporting Quick-link' menu within the ethical management section of the Hwaseung Group website. Received reports are directly forwarded to the Hwaseung Corporation Auditing Team for swift and fair handling. Hwaseung R&A rigorously protects the identity of reporters and guarantees that no disadvantages arise from reporting. In the future, Hwaseung R&A will continue strengthening the accessibility and reliability of its reporting channels, further solidifying the ethical management system and building a corporate culture that all stakeholders can trust.



To the reporting channel

ETHICAL MANAGEMENT ACTIVITIES

Ethical Management Education

Hwaseung R&A conducts online ethics education to raise the ethical awareness of employees and create an ethical management culture. Based on the understanding of the Code of Ethics and its practice guidelines, the education covers the prevention of conflicts of interest, the prevention of corruption and irregularities, fair trade, information security, and personal information protection. Since 2024, we have been broadcasting internal ethical management once a week to strengthen ethical management and entrench an ethical culture. We also conduct education on ethical values and ethical management guidelines. Additionally, we offer explanations on types of ethical violations twice a week to establish ethical management. Especially, ethical situation response capabilities are being strengthened through scenario learning based on real-life cases. Moving forward, we will continue improving our educational programs to raise the ethical awareness of employees and strengthen the ethical management system.

Ethics Education Status

Category	Unit	2022	2023	2024
Number of ethics education participants	Persons	186	188	245



Environmental

Social

Governance

Board of Directors

Protecting
Shareholder Rights

Strengthening
Ethical Management

- Compliance
Management

COMPLIANCE MANAGEMENT

COMPLIANCE MANAGEMENT SYSTEM

Hwaseung R&A strengthens the organic relationship among management that respects customers, shareholder-centric management, management that respects employees, and socially responsible management, which are based on compliance with laws and regulations. We aim to play a central role in social and economic development and practice corporate management that contributes to the advancement of the nation and humanity. To this end, we respect national policies, strictly comply with relevant laws, regulations, social ethical norms, and internal management policies, and fulfill our corporate responsibilities. Through the Code of Ethics, we clearly define our relationships with business partners and our roles towards the nation and society. We grant equal opportunities to all business partners and select cooperation targets transparently according to the principle of free competition. We strictly prohibit unfair conduct or the exertion of influence using a superior position in relationships with business partners, and we prioritize transparency and fairness during transactions. Additionally, Hwaseung R&A strives to diligently comply with domestic and international laws and regulations and realize corporate management that aligns with global standards. Based on the ethical practice guidelines, Hwaseung R&A strictly adheres to laws and norms across all business activities and continuously manages all employees to internalize compliance awareness and perform responsible management activities. Going forward, Hwaseung R&A will further strengthen its compliance management system and establish a transparent and healthy management culture that enhances social trust.

LEGAL COMPLIANCE

Hwaseung R&A strictly complies with relevant laws and internal regulations in all business activities, practicing compliance management. We strengthen legal compliance monitoring to respond to changes in domestic and international laws and regulations proactively, conducting continuous education and inspections to enhance company-wide compliance awareness. As of 2024, Hwaseung R&A has had no instances of legal violations in its business operations. In the future, we will continue to advance our compliance management system to prevent legal risks and strengthen trust with all stakeholders.

Law Violation Status

Category	Unit	2022	2023	2024
Law violations	Cases	0	0	0
Child labor	Cases	0	0	0
Forced labor	Cases	0	0	0



COMPLIANCE EDUCATION STATUS

Hwaseung R&A conducts systematic compliance management education to raise the compliance awareness of employees. Our company provides online education to all employees at least once a year, focusing on major laws such as the Fair Trade Act, the Subcontracting Act, the Personal Information Protection Act, and anti-corruption-related laws. Additionally, we offer tailored education considering job-specific characteristics, strengthening the legal compliance capabilities of employees through practical, case-oriented programs. Hwaseung R&A will continue to prevent legal risks through ongoing education and build an ethical and transparent corporate culture.

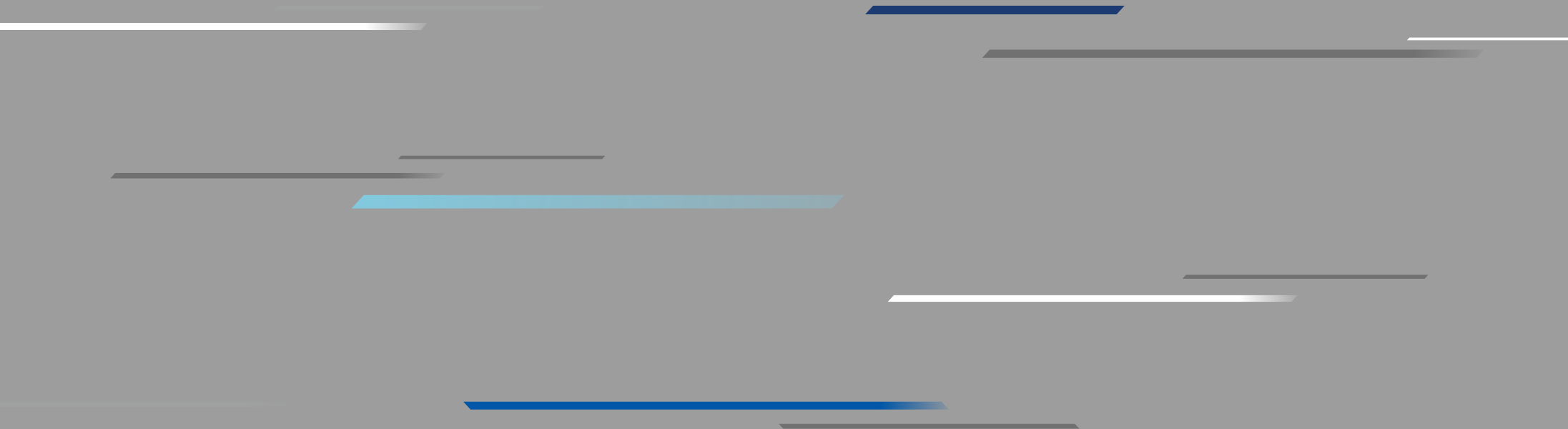
FAIR CONTRACTING AND IMPLEMENTATION

Hwaseung R&A conducts basic education on the Subcontracting Act and the Fair Trade Act for hands-on workers every year to facilitate fair and free competition within the supply chain and to establish a fair trade order. Through this education, we make consistent efforts to raise the fair trade awareness of employees and build a transparent and trusted supply chain. In addition, we support the fair selection of partner companies and familiarity with relevant laws and regulations based on our vendor management regulations and Ethical Code of Conduct guidelines. When signing contracts with partner companies, we adhere to the standard subcontracting contract form for the automotive industry established by the Korea Fair Trade Commission. As of the end of 2024, we have signed contracts with 42 partner companies based on this contract form. The contracts specify details such as requests for technical data, unit price adjustments, delivery process costs, and inspection standards. They also define subcontracting payment conditions in detail to enhance fairness and the fidelity of written appointments. In addition, we adhere to the standard confidentiality contract form to protect technical data and build trust-based cooperative relationships.



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FINANCIAL DATA

FINANCIAL PERFORMANCE

Financial status	Category	Unit	2022	2023	2024
	Assets	KRW million	422,569	430,773	469,867
	Cash	KRW million	6,811	10,022	5,472
	Liabilities	KRW million	329,908	318,255	319,391
	Short-term borrowings	KRW million	170,271	114,389	132,077
	Long-term borrowings	KRW million	14,741	33,441	31,741
	Equity	KRW million	92,660	112,518	150,475
	Capital stock	KRW million	9,496	9,496	9,496
Profit status	Category	Unit	2022	2023	2024
	Revenue	KRW million	657,927	680,651	707,130
	Cost of sales	KRW million	560,642	555,825	576,313
	Operating profit	KRW million	15,504	31,781	31,346
	Current net profit	KRW million	12,684	24,209	32,423
Distribution of economic performance	Category	Unit	2022	2023	2024
	Employees	KRW million	64,566	67,563	76,079
	Government	KRW million	2,775	7,453	9,979
	Partner companies	KRW million	390,266	386,396	391,867
	Local community and NGOs	KRW million	46	82	85
	Shareholders and creditors	KRW million	10,236	12,025	11,459



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FINANCIAL PERFORMANCE

Tax payment	Category	Unit	2022	2023	2024
	Korea	KRW million	2,775	7,453	9,979
Soundness (based on separate financial statements)	Category	Unit	2022	2023	2024
	Ratio of total investment in affiliates to equity	%	13.7	11.3	8.4
	Ratio of total credit offering to equity	%	94.7	93.2	55.4
Shareholder return status	Category	Unit	2022	2023	2024
	Current net profit	KRW million	12,685	24,209	32,423
	Total dividends	KRW million	950	950	1,424
	Dividend propensity	%	7.5	3.9	4.4
	Cash dividend per share	KRW	50	50	75
	Dividend yield	%	1.4	1.3	2.4
Shareholder composition	Category	Unit	2022	2023	2024
	Treasury share ratio	%	0.01	0.01	0.01
	Share of controlling shareholder and its relatives	%	35.44	35.44	35.44
	Share of registered executives, excluding controlling shareholder and its relatives	%	0	0	0
	Total share of affiliates to the company	%	20.53	20.53	20.53
General meetings of shareholders	Category	Unit	2022	2023	2024
	Difference between the announced date and actual date of general meetings of shareholders	Days	14	14	14



ESG DATA

ENVIRONMENTAL

Greenhouse gas	Category	Unit	2022	2023	2024
Greenhouse gas emissions (direct and indirect emissions)	Total greenhouse gas emissions (Scope 1+2)	tCO ₂ eq	19,649	20,559	20,734
	Scope 1 emissions	tCO ₂ eq	5,875	5,864	6,058
	Scope 2 emissions	tCO ₂ eq	13,774	14,695	14,676
	Greenhouse gas emission intensity (Scope 1+2)*	tCO ₂ eq/KRW 100 million	2.99	3.04	2.95

* Intensity is calculated by applying revenue based on the separate financial statements to ensure consistency of data calculation standards.

Energy	Category	Unit	2022	2023	2024
Energy consumption	Total energy consumption	TJ	403	422	426
	Energy intensity*	TJ/KRW 100 million	0.06	0.06	0.06
	Energy saving	TJ	9.55	2.14	11.26
	Electrical energy consumption	MWh	29,981	31,998	31,995
	Ratio of electrical energy	%	71.42	72.77	71.99

* Intensity is calculated by applying revenue based on the separate financial statements to ensure consistency of data calculation standards.



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Waste	Category	Unit	2022	2023	2024
Waste generated	Total waste generated	Tons	2,741	2,830	2,679
	General waste generated	Tons	2,673	2,758	2,608
	Designated waste generated	Tons	68	72	71
	Ratio of designated waste	%	2.49	2.56	2.64
	Waste generation intensity*	Tons/ KRW 100 million	0.42	0.42	0.38
Waste treated	Total waste treated	Tons	2,741	2,830	2,679
	(General) Incinerated	Tons	270	370	283
	(General) Landfilled	Tons	38	39	70
	(General) Recycled	Tons	2,365	2,348	2,254
	(General) Others	Tons	0	0	0
	(Designated) Incinerated	Tons	44	46	45
	(Designated) Landfilled	Tons	0	0	0
	(Designated) Recycled	Tons	24	27	25
	(Designated) Others	Tons	0	0	0
Waste recycled	Recycling ratio	%	87.14	83.90	85.10
	Liquid waste organic solvents	%	90.70	90.00	91.57
	Other waste organic solvents	%	90.23	89.72	86.21
	Liquid waste insulating oils	%	91.9	90.22	91.32
	Waste synthetic resins	%	42.41	31.51	41.51
	Waste synthetic rubber	%	99.91	99.46	100
	Waste activated carbon	%	98.06	97.39	95.53
	Waste furniture, painted wood, and wood package	%	100	100	100
	Total waste recycled	Tons	2,388	2,375	2,279

* Intensity is calculated by applying revenue based on the separate financial statements to ensure consistency of data calculation standards.



ESG DATA

ENVIRONMENTAL

Water resource	Category	Unit	2022	2023	2024
Water intake	Total water intake	Tons	247,733	196,903	213,258
	Waterworks intake	Tons	247,733	196,903	213,258
	Water intake intensity*	Tons/ KRW 100 million	37.69	29.07	30.35
	Water consumption	Tons	204,821	153,127	166,026
	Water discharge**	Ton	42,912	43,776	47,232
	Water discharge intensity	Tons/ KRW 100 million	6.53	6.46	6.72

* Intensity is calculated by applying revenue based on the separate financial statements to ensure consistency of data calculation standards.

** Grounds for calculating water discharge: Based on the National Pollution Source Survey

Pollutant	Category	Unit	2022	2023	2024
Air pollutant emissions	Total air pollutant emissions	kg	7,176	10,566	9,223
	Air pollutant emission intensity	kg/ KRW 100 million	1.09	1.56	1.31
Water pollutant emissions	Total water pollutant emissions	kg	46,937	66,728	41,385
	Total organic carbon (TOC)	kg	42,496	49,379	35,311
	Biological oxygen demand (BOD)	kg	3,999	17,130	5,611
	Suspended solids (SS)	kg	442	219	463
	Water pollutant emission intensity*	kg/ KRW 100 million	7.14	9.85	5.89
Harmful chemical usage	Harmful chemical usage	Tons	74.29	70.03	65.08
	Harmful chemical usage intensity*	Tons/ KRW 100 million	0.01	0.01	0.01
	Harmful chemical reduction rate	%	2.6	5.7	7.1

* Intensity is calculated by applying revenue based on the separate financial statements to ensure consistency of data calculation standards.



ESG DATA

ENVIRONMENTAL

Environmental management	Category	Unit	2022	2023	2024
Environmental law violations	Number of environmental law violations	Cases	0	0	0
	Fines and penalties	KRW million	0	1.4	0
	Number of non-monetary sanctions (improvement orders, etc.)	Cases	0	2	0
ISO 14001 (environmental management system)	Number of business sites subject to certification	Sites	1	1	1
	Number of business sites that obtained certification	Sites	1	1	1
	Ratio of certification	%	100	100	100

Green management activity	Category	Unit	2022	2023	2024
Eco-friendly investments	Investments of our company in environmental equipment	KRW million	102.7	103.0	520.4
	Government investments	KRW million	-	-	983.9
	Operating costs of environmental equipment and environmental costs	KRW million	861.9	1,225.7	1,044.2
	Waste treatment costs	KRW million	233.6	345.0	292.7
	Wastewater burden	KRW million	147.2	177.3	162.6
	Environmental measurement fees	KRW million	131.7	153.9	118.9
	Operating costs of environmental equipment (dust collectors, wastewater treatment plants)	KRW million	349.4	549.5	470.0
	Environmental costs of partner companies	KRW million	150.4	69.6	101.1
	Other environmental expenses	KRW million	38.2	46.6	51.7
	Environmental profits	KRW million	43.9	40.0	55.1



ESG DATA

SOCIAL

Employees

Category		Unit	2022	2023	2024
Employee status	Total number of employees	Persons	629	652	650
	Male employees	Persons	596	613	608
	Female employees	Persons	33	39	42
	Total ratio of female employees	%	5	6	6
Employee status by employment type	Regular employees	Persons	617	623	607
	Male regular employees	Persons	586	586	568
	Female regular employees	Persons	31	37	39
	Ratio of female regular employees	%	0	0	0
	Contract employees	Persons	12	29	43
	Male non-regular employees	Persons	10	27	40
	Female non-regular employees	Persons	2	2	3
	Ratio of female contract employees	%	0	0	0
	Non-employee workers	Persons	269	258	239
	Ratio of social insurance coverage	%	100	100	100
Employee status by job rank and job group (employee diversity)	Executives (management)	Persons	19	17	16
	Male executives	Persons	18	16	15
	Male managers	Persons	202	231	229
	Female managers	Persons	22	29	33
	High-rank managers	Persons	50	49	47
	Male high-rank managers	Persons	48	47	45
	Junior managers	Persons	190	211	215
	Male junior managers	Persons	169	184	184
	Non-managers (technical positions)	Persons	385	391	388
	Male non-managers	Persons	376	382	379
	Female non-managers	Persons	9	9	9
	Ratio of female non-managers	%	2	2	2



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Employees

Category			Unit	2022	2023	2024	
Employee status by age group	18-under 30 years old		Persons	34	51	59	
	30-under 50 years old		Persons	476	486	478	
	50 years old or over		Persons	118	114	113	
Employee status by educational background	College graduate		Persons	428	421	418	
	University graduate		Persons	187	218	218	
	Master's degree		Persons	13	12	14	
New hires	Total number of new hires		Persons	48	87	59	
	Employment type	Regular	Persons	27	52	29	
		Non-regular	Persons	21	35	30	
	Gender	Male	Persons	42	80	50	
		Female	Persons	6	7	9	
	Career experience	New	Persons	37	50	39	
		Experienced	Persons	11	37	20	
	Age group	18-under 30 years old	Persons	22	28	22	
		30-under 50 years old	Persons	11	58	36	
		50 years old or over	Persons	3	1	1	
	Minority employees	Number of socially disadvantaged employees		Persons	26	19	20
		Ratio of socially disadvantaged employees		%	4.1	2.9	3.1
Number of employees with disabilities		Persons	18	12	12		
Ratio of employees with disabilities		%	2.8	1.8	1.8		
Number of employees of national merit		Persons	8	7	8		
Ratio of employees of national merit		%	1.3	1.1	1.2		



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Employees	Category		Unit	2022	2023	2024
Turnovers and resignations	Total number of turnovers and resignations		Persons	188	72	62
	By type	Voluntary turnovers	Persons	100	46	41
		Non-voluntary turnovers	Persons	88	26	21
		Voluntary turnover ratio	%	15.9	7.1	6.3
	By gender	Male	Persons	104	71	57
		Female	Persons	84	1	5
	By age group	18-under 30 years old	Persons	22	14	16
		30-under 50 years old	Persons	124	50	39
		50 years old or over	Persons	42	8	7
	Average years of service		Years	14.55	13.27	12.61
Years of service	Male		Years	14.89	13.65	13.09
	Female		Years	8.48	7.35	5.87



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Category		Unit	2022	2023	2024	
Parental and maternity leaves	Total number of employees subject to parental leave		Persons	20	20	30
	Target employees	Male	Persons	17	19	30
		Female	Persons	3	1	0
	Total number of employees who used parental leave		Persons	5	4	3
	Employees who used	Male	Persons	2	3	3
		Female	Persons	3	1	0
	Ratio of employees who used parental leave		%	25	20	10
	Ratio of male		%	13	20	11
	Ratio of female		%	20	7	0
	Total number of employees who returned to work after parental leave		Persons	3	1	2
	Number returned	Male	Persons	2	1	2
		Female	Persons	1	0	0
	Ratio of employees who returned after parental leave		%	60	25	67
	Ratio returned	Male	%	100	33	67
		Female	%	33	0	0
		Number of employees who worked for 12 months or longer after returning to work		Persons	0	2
	Number working for 12 months or longer	Male	Persons	0	1	2
		Female	Persons	0	1	0
Welfare benefits	Welfare benefit expenses		KRW 100 million	73	76	90
	Ratio of welfare benefit to revenue		%	1.11	1.11	1.28
Grievance handling	Received (reports)		Cases	11	10	12
	Number of cases handled		Cases	11	10	12
	Handling rate		%	100	100	100
Performance appraisal	Number of employees subject to performance appraisal		Persons	210	155	174
	Number of employees who received regular performance appraisal		Persons	210	155	174
	Ratio of employees who received regular performance appraisal		%	100	100	100



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Category		Unit	2022	2023	2024	
Fair remuneration	Average salary per person		KRW million	57	56	70
	Average salary	Male	KRW million	58	56	71
		Female	KRW million	37	48	52
	Ratio of payment to average salary	Male	%	101.7	100	101.4
		Female	%	64.9	85.7	74.3
	Average base pay ratio of female to male		%	63.8	85.7	74.3
	Ratio of total annual remuneration for the CEO to the total annual median remuneration for employees		Times	11.67	16.21	15.16
	Ratio of minimum hourly base pay (for new employees)		%	163	157	161
	Executives	Average salary for male executives	KRW million	199	179	221
		Average salary for female executives	KRW million	0	47	146
	Section managers or higher	Average salary for male managers	KRW million	73	81	85
		Average salary for female managers	KRW million	59	77	75
	Below section manager level	Average salary for male employees	KRW million	55	58	67
		Average salary for female employees	KRW million	40	47	50
Labor union membership status	Number of employees subject to labor union membership		Persons	432	398	391
	Number of members		Persons	386	368	334
	Membership ratio		%	89	92	85
	Ratio of collective agreements applied		%	100	100	100
	Labor-management council meetings held		Cases	4	4	4
Strikes	Number of strikes		Cases	0	0	0
	Work days lost due to strikes		Days	0	0	0
Diagnosis of organizational culture	Employee satisfaction (culture survey score)		Points	-	-	70
	Employee participation in organizational culture diagnosis (response rate)		%	-	-	43
	Number of organizational culture improvements and measures		Cases	-	-	3
Human rights assessment	Ratio of business sites that assessed human rights		%	-	-	100



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Employees

Category		Unit	2022	2023	2024
Human rights infringements (in-house)	Number of cases occurred	Cases	0	0	0
	Number of cases handled	Cases	0	0	0
	Number of legal violations	Cases	0	0	0
Human rights infringements (external suppliers)	Number of cases occurred	Cases	0	0	0
	Number of cases handled	Cases	0	0	0
	Number of legal violations	Cases	0	0	0
	Number of child labor incidents	Cases	0	0	0
	Number of forced labor incidents	Cases	0	0	0

Employee education

Category			Unit	2022	2023	2024
Education status	Total number of education participants		Persons	602	630	642
	Number of education programs (group)		Programs	3	3	3
	Number of education programs (e-learning)		Programs	3	4	3
Hours of education	Total hours of education		Hours	8,555	11,964	13,468
	Average hours of education per person		Hours/person	14	18	21
	Hours of education (by gender)	Male	Hours	8,172	11,145	11,998
		Female	Hours	383	819	1,467
	Hours of education (by job rank)	Senior	Hours	4,776	5,284	5,331
		Junior	Hours	3,779	6,680	8,134
	Educational costs	Annual education and training costs		KRW thousand	83,577	174,547
Average education and training costs per person		KRW thousand/ person	133	268	326	
Job competency education	Number of job competency education participants		Persons	218	271	213
	Hours of job competency education		Hours	5,376	8,260	10,274



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Employee education

Category		Unit	2022	2023	2024
Environmental education	Number of environmental education participants	Persons	916	824	886
	Environmental education (compulsory education)	Persons	915	823	886
	Education for persons related to harmful chemicals	Persons	820	806	796
	Education for persons handling harmful chemicals	Persons	92	11	85
	Safety education on harmful chemicals (persons in charge)	Persons	2	3	3
	Education for specialized air engineers (persons in charge)	Persons	1	0	1
	Education for specialized water quality engineers (persons in charge)	Persons	0	1	1
	Education for persons related to waste disposal (persons in charge)	Persons	0	2	0
	Environmental education (on-the-job training)	Persons	1	1	0
Human rights education	Number of human rights education participants	Persons	602	630	642
	Total hours of human rights education	Hours	1,642	2,819	2,478
	Average hours of education per person	Hours/person	2.7	4.5	3.9
	Completion ratio of human rights education	%	93.0	94.2	95.5
	Education for prevention of workplace sexual harassment	Hours	802	819	867
	Education for workplace disability awareness	Hours	246	693	705
	Education for prevention of workplace bullying	Hours	206	698	672
	Other human rights education, such as child labor and forced labor	Hours	388	609	234

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Occupational safety	Category	Unit	2022	2023	2024
Industrial accidents (in-house)	Total working hours	Hours	1,266,048	1,342,987	1,303,974
	Severity rate	Cases/1,000 working hours	0	0.12435	0.153377
	Number of accidents	Cases	0	2	2
	Number of victims	Persons	0	2	1
	Industrial accident rate	%	0.00	0.30	0.32
	Lost time injury (LTI)	Cases	0	2	2
	Lost time injury frequency rate (LTIFR)	Cases/million working hours	0.00	1.49	1.53
	Target LTIFR	Cases/million working hours	0	0	0
	Number of occupational injuries	Cases	3	2	2
	Occupational injury frequency rate (OIFR)	Cases/million working hours	2.37	1.49	1.53
	Number of work-related deaths	Persons	0	0	0
	Number of violations of the Occupational Safety and Health Act	Cases	0	0	0
	Number of process stability accidents	Cases	0	0	0
	Number of Occupational Safety and Health Committee meetings held	Cases	4	4	4
	Number of general health check-up participants	Persons	586	579	625
Health management	Number of comprehensive health check-up participants	Persons	112	180	125
	Number of special health check-up participants	Persons	267	264	268
	Number of health care program participants	Persons	12	77	32
	Number of health counseling participants	Persons	272	285	262
	Mental health care support	Persons	0	8	20



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Occupational safety

Category		Unit	2022	2023	2024
Safety education	Number of safety education participants	Persons	582	577	625
	Number of employees mandated to complete occupational safety education	Persons	568	563	615
	Managers and supervisors	Persons	340	337	348
	Production workers	Persons	228	226	267
	Hours of education per employee	Office workers	Hours/person	12	12
		Non-office workers	Hours/person	24	24
		Supervisors	Hours/person	16	16
	Education for in-house partner companies	Hours of education per person	24	24	14
		Number of participants	265	270	275
ISO 45001	Number of business sites subject to certification	Sites	1	1	1
	Number of business sites that obtained certification	Sites	1	1	1
	Ratio of certification	%	100	100	100
	Applied workers	Persons	582	577	625
	Ratio of applied workers	%	100	100	100
Risk assessment performance	In-process risk factors identified	Cases	63	59	95
	In-process risk factors improved	Cases	63	59	95
Business site risk management	Number of business site risk factors identified	Cases	9	9	9
	Number of business site risk factors improved	Cases	9	9	9
	Ratio of risk factors improved	%	100	100	100



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Shared growth

Category		Unit	2022	2023	2024
Management of partner companies	Number of partner companies	Companies	53	53	60
	New partner companies	Companies	0	0	7
	Major primary partner companies	Companies	2	2	2
	Major secondary partner companies	Companies	51	51	51
Partner support performance	Win-win financial support	KRW thousand	-	1,858,000	1,400,000
	Number of partner companies	Companies	-	11	8
	Increase in purchase amount	KRW thousand	-	400,000	4,621,000
	Number of partner companies	Companies	-	6	-
	Technology development support	KRW thousand	-	281,000	875,000
	Number of partner companies	Companies	-	6	10

Local community contribution

Category		Unit	2022	2023	2024	
Donation activities	Social contribution costs		KRW million	47	28	27
	Total contribution		KRW million	47	28	27
	By type	Contribution in cash	KRW million	46	27	26
		Contribution in kind	KRW million	1	1	1
	By activity	Charitable contribution	KRW million	6	6	7
		Local community investment	KRW million	41	22	20
	Major association fees and contributions		KRW million	50	50	50
	Purchases from social enterprises	Purchases from companies that obtained standard disability employment certification	KRW million	6	6	6



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Information security	Category		Unit	2022	2023	2024
	Information security	Total number of information leaks	Cases	0	0	0
		Violations of personal information protection	Cases	0	0	0
		Violations related to customer information	Cases	0	0	0
		Total number of information security violations	Cases	0	0	0
		Fines on information security violations	KRW thousand	0	0	0
		Number of information security education participants	Persons	0	0	2
		Hours of information security education	Hours	0	0	24
Customer satisfaction		Unit	2022	2023	2024	
VOC system	Number of cases received	Cases	113	260	170	
	Number of cases handled	Cases	113	260	170	



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Board of Directors

Category	Unit	2022	2023	2024
Board of Directors composition	Number of inside directors	Persons	4	4
	Number of outside directors	Persons	3	3
	Other non-executive directors	Persons	2	2
Independence, expertise, and diversity of directors	Ratio of outside directors	%	33.3	33.3
	Limitation on number of other concurrent jobs of outside directors or non-executive directors	Jobs	2	2
	Number of persons holding industrial experience among outside directors or non-executive directors	Persons	3	3
	Number of female directors (including non-registered)	Persons	0	1
	Number of female executives who are not the controlling shareholder or its relatives among registered executives	Persons	0	0
	Ratio of female directors	%	0	11.1
	Number of registered female executives	Persons	0	0
Remuneration and bonuses paid to directors	Total annual remuneration for inside directors	KRW million	1,909	1,866
	Average remuneration per person for inside directors	KRW million/person	340	311
	Total remuneration for outside directors	KRW million	160	108
	Average remuneration per person for outside directors	KRW million/person	53	36
Operating status	Total number of Board of Directors and committee meetings	Times	18	20
	Number of regular Board of Directors meetings held	Times	4	4
	Number of extraordinary Board of Directors meetings held	Times	4	4
	Number of committee meetings held	Times	10	12
	Number of Board of Directors agenda items (reports/resolutions)	Cases	16	14
	Agenda items reported	Cases	5	5
	Number of environment-related resolutions within the Board of Directors such as climate change	Cases	0	0
	Agenda items resolved	Cases	11	9
	Number of environment-related resolutions within the Board of Directors such as climate change	Cases	0	0
	Number of objections and corrections	Cases	0	0
	Average attendance of the Board of Directors	%	100	98.8
	Attendance of inside directors	%	100	100
	Attendance of outside directors	%	100	95.8



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Board of Directors	Category		Unit	2022	2023	2024
	Audits	Remuneration for external audits	KRW million	120	130	120
		Remuneration for non-audit services	KRW million	0	0	0
	Audit Committee	Number of Audit Committee meetings held	Times	6	6	6
		Ratio of outside directors within the Audit Committee	Persons	3	3	3
		Attendance of outside directors within the Audit Committee	%	100	96	100
		Number of legal accounting and finance experts* within the Audit Committee	Persons	2	2	2
		Transparency	Average term of directors	Years	2	2
	Average term of inside directors		Years	2	2	3
	Average term of outside directors		Years	2	3	4
	Education	Education for non-executive directors	Cases	0	0	0
Participation of outside directors in in-house education		Cases	1	1	1	
Education for outside directors		Cases	1	1	1	

* 'Accounting or finance experts' defined in Article 37 Paragraph 4 of the Enforcement Decree of the Act

Ethical management		Category	Unit	2022	2023	2024
Ethical management violation status	Total number of violations	Cases	0	0	0	
	Malpractice and embezzlement	Cases	0	0	0	
	Bribery	Cases	0	0	0	
	Human rights infringement	Cases	0	0	0	
	Recruitment solicitation	Cases	0	0	0	
	Process violation	Cases	0	0	0	



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GRI 1 : FOUNDATION 2021

Statement of use : Hwaseung R&A reported its performance from January 1 to December 31, 2024, in accordance with the reporting principles of the GRI Standards

GRI 1 used : GRI : Foundation 2021

Applicable GRI Sector Standard : Industrial standards applicable as of the publication date have not been announced, so no GRI Sector Standards have been applied.

GRI 2 : GENERAL DISCLOSURES 2021

Topic	No.	Indicator	Report Page
The organization and its reporting practices	2-1	Organizational details	6
	2-2	Entities included in the organization's sustainability reporting	2
	2-3	Reporting period, frequency, and contact point	2
	2-4	Restatements of information	Not applicable First report
	2-5	External assurance	125-126
Activities and workers	2-6	Activities, value chain, and other business relationships	14, 60-67, 108
	2-7	Employees	99-100
	2-8	Workers who are not employees	100
Governance	2-9	Governance structure and composition	85-87
	2-10	Nomination and selection of the highest governance body	86
	2-11	Chair of the highest governance body	85
	2-12	Role of the highest governance body in overseeing the management of impacts	17,86
	2-13	Delegation of responsibility for managing impacts	17-20
	2-14	Role of the highest governance body in sustainability reporting	17-20
	2-15	Conflicts of interest	87
	2-16	Communication of critical concerns	88-90
	2-17	Collective knowledge of the highest governance body	87
	2-18	Evaluation of the performance of the highest governance body	Information not available considering adoption of objective performance review system
	2-19	Remuneration policies	88
	2-20	Process to determine remuneration	88
	2-21	Annual total compensation ratio	103



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GRI 2 : GENERAL DISCLOSURES 2021

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Strategy, policies, and practices	2-22	Statement on sustainable development strategy	5
	2-23	Policy commitments	18, 40, 45-46, 60, 62, 69, 74, 82, 89
	2-24	Embedding policy commitments	20, 40, 45-46, 60, 62, 69, 74, 82, 89
	2-25	Processes to remediate negative impacts	74-75, 90
	2-26	Mechanisms for seeking advice and raising concerns	62, 73, 89, 102, 109
	2-27	Compliance with laws and regulations	44, 91, 98, 104
	2-28	Membership associations	124
Stakeholder engagement	2-29	Approach to stakeholder engagement	22
	2-30	Collective bargaining agreements	79, 103

GRI 3 : MATERIAL TOPICS 2021

Topic	No.	Indicator	Report Page
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	3-2	List of material topics	24-25
	3-3	Management of material topics	30-37, 49-72



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MATERIAL TOPICS (GRI 200~400)

Management and Reduction of Greenhouse Gas Emissions

Topic	No.	Indicator	Report Page
Disclosures on material topics	3-3	Management of material topics	30-37
Economic Performance	201-2	Financial implications and other risks and opportunities due to climate change	31
Energy	302-1	Energy consumption within the organization	95
	302-3	Energy intensity	95
	302-4	Reduction of energy consumption	95
Emissions	305-1	Direct (Scope 1) GHG emissions	95
	305-2	Energy indirect (Scope 2) GHG emissions	95
	305-4	GHG emissions intensity	95
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	43, 97

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Information Security and Personal Information Protection

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Strengthening Occupational Safety and Health for Employees

Topic	No.	Indicator	Report Page
Occupational Health and Safety	403-1	Occupational health and safety management system	49-51
	403-2	Hazard identification, risk assessment, and incident investigation	51, 57
	403-3	Occupational health services	52-55
	403-4	Worker participation, consultation, and communication on occupational health and safety	52-59
	403-5	Worker training on occupational health and safety	52, 56
	403-6	Promotion of worker health	54, 81
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	49-59
	403-8	Workers covered by an occupational health and safety management system	106-107
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	403-10	Work-related ill health	106

NON MATERIAL TOPICS (GRI 200~400)

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Market Presence	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	103
	202-2	Proportion of senior management hired from the local community	100
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	203-2	Significant indirect economic impacts	64, 82-83
Anti-corruption	205-1	Operations assessed for risks related to corruption	91, 111
	205-2	Communication and training about anti-corruption policies and procedures	91
Tax	207-4	Country-by-country reporting	94
Water and Effluents	303-1	Interactions with water as a shared resource	47
	303-2	Management of water discharge-related impacts	42, 47
	303-3	Water withdrawal	47, 97
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NON MATERIAL TOPICS (GRI 200~400)

Topic	No.	Indicator	Report Page
Biodiversity	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	45
Waste	306-1	Waste generation and significant waste-related impacts	47
	306-2	Management of significant waste-related impacts	47, 96
	306-3	Waste generated	47, 96
	306-4	Waste diverted from disposal	47, 96
	306-5	Waste directed to disposal	96
Employment	401-1	New employee hires and employee turnover	100-101
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	80
	401-3	Parental leave	80, 102
Training and Education	404-1	Average hours of training per year per employee	104
	404-2	Programs for upgrading employee skills and transition assistance programs	77, 104
	404-3	Percentage of employees receiving regular performance and career development reviews	102
Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	85, 100, 110
	405-2	Ratio of basic salary and remuneration of women to men	103
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AUTO PARTS

Sustainability Disclosure Topics & Metrics

Topic	Accounting Metrics	Code	Report Page
Energy Management	Total energy consumed	TR-AP-130a.1	95
	Percentage grid electricity		95
	Percentage renewable*		-
Waste Management	Total amount of waste from manufacturing	TR-AP-150a.1	96
	Percentage hazardous		96
	Percentage recycled		96
Product Safety	Number of vehicles recalled	TR-AP-250a.1	73
Design for Fuel Efficiency	Revenue from products designed to increase fuel efficiency or reduce emissions	TR-AP-410a.1	-
Materials Sourcing	Description of the management of risks associated with the use of critical materials	TR-AP-440a.1	60
Materials Efficiency	Percentage of products sold that are recyclable	TR-AP-440b.1	96
	Percentage of input materials from recycled or remanufactured content	TR-AP-440b.2	-
Competitive Behavior	Total amount of monetary losses as a result of legal proceedings associated with anti-competitive behavior regulations	TR-AP-520a.1	111

* No use of renewable energy

Activity Metrics

Activity Metrics	Code	Report Page
Number of parts produced	TR-AP-000.A	-
Weight of parts produced	TR-AP-000.B	-
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ESRS 2 GOV-2	Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	17-19
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ESRS 2 SBM-1	Market position, strategy, business model(s) and value chain	6-14
ESRS 2 SBM-2	Interests and views of stakeholders	22
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ESRS E1-2	Policies related to climate change mitigation and adaptation	31-33, 38, 40
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ESRS E1-7	GHG removals and GHG mitigation projects financed through carbon credits	-
	Avoided emissions of products and services	-
ESRS E1-8	Internal carbon pricing	-
ESRS E1-9	Potential financial effects from material physical and transition risks and potential climate-related opportunities	31



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ESRS E3-4	Water consumption	47, 97
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ESRS E4-2	Policies related to biodiversity and ecosystems	45-46
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ESRS S1-16	Ratio of the annual total compensation ratio of the highest paid individual to the median annual total compensation for all employees	103
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ESRS S3-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	82



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ESRS S4. Consumers and End Users

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ESRS S4-1	Policies related to consumers and end-users	73
ESRS S4-2	Processes for engaging with consumers and end-users about impacts	73
ESRS S4-3	Processes to remediate negative impacts and channels for consumers and end-users to raise concerns	73
ESRS S4-4	Taking action on material impacts on consumers and end-users, and approaches to mitigating material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions	73
ESRS S4-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	73

ESRS G1. Business Conduct

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	Requirements in the Ethics Charter and Code of Conduct	89
ESRS G1-2	Operating the compliance program, conducting activities to make payment improvements, such as the win-win payment system	62
	Diagnosing and conducting a due diligence on supplier ESG risks, reflecting diagnosis and due diligence results in supplier selection criteria	61
ESRS G1-3	Activities to prevent corruption or bribery, and a system to investigate and report outcomes to the administrative, management and supervisory bodies	89-90
	Activities to prevent unfair trading, and a system to investigate and report outcomes to the administrative, management and supervisory bodies	89-90
ESRS G1-4	Number of confirmed incidents of corruption or bribery, details of public legal cases, the number of confirmed incidents in which own workers were dismissed or disciplined	111
	Number of confirmed incidents of unfair trading, details of public legal cases, the number of confirmed incidents in which own workers were dismissed or disciplined	111
ESRS G1-5	Political influence and lobbying activities	-
ESRS G1-6	Payment practices	-



UN SDGs

The United Nations Sustainable Development Goals (UN SDGs) are the global objectives adopted at the UN General Assembly in September 2015 to build a sustainable society by 2030, promoting social development, environmental protection, and inclusive economic growth. Hwaseung R&A strives to implement these 17 goals and 169 specific targets to address global economic, environmental, and social issues and achieve sustainable development. We aim to create social value and build a sustainable society by selecting SDGs relevant to our business and linking our sustainable management activities to specific targets.

UN SDGS		Key Activities
	Goal 1. No Poverty End poverty in all its form everywhere	<ul style="list-style-type: none">· Sponsorship of the Republic of Korea National Red Cross· Sponsorship of the Korean Association for Children with Leukemia and Cancer· Sponsorship of the Community Chest of Korea, Busan· Conduct of Hwaseung Kkumteul Project
	Goal 3. Good Health and Well-Being Ensure healthy lives and promote well-being for all at all ages	<ul style="list-style-type: none">· Expanded welfare benefits for employees· Regular health check-up, job stress prevention and management, education for practicing healthy lifestyle, and smoking cessation programs· Obtainment of family-friendly company certification
	Goal 4. Quality Education Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	<ul style="list-style-type: none">· Leadership and job competency education· Strengthening AI education suitable for technology innovation and the work environment
	Goal 5. Gender Equality Achieve gender equality and empower all women and girls	<ul style="list-style-type: none">· Implementation of human rights impact assessment· Implementation of compulsory human rights education
	Goal 6. Clean Water and Sanitation Ensure availability and sustainable management of water and sanitation for all	<ul style="list-style-type: none">· Management of water pollutants· Compliance with environmental laws and regulations
	Goal 7. Affordable and Clean Energy Ensure access to affordable, reliable, sustainable, and modern energy for all	<ul style="list-style-type: none">· Adoption of solar power generation· Improvement of energy efficiency at business sites· Conduct of product life cycle assessment (LCA)
	Goal 8. Decent Work and Economic Growth Promote sustained, inclusive, and sustainable economic growth, full and productive employment and decent work for all	<ul style="list-style-type: none">· Operation of fair appraisal systems and processes· Talent recruitment including disabled persons and persons of national merit

UN SDGS		Key Activities
	Goal 10. Reduced Inequalities Reduce inequality within and among countries	<ul style="list-style-type: none">· Implementation of human rights impact assessment· Implementation of compulsory human rights education
	Goal 12. Responsible Consumption and Production Ensure sustainable consumption and production patterns	<ul style="list-style-type: none">· Expanded application of recycled materials· Increased circulation and use of liquid waste organic solvents, liquid waste insulating oils, and waste synthetic resins
	Goal 13. Climate Action Take urgent action to combat climate change and its impacts	<ul style="list-style-type: none">· Use of renewable energy through solar power generation facilities· Agreement on a pilot project to reduce greenhouse gas emissions· Selection for carbon-neutral smart factory dissemination project· Adoption of Factory Energy Monitoring System (FEMS)· Designation as leading company for KEEP+
	Goal 15. Life on Land Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss	<ul style="list-style-type: none">· Implementation of regular soil contamination monitoring· Establishment of policies to prevent deforestation· Conduct of activities to protect biodiversity
	Goal 16. Peace, Justice and Strong Institutions Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	<ul style="list-style-type: none">· Conduct of autonomous fair trade compliance programs· Activities to support partner companies· Strengthening ethical management· Practice of legal compliance management
	Goal 17. Partnerships for the Goals Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development	<ul style="list-style-type: none">· Response to ESG evaluations and initiatives (GRI, SASB, ESRS, etc.)

AWARDS AND MEMBERSHIPS



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Awards

Host	Description	Time of Award
Korea International Trade Association	Won 50 Million Dollars Export Tower	Nov 1997
Ministry of Commerce, Industry and Energy	Designated as a research center with excellent manufacturing technology	Dec 2005
Ministry of Knowledge Economy	Selected as the world's top product certification company	Dec 2008
Ministry of Labor	Selected as a company with excellent labor-management culture	Dec 2008
Ministry of Knowledge Economy	Selected among the World Class 300 Companies	May 2011
Ministry of Public Administration and Security	Received the Bronze Tower Order of Industrial Service Merit on Trade Day	Jun 2012
Korea International Trade Association	Won the 300 Million Dollars Export Tower	Dec 2014
Korea Institute of Industrial Technology	Selected as a root company	Sep 2023
Gyeongsangnam-do	Won the Provincial Governor's Citation on the 29th Yangsan-si Environment Day	Jun 2024
Ministry of Employment and Labor	Won the 2024 Industrial Accident Prevention Contribution Award	Aug 2024
Ministry of Environment	Won the Minister of Environment Citation for Excellent Public Water Quality Management	Nov 2024

Association Memberships

Name of Association
Hyundai Mobis Supplier Association
Korea International Trade Association
Ssangyong Motor Supplier Association
Korea Automobile and Mobility Association (KAMA)
Korea GM Supplier Association
Renault Korea Supplier Association (RKSA)
Hyundai Kia Automotive Suppliers Association (HKASA)
Federation of Middle Market Enterprises of Korea
Korea Auto Industries Coop. Association (KAICA)

ESG Certification Status

Name of Certification	Certification Body	Certification Period	Certification Scope
ISO 14001 (environmental management system)	Korean Standards Association	Feb 19, 2024 - Feb 18, 2027	Hwaseung R&A (head office and factories)
ISO 22301 (business continuity management system)	Korean Standards Association	Nov 24, 2023 - Nov 23, 2026	Hwaseung R&A (head office and factories)
ISO 45001 (occupational health and safety system)	Korean Standards Association	Dec 7, 2024 - Dec 6, 2027	Hwaseung R&A (head office and factories)
TISAX (information security certification)	European Network Exchange Association (ENX)	Mar 22, 2024 - Feb 27, 2027	Hwaseung R&A (head office and factories)
Family-friendly certification	Ministry of Gender Equality and Family	Dec 1, 2024 - Nov 30, 2027	Hwaseung R&A
IATF 16949 (quality management system)	Korean Standards Association	Jan 4, 2024 - Jan 3, 2027	Hwaseung R&A (head office and factories)

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DEAR STAKEHOLDERS OF HWASEUNG R&A CO., LTD.

Assurance Outline

Korea Productivity Center Quality Assurance (hereinafter "KPCQA") was commissioned by HWASEUNG R&A CO., LTD. (hereinafter "HS R&A") to conduct an independent assurance on the Sustainability Report 2025 (hereinafter "the report") and issues an assurance statement. HS R&A has sole responsibility for the preparation of the data within the report. KPCQA's responsibility is to provide objective opinions on this report with the specified criteria and scope of assurance.

Scope

This report describes HS R&A's sustainability efforts and performance. The scope of assurance was included on activities from January 1, 2024 to December 31, 2024. Activities through 2025 has also been used in some areas. The report was assured focusing on the reporting of sustainable management policies, strategies, goals, businesses, and performance, and conformity of data collection and analysis, and the report creation process.

Criteria

- The assurance was carried out in accordance with the following standards:
- AA1000AS v3
 - KPCQA ESG Assurance Protocol

Levels

The assurance of this report was conducted in line with the requirements of the AA1000AS v3 Type 1 (Adherence to the AA1000 four principles) at moderate level of assurance. The assurance was applied by professional judgement about materiality. The report has been produced in accordance with GRI Standards. We confirmed that the report was complied with reporting principles of GRI Standards, Universal Standards, and Topic Standards based on the data and information provided by HS R&A.

Universal Standards	
Organizational and its reporting practices	2-1 ~ 2-5
Activities and workers	2-6 ~ 2-8
Governance	2-9 ~ 2-21
Strategy, policies and practices	2-22 ~ 2-28
Stakeholder engagement	2-29 ~ 2-30
Material topics	3-1 ~ 3-3

Topic Standards			
Economic Performance	201-1 ~ 201-2	Waste	306-1 ~ 306-5
Market Presence	202-1 ~ 202-2	Employment	401-1 ~ 401-3
Indirect Economic Impacts	203-1 ~ 203-2	Occupational Health and Safety	403-1 ~ 403-10
Anti-corruption	205-1 ~ 205-2	Training and Education	404-1 ~ 404-3
Tax	207-4	Diversity and Equal Opportunity	405-1 ~ 405-2
Energy	302-1, 302-3, 302-4	Non-discrimination	406-1
Water and Effluents	303-1 ~ 303-5	Local Communities	413-1
Biodiversity	304-1	Supplier Social Assessment	414-2
Emissions	305-1, 305-2, 305-4, 305-7	Customer Privacy	418-1



THIRD-PARTY ASSURANCE STATEMENT

Methodology

- Review of Sustainability Performance Data and Management System
- Review of the reporting process and data management framework
- Review of materiality assessment process and Internal Analysis Procedure
- Review of media report on sustainability
- Interviews with executives and employees involved in material topics and report preparation
- Review of the overall report

Limitations

This assurance is limited assurance in limited criteria with comparative review of data provided by HS R&A. It has its own limitations depending on the characteristics and calculation method of the data.

Conclusions

KPCQA conducted assurance on the draft based on the review of the data, onsite verification and interview with the employees. Some necessary revisions were made, and the review of the final version has been completed. As a result of the assurance of this report, no material errors or improper descriptions have been found and the conclusions are as follows.

- **Inclusivity** : Participation of stakeholders
HS R&A operates stakeholder communication channels to gather opinions from various stakeholders to derive material topics and ensure that they are reflected in decision-making.
- **Materiality** : Selection and reporting of material topics
HS R&A presented sustainability performance data without any material omissions. Relating to the material issues in the report, nothing had come to our attention that would cause problem in decision-making process.
- **Responsiveness** : Organizational response to issues
HS R&A has established an ESG management framework and is making efforts to respond to the needs and interests of internal and external stakeholders. We confirmed HS R&A has management process of material topics through materiality assessment.

- **Impact** : Monitoring and measurement of business activities
KPCQA reviewed HS R&A identified and monitored the impact of HS R&A's business activities on stakeholders. We confirmed the impact associated with material issues have been properly measured.
- **Reliability** : Reliability and quality of specified sustainability performance information

KPCQA conducted reliability verification of sustainability performance information provided by HS R&A. We found no intentional errors or misstatements in the sustainability performance information through reviewing internal procedures for data measurement and management through interviews with the person in charge and sampling of data.

Competencies and Independence of Assurance

KPCQA is a 3rd Party Conformity Assessment Body that conforms to ISO/IEC 17021:2015 and has documented policies, assessment processes, and quality assurance systems with assurance team of ESG experts. KPCQA was not involved in any of the business operations of the HS R&A and the assurance was conducted with independence.



AA1000
Licensed Report
000-404/V3-T49RU

June 2025
Korea Productivity Center Quality Assurance

President Jang Jean, Kang

GREENHOUSE GAS ASSURANCE STATEMENT



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HWASEUNG R&A CO., LTD.

Verification Scope

Korean Standards Association has conducted verification for GHG emissions based on GHG report provided by Hwaseung R&A which includes Scope1 and Scope2 emissions.

Verification Standards and Guidelines

To conduct verification activities, verification team applied verification standards and guidelines. The standards and guidelines are as follows.

- Guidance for reporting and verification of GHG emissions trading scheme (No. 2025-28 provided by Ministry of Environment, Republic of Korea)
- Verification Guidelines for the Operation of the Greenhouse Gas Emission Trading System (No. 2024-169 provided by Ministry of Environment, Republic of Korea)
- 2006 IPCC Guidelines, KS I ISO 14064-1: 2018 and KS I ISO 14064-3: 2019

Level of Verification

As a result of a materiality assessment on Hwaseung R&A's greenhouse gas emissions, the emission level meets the Reasonable Assurance level (within $\pm 5.0\%$ of the total emissions).

Verification Conclusion

As a result of verification activities, verification team has found no significant errors, omissions, and misstatements. Therefore, Korean Standards Association confirms that following emissions data are adequately quantified.

2024 GHG Emissions(Scope1, Scope2)

Year	Scope1	Scope2	Total(tCO ₂ -eq)
2024	6,058.539	14,675.653	20,734

※ Note: Greenhouse gas emissions are summed after truncating decimal points at the business site level, which may result in discrepancies between the total emissions by type and the overall total.

May 7, 2025

KOREAN STANDARDS ASSOCIATION

HWASEUNG
R&A