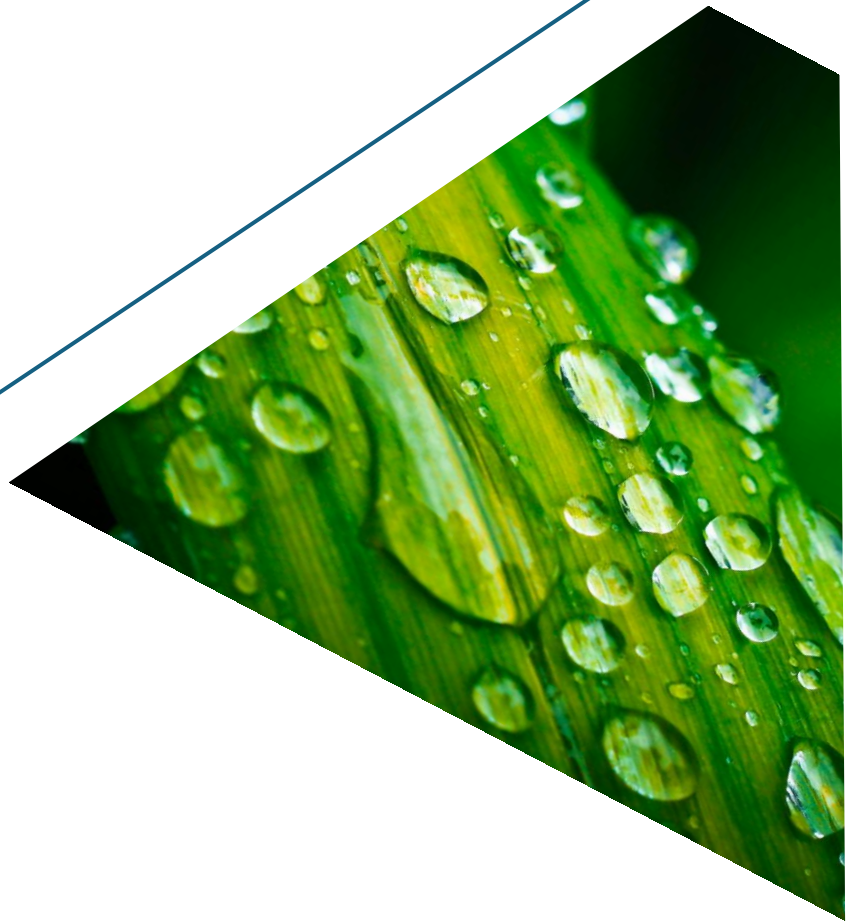
Sustainability Report 2024

Green Innovation for Earth



Great Innovation! Great Future!

Hwashin's Innovation Is Shaping the Future of Automobiles.

HWASHIN

Overview

Environmental

Social

Governance

Appendix

About This Report

Report Overview

This is the fifth Sustainability Report published by HWASHIN Co., Ltd. (hereinafter “Hwashin”). Hwashin publishes sustainability reports annually to transparently disclose to stakeholders its activities and outcomes for the achievement of sustainable management goals for the past year and to solicit opinions through communication with a broad base of stakeholders.

Reporting Standards

This report was prepared consistently with the core methods for the publication of sustainability reports. Financial information was prepared on a consolidated basis, while the reporting standards and definitions adhere to the Korean International Financial Reporting Standards (K-IFRS) and the Global Reporting Initiative (GRI) Standards 2021. Energy usage and carbon emissions volume disclosed herein are verified results. Any major changes were separately noted in the relevant sections.

Reporting Period and Scope

This report covers the major activities pursued and achievements made by Hwashin from January 1 to December 31, 2024. Some of the qualitative activities also include content that took place in the first half of 2025. Quantitative data include the performance results of the past three years (2022–2024) to display trends by year. The reporting scope covers all Korean business sites (Eonha Plant, Technology Research Center, Bongdong Plant, Yesan Plant, Pyeongchon Advanced Research Center, High-Tech Park Plant, and Maeho Plant). Depending on the size and nature of each site, some may have been added or excluded; any such exceptions are noted with separate explanations where necessary.

Report Verification

This report is published after a thorough review by Hwashin’s Environmental, Social, and Governance (ESG) Planning Team. The financial information in the Report is data verified in an audit by Samduk Accounting Corporation, an independent auditing firm. Other information in the Report was collected from the cited sources. Additionally, a third-party verification was undertaken by Lloyd’s Register Quality Assurance (LRQA), an independent outside assurance and certification service. For the verification statement, see APPENDIX.

Contact for inquiries regarding the report

- Published in: June 2025
- Department in Charge: ESG Planning Team, Hwashin
- Inquiries: +82-54-330-5309
- Email: Gyeong-Min.Lee@hwashin.co.kr

Contents

01. Overview

CEO Message	05
Company Profile	06-10
Business Portfolio	11-16
ESG Management	17-18
Stakeholder Engagement	19-20
Materiality Assessment	21-22

02. Environmental

Environmental Management	24-27
Responding to Climate Change	28-33
Establishment of Eco-Friendly Workplaces	34-44

05. Appendix

Financial Performance	93
Non-Financial Performance	94-97
Sustainability Management(ESG) Charter	98
GRI Standards	99-101
Third-party Verification Statement	102-104

03. Social

Talent Management	46-49
Human Rights Management	50-54
Organization Culture	55-56
Creating a Happy Workplace	57-59
Safety and Health Management	60-67
Creating Value in the Local Community	68-69
Information Protection	70-72
Shared Growth	73-78

04. Governance

Governance	80-82
Shareholder-Friendly Management	83-84
Risk Management	85-86
Ethical and Legal Compliance Management	87-89
Compliance Management	90-91

OVERVIEW

CEO Message	05
Company Profile	06-10
Business Portfolio	11-16
ESG Management	17-18
Stakeholder Engagement	19-20
Materiality Assessment	21-22

CEO Message

Dear valued stakeholders,

Thank you for your unwavering support and unfailing trust.

In 2024, the global supply chains faced heightened uncertainty due to high inflation, rising interest rates, and escalating trade tensions among nations. Despite these challenging business conditions, Hwashin has strived to work alongside our stakeholders to build a better future and take another step forward as a sustainable enterprise.

First, we laid the foundation for embedding ESG management into our operations.

We established teams dedicated to each ESG area and drew up company-wide implementation strategies to enhance ESG management. Through these efforts made, we aimed to fully integrate ESG as a key component of our company-wide management.

Second, we joined the United Nations Global Compact (UNGC), a global sustainability initiative.

By doing so, we internationally declared our commitment to the 10 principles in the areas of human rights, labor, environment, and anti-corruption. This marks a symbolic milestone that reflects Hwashin's strong determination to fulfill its social responsibilities as a global corporate citizen.

Moving forward, Hwashin will continue to strengthen ESG management with a focus on the following three areas:

First, we will concentrate our efforts on actually reducing greenhouse gas emissions, including the use of renewable energy and the management of Scope 3 emissions.

Second, we will build a sustainable ecosystem for shared growth by assessing and improving ESG risks among our suppliers and fostering mutually beneficial cooperation with the local communities.

Third, we will pursue responsible management that earns trust through data-driven ESG information management and transparent disclosure.

Sustainability is no longer a choice but a must for a company's survival.
Hwashin will continue to upgrade its ESG management based on innovation, responsibility, and trust, boldly taking on challenges for a sustainable future.

We kindly ask for your continued interest and unfailing support.

Thank you.

Chief Executive Officer, Hwashin
Chung Seo-jin

Company Profile

Company Overview

Over 50 years ago, Hwashin set out alongside automakers with the bold vision of "becoming a global leader in the 21st-century automobile parts industry," in a country with no automotive industry at the time. Despite countless challenges, Hwashin has grown into a global company specializing in automotive parts thanks to our unwavering determination and efforts made. By developing new technologies through creative research, Hwashin has played a pivotal role in advancing Korea's automobile parts industry. With an enterprising spirit of challenge taking and superior technological capabilities, the company has built a state-of-the-art information system thanks to which we are advancing into the world with an advanced competitive edge.

Company name	HWASHIN Co., Ltd.
Date of establishment	July 1, 1975
CEOs	Chung Seo-jin, Jang Ui-ho
Headquarters location	94-2, Donamgongdan-gil, Yeongcheon-si, Gyeongsangbuk-do, Korea
Main business	Automotive parts manufacturing
Number of employees	1,028 in Korea / 2,908 overseas

Financial Performance

(As of December 2024, consolidated basis)

Total assets	Total capital
KRW 1.322 trillion	**KRW 517.4** billion
Sales	**Operating profit**
KRW 1.712 trillion	**KRW 65.3** billion
Net profit for the current period	**Credit rating**
KRW 53.6 billion	**BBB** (Source: NICE Information Service)

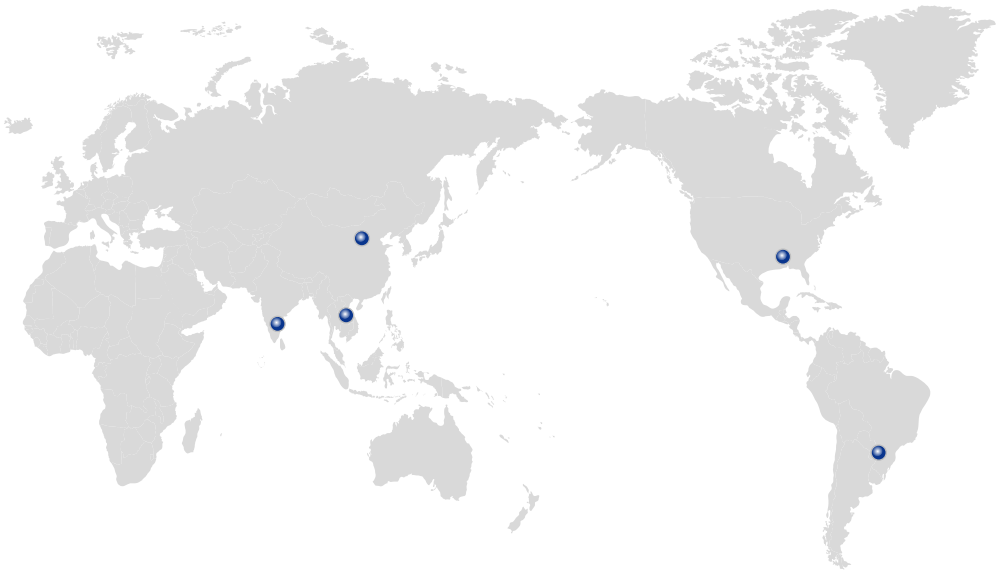
2024 Performance

한국ESG기준원	KODATA	SUSTINVEST	CDP
B+ (Integrated rating)	**ESG-2**	**A** (Results from the second half of 2024)	**C** (Climate Change)

Company Profile

Global Network

Hwashin has established a global network spanning key countries such as Korea, India, China, the United States, Brazil, and Vietnam. Leveraging its global production base and technological competitiveness, the company aims to expand its portfolio of diverse global OEM clients.



[Number of overseas employees and sales as of 2024]

Corporation	Number of Employees (individuals)	Sales (KRW 100 million)
HWASHIN Beijing Corporation	241	697
HWASHIN India Corporation	1,295	3,234
HWASHIN USA Corporation	727	5,699
HWASHIN Brazil Corporation	476	1,473
HWASHIN Vietnam Corporation	169	62
Total	2,908	11,165

* Vietnam Corporation ownership percentage: 40%

[Number of employees in Korea as of 2024]

Plant	Number of Employees (individuals)
Eonha Plant	250
R&D Center	214
Bongdong Plant	293
Yesan Plant	117
High-Tech Park Plant	154
Total	1,028

* R&D Center: It includes both the Technology Research Center and Pyeongchon Advanced Research Center

Company Profile

Company History

1975-2000 — *"Enterprise and Takeoff"*

1975	Established HWASHIN Co., Ltd. production company
1985	Awarded the Saemaeul Medal Award for Diligence
1986	Awarded the USD 5 Million Export Tower
1987	Established the attached Technology Research Center
1988	Rated Grade 1 in Quality Control Plant by the Office of Industry Promotion
1991	Established HWASHIN Precision
1994	Listed on the Korean Stock Exchange
1995	Changed trade name to HWASHIN Co., Ltd.
1999	Awarded the Top 100 Technologies Award by the Korean Ministry of Science and Technology
2000	Introduced ERP SAP as a company-wide management system

2001-2010 — *"Stability and Growth"*

2002	Established the India and Beijing branches
2003	Established the USA branch
2004	Acquired ISO 14001 certification
2005	Selected as a Leading Company in New Labor and Management Culture
2006	Awarded the Steeel Tower Industry Medal
2008	Awarded for contributions to the development of the automobile parts industry
2008	Awarded for Coexistence and Cooperation between Large, Medium, and Small Enterprises (Korean prime minister award)
2009	Established the Brazil branch
2009	Selected as an Institution of Excellence in World Class 300 Company
2010	Awarded the Prize for Excellence at the Republic of Korea Technology Awards (Korean Minister of Knowledge Economy)

2011-2020 — *"Globalization"*

2011	Awarded Global CEO Grand Prize
2012	Selected as a World Class 300 Company
2013	Acquired OHSAS certification
2014	Awarded the USD 300 Million Export Tower
2015	Established the Changzhou and Chongqing branches
2017	Acquired IATF 16949 certification
2018	Awarded for contributions to the prevention of industrial disasters
2018	Converted to ISO 45001 certification
2018	Merged SaeHWASHIN
2020	Established the Vietnam branch

2021–Present — *"Innovation and Sustained Growth"*

2021	Awarded Root Industry Contribution Award (Presidential award)
2022	Selected as a Root Industry Master
2022	Selected as a Top Materials, Parts, and Equipment Company
2022	Acquired Family-Friendly Company certification
2022	Awarded the Fair Trade Order Establishment and Award for Expanding a Culture of Coexistence and Cooperation
2022	Awarded for Supply Payment Linkage System (Korean Minister of SMEs and Startups)
2023	Established Georgia HWASHIN in the United States
2023	Awarded for contributions to the reshoring of overseas enterprises (Korean president award)
2024	Awarded Supplier of the Year by Hyundai WIA
2024	Completed the construction of the High-Tech Park Plant / Established the Pune branch in India
2024	Selected as a Corporate Philanthropy Leader (by Community Chest of Korea)
2024	Awarded Top Commendation for Fair Trade Agreement (for six consecutive years)
2025	Awarded Supplier of the Year by Hyundai Motor Group

Company Profile

Vision

GT45
A global top 45 parts company leading the automobile parts market

Core Values

- Winning customers' heart
- Globalization
- Creative enterprise
- Coexistence and cooperation

Growth Targets

Achieve consolidated sales of KRW 5.2 trillion
Reach 7.6% share of the global parts market

"Leaping forward to become a global tier 1 parts manufacturer by expanding the market"

Market expansion	Technology expansion	Business scope expansion
Expanding orders from global major OEMs Actively targeting emerging markets	Developing high value-added products by applying new materials and eco-friendly technologies	Integrating modularization and IT technologies For system integration Business promotion

Core Values

Customer-centered	Hwashin employees enhance customer satisfaction by developing products that meet customer needs and expectations.
Enterprise spirit	Hwashin employees are not afraid of failure; driven by a spirit of challenge, they set higher performance goals.
Communication	Hwashin employees exchange ideas and opinions on a horizontal basis.
Principles first	Hwashin employees value company regulations and procedures for transparent and fair work processes.
Innovation	Hwashin employees can lead innovation with fresh and diverse perspectives.

Customer-centered	Enterprise spirit	Commun ication	Principles first	Innovation
- Understanding customer needs - Ensuring customer satisfaction - Maintaining strong customer relationships	- Setting challenging goals - Initiating execution - Having a sense of ownership of work	- Understanding others - Building cooperative networks - Generating cross-department synergy	- Understanding rules and procedures - Featuring transparent workflows - Complying with procedures	- Open-minded thinking and problem awareness - Improvement of work execution procedures and methods

Company Profile

Certifications and Awards

ISO 14001 Environmental management system

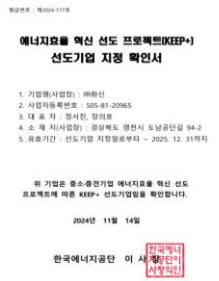
We have made environmental management a cornerstone of corporate management and are making strides toward continuous improvement of the environment by setting specific targets and processes.

ISO 45001 Occupational health and safety management system

We are taking the lead in preventing disasters by setting safety and health goals and building systems for workers' safety and health in the workplace.

IATF 16949 Automotive quality management system

We apply a quality system capable of application to any supplier in the global automobile industry supply chain to achieve continual improvements, prevent defects, and reduce waste.



Designated as a leading company in energy efficiency innovation

We are working to transform our energy consumption structure into a low-consumption, high-efficiency model to reduce energy costs and greenhouse gas emissions.

Award for supply payment linkage system

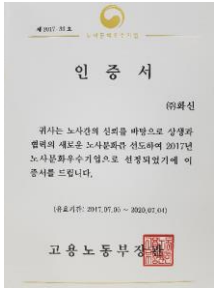
We received the Korean Minister of SMEs and Startups Award for our contributions to the spread of the supply payment linkage and mediation and consultation systems for suppliers.

Fair Trade Commission Chairperson Award

We were awarded by the Chairperson of the Fair Trade Commission for six consecutive years, recognized for establishing a fair trade order through fair trade agreements and promoting a culture of coexistence and cooperation.

Presidential Root Industry Award

We share a future vision of our achievements with a stronger competitive edge in materials, parts, and equipment, and in root industries, and thereby contribute to national industry development.



Certified for corporate excellence in labor-management culture

We were selected and certified as a model company for the practice of a symbiotic labor–management culture for the spread of a cooperative labor-management culture and stronger corporate competitiveness.

Family-friendly certification

We were recognized and certified as a model company for the operation of systems, including support for childbirth and childcare, flexible work, and the formulation of a family-friendly corporate culture.

Business Portfolio

Business Overview

As a global automotive parts company, Hwashin specializes in chassis and body parts that play a key role in enhancing vehicle durability, driving stability, and fuel efficiency through research, development, and production. In particular, we contribute to the mass production of eco-friendly, high-efficiency vehicles by delivering optimized designs that meet customer needs using high-performance, high-strength, and diverse materials. In addition, in keeping with the paradigm shift from conventional internal combustion engines to eco-friendly mobility, we are developing and mass-producing battery pack cases that store the battery carrier modules in electric vehicles—a key energy supply module—which have been recognized for their technical excellence. Hwashin is currently focusing its capacity on developing high-strength lightweight parts, electric components, and smart parts to preemptively respond to the future vehicle market and secure the technological competitiveness needed to lead the next-generation mobility era. Moving forward, Hwashin will continue to grow as the optimal partner that meets customer needs in the ever-evolving global automotive market based on sustainable innovation and customer-centric quality management.

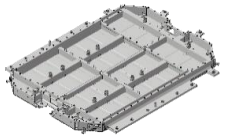
[View of HWASHIN Technology Research Center]

[Newly Developed Products]

AL FRONT CROSS MEMBER

- A part for lightweight suspension in electric vehicles
- It is made lightweight to improve mileage.
- It supports electric motor, steering mechanism, and suspension system.
- It improves ride comfort by reducing road vibration and shocks.

BATTERY PACK CASE



- Storage of the carrier module, the energy source for electric vehicles.
- Installed on the underside of the vehicle, it protects the battery from road debris, water ingress during rain, and external impacts, thereby safeguarding the driver from potential fire or explosion.

Business Portfolio

Main Products Overview – CHASSIS

FRONT CROSS MEMBER (#) TYPE

- It supports the engine and connects the axle and the frame.
- Arm type, steering gear box, and stabilizer bar
- It dampens vibrations and suppresses noise from the road surface or powertrain.

REAR CROSS MEMBER (#) TYPE

- It is designed as an independent suspension using 3 to 5 links to ensure the tires remain perpendicular to the road surface.
- It plays the role of fastening and supporting components such as arms and the stabilizer bar, which are mounted at the rear of a vehicle and form part of the suspension system.

FRONT CROSS MEMBER (H) TYPE

- It supports the engine and connects the axle and the frame.
- It fastens and supports components, such as arms, steering gear box, and stabilizer bar.
- It dampens vibrations and suppresses noise from the road surface and powertrain.

REAR CROSS MEMBER (H) TYPE

- It supports the engine and connects the axle and the frame.
- It fastens and supports components, such as arms, steering gear box, and stabilizer bar.
- It dampens vibrations and suppresses noise from the road surface and powertrain.

FRONT LOWER ARM

- It supports frontal, dorsal, lateral, upward, and downward forces transmitted through the tires during driving and prevents abnormal movements.
- It dampens or mitigates vibrations generated by the cross member and knuckle.

REAR CTBA

- It is installed on the rear wheels of a vehicle to absorb shocks during driving caused by information entered on a road, maintaining stability when cornering.
- It is lightweight, compact, and highly maintainable.
- It boasts of excellent roll and lateral stiffness.

REAR LOWER ARM

- It supports lateral, frontal, dorsal, upward, and downward forces transmitted through the tires during driving and prevents abnormal tire movements.
- It dampens or mitigates vibrations generated by the cross member and knuckle.

REAR TRAILING ARM

- It is mounted on the lower rear section of a vehicle and assembled on the rear cross member and carrier.
- It absorbs external forces applied to the tires through upward and downward movements, improving ride comfort.

Business Portfolio

Main Products Overview – CHASSIS

REAR ASSIST ARM

- It connects the rear wheel carrier and the cross member.
- It affects the vehicle's lateral stiffness and high-speed cornering stability.

FRONT UPPER ARM

- It is mounted on the lower rear section of a vehicle and disperses the load during tire movement and functions as an upward and downward link.

REAR AXLE HOUSING ASSEMBLY

- It is used in rear-wheel drive axle-type suspensions.
- It is installed on the final reduction gear to house the drive shaft and transmit axial loads from the shaft to the vehicle frame.
- It is a component mounted on 1-ton or larger commercial vehicles.

PEDAL

- It is a device that controls vehicle acceleration and braking and disconnects the engine power during gear shifting and manual transmission.
- It consists of an accelerator pedal, braking pedal, and clutch pedal.

FUEL TANK

- It is mounted on the rear floor of a vehicle and primarily supplies fuel to the engine and blocks fuel flow noise generated during vehicle operation.
- It is composed of a canister that captures evaporating gas and a fuel pump module that delivers fuel to the engine.

Business Portfolio

Main Products Overview – BODY

REINF SIDE OUTER

- It is a component that reinforces the side stiffness of a vehicle and enhances the stiffness in the event of a side collision.
- It has mounting points on the front and rear doors.

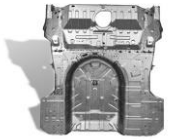
FENDER APRON & MEMBER

- It is mounted above the left and right front wheels of a vehicle.
- It fastens and supports the shock absorber, which helps mitigate and dampen road surface vibrations and shocks.

CENTER FLOOR

- It connects the left and right sides of a frame and fastenes various cables, including the parking cable.

REAR FLOOR



- It forms the floor structure of a vehicle and reinforces the overall vehicle stiffness.
- It serves as a mounting point for suspension and driving components such as a cross member and transmission.

COWL COMPLETE

- It serves as a partition between the engine room and a vehicle's interior/exterior and provides connection points for the engine hood and front doors, as well as a drainage channel.

COWL CROSS BAR

- It is a frame installed in the cowl area to prevent lateral twisting or bending and enhance stiffness.
- It maintains structural strength to protect the passengers in the event of a collision.

BUMPER RAIL

- It connects the front bumper and vehicle.
- It is a component that absorbs shocks and fastens products mounted at the front of a vehicle.

SUN ROOF REINF

- It provides a guiding surface to install a sunroof for opening and closing the vehicle ceiling.

Business Portfolio

Research and Development (R&D)

In August 1987, Hwashin established its corporate research institute, the "Hwashin Technology Research Center," with the aim of strengthening its future competitiveness. Since its founding, the center has pursued long-term R&D strategies of securing outstanding talents and building state-of-the-art computer systems and testing equipment. The Hwashin Technology Research Center focuses on the development of cutting-edge technologies in areas such as new process technologies, new materials, and new innovative engineering. Through joint research with industry-academia-research collaboration and the execution of government-funded projects, it continues to contribute to the technological advancement of the sustainable mobility industry. In addition, the company actively promotes specialized training and capability building of its researchers, dedicating efforts to cultivating expert R&D personnel. The research center is structured into specialized teams across various fields, including product designing, computer-aided analyses, advance research, testing, prototyping, manufacturing process designing, and the development of mold processing technologies. These specialized teams enhance the research capacity across the entire product development lifecycle. Building on its accumulated technological expertise, Hwashin plays a pivotal role in developing automobile parts technologies that will lead the next-generation vehicle era of the 21st century. Hwashin will continue to enhance its sustainable R&D activities that encompass both eco-friendliness and technological innovation.

[R&D Areas]

Research	R&D for new technologies, analyses of new technological trends, R&D road map planning, executing government-funded projects, and patent management
Design	Designing mass production, product benchmarking, design automation, optimization design, and on-site design support for clients
Analyses	Dynamic analyses, structural and durability analyses, forming analyses, flow analysis, and collision analyses
Initial Develop ment	Planning prototyping, die manufacturing and try outs, jig manufacturing and try outs, 3D scanning measurement, checking formability and weldability
Testing	1/2 car durability testing, static load fatigue testing, collision performance testing, combined environmental testing, prototype manufacturing

Key Research Facilities and Equipment

Hwashin possesses state-of-the-art research infrastructure that supports the entire R&D cycle—from product design and analyses to prototyping and testing. Key facilities include a robot welder, 3D measuring machine, static load tester, and a Noise, Vibration, and Harshness (NVH) tester. These enable fast and precise execution of a wide range of development activities, including prototyping, precision measurement, structural analyses, and noise and vibration assessment.

[Testing Lab]

[Prototyping Lab]

Business Portfolio

Strengthening R&D Capabilities

Hwashin holds an R&D Tech-Conference every year to spread an R&D culture and strengthen its technological competitiveness. This event brings together experts in the automotive industry to share the latest technological trends in the automobile parts industry, as well as case studies on the application of new technologies, processes, and materials. Through this, Hwashin aims to build its in-house R&D capacity and strengthen technical collaboration with its partner companies. On October 31, 2024, the 11th R&D Tech-Conference was held, featuring presentations on key research topics, such as the development of an electric vehicle platform incorporating a dual front–rear drive solution, design and analyses of automation technologies for digital twins, battery pack lightweighting, as well as the sharing of updates on solution development for responding to next-generation mobility. Through this, the event created synergistic effects of helping boost employees' motivation for R&D and strengthening technological competitiveness based on coexistence and cooperation with our stakeholders.

[11th R&D Tech-Conference]

State of Patents

Hwashin is continuously advancing its intellectual property acquisition and management system as a key asset to enhance its technological competitiveness. In particular, the company systematically promotes company-wide patent creating activities and focuses on the commercialization of its R&D achievements made and the protection of its proprietary technologies by securing rights for outstanding technologies. As a result, as of 2024, Hwashin holds a total of 253 registered patents and 69 patent applications. In addition, the company annually holds a patent evaluation council meeting to reward R&D outcomes and link them with the personnel system (including promotions) to encourage the active participation of its employees in patent creating activities.

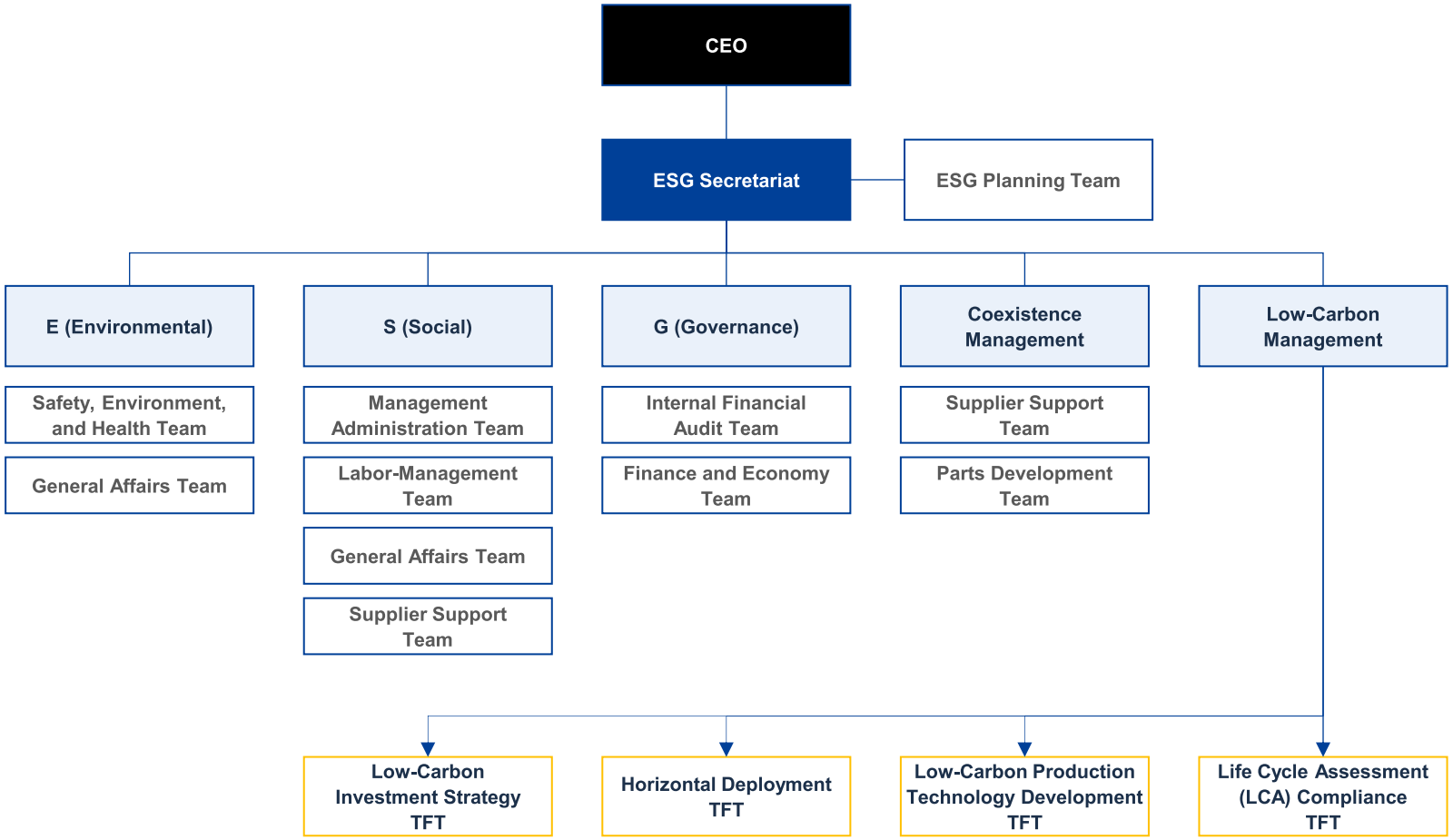
[State of patents]

ESG Management

ESG Implementation Governance

Hwashin has established dedicated teams for each ESG area and assigned specific roles to embed ESG management into its organizational framework. Through this structure, the company aims to proactively manage ESG-related risks and respond flexibly to the rapidly changing external conditions.

[ESG Implementation Governance]



ESG Management

ESG Highlights

Environmental	Designated as a leading company in energy efficiency innovation KEEP+	Enhanced the 2030 greenhouse gas emission reduction target	Climate change awareness training held for all employees
Social	Implementation of fair subcontract transactions Rated “excellent” for 6 consecutive years	Recognized as a Corporate Philanthropy Leader	Supply chain risk management
Governance	Advanced risk management system	Enhanced anti-corruption and ethics policy	Reinforced compliance management system

Stakeholder Engagement

Stakeholder Communication

Hwashin defines its key stakeholders as customers, shareholders, investors, employees, partner companies, government entities, and the local communities. The company actively communicates with these stakeholders through designated communication channels for each area and strives to proactively incorporate their feedback.

[State of Stakeholder Communication]

Items	Communication Channels	Expectations	Major Activities
Customers	• Website • Customer evaluations (ESG, safety & health, etc.) • Voice of Customer (VOC) Program • Technical seminars	• Product and technological competitiveness • Quality, safety, and on-time delivery	• Collecting customer feedback • Carrying out customer evaluations
Shareholders and investors	• General Meeting of Shareholders • Board of Directors • Data Analysis, Retrieval, and Transfer (DART) (disclosure) • Website (disclosure)	• Sales and financial performance • Business outlook • Profit distribution • Sustainability management strategies	• General Meeting of Shareholders • Dividends • Disclosing materials • Sustainability Management Report
Employees	• Intranet • Cyber Complaints Center • Online newsletter (Haneultari) • Management-Labor Consultation Body and meetings	• Employee welfare and benefits • Training and self-development, career development • Fair compensation • Childcare policies • Work-life balance	• Subsidy for children's education • Subsidy for employee education • Housing loans • Living expense loans
Partner companies	• Seminars • Supplier representatives networking events • Supplier factory manager meetings • Supplier VOC activities • Online anonymous reporting channel	• Shared growth • Training and supplier capacity building • Listening to concerns and addressing challenges	• Support for coexistence and cooperation with suppliers (technical support, safety & health support, training support, financial support, raw materials price increase, etc.)
Government	• MOUs with the national and local governments	• Compliance with regulations • Tax payments • Revitalizing the local economy	• National and local tax payments • New hires • Donations to the local community
Local communities	• Website • Foundation Website • Meetings with local communities • Job fairs	• Community engagement • Social contribution activities • Communication with local communities and universities	• Fundraising for disadvantaged neighbors • Employee change for change donations • Goods and scholarships support for the vulnerable class • Participation in university job fairs • Hosting corporate information sessions

Stakeholder Engagement and Distribution of Economic Value

Hwashin seeks to maintain sustainable relationships with its key stakeholders—shareholders and creditors, employees, suppliers, government, and local communities—by distributing the economic value generated by the company fairly and responsibly. In 2024, based on consolidated financials, Hwashin recorded KRW 1.7123 trillion in sales, KRW 65.3 billion in operating profit, and KRW 53.6 billion in net profit for the current period. This marks a year-over-year decrease caused by a decline in domestic OEM sales, reduced sales of goods to corporate customers, and weakened profitability of major subsidiaries. Nevertheless, despite these challenges, Hwashin has continued to carry out various forms of value return activities—including dividends—as part of its social responsibility to uphold the value of shared growth. Moving forward, Hwashin will continue to share the profits it generates with its stakeholders, thereby building a virtuous cycle of sustainable growth.

[Distribution of Economic Value]

(Unit: KRW million)

Stakeholders		2022	2023	2024
Shareholders	Dividends	3,292	5,212	5,212
Creditors	Interest	16,789	24,123	25,657
Employees	Wages	128,565	148,849	157,531
	Employee welfare and benefits	16,100	18,717	20,527
Suppliers	Stock asset payments	1,219,021	1,333,637	1,243,268
Governments and local communities	Taxes	20,897	7,359	22,251
	Contributions	171	268	630

Materiality Assessment

Conducting Materiality Assessment

Hwashin performs materiality assessments to derive key ESG issues that should be prioritized and disclosed from the perspective of sustainable management. The results are then integrated into the company's business strategy. The materiality assessments consider both the actual and potential impacts of Hwashin's business activities on the environment and society, as well as the risks and opportunities these social and environmental factors pose to the company's financial performance to identify critical issues. The company annually incorporates feedback from key stakeholders, such as the employees and suppliers, as well as industry trends, global ESG requirements, and regulatory changes to evaluate the importance of ESG issues. Through this process, the company then sets the priorities. The identified critical issues are integrated into Hwashin's ESG strategy and execution plans, as well as aligned with its management decisions and risk response activities, thereby forming the core foundation for the company's sustainable business operations. Moving forward, Hwashin will continue to conduct regular materiality assessments to clearly grasp the expectations of various stakeholders and societal demands, and reflect the results to best practice responsible ESG management.

[Materiality Assessment Process]

01.Identification of ESG issues	✓ We identify potential ESG issues based on Hwashin's internal policies as well as an analysis of global sustainability standards (GRI Standards), industry-specific issues, guidelines of relevant organizations, ESG issues within the same industry, and supplier VOC feedback.
02. Analyses of internal/external environments	✓ We analyze whether the financial and social/environmental factors can influence the company's ESG issues.
03. Selection of key issues	✓ We combine the analyses results of social/environmental impacts and financial impacts to prioritize issues from the issues pool.
04. Reflection into the company's ESG strategies and management	✓ We report the results related to the key issues to the Board of Directors. ✓ Establish response strategies.

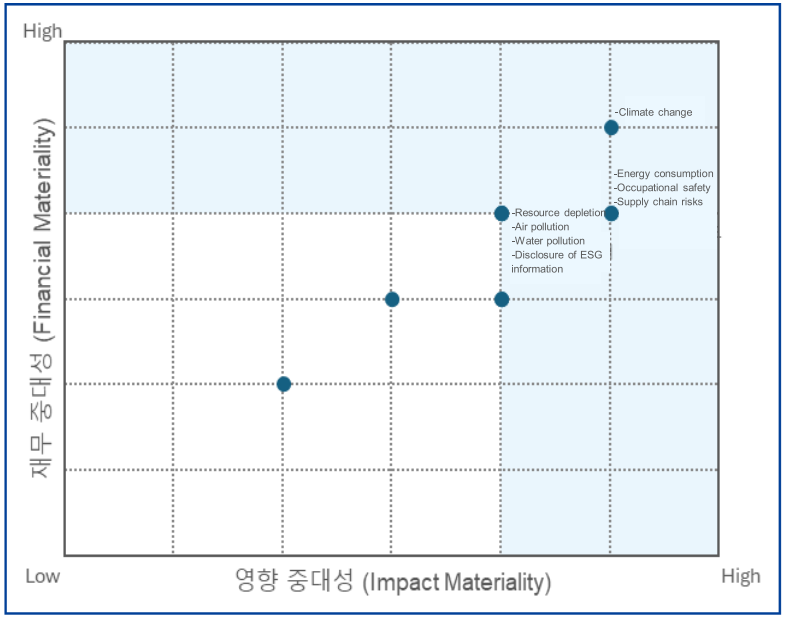
Materiality Assessment

Identification of Issues and Evaluation Results

[ESG Issues Pool]

Environmental	Social	Governance
• Climate change	• Human rights violations	• Diversity of the Board of Directors
• Energy consumption	• Occupational safety	• Ethical management
• Resource depletion	• Lack of diversity	• Corruption and bribery
• Air pollution	• Labor conditions	• Risk management
• Water pollution	• Community impact	• Information protection
• Biodiversity loss	• Supply chain risks	• ESG information disclosure

[Double Materiality Matrix]



[Double Materiality Assessment Results]

Category	Key Issues	Response Strategies
Environmental (E)	① Climate change ② Energy consumption ③ Resource depletion ④ Air pollution ⑤ Water pollution	• Enhancement of energy consumption reduction and efficiency • Scopes 1, 2, and 3 management • Monitoring of pollutant emissions and introduction of facilities for their reduction • Waste resource recycling and expansion of recycling rate
Social (S)	⑥ Occupational safety ⑦ Supply chain risks	• Activities to prevent industrial accidents • Provision of a safe working environment • Labor/environmental risk assessments of suppliers
Governance (G)	⑧ Disclosure of ESG information	• Transparent information disclosure • Integration of ESG system

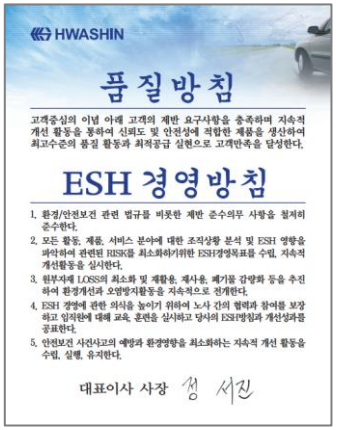
Environmental

Environmental Management	24-27
Responding to Climate Change	28-33
Building Eco-Friendly Workplaces	34-44

Environmental Management

Environmental, Safety, and Health (ESH)

Hwashin has established and operates an ESH management policy for its sustainable development. Through this, Hwashin demonstrates the commitment of the CEO and all employees to environmental improvement and preservation, the creation of a safe working environment, and the promotion of employee health. Additionally, Hwashin prioritizes the management of key ESG activities, such as improving environmental management and waste reduction. Key performance indicators (KPIs) are set annually for the reduction activities, as well as the management of air and water pollutants, and the outcomes are linked to the evaluation and compensation of employees, thereby encouraging their more proactive participation.


HWASHIN

품질방침

고객중심의 이념 아래 고객의 제반 요구사항을 충족하며 지속적 개선 활동을 통하여 신뢰도 및 안전성에 적합한 제품을 생산하여 최고수준의 품질 활동과 최적공급 실현으로 고객만족을 달성한다.

ESH 경영방침

1. 환경/안전보건 관련 법규를 비롯한 제반 준수의무 사항을 철저히 준수한다.
2. 모든 활동, 제품, 서비스 분야에 대한 조직상황 분석 및 ESH 영향을 파악하여 관련된 RISK를 최소화하기위한 ESH경영목표를 수립, 지속적 개선활동을 실시한다.
3. 원부자재 LOSS의 최소화 및 재활용, 재사용, 폐기물 감량화 등을 추진하여 환경개선과 오염방지활동을 지속적으로 전개한다.
4. ESH 경영에 관한 의식을 높이기 위하여 노사 간의 협력과 참여를 보장하고 임직원에 대해 교육, 훈련을 실시하고 당사의 ESH방침과 개선성과를 공표한다.
5. 안전보건 사건사고의 예방과 환경영향을 최소화하는 지속적 개선 활동을 수립, 실행, 유지한다.

대표이사 사장 정 서진

Linking ESH Performance with Employee Compensation

Hwashin annually establishes KPIs based on the ESH management policies and sets specific implementation tasks. Upon achieving these goals, the performance is linked to the evaluation and compensation of its employees. By connecting these achievements to employee compensation, Hwashin promotes long-term success and sustainable management.

Task Name	KPI	2024 Target
Achieving zero accidents (Hwashin and suppliers)	Number of major accidents	0
Company-wide activities to reduce carbon emission*	Reduced amount	437 tCO2eq
Establishment of an ESG management system	Customer safety evaluation score	75 points or higher

* This task was designated as a cross-departmental initiative and has been linked to the performance evaluation and compensation of the relevant department head (executive).

Environmental Management Policies

To minimize the environmental impact that may arise across the entire value chain, Hwashin requires all its internal and external stakeholders—including employees, suppliers, and customers— to perform their duties in accordance with its environmental management policy.

Environmental Management Policies

1. We recognize the environment as a core success factor of the company and create corporate value through proactive environmental management.
2. Hwashin actively strives for the sustainable use of resources and energy, as well as the reduction of pollutants, throughout the entire process of product development, production, sales, use, and disposal.
3. We conduct environmental training for all employees and dedicate efforts to social contribution activities.
4. We comply with Korean and international environmental laws and agreements, work toward promoting and improving environmental management, and communicate the results internally and externally.

Scope of Application of Environmental Management Policies

1. Employees of the headquarters, subsidiaries in Korea and globally, and affiliates perform their duties in accordance with the environmental management policies.
2. Additionally, employees must encourage the suppliers, including partners and customers, to adhere to these environmental management policies when interacting with them.

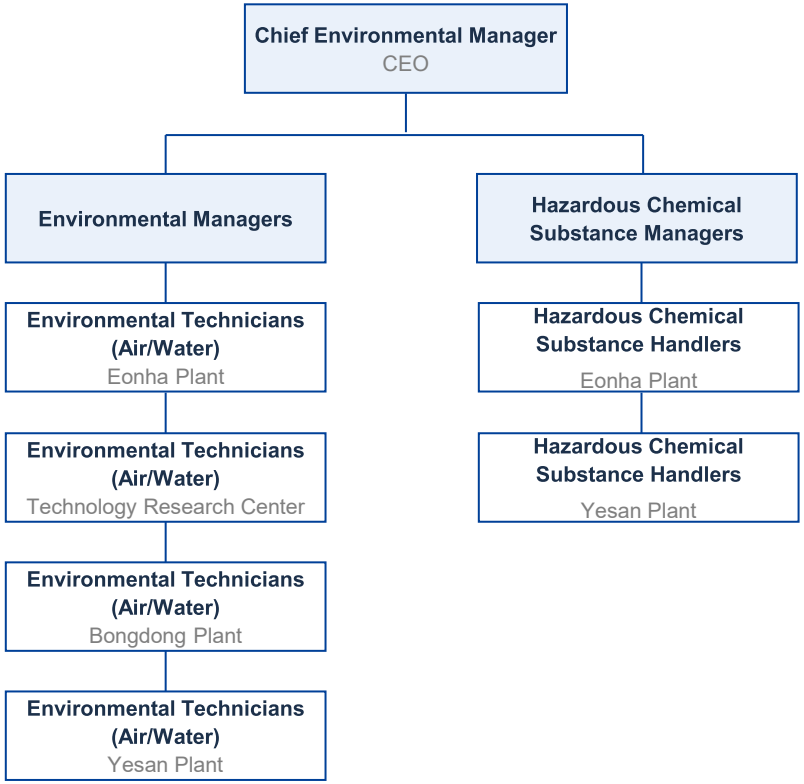
Environmental Management System

1. Hwashin has established a system to continuously improve the environment by defining the organization, processes, and specific goals, and efficiently allocating the resources for their organized management.
2. The company strives for eco-friendly design and thorough environmental impact assessments throughout the entire process, while also implementing and continuously improving processes for developing technologies such as data construction and environmental performance certification to optimize environmental costs.
3. By establishing and operating ISO certification systems in all the plants in Korea and globally, Hwashin continuously improves the working environment, enhances emissions reduction, and improves energy efficiency by upgrading the environmental facilities.
4. We comply with Korean and international environmental laws and agreements, work toward promoting and improving environmental management, and disclose the results internally and externally.

Environmental Management

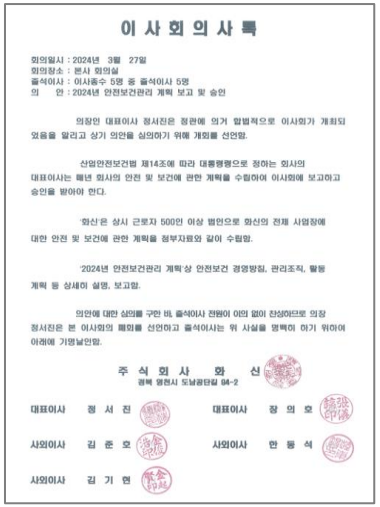
Environmental Management Organization

Hwashin manages company-wide environmental regulations, risk management, and pollutants by appointing environmental managers, technicians, and hazardous chemical substance managers under the CEO's leadership as the chief manager of the environment, thereby ensuring a more systematic operation of its environmental management system. The company clearly assigns roles and responsibilities to the person responsible for environmental management in each plant for swift and effective response to environmental issues.



Board of Directors' ESG Review

Hwashin is continuously strengthening its Board of Directors-level review and decision-making system to internalize ESG management. The response directions and key strategies for important ESG issues are decided through the Board's review and resolution, with ESG agenda items regularly presented for discussion. The Board has institutionalized regular reports on ESG-related policies and activities, evaluation results, improvement plans, and key risks and opportunities. In particular, its discussions have focused on core topics, such as strategies to respond to climate change and occupational safety management. Additionally, the ESG Secretariat analyzes key ESG issues in advance and prepares materials to report to the Board in consultation with relevant departments, thereby supporting the Board in making strategic decisions. In the future, Hwashin plans to establish an external training and advisory system to strengthen the Board's expertise in ESG matters.



이 사 회 의 사 록

회의일시 : 2024년 3월 27일
회의장소 : 본사 회의실
출석이사 : 이사총수 5명 중 출석이사 5명
의 안 : 2024년 안전보건관리 계획 보고 및 승인

의장인 대표이사 정서진은 정관에 의거 합법적으로 이사회가 개최되었음을 알리고 상기 의안을 심의하기 위해 개회를 선언함.

산업안전보건법 제14조에 따라 대통령령으로 정하는 회사의 대표이사는 매년 회사의 안전 및 보건에 관한 계획을 수립하여 이사회에 보고하고 승인을 받아야 한다.

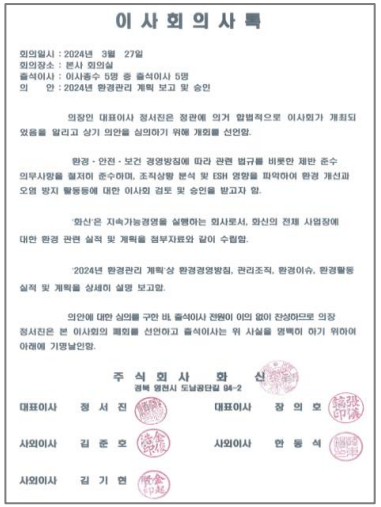
'화신'은 상시 근로자 500인 이상 법인으로 화신의 전체 사업장에 대한 안전 및 보건에 관한 계획을 첨부자료와 같이 수립함.

'2024년 안전보건관리 계획'상 안전보건 경영방침, 관리조직, 활동 계획 등 상세히 설명, 보고함.

의안에 대한 심의를 구한 바, 출석이사 전원이 이의 없이 찬성하므로 의장 정서진은 본 이사회의 폐회를 선언하고 출석이사는 위 사실을 명백히 하기 위하여 아래에 기명날인함.

주 식 회 사 화 신
경북 영천시 도남공단길 94-2

대표이사 정 서 진 대표이사 장 의 호
사외이사 김 춘 호 사외이사 한 동 석
사외이사 김 기 현



이 사 회 의 사 록

회의일시 : 2024년 3월 27일
회의장소 : 본사 회의실
출석이사 : 이사총수 5명 중 출석이사 5명
의 안 : 2024년 환경관리 계획 보고 및 승인

의장인 대표이사 정서진은 정관에 의거 합법적으로 이사회가 개최되었음을 알리고 상기 의안을 심의하기 위해 개회를 선언함.

환경 · 안전 · 보건 경영방침에 따라 관련 법규를 비롯한 제반 준수 의무사항을 철저히 준수하며, 조직상황 분석 및 ESH 영향을 파악하여 환경 개선과 오염 방지 활동등에 대한 이사회 검토 및 승인을 받고자 함.

'화신'은 지속가능경영을 실행하는 회사로서, 화신의 전체 사업장에 대한 환경 관련 실적 및 계획을 첨부자료와 같이 수립함.

'2024년 환경관리 계획'상 환경경영방침, 관리조직, 환경이슈, 환경활동 실적 및 계획을 상세히 설명 보고함.

의안에 대한 심의를 구한 바, 출석이사 전원이 이의 없이 찬성하므로 의장 정서진은 본 이사회의 폐회를 선언하고 출석이사는 위 사실을 명백히 하기 위하여 아래에 기명날인함.

주 식 회 사 화 신
경북 영천시 도남공단길 94-2

대표이사 정 서 진 대표이사 장 의 호
사외이사 김 춘 호 사외이사 한 동 석
사외이사 김 기 현

Environmental Management

Overview

Environmental

Social

Governance

Appendix

ISO 14001 (Environmental Management System) Certification

Hwashin has acquired ISO 14001 certification for its five plants in Korea to establish and maintain an environmental management system that aligns with international standards. Through this, Hwashin has established a systematic environmental management system that sets environmental policies and goals, as well as enables the early identification of and proactive response to key environmental risks. Additionally, Hwashin not only identifies risks, but also continuously monitors issues where improvements and actions have been completed to manage environmental accidents and legal risks. Moving forward, Hwashin will continue to maintain ISO 14001 certification to thus enhance its friendly relationships with customers, the public, and local communities. The company will further strive to fulfill its social responsibility by sharing solutions to environmental problems and promoting development through related activities.

Conducting Life Cycle Assessments (LCAs)

In response to tightening supply chain carbon regulations, Hwashin is conducting LCAs to minimize its environmental impact. LCA is a method for quantitatively analyzing and evaluating the environmental impact of a product throughout its entire life cycle, from raw materials collection to its production, usage, and disposal. Hwashin annually calculates the environmental load of items such as energy, utilities, and gases. Based on the results of the analyses, the company establishes improvement measures and strives to meet the requirements for reducing environmental impact. Additionally, starting in 2023, Hwashin has established an internal LCA Task Force Team (TFT) to conduct product LCA analyses for the vehicle models specified by its customers each year. In the future, Hwashin plans to enhance its product LCA system by developing programs that include internal LCA methodology training, building LCA systems for suppliers, and providing support to build their LCA capacity.

CERTIFICATE

kiwa

Registration no. KE 211798 IAF Code 18
First issue date 2018-09-13 Issue date 2024-09-13
Expiry date 2027-09-12 Reissue date 2024-09-05

Environmental Management System Certificate

KS I ISO 14001:2015/ISO 14001:2015

We certify that the Environmental Management System of the Organization:

(주)화신

Is in compliance with the standard KS I ISO 14001:2015/ISO 14001:2015
for the following products/services:

**자동차용 새시 프레임, 엔진 크래들, 턴트롤 암, BPC(battery pack case)
및 자재부품의 설계 및 제조**

General Manager
Seung-Chan Lee

본 인증은 지속 교대사에 인증자재유지관리 준수 및 지속적인 시용상사를 통하여 유지됩니다.

카퍼레이션
서울특별시 금천구
벚꽃로 278
대륭포스트타워 411호
Tel. +82 2 3397 0101
Fax +82 2 3397 0105
URL: www.kiwa.kr

현장 사업장
경상북도 영천시 연하공단1길 14
및 별첨 인증서의 사업장

IAF KAB

KAB-EC-21

Certified Plants

In Korea

5

Plant	Expiration date
Eonha Plant	-September 12, 2027
Bongdong Plant	
Yesan Plant	
Technology Research Center	
High-Tech Park Plant	

Identification of greenhouse gas emissions throughout a product's lifecycle

Raw materials collection and input

▼

Product manufacturing

▼

Product usage

▼

Product recycling and disposal

Establishment of emissions management and reduction strategies for each product unit

Environmental Management

Emergency Response Training

Hwashin has established emergency response regulations to quickly and proactively respond to environmental emergencies, prevent environmental pollution, as well as minimize human and property damages. Additionally, departments handling hazardous and risky facilities or materials prepare department-specific emergency training plans and conduct regular simulation drills based on hypothetical scenarios to develop the capability to effectively respond to similar situations.

① Identify scenario before training

② Press pinching accident (simulated)

③ Communicate emergency situation

④ Assess condition of the injured

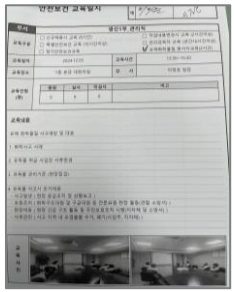
⑤ Conduct emergency contact / report the incident

⑥ escort the ambulance

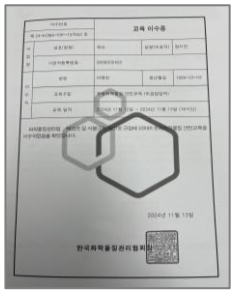
Environmental Training of Employees

Hwashin operates various training programs to ensure that employees recognize their environmental responsibilities and have the ability to practice them. In 2024, the company conducted training for environmental technicians, hazardous chemical substance managers, and the substances' direct handlers for the legal specialists among them to improve their practical capacity to improve the environment. Company-wide, Hwashin shared its key 2024 policies for environmental safety, Korean and international carbon reduction regulations, the corporate response strategies, as well as major amendments to the Chemical Substances Control Act of Korea, through the company-wide bulletin board.

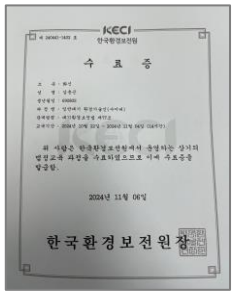
Training	Frequency (Time)	Number of Trainees				
		Eonha Plant	Technology Research Center	Bongdong Plant	Yesan Plant	Total
① Environmental training	Monthly	Shared through company-wide bulletin board				
② Training for workers engaged with hazardous chemicals	2 hours / year	515		N/A	135	650
③ Environmental technicians training	1 session / 3 years	2	1	-	2	5
④ Hazardous chemical managers training	1 session / 2 years	-	N/A	N/A	2	2
⑤ Training for handlers of hazardous chemicals	1 session / 2 years	3	N/A	N/A	-	3



[Training for workers engaged with hazardous chemicals]



[Training for handlers of hazardous chemicals]



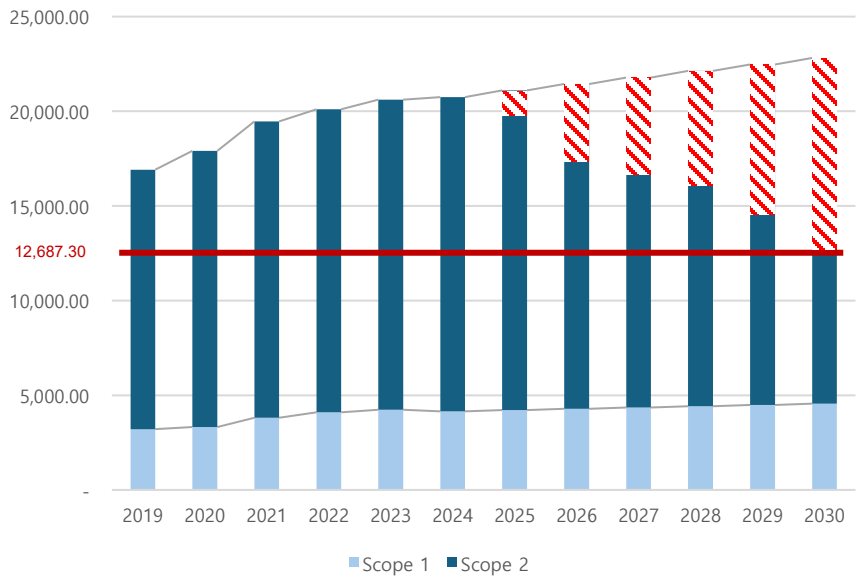
[Environmental technicians training]

Responding to Climate Change

Mid- to Long-Term Road Map

As part of its strategies for the global response to climate change and building a sustainable supply chain, Hwashin has established mid- to long-term greenhouse gas emissions reduction targets. Accordingly, Hwashin has set the goal of reducing its greenhouse gas emissions by 25% by 2030 using 2019 as the baseline year. This goal applies to all Hwashin's facilities in Korea (Eonha Plant, Technology Research Center, Bongdong Plant, Yesan Plant, Pyeongchon Advanced Research Center, High-Tech Park Plant, and Maheo Plant) and covers both Scope 1 (direct emissions) and Scope 2 (indirect emissions). To achieve this greenhouse gas emissions reduction goal, Hwashin is implementing energy efficiency improvements in its production processes by introducing highly efficient equipment, optimizing processes, and applying waste heat recovery systems. The company is also planning and executing various strategies for reduction, including researching low-carbon technologies and reviewing conversion to renewable energy. Moving forward, Hwashin will not only aims to achieve its 2030 reduction goal, but also strives to realize a long-term Net-Zero vision, thereby contributing to the transition to a sustainable low-carbon society.

[Mandatory Greenhouse Gas Reduction Targets]



[Greenhouse Gas Emissions Forecast]

(Unit: tCO2eq)

Type		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Actual Emissions	Scope 1	3,211	3,314	3,819	4,094	4,234	4,145	4,214	4,282	4,351	4,420	4,488	4,558
	Scope 2	13,705	14,595	15,650	16,018	16,383	16,606	16,881	17,157	17,432	17,707	17,983	18,258
	Total	**16,916**	**17,909**	**19,469**	**20,112**	**20,617**	**20,751**	**21,095**	**21,439**	**21,783**	**22,127**	**22,471**	**22,816**
Target Reduction Amount								**623**	**2,659**	**4,526**	**6,394**	**8,261**	**10,129**
Target Emissions								**20,472**	**18,780**	**17,257**	**15,733**	**14,210**	**12,687**

Note 1) Historical emissions data have been revised based on third-party verification, and may differ from figures reported in the previous year's report.
Note 2) Emissions up to 2024 are based on actual data, whereas emissions from 2025 onward are projected.
Note 3) Baseline year emission (2019): 16,916 tCO2eq
Target year emission (2030): 12,687 tCO2eq – a 25% reduction compared to 2019 emission

Responding to Climate Change

Computation of Greenhouse Gas Emissions

Hwashin systematically manages and reduces greenhouse gas emissions by calculating and verifying emissions for Scope 1 and 2 categories every year. To do this, Hwashin systematically tracks and manages data on energy consumption, utilities, and gases. The collected data are reviewed internally, and the greenhouse gas inventory is updated once annually. We are shoring up data credibility on greenhouse gas emissions through third-party verification by an expert body. Organizational boundaries were assessed based on six plants in Korea, with an overall review of energy usage throughout the plants from the fuel, heating, work vehicles, electricity, etc. necessary for process operation. Hwashin will record increasingly sophisticated greenhouse gas inventories with this review as a start and continue to seek means for greenhouse gas reduction.

[Actual Greenhouse Gas Emissions]

(Unit: tCO2eq)

Plant	2023		2024	
	Scope 1	Scope 2	Scope 1	Scope 2
Eonha Plant	2,463	8,811	2,291	8,401
Bongdong Plant	794	4,459	784	4,364
Yesan Plant	974	2,688	939	2,678
Maheo Plant	-	362	-	359
High-Tech Park Plant	-	55	129	794
Pyeongchon Advanced Research Center	3	8	2	10
Total	**4,234**	**16,383**	**4,145**	**16,606**

Note 1) The emissions from the Technology Research Center inside Eonha Plant are included.
Note 2) Scope 1: LNG gas, LPG gas, CO2 gas, kerosene, diesel, and gasoline
Scope 2: electric power

Greenhouse Gas Emissions Survey for Suppliers

To help its customers achieve their carbon neutrality road map, Hwashin surveyed the greenhouse gas emissions of 17 second-tier suppliers in SQ in 2024, covering the years 2022 and 2023. Thus, Hwashin has expanded the scope of greenhouse gas emissions measurement and management to include Scope 3 and has started monitoring the emissions of its suppliers. Moving forward, Hwashin plans to hold seminars and training sessions for its suppliers on the need to reduce greenhouse gas emissions and manage their electricity use, thereby building consensus on and share the reduction target. If necessary, Hwashin will actively support its suppliers through various programs, including financial and nonfinancial assistance, for the introduction of emissions reducing facilities or process improvements. Through these efforts made, Hwashin aims to help its suppliers set and achieve practical reduction targets and, ultimately, build the foundation for sustainable management together.

Participation in Sub-Supply Chain Carbon Reduction Support Programs

In 2024, Hwashin actively supported its suppliers' greenhouse gas emissions reduction by participating in the customers' "Sub-Supply Chain Carbon Reduction Support Program." This initiative was applied for and participated in with one of its key suppliers, KiseungInd. To precisely analyze the process efficiency and energy usage at the company, Hwashin, along with the customer and a specialized consulting firm, personally visited the facility to conduct a process diagnosis and develop improvement plans. Based on the on-site diagnosis results, the financial support option of linking government support programs and Hyundai-Kia's subsidy program when necessary, was also explored together.

Responding to Climate Change

Energy Usage Reduction

As part of its core strategy for addressing climate change, Hwashin is promoting energy efficiency improvement activities across all its facilities in Korea. To this end, the company is continuously improving high-energy-consuming processes by introducing highly efficient equipment, which is resulting in both greenhouse gas emission reductions and electricity cost savings. In 2024, Hwashin established a dedicated TFT for reducing company-wide carbon emissions. Based on the characteristics of each facility, energy improvement themes were identified and practical reduction strategies developed. Key activities include the proactive replacement of worn-out equipment with highly efficient equipment, process optimization, installation of a Building Energy Management System (BEMS), and replacing remaining outdated lighting fixtures with LED lights in office and plant buildings. Notably, best practices of high savings and investment efficiency are shared across the company to promote horizontal deployment, and future expanded application in other facilities will accelerate systematic energy savings. Through these efforts made, Hwashin is not only reducing its energy consumption, but also building its capacity to respond to climate change.

[Energy Saving Case]

(Unit: KRW million)

Year	Plant	Energy Efficiency Improvement Activity	Saved Amount	Saved Volume	Remarks
2024	Eonha Plant	Compressor replacement	11	57,773KW	Replacement of worn-out equipment
	Bongdong Plant	Lighting fixtures replacement	0.5	2,730KW	250W→150W
		Compressor replacement	15	78,750KW	600HP→500HP

Establishment of an Energy Management System

Hwashin has established a BEMS in its Bongdong Plant in 2024 as part of its goal to reduce greenhouse gas emissions through energy consumption reduction. This system monitors energy consumption in real-time and induces efficient operation with features like automatic lighting control, energy usage monitoring and control integration for heating and cooling systems, and power usage visualization (monitoring screen). This helps identify energy waste early on and supports improved operational efficiency. In the future, Hwashin plans to gradually expand the application of this energy management system to other facilities to thereby contribute to company-wide energy efficiency improvements and greenhouse gas emission reductions.

Establishment of an Electric Vehicle and Eco-friendly Forklift Infrastructure

Hwashin is expanding the adoption of electric vehicles and eco-friendly lithium-powered forklifts to reduce carbon emissions in logistics and production sites, while also gradually establishing the necessary charging infrastructure and operating systems to support these initiatives. In the future, Hwashin plans to progressively increase the adoption rate of electric vehicles and eco-friendly forklifts in order to actively respond to climate change and make energy transition efforts.

* As of 2024, among 17 business vehicles excluding trucks and forklifts, 3 are eco-friendly vehicles (17.6%), and there are a total of 7 electric vehicle charging stations.

Responding to Climate Change

Creating a Culture of Energy Saving

Hwashin has signed a "Public-Private Partnership Agreement to Promote Regional ESG Management and Practicing Carbon Neutrality" with the Daegu-Gyeongbuk Regional Headquarters of the Korea Land and Housing Corporation (LH). The purpose of this agreement is to jointly pursue various activities, such as energy savings, green lifestyle practices, and the use of eco-friendly energy, in order to expand carbon neutrality efforts in the region and encourage the voluntary participation of the employees. Through this, Hwashin is fostering a culture wherein the employees can actively participate in energy-saving, green consumption, and other activities in their daily lives.

Participation in Carbon Disclosure Project (CDP)

Since 2023, Hwashin has participated in the CDP Supply Chain program, which is a global environmental information disclosure platform, to transparently disclose carbon emission data across its supply chain and share its responsible approach to responding to climate change with its external stakeholders. In 2024, in addition to participating in the CDP Climate Change, Hwashin also joined CDP Water. Moving forward, Hwashin will continue to actively participate in and support various international environmental initiatives and global campaigns, including CDP.

[CDP Supply Chain Participation Results]

Year	Response	Score	Remarks
2023	Climate change	C	Minimum version
2024	Climate change	C	Full version
	Water	B-	-

Regional ESG Collaboration Activities

Hwashin, based on its collaboration with the local community, has participated in the Daegu-Gyeongbuk ESG Promotion Council in 2024 to build its capacity to respond to climate change. Through the Council's meetings, Hwashin exchanged opinions on energy transition and other related matters and created opportunities for collaboration with various stakeholders in the region. In the future as well, the company plans to continuously participate in joint efforts made to respond to climate change.

Holding Hwashin(HS) ESG Meetings

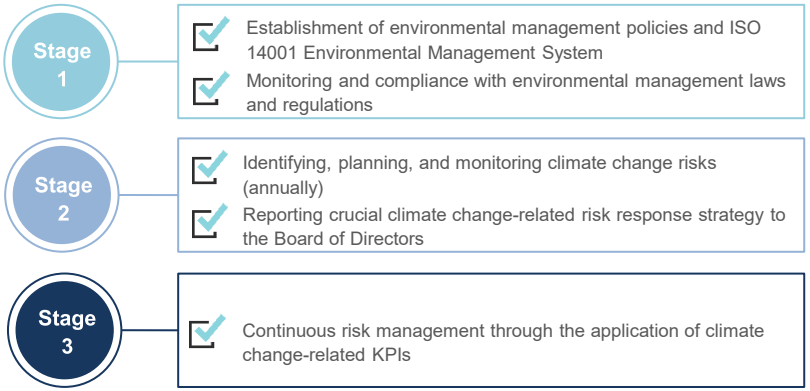
Hwashin annually holds ESG meetings with the relevant departments to discuss greenhouse gas emission reduction strategies for responding to climate change, reducing the emission, and saving energy to achieve its 2030 greenhouse gas reduction target. In early 2025, under the theme "Creating Results through the Establishment of a Global Low-Carbon Management System," Hwashin discussed the company-wide carbon emission reduction goals for 2025 and plans for its reduction activities. Based on the deducted plans, the relevant departments will establish KPIs for management. Moving forward, the company will continuously monitor the progress and achievements made as regards the reduction plans including CDP.

Responding to Climate Change

Climate Change Risk Management System

Hwashin recognizes that climate change can have a significant impact on the sustainability of the company and, to proactively address this, it operates a regular monitoring system for all ESH activities. Through this system, the company identifies and evaluates climate-related physical risks (such as extreme weather and natural disasters) and systemic risks (such as carbon regulations and policy changes). The thus identified risks are reviewed in collaboration with the relevant departments centered around the Safety, Environment, and Health Team, with major risks being reported to the Board of Directors for strategic decision-making. Additionally, key identified risks are managed within an integrated management system linked to the company's business strategies and departmental KPIs, going beyond simple response measures. This approach enhances Hwashin's company-wide execution capacity and ensures alignment between its strategies and risk management.

[Climate Change Risk Management System]

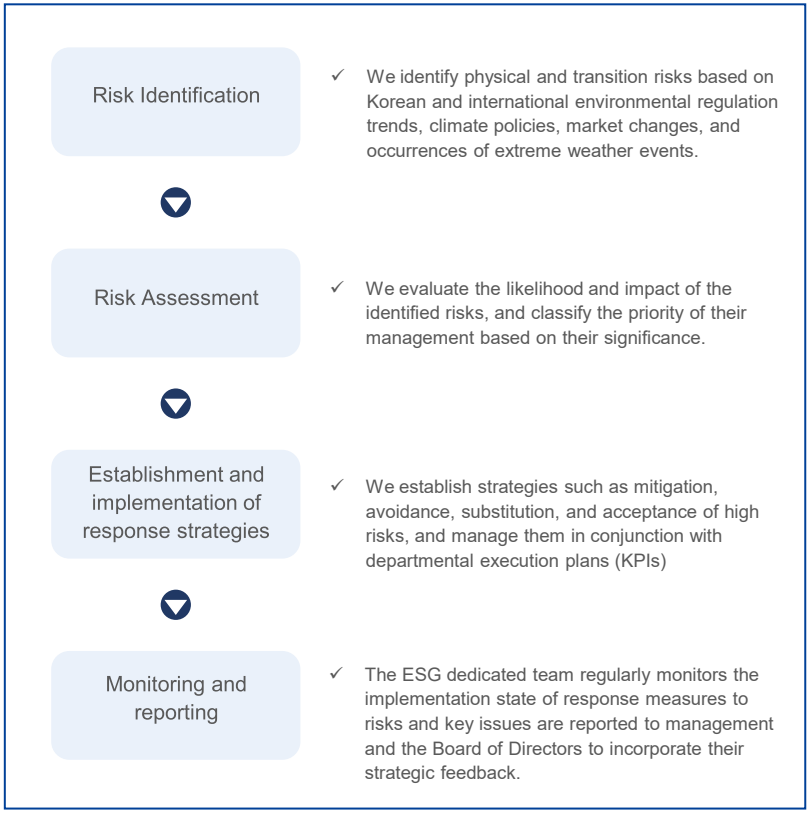


※ Current level: Stage 3

Climate Change Risk Management Process

Hwashin has established and operates a four-stage climate change risk management process to proactively identify and effectively respond to the impacts of climate change. This process is carried out systematically through collaboration among the Safety, Environment, and Health Team and ESG-related departments.

[Climate Change Risk Management Process]



Responding to Climate Change

Major Environmental Risk and Opportunity Factors

Hwashin recognizes that the changes in the Korean and international climate policies and environmental issues to achieve the 2030 greenhouse gas reduction targets are key business risks. At the same time, the company is developing strategies to turn these risks into new business opportunities. The risks are categorized into transition risks and physical risks with a focus on climate change and carbon emission reduction as the major environmental factors, while natural capital-related risk factors are also assessed. Every risk and opportunity factor is identified from short-term, mid-term, and long-term perspectives, with appropriate response strategies and potential financial impacts being identified for each item.

Risk		Timeline	Risk/Opportunity Factor	Potential Financial Impact	Hwashin's Response Strategy
Transition Risks	Regulation	Long-term	Strengthening greenhouse gas emission regulations and climate change policies	Increase in operating costs to achieve the greenhouse gas emission reduction targets (transition to renewable energy)	Establishing and implementing greenhouse gas emission reduction strategies
	Market	Mid-term	Changes and increase in customer demands related to climate change	Bidding penalties due to failure to meet the corporate client ESG evaluation standard ratings	Securing the capacity to respond to customer demands Establishing an in-house LCA system
	Technical	Long-term	Switch to low-carbon products	Increasing costs for carbon emission computation and investment to reduce the emission	Investment and R&D for low-carbon product technologies
	Reputation	Mid-term	Climate risk assessment and ESG evaluation disclosure requirements	Decrease in sales because of deterioration in reputation and the unavailability of ESG-related low-interest products	Capacity building for ESG evaluation response and disclosure of climate risk-related information (CDP)
Physical Risks	Natural Disaster	Long-term	Occurrence of natural disasters such as earthquakes, typhoons, wildfires	Material and human damages, loss costs due to plant shutdowns	Establishing emergency response procedures, carrying out simulation drills, and purchasing disaster insurance
	Rising Temperatures	Long-term	Water shortage because of rising annual mean temperatures and precipitation patterns	Decline in the operation rate and sales because of unavailability of water for industrial use	Preparing plans for water reuse in processes and implementing activities to reduce residential water use
Other Risks	Natural Capital	Long-term	Ecological destruction from plant pollutants	Decline in corporate image and sales from complaints	Voluntary/periodic river pollution monitoring
Opportunity Factors	Reputation	Mid-term	Climate risk assessment and ESG evaluation disclosure requirements	Enhanced credibility and corporate value with corporate clients leading to access to low-interest financial products	Capacity building for responding to ESG evaluations Disclosure of climate risk-related information (CDP)
	Market	Mid-term	Increased expectations from corporate clients from fulfilling their demands Increased trust from clients	Increased trust from clients due to the rise in corporate value	Establishing carbon emission reduction targets and carrying out activities
	Resource Efficiency	Short-term	Enhanced workplace energy efficiency	Cost reduction through operational cost, raw materials, and waste reductions	Review of low-carbon energy sources and highly efficient resource usage
	Natural Capital	Long-term	Reduced complaints by minimizing impacts on the surrounding environment, etc.	Enhanced corporate credibility through ecosystem cleanup activities	Carrying out company building outskirts and river cleanup activities

Establishment of Eco-Friendly Workplaces

Air Pollutant Emission Management

Hwashin has established internal management standards and goals that are 30% more stringent than the legal emission requirements in order to reduce air pollutants generated at its facilities, thereby creating a strengthened environmental management system that it strives to continuously adhere to. Additionally, air pollution control facilities have been installed and are operated at key processes, with regular inspections and preventive maintenance being conducted to ensure optimal performance. Specifically, abnormal pollutant leakage, such as from filter damage, is proactively prevented and managed, ensuring that all air pollutant emissions remain below the legal and internal target limits. Moving forward, Hwashin will continue its efforts to minimize its environmental impacts.

Self-Measurement of Air Pollutants and Emission State

Hwashin systematically and thoroughly manages air pollutants generated at its facilities in accordance with relevant laws, including the “Clean Air Conservation Act” of Korea. For major pollutants such as dust (PM), sulfur oxides (SOx), and nitrogen oxides (NOx), Hwashin regularly commissions institutions specializing in the environment for their measurements. General air pollutants are measured twice a year, while specific hazardous air pollutants are measured at least twice a month. The measurement results are reported to the internal management system and the government's environmental information management system, with continuous monitoring of compliance with emission standards. Hwashin will thus continue to practice responsible eco-friendly management by transparently disclosing annual emission data in the future as well to minimize its impact, including CDP.

[Air Pollutant Emission Management Targets]

Type	Legal Standard	2024 Target (Internal Management Standard)
Dust (PM)	Up to 30 mg/m³	Up to 21 mg/m³
Sulfur Oxides (SOx)	Up to 200 ppm	Up to 140 ppm
Carbon Monoxide (CO)	-	-
Nitrogen Oxides (NOx)	Up to 150 ppm	Up to 105 ppm
Hydrochloric Acid (HCl)	Up to 3 ppm	Up to 0.4 ppm
Formaldehyde (CH_2O)	Up to 8 ppm	Up to 5.6 ppm
Copper (Cu)	Up to 4 mg/m³	Up to 2.8 mg/m³
Total Hydrocarbons (THC)	Up to 200ppm	Up to 140ppm

[Major Air Pollutant Emissions]

(Unit: ton)

Type	Eonha Plant Emissions		
	2022	2023	2024
Dust (PM)	0.13	0.12	0.12
Sulfur Oxides (SOx)	-	0.24	0.06
Nitrogen Oxides (NOx)	0.52	0.60	0.24

Note 1) Emission data for the Technology Research Center, Bongdong Plant, and Yesan Plant, excluding the Eonha Plant, are provided in the APPENDIX.
Note 2) The emission data are the average values of the first and second halves of the year.

Establishment of Eco-Friendly Workplaces

Operation of Air Pollution Prevention Facilities

Hwashin has installed and operates various air pollution prevention facilities to reduce air pollutants (including odor components) generated during the operation of its facilities. Specifically, in one of the main processes, the painting process, Hwashin has implemented a Regenerative Thermal Oxidizer (RTO) to oxidize volatile organic compounds (VOCs) and odor-causing substances at high temperatures, thereby converting them into harmless materials while also considering energy efficiency and odor complaints from the local community. Additionally, the company operates a combination of other pollution control equipment, such as dust scrubbers, adsorption towers, and air filters. Each facility is regularly inspected, and when they become worn out or their functions decline, they are replaced or repaired to maintain optimal performance.

Installation of IoT in Air Pollution Prevention Facilities

Hwashin has completed the installation of Internet of Things (IoT)-based air pollutant measuring devices at relevant facilities in the Bongdong Plant in 2024, in compliance with Paragraph 1, Article 17 of the “Enforcement Decree of the Clean Air Conservation Act,” which mandates the installation of IoT monitoring devices for small-scale air emitting facilities (types 4 and 5). Through this IoT-based management system, Hwashin is able to not only comply with laws and regulations, but also monitor air pollutants in real time, thereby proactively managing abnormal operations and preventing the excess emission of pollutants. Moving forward, Hwashin will continue to expand its IoT-based monitoring systems across its facilities to contribute to sustainable facility operation and build trust with the local community.

[Status of Air Pollution Preventing Facilities Operation]

Place of Business	Air Filtration Facility	Absorption Facility (Wash Tower)	Absorption Facility	Combustion Facility (R.T.O)
Eonha Plant	2	2	1	1
Technology Research Center	6	-	-	-
Bongdong Plant	8	-	-	-
Yesan Plant	1	1	2	1
High-Tech Park Plant	-	-	-	-

[Air filtering facility]

[Absorption facility - wash tower]

[Combustion facility - RTO]

[Bongdong Plant’s IoT Installation Target]

Equipment Name	Facility Name	Measuring Instruments			
		Amperemeter	Differential Pressure Gauge	Thermometer	IoT GATE WAY
5-Axis machining (Units 1, 2, and 3)	Machining (grinding) facility	3EA	-	-	-
	Air filtering facility	3EA	3EA	3EA	3EA
Post-machining washing (Units 1, 2, and 3)	Washing (degreasing) facility	3EA	-	-	-
	Air filtering facility	3EA	3EA	3EA	3EA
Single item washer	Washing (degreasing) facility	2EA	-	-	-
	Air filtering facility	2EA	2EA	2EA	2EA

[Amperemeter]

[IoT GATEWAY]

Establishment of Eco-Friendly Workplaces

Water Pollutant Output Management

Hwashin has established and operates separate water quality management regulations to minimize the output of water pollutants generated at its facilities. In accordance with relevant regulations, logs of wastewater discharge facilities and water pollution preventing facilities are prepared on a daily basis, thereby ensuring systematic water quality management. Additionally, as with air pollutant management, Hwashin has established internal management standards that are 30% more stringent than legal discharge thresholds, and these have been set as the annual water quality management goals. Through such water pollutant control, Hwashin strives to prevent pollutant inflow into water systems and contribute to the preservation of local water quality environments. Moving forward, Hwashin will continue to build its management capacity and persist in efforts to reduce water pollution.

Self-monitoring of water pollutant levels and discharge status

To strictly comply with the wastewater discharge standards under the “Water Environment Conservation Act” of Korea, Hwashin requests an environmental expert agency to periodically measure the concentration of major water pollutants discharged from wastewater discharging facilities twice a year. The measured pollutants include Total Organic Carbon (TOC), Biochemical Oxygen Demand (BOD), Suspended Solids (SS), Total Nitrogen (T-N), and Total Phosphorus (T-P). The measurement results are then compared and analyzed against both legal and internal standards to verify at all times whether the discharge limits have been exceeded. Through these regular self-measurements and a rigorous management system, Hwashin minimizes its impact on the water quality environment and is committed to realizing sustainable environmental management.

[Water Pollutant Discharge Management Targets]

Measured Substance	Legal Standard	2024 Target (Internal Management Standard)
pH (Hydrogen Ion Concentration Index)	5.8-8.6	-
Biochemical Oxygen Demand (BOD)	Up to 80 mg/L	Up to 56 mg/L
Suspended Solids (SS)	Up to 80mg/L	Up to 56 mg/L
Normal Hexane Extracted Substances (n-H)	Up to 5 mg/L	Up to 3.5 mg/L
Zinc (Zn)	Up to 5 mg/L	Up to 3.5 mg/L
Copper (Cu)	Up to 3 mg/L	Up to 2.1 mg/L
Total Nitrogen (T-N)	Up to 60 mg/L	Up to 42 mg/L
Total Phosphorus (T-P)	Up to 8 mg/L	Up to 5.6 mg/L
Alkyl Benzene Sulfonate (ABS)	Up to 5 mg/L	Up to 3.5 mg/L
Total Organic Carbon (TOC)	Up to 50 mg/L	Up to 35 mg/L

[Major Water Pollutant Discharge Volume]

(Unit: mg/L)

Water Pollutant	Eonha Plant Discharge		
	2022	2023	2024
Total Organic Carbon (TOC)	45.9	14.8	24.5
Biochemical Oxygen Demand (BOD)	4.3	3.0	2.5
Suspended Solids (SS)	13.7	5.1	1.8
Total Nitrogen (T-N)	3.89	27.1	7.6
Total Phosphorus (T-P)	1.24	2.4	0.108

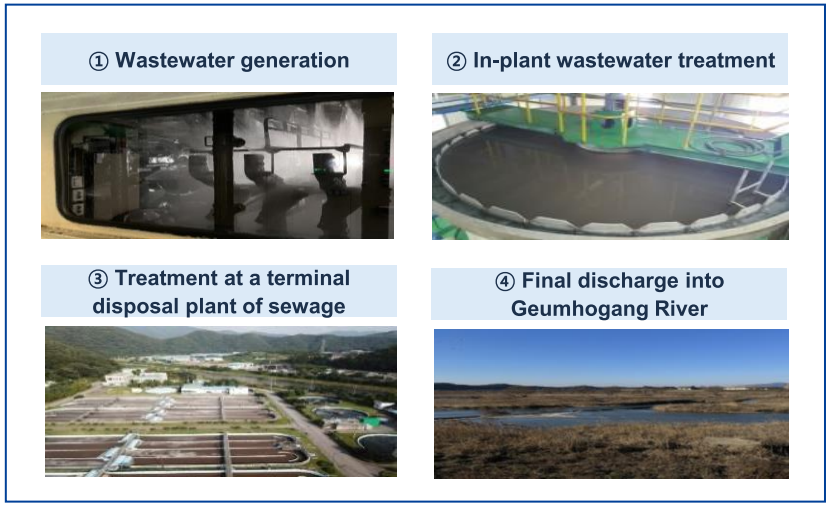
Note 1) Discharge volumes of the Eonha Plant and Yesan Plant are listed in the APPENDIX.
Note 2) Discharge volumes are the average values measured for the first and second halves of the year.

Establishment of Eco-Friendly Workplaces

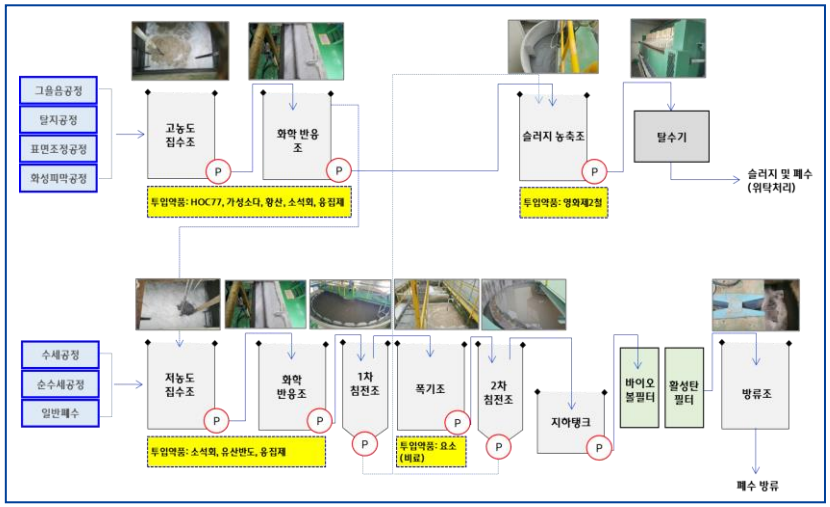
Operation of Water Pollution Preventing Facilities

Hwashin recognizes that preventing water pollution, which may occur during the production process, is a key environmental management task and has established and operates systematic water pollution preventing facilities to contribute to the protection of regional water resources. Specifically, both the Eonha Plant and Yesan Plant have their own wastewater treatment plants, where wastewater generated from the production process is treated directly on-site and then discharged according to appropriate standards. These wastewater treatment facilities consist of a system that has applied a combination of physical, chemical, and biological treatment processes. Through activated carbon filters, fine pollutants and residual organic matter are effectively removed to significantly reduce the pollution load of wastewater. Additionally, Hwashin conducts regular inspections to ensure the stable operation of water pollution preventing facilities and manages the entire process from wastewater generation to treatment and the final discharge according to standardized procedures. Meanwhile, at other facilities excluding the Eonha and Yesan Plants, wastewater is processed through specialized external outsourced agencies, and continuous efforts are made to reduce waste.

[Wastewater Treatment Process]



[Wastewater Treatment Process inside a Facility]



[Operation State of Water Pollution Preventing Facilities]

Plant	Wastewater Treatment Plant	Remarks
Eonha Plant	1	
Technology Research Center	-	External outsourcing in progress
Bongdong Plant	-	External outsourcing in progress
Yesan Plant	1	
High-Tech Park Plant	-	No environmental equipment

Establishment of Eco-Friendly Workplaces

Waste Management

Hwashin aims to establish eco-friendly workplaces through waste reduction and resource circulation enhancement. To achieve this, the company has established waste management regulations and requires their strict adherence across all its facilities. Waste generated at each facility is collected, transported, stored, and processed according to these regulations. The amount of waste generated and the recycling state are periodically compiled and reviewed. While the volume of waste is expected to increase in line with the rise in production output, Hwashin plans to minimize waste generation and progressively improve the recycling rate by managing waste per unit of production, as well as planning and implementing various resource circulation campaigns. In addition, designated waste is legally processed through authorized professional companies in accordance with the “Wastes Control Act” of Korea. When outsourcing for treatment, the waste is weighed, and the information is recorded in the computerized system for waste processing, that is, “Olbaro System,” and transparently disclosed.

Setting Waste Reduction Targets

Hwashin has set its own waste reduction targets since 2019 and measures the waste output on a monthly, company-wide basis for management. If there is a sharp increase in emissions, the fundamental causes are identified, reviewed, and analyzed to carry out improvement activities for waste output reduction at each facility. Hwashin set the goal of reducing the waste emissions by more than 5% in 2024 compared to 2023. However, the actual result was a reduction from 981 tons to 939 tons, achieving only approximately a 4.3% decrease. As such, Hwashin plans to implement various practical initiatives in 2025, such as enhancing waste sorting and building a waste resource circulation system, to achieve this goal. Moving forward, Hwashin will continue its efforts to minimize waste generation and improve its recycling rate to thereby contribute to the realization of eco-friendly workplaces, including CDP.

[Waste Management Process]

① Waste generated
▼
② Waste analysis
▼
③ Review of processing methods
▼
④ Decision on whether to process externally
▼
⑤ Contract and permitting process
▼
⑥ Registration and notification in the Olbaro System
▼
⑦ Waste processing and history management

[Waste Processing Performance]

(Unit: ton)

Type	2022	2023	2024
Total waste (A)	868	981	939
Amount Recycled (B)	543	699	762
Recycling Rate (C)	63%	71%	81%
Sales (D)	KRW 946.9 billion	KRW 957.1 billion	KRW 940.6 billion
Waste per KRW (A/D)	0.09 tons/KRW 100 million	0.10 tons/KRW 100 million	0.10 tons/KRW 100 million

Establishment of Eco-Friendly Workplaces

Waste Resource Circulation (slag)

Hwashin continues to promote pollutant reduction activities through the recycling, reuse, and waste reduction based on its ESH management policies. Specifically, the company has shifted the processing of slag waste, a type of general waste generated in all its facilities in Korea, from landfill dumping to recycling. Slag is a byproduct generated during metal processing or heat treatment in the production process. Hwashin removes foreign matter from slag as the first step in the process within the company. Afterward, through component analysis and particle size screening, approximately 60% of the total waste is processed into iron oxide and recycled. Moving forward, Hwashin will build a waste resource circulation system that gradually expands the circular usage rate of resources and do its utmost to contribute to a sustainable future.

[State of Slag Recycling in 2024]

(Unit: kg)

Site	Total Amount of Slag Output	Amount of Recycled Slag	Actual Amount Recycled
Eonha Plant	26,890	26,890	16,134
Bongdong Plant	50,040	50,040	30,024
Technology Research Center	39,830	39,830	23,898
Total	116,760	116,760	70,056

Note 1: Actual amount recycled: total amount of slag output (recycling disposal method) × 0.6 (waste processing rate)

Reuse of Hydraulic Fluids

By reusing waste hydraulic fluids, Hwashin has established a resource-circulating production system, achieving both environmental and economic benefits through waste reduction and cost savings. It has established and is operating a system of refining the mixture of used hydraulic fluids and underground water generated during the production process to recover and reuse the fluids. With this system of reusing the fluids, Hwashin strives to minimize resource waste and reduce environmental in the workplace.

[State of Hydraulic Fluids Reuse]

Year	Reused Amount	Cost Savings
2022	5,000L	KRW 12.196 million
2023	2,600L	KRW 6.341 million
2024	8,650L	KRW 21.098 million

Conversion of Wastewater Sludge for Recycling

Since 2023, Hwashin has shifted the treatment method for wastewater sludge generated during production from landfill dumping to recycling and has completed the necessary regulatory approval updates accordingly. This measure goes beyond a simple change in disposal method and represents a proactive effort to enhance the added value of waste and reduce the environmental burden caused by landfill use. In the future as well, Hwashin will continue to seek ways to expand the reuse and recycling of waste to thus minimize its environmental impact, and strengthen its foundation for sustainable production.

Establishment of Eco-Friendly Workplaces

Employee Participation (Waste Sorting Activities)

To establish eco-friendly workplaces, Hwashin promotes not only company-wide environmental management, but also the voluntary participation of its employees in environmental initiatives. As part of these efforts made, the company has strengthened its waste sorting system for domestic waste generated within its facilities among general waste to boost the recycling rates through active employee engagement. Dedicated separation bins have been installed at all sites to collect items by category—paper, cans, glass bottles, vinyl, colored plastic, colorless plastic, and general waste. Since 2021, Hwashin has also run an internal campaign called the “Movement to Keep Earth Beautiful,” through which it monitors participation in waste sorting weekly. This campaign aims to raise awareness and encourage employee engagement in waste sorting. Moving forward, Hwashin will continue to expand a culture of practicing ESG management in daily life so that the voluntary employee engagement in the management becomes the foundation of the company’s eco-friendly management.

Reducing Disposable Product Usage

As part of its everyday practices to conserve resources and reduce waste, Hwashin actively promotes initiatives to reduce the use of disposable products within its workplaces. In particular, to minimize the use of paper cups in offices and shared spaces, Hwashin encourages all its employees to use personal cups. The General Affairs Team centrally purchases and distributes paper cups, allowing the company to regularly monitor their usage volume. Additionally, hand dryers have been installed in restrooms and wash areas to reduce the consumption of paper towels. These efforts contribute not only to reducing the use of disposable products, but also to decreasing overall waste generation. Moving forward, Hwashin will continue to expand initiatives aimed at minimizing the use of disposable products and raising employee awareness in order to establish a culture of eco-friendly practices in daily life and build a sustainable workplace environment.

Use of Eco-Certified Products

Hwashin purchases eco-certified paper cups for use in offices and meeting rooms, and also provides eco-certified products to the employees on special occasions such as celebrations and condolences, thereby minimizing environmental impact and contributing to the realization of ESG values. Moving forward, Hwashin will continue to expand the application of the “green procurement” principle that considers the environmental impact from the selection stage for all products used within its workplaces.

Establishment of Eco-Friendly Workplaces

Daily Environmental Protection and Energy Usage Reduction Activities

Energy Savings

▶ **Activities**

- Installed a central control system for air conditioning and heating
  - ① Control of individual arbitrary manipulation by remote control
  - ② Enforcement of turning power on and off in empty offices upon leaving work
  - ③ Maintenance of appropriate office temperatures
  - ④ Real-time remote management of air conditioners and heaters
- Establishment of an energy management system
  - ① Replacement of lights (fluorescent lights → LEDs)
  - ② Installation of BEMS
  - ③ LED lighting control
  - ④ Electric power consumption monitoring

▶ **2024 Activity Results**

- Centralized control of energy consumption
- Flexible operation by consumption status
- Electric power and cost savings by replacing lighting
  - * Savings from electric power consumption: KRW 13.299 million/year
  - * Savings from lighting replacement: KRW 3.581 million/year

Water Savings

▶ **Activities**

- Replaced faucets in the office wing

Before Improvement

Manual lever (Ordinary type)

After Improvement

Automatic sensor (Water-saving type)

- Inspection of underground sections of industrial water pipelines
- Inspection and maintenance of tap water spray facilities
- Regular inspection of water meters and washroom leak checks

▶ **2024 Activity Results**

- 6% reduction compared to 2023 usage
- Savings of 4,143 tons of tap water

Use of Eco-Friendly Paper Cups

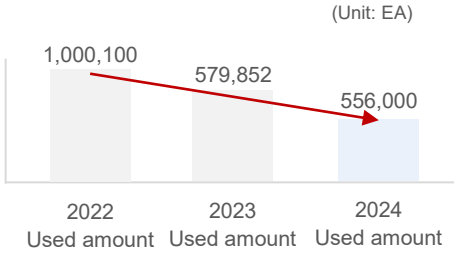
▶ **Activities**

① Recommendations to use personal tumblers
② Encouragement of waste sorting for recycling
③ Improvement in paper cup purchase process and type of product purchased

Before Improvement	After Improvement
Ordinary paper cups purchased by each team	Eco-friendly paper cups purchased by Affairs Team

▶ **2024 Activity Results**

- 44% savings compared to 2022 usage
- Continued decrease in paper cup purchases



Establishment of Eco-Friendly Workplaces

Development of Low-Carbon, Highly Efficient Workplaces

To build a sustainable manufacturing environment, Hwashin is advancing the design and operational system in its facilities toward an eco-friendly infrastructure and highly efficient equipment. As part of this initiative, the company completed the construction of its new High-Tech Park Plant in 2024, building it from the initial design phase as a smart factory model that prioritizes low-carbon emissions, resource efficiency, and energy optimization. In particular, the High-Tech Park Plant was structurally optimized for the future installation of solar power systems in mind. Once these systems are in place, a significant reduction in Scope 2 emissions is anticipated. In this respect, the High-Tech Park Plant is settling as a flagship eco-friendly workplace that embodies Hwashin's commitment to ESG management and will serve as a guideline for future facility establishment.

[Waste heat reused in heating system]

[Highly efficient air dryers]

[Autonomous Mobile Robots (AMRs)]

[Smart automated storage warehouse]

[Low-Carbon, Highly Efficient Facility Installations based on a Smart Plant Model]

Type	Installed (or Planned) Items	Details
Installation of highly efficient energy equipment	LED lighting fixtures	Reduction in electric power usage with the installation of highly efficient LED lighting
	Inverter and highly efficient equipment	Application of highly efficient or inverter systems to compressors, air dryers, and heating and air conditioning equipment
Application of a resource circulation system	Rainwater reuse system	Collected rainwater is recycled for landscaping, thereby reducing water consumption
	Waste heat recovery heating system	Utilization of waste heat from compressors for plant heating to reduce energy loss
Building a renewable energy infrastructure	Pre-design of a solar power generation system	Plant roof structure designed to support the installation of solar panels
Smart energy management plan	Planned implementation of a Factory Energy Management System (FEMS)	Real-time energy consumption monitoring and optimization
	Expected smart plant building	Equipment automation and realization of a data-driven energy efficiency improvement system
	Standby power control system for equipment	Automatic cutoff of standby power during the nonoperating hours of main equipment to minimize energy waste
Smart logistics and automation system	Introduction of AMRs	Automation of materials transport between production lines and warehouses to improve energy efficiency and minimize worker movement
	Smart automated storage warehouse	Automatic inventory management and optimized storage to enhance space utilization and optimize energy efficiency

Establishment of Eco-Friendly Workplaces

Biodiversity Policy

Hwashin recognizes in advance the risks of ecosystem degradation and biodiversity loss that may arise across its business operations, and has established a “Biodiversity Policy” to prevent and minimize such risks. As part of Hwashin’s sustainable management strategy, this policy outlines the principles and implementation direction for responsible management that takes into account harmony with natural ecosystems throughout all its business activities. Hwashin regards biodiversity conservation as a critical environmental issue closely linked to climate change. To enhance the effectiveness of this policy, the company plans to carry out regular biodiversity preservation activities and monitoring, as well as review and improve related policies on an ongoing basis.

Carrying out Environmental Cleanup Activities

Hwashin recognizes the importance of biodiversity conservation and is engaged in regular environmental cleanup activities around its business sites to protect and maintain the local biodiversity. The company regularly carries out nature cleanup activities on the outskirts of the company grounds and nearby streams. These initiatives are carried out not only by the employees but also in collaboration with local governments and communities, thereby creating opportunities to expand the scope of regional ecosystem preservation. Moving forward, Hwashin will work to establish more concrete and effective strategies —such as preventing damages to terrestrial and aquatic ecosystem conservation areas, and monitoring and protecting endangered species— in order to contribute to the preservation and enhancement of the local biodiversity.

Water Quality Monitoring of the Geumhogang River Basin

As part of its efforts to protect the local aquatic ecosystem, Hwashin voluntarily carries out water sampling and observation activities in the Geumhogang River basin once a year. The results of the water sampling are reported through the company’s internal environmental management system and are reflected in future improvement plans aimed at reducing pollution and minimizing environmental impact. Hwashin will continue engaging in these voluntary water system monitoring activities to contribute to the protection of riverine life habitats in the local community.

[2024 Geumhogang River Effluent Pollution Levels]

(Unit: ppm)

Substance	Raw Wastewater	Wastewater Treated On site	Wastewater Released to Geumhogang River
BOD	738	3	0.9
SS	234	5.1	2.2
TOC	349	14.8	14.4
Zn	7.946	2.1	0.003
Cu	0.067	-	Not detected
ABS	12.486	0.03	Not detected

Identifying Endangered Species

Hwashin refers to the “Statistical Data Book of Endangered Wildlife Species” published by the Korean Ministry of Environment and the National Institute of Ecology to identify endangered species inhabiting areas near its business sites in Korea. Based on the information, the company seeks to proactively recognize the potential impacts of its business activities on the local ecosystems and draw up strategies aimed at minimizing biodiversity loss as a company that works in harmony with the local ecosystems.

[List of Endangered Species]

Regions Nearby the Worksites	Class I Endangered Species	Class II Endangered Species
Yeongcheon	Otter and Korean Stumpy Bullhead, etc.	Marten, hawk, and diving beetle , etc.
Yesan	Stork and Suweon Tree Frog, etc.	Leopard cat and Saunders’ gull, etc.

Establishment of Eco-Friendly Workplaces

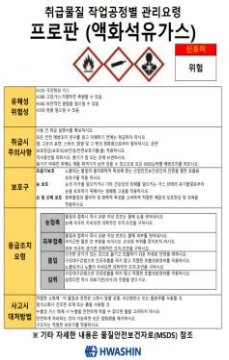
Hazardous Chemicals Management

Hwashin places high importance on the impact of hazardous chemicals on its workers' health and the local environment and operates a systematic management system to ensure their safe handling and control. All hazardous chemicals are managed in compliance with relevant laws and regulations, with only authorized quantities handled through the appropriate licensing procedures. Strict standards are applied throughout the entire process—from storage and use to disposal. At sites where hazardous chemicals are handled, the company complies with all legal requirements in purchasing and using the chemicals, including the installation inspection of the handling facilities, business license registrations, off-site impact assessments, and the establishment of chemical accident prevention and management plans. In addition, Hwashin has established and operates internal hazardous chemicals management guidelines. These guidelines not only ensure compliance with external regulatory standards, but also a double layer of safety through in-house and external verification. Hwashin will continue strengthening its management system to minimize risks associated with hazardous chemicals and realize a safe working environment and sustainable production operations.

[2024 Regular Inspection Results of Hazardous Chemicals Handling Facilities]

Type	No	Inspected Item	Whether Appropriate
Document review	1	Inspection log of hazardous chemicals handling facilities	Appropriate
	2	Hazardous chemicals inbound/outbound log	Appropriate
	3	Hazardous chemicals business license	Appropriate
	4	Inventory check of hazardous chemicals storing facilities	Appropriate
On-site inspection	1	Entering and exiting personnel control list for hazardous chemicals storing areas	Appropriate
	2	Verification of sign posting indicating hazardous chemicals handling sites	Appropriate
	3	Verification of availability of safety protective gear	Appropriate

Prevention of Chemical Accidents and Enhancement of Safety Capabilities



Hwashin undertakes multilateral preventive measures to proactively prevent accidents involving hazardous chemicals and ensure worker safety. As part of these efforts made, Material Safety Data Sheets (MSDS) are made available at all business sites. All MSDS are obtained and updated annually through the respective manufacturers. Additionally, warning signs are posted in areas where hazardous chemicals are used, helping workers to clearly recognize the potential risks associated with each substance. These measures enable workers to respond quickly and appropriately in case of an emergency. In addition, Hwashin provides regular, legally mandated training for managers, handlers, and workers involved in the use of hazardous chemicals. The trainings cover essential safety guidelines, emergency response procedures, and the proper use of personal protective gear, thereby enhancing their ability to practically respond to emergencies. Moving forward, Hwashin will continue to promote a company-wide, prevention-focused safety culture and implement safety management practices with the goal of achieving "zero" chemical accidents.

Participation in the Chemical Safety Community Activities

To ensure a systematic response to emergencies such as chemical accidents, Hwashin has established a Chemicals Safety Network in collaboration with the Daegu Regional Environmental Office and 12 other companies in the Yeongcheon area. The company is building its emergency response capacity by supporting disaster response equipment, joint drills, and the maintenance of an emergency contact network. Hwashin also participates in regular video conferences and discussion sessions organized by the Environmental Office to continuously share the on-site opinions.

SOCIAL

Talent Management	46-49
Human Rights Management	50-54
Organizational Culture	55-56
Creating a Happy Workplace	57-59
Safety and Health Management	60-67
Creating Value in the Local Community	68-69
Information Protection	70-72
Shared Growth	73-78

Talent Management

Fair Recruitment and Diversity Assurance

Hwashin regards talent as a key driver of corporate competitiveness and fosters an organizational culture that respects diversity and inclusion through fair and nondiscriminatory hiring practices. During the recruitment process, candidates are evaluated based on their competencies and job suitability regardless of sex, region, educational background, nationality, religion, disability, age, social status, or political views. The company also continues to expand employment opportunities for persons with disabilities and eligible veterans. Hwashin defines its ideal talent with the core values of “principled thinking, innovative, customer focused, good communication skills, and a challenge taking spirit.” It equally places emphasis on selecting and developing the capabilities of individuals who embody these qualities. To further enhance the fairness and credibility of the recruitment process, the company has upgraded its recruitment system to ensure transparency throughout—from job postings and screening procedures to result notifications. This approach enables applicants to clearly understand and trust the recruitment process and Hwashin to realize its commitment to responsible hiring practices. Going forward, Hwashin will continue to promote a fair hiring culture and expand growth opportunities for diverse talents, thereby ensuring that the potential of each individual contributes to the company’s sustainable growth.

Recruiting Global Talents

To strengthen its global competitiveness, Hwashin is also advancing strategies to identify and foster outstanding global talents while respecting diversity in nationality and culture. As part of this initiative, Hwashin has conducted on-campus recruitment at major universities in Vietnam since 2023. The selected excellent candidates were offered opportunities to participate in on-site practical training and job shadowing at Hwashin’s local subsidiary, Thanh Cong Hwashin. This program allowed the participants to experience the company’s culture and working environment in advance. To support language adaptation, a Korean language learning program was concurrently provided. Those who successfully completed the on-site training and passed the Korean Language Proficiency Test were ultimately given the opportunity to join Hwashin’s headquarters in Korea as full-time employees. Through this approach, Hwashin identifies the potential of global talents early on and helps them grow into key personnel equipped with both practical skills and adaptability to the organization. Hwashin will continue to enhance diversity and inclusion within the company by attracting and nurturing global talents, thereby securing sustainable competitiveness in the global market.

[Recruitment Process Stages]

① Job posting	▶	② Document screening
③ First interview	▶	④ Second interview
⑤ Final candidates announcement	▶	⑥ Full-time employment

[Vietnam on-campus recruitment]

Talent Management

Talent Retention Initiatives

Hwashin implements a variety of talent retention initiatives to help employees quickly adapt to the organization, develop a strong sense of ownership and satisfaction, and grow over the long term. Recognizing that a strong onboarding experience is critical for future retention and engagement, the company offers a welcome program specifically for new hires. As part of this initiative, Hwashin provides a “Welcome Kit” to all new employees upon joining. The kit includes essential work supporting materials such as a work manual and job-related books, which are carefully selected, purchased, and provided to support them in performing initial tasks. It also features eco-friendly items like solid toothpaste and bamboo toothbrushes, helping new employees feel connected to the organization while sharing Hwashin’s environmentally conscious values. In addition to the Welcome Kit, Hwashin supports newcomers through orientation sessions and department-specific onboarding programs to ensure their smooth adaptation in the company. Moving forward, Hwashin will continue to value the initial employee experiences and expand its retention programs to foster a workplace culture where people want to grow and thrive together.

[Eco-friendly welcome kit]

Performance-Based Fair Compensation System

Hwashin has established a performance-based compensation system to fairly evaluate and reward the achievements and contributions made by its employees. By linking individual and organizational performance, the company fosters a fair and transparent compensation culture. Performance evaluations are conducted using a multi-dimensional assessment method that incorporates both quantitative and qualitative performance indicators to ensure objectivity. Regular feedback and goal-setting meetings between evaluators and those being evaluated enhance the acceptance of the evaluation results and support the growth of each employee. Compensation is differentiated based on performance ratings, with adjustments to annual salaries and performance bonuses. High performers are further motivated through various incentives, including performance bonuses and promotion opportunities. Going forward, Hwashin will continue to reinforce its performance-oriented organizational culture and enhance its transparent and trustworthy compensation system to ensure that its employees are fairly recognized for their efforts made.

Performance-Based Culture

Performance Management System

The balanced scorecard (BSC) performance management system links organizational management targets and individual goals for vision achievement and strategy execution.

Individualized Salary System

The individual annual salary system is applied differentially based on performance results.

Incentive System

Management performance bonuses and rewards for merit are paid based on the company’s business performance.

Talent Management

Employee Development System

Hwashin firmly believes that the expertise and capabilities of its employees are key drivers of corporate competitiveness. With this understanding, the company has established and continuously implements a structured talent development strategy to ensure that every member may grow alongside the organization. Hwashin systematically analyzes the competencies required for each role—based on position, job function, and responsibilities—and operates tailored training programs that align with these needs. These programs are provided equitably to all the employees, including non-regular staff, and are designed to provide equal and fair access to learning opportunities to all employees. Furthermore, the company has developed a company-wide training system diagram based on its talent development strategy and provides detailed participation guides to encourage voluntary and autonomous learning among the employees. This approach contributes to fostering a culture of employee-led learning. Each year, Hwashin develops an annual training plan and continuously supplements and expands practical and effective training contents linked to on-the-job performance. Moving forward, the company will continue to foster future-oriented talents for the joint growth of both the individual employees and the organization.

[Employee Development Strategy]

Common Competencies

- We support the reinforcement of basic job competencies through the dissemination and education of core values and business capability enhancement courses.

Job Competencies

- We support the strengthening of personal job competencies through external job expert courses, internal on-the-job training (OJT) courses, and internal technical courses.

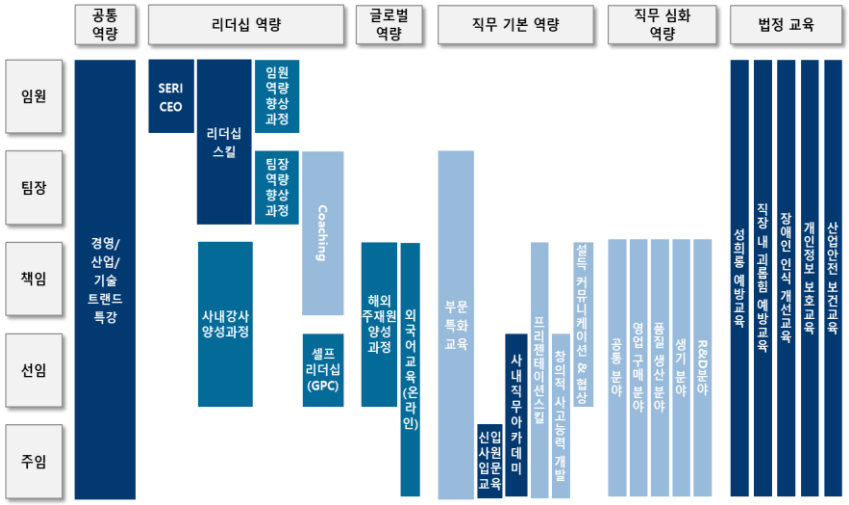
Leadership Competencies

- We support the enforcement of leadership competencies suitable for each situation and position by applying leadership courses tailored to the circumstances and roles.

Global Competencies

- We support the development of global competencies by operating cyber linguistics courses, intensive foreign language courses, and foreign language study courses.

[Company-Wide Training System Diagram]



Mandatory	Mandatory courses for all employees in a given position
Selective	Courses for which the HR department selects employees who fulfill certain eligibility criteria
Elective	Courses that employees participate in voluntarily with the approval of their team leaders

Talent Management

Employee Competence Development Programs

Hwashin operates multi-layered and systemic competency development programs to enhance employees' job expertise and potential for growth within the organization. From the early stages of employment to practical skill adaptation, job expertise development, and leadership advancement, the company is establishing a full life-cycle learning system for all employees. In addition, Hwashin supports employees in easily identifying learning opportunities and participating voluntarily. After each program, satisfaction and effectiveness evaluations are conducted with participants, and the results are reflected in the improvement of future courses and the selection of instructors to continuously enhance the quality of training programs.

[Employee Development Programs]

New Employees Orientation	• Business fundamentals training is provided to promote the overall understanding of the company and to develop a proper mindset for new hires.
OJT Program	• Senior employees in each department serve as mentors to help new hires improve their practical adaptability and understanding of their jobs.
In-House Job Academy	• To enhance job expertise, in-house instructors conduct tailored training courses across various departments, including production, quality, and design.
R&D Technical Seminars	• Lectures are delivered by university professors and research institute experts to help employees understand the technological trends and developments in the automotive industry.
Special Lectures on Leadership	• Customized training is offered for current and next-generation leaders to foster a comprehensive and strategic perspective for the organization's long-term growth.

[Training Programs Executed in 2024]

Type	Training Program
New employees	New Employees Orientation
In-House Job Academy	Understanding the Functions of Parts
	Understanding the Development Process
	Understanding the Production Processes
	Understanding QMS (Quality Management System)
	Financial Accounting
	Understanding the Company Systems
Division general Training	Understanding SAP and Its Modules
	General Course on SAP SD Logistics
	General Course on SAP FI Accounting
	Understanding SAP MM Modules
	Understanding GD&T
	Corporate Analysis
	Understanding the IATF 16949 System
R&D technical Seminars	AI Fundamentals and Applications for Automotive Engineers
	Green Steel for Carbon Neutrality and Welding/Junction Technologies for Future Mobility
	The Era of Major Transformations: The DNA (Digital & Analog) of Automobiles
	Realizing Virtual Engineering through the Use of Optical Equipment
	Development of Digital Twin Models for Production Processes
	The Fourth Industrial Revolution Applied to Manufacturing
Special lectures on leadership	Changes and Leadership
	Innovation in Future Automobile Manufacturing Technologies through DX (Digital Transformation)

Note 1) These are some of the programs conducted in 2024.

Human Rights Management

Human Rights Policy

Hwashin recognizes the protection of and respect for human rights for all internal and external stakeholders involved in its business activities—including its employees, suppliers, and customers—as a fundamental responsibility. Based on international human rights and labor standards, such as the Universal Declaration of Human Rights and the United Nations Guiding Principles on Business and Human Rights, Hwashin practices human rights management with respect for human dignity as a core value. To this end, the company has established a human rights policy outlining its commitments and detailed principles regarding key human rights issues, including the prohibition of discrimination and harassment, compliance with and improvement of working hours, elimination of forced and child labor, freedom of association and collective bargaining, assurance of occupational safety, and protection of the human rights of local communities and customers. This policy applies to all its Korean and international worksites. Hwashin will continue to strengthen its implementation efforts to ensure genuine protection of human rights, grounded in a corporate culture that upholds human dignity.

Prohibition of Discrimination and Respect for Diversity

Hwashin prohibits any form of unjust discrimination against its employees and strives to be an inclusive company that respects employee diversity. In the recruitment process, no discrimination is made based on sex, race, ethnicity, nationality, religion, age, family status, pregnancy and childbirth, social status, or political beliefs. After hiring, fair and equal opportunities are ensured across all aspects of HR management—including promotions, compensation, training, wages, and welfare benefits. Hwashin will continue to strengthen its HR policies and institutional foundations to respect diversity and inclusiveness.

Participation in and Support for the United Nations Global Compact (UNGC)

Since April 2025, Hwashin has participated in UNGC, working to incorporate the Ten Principles spanning the four key areas of human rights, labor, environment, and anti-corruption, into its corporate strategies and operations. Accordingly, the company plans to align its internal human rights management systems and policies based on the principles of UNGC. Moving forward, Hwashin will continue to uphold the UNGC principles and faithfully fulfill its role in promoting sustainable development as a responsible member of the global civil community.

[UNGC Ten Principles]

Type	Ten Principles	
Human rights	Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights;
	Principle 2	Make sure that they are not complicit in human rights abuses
Labor	Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
	Principle 4	The elimination of all forms of forced and compulsory labor;
	Principle 5	The effective abolition of child labor;
	Principle 6	The elimination of discrimination in respect of employment and occupation
Environment	Principle 7	Businesses should support a precautionary approach to environmental challenges;
	Principle 8	Undertake initiatives to promote greater environmental responsibility;
	Principle 9	Encourage the development and diffusion of environmentally friendly technologies
Anti-corruption	Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.

Human Rights Management

UN Sustainable Development Goals (SDGs)

Hwashin has established its ESG management strategies aligned with the United Nations Sustainable Development Goals (SDGs) to promote a sustainable future. Its key initiatives are linked to specific SDGs, as outlined below. As a responsible global company, Hwashin will continue to implement the UN SDGs and pursue sustainable management across all areas—environmental, social, and governance.

[UN SDG Implementation Status]

Category	Implementation Direction	Key Activities
1 빈곤 퇴치	• Contributing to economic stability through mutual growth and fair trade with suppliers • Mutual growth with the local community	• Introduction of the Supply Payment Linkage System and financial support for suppliers (early payment of invoices) • Continued donations and sponsorships for the local community
3 건강과 웰빙	• Establishing a foundation to ensure the health and safety of the employees and local community	• Operation of a safety and health management system • Provision of health checkups and psychological counseling
4 양질의 교육	• Supporting the training and capability building of the employees and global talents	• Operation of a company-wide training system diagram • Global talent development program (recruitment in Vietnam)
5 성평등	• Fostering an organizational culture that does not discriminate based on sex, age, or nationality	• Implementation of gender equality policies in recruitment • Regular training to prevent workplace bullying and sexual harassment
6 깨끗한 물과 위생	• Protecting water resources and proper wastewater treatment	• Compliance with legal standards for industrial wastewater discharge • Monitoring of local rivers concurrently with water quality improvement activities
8 양질의 일자리와 경제성장	• Creating quality jobs and protection of workers' rights	• Job expansion as a reshoring Korean enterprise • Regular provision of job training and leadership development programs
10 불평등 감소	• Creating a fair and inclusive working environment	• Diversity-respecting recruitment system, such as nationality, age, and sex • Implementation of anti-discrimination and diversity respecting policies
13 기후변화와 대응	• Setting greenhouse gas emission reduction targets and strengthening response to climate risks	• Promotion of solar power facility installation and introduction of energy-saving equipment • Establishment of a greenhouse gas inventory and management of reduction targets
16 정의, 평화, 효과적인 제도	• Establishing ethical management and transparent governance	• Enactment of a code of ethics for the employees and the provision of training on ethics • Implementation of a Fair Trade Compliance Program (CP)
17 지구촌 협력	• Building an ESG cooperation and mutual growth ecosystem	• ESG evaluation and support for the supply chain, as well as the introduction of a supply price linkage system

Human Rights Management

Operation of a Human Rights Grievance Counseling and Reporting System

Hwashin operates a grievance resolution system to ensure that any human rights violations—such as workplace bullying, sexual harassment, or unfair treatment—that employees may encounter during their work are addressed promptly and fairly. To this end, Hwashin has established an internal grievance center along with an integrated reporting channel called the “Cyber Complaints Center” to receive reports related to human rights and ethics. The system allows for both anonymous and real-name reports and counseling through various channels, including email and phone. The content of the filed reports and the personal details of the informants are kept strictly confidential. Protective measures are also in place to ensure that no disadvantage or retaliation occurs as a result of the report. Upon receipt, reports are classified by the system or responsible personnel according to the nature of the case and then forwarded to the relevant department. A dedicated team then conducts the necessary investigations and takes appropriate action. Hwashin goes beyond simply resolving individual issues by actively protecting victims’ rights through a comprehensive response system that includes post-report support and measures to prevent the recurrence of the abuse in the workplace.

※ No reports of human rights violations were received in 2024

[Grievance Handling Process]

Stage: submission
- ✓ Grievances may be submitted through various channels, including the Cyber Complaints Center, email, phone, or in-person counseling.
- ✓ Processing time: within 1–2 days

Stage: investigation and review
- ✓ Depending on the nature of the case, it is transferred to the relevant department for investigation (including interviews, document reviews, and fact-checking).
- ✓ Processing time: within 3–5 days

Stage: action and resolution
- ✓ Based on the findings, corrective measures such as training or disciplinary action are taken.
- ✓ Protective measures for the victim are prepared and recurrence prevention plans are established.
- ✓ Processing time: within 2–3 days

Stage: follow-up management
- ✓ The outcome is communicated to the person who filed the grievance.
- ✓ Follow-up monitoring is conducted to ensure implementation of the actions taken.

※ The processing time may vary depending on the complexity or scope of the investigation.

Employee Human Rights Training

Hwashin conducts human rights training sessions for all employees, including the legally mandated training, to promote a culture of respect for human rights and the advance prevention of human rights risks. Educational materials and manuals are shared via the company’s internal bulletin board to support voluntary learning and raise awareness. Hwashin will continue to strengthen its human rights training system to foster a healthy and safe organizational culture.

[Mandatory Training Completion Rate in 2024]

NO.	Training Program	Completion Rate
1	Workplace Sexual Harassment Prevention Training	99.1%
2	Workplace Bullying Prevention Training	99.1%
3	Disability Awareness Training	99.0%
4	Personal Information Protection Training	98.8%
5	Human Rights Protection Training	98.7%

Note 1) Employees who did not complete the training were on leave or overseas business trips.

Human Rights Management

Human Rights Impact Assessment

Hwashin conducts human rights impact assessments to systematically identify, prevent, and manage direct and indirect human rights risks that may arise during corporate management activities. These assessments serve as a core mechanism for identifying potential violations and fostering a human rights–friendly corporate culture. Based on the “Guidelines for Human Rights Management, and Check List” provided by the National Human Rights Commission of Korea, Hwashin developed its own self-assessment questionnaire. The assessment covers ten key human rights areas, including prohibition of discrimination, prevention of bullying, prohibition of forced labor, and assurance of occupational safety. Employee responses to each item are collected and analyzed to identify potential human rights risks within the organization. Areas needing improvement are addressed by having the relevant departments deduct follow-up tasks and plan improvement measures. Hwashin will continue to upgrade the human rights impact assessments with quantitative analysis and external validation, while also expanding its scope to include external stakeholders, such as suppliers, customers, and local communities, beyond the in-house employees. Through these efforts, Hwashin aims to strengthen its human rights risk response system across the organization and build a sustainable corporate culture that respects the human rights of all the stakeholders.

[Human Rights Impact Assessment Process]

Preparing and planning
- ✓ Selecting assessment targets (internal/external stakeholders)
- ✓ Developing assessment tools and survey questionnaires

Identifying and analyzing human rights risks
- ✓ Conducting self-assessment surveys
- ✓ Identifying key human rights risks
- ✓ Prioritizing risks

Drawing up and implementing improvement measures
- ✓ Establishing risk response measures
- ✓ Each department deducts improvement tasks
- ✓ Distributing training materials and guidelines, if necessary

Monitoring and reporting
- ✓ Verifying the implementation of the improvement measures
- ✓ Collecting feedback and reassessment

[10 Key Human Rights Areas]

No.	Human Rights Area
1	Prohibition of discrimination and respect for diversity
2	Prohibition of workplace bullying and sexual harassment
3	Prohibition of forced and child labor
4	Guarantee of reasonable working hours and the right to rest
5	Assurance of occupational safety and the right to health
6	Guarantee of freedom of association and collective bargaining
7	Protection of personal information
8	Protection of customers’ human rights
9	Impact on the local communities’ human rights
10	Respect for human rights in the supply chain

Human Rights Management

Labor–Management Relations and Protection of Labor Rights

Hwashin fosters a healthy labor–management culture based on mutual respect for managerial rights and labor rights, in accordance with the fundamental principles of the Constitution and National Labor Relations Act. Building on this foundation, Hwashin pursues shared interests through communication and cooperation based on trust between labor and management for the sustainable operation of the organization. The company officially recognizes the establishment of labor unions and guarantees workers' rights to freedom of association and collective bargaining. It also operates consultative bodies to maintain and improve working conditions and protect workers' rights and interests. Each year, Hwashin engages in wage and collective bargaining negotiations with the labor union to ensure fair compensation and improve HR systems. In addition, regular Labor–Management Council meetings are held to hear and reflect diverse employee opinions and demands regarding the working environment, systems operation, and organizational culture. Through these ongoing dialogues and trust-based partnerships, Hwashin is committed to upholding workers' rights while jointly pursuing sustainable corporate growth. The company will continue to do its best to embed a culture of labor–management cooperation throughout the organization.

Appointment of Grievance Handling Committee Members

To protect the rights of its employees and improve the working environment, Hwashin appoints grievance committee members, and has prepared and operates a structured grievance handling system. In particular, the company has established an institutional framework to respond promptly and fairly to a wide range of employee concerns, including unfair treatment, conflicts within the organization, and personnel-related issues that may arise during work. Hwashin appoints up to three grievance committee members, composed of labor and management representatives. These members are responsible for handling employee grievances within ten days of receipt and notifying the employee of the outcome. If the issue cannot be resolved by the committee, it is referred to the Labor–Management Council for joint consultation and resolution. In addition, the company strictly prohibits any retaliatory treatment against the employees who have raised the grievances or against the grievance committee members. Furthermore, the relevant departments are mandated to actively cooperate in matters necessary for resolving the grievances. Hwashin will continue to foster a working environment wherein the employee voices are respected and strengthen its human rights management system to ensure transparent and accountable responses to employee grievances.

Award for Excellent Labor–Management Culture

Since the establishment of the labor union in 2008, Hwashin has maintained a tradition of zero labor disputes and has fostered a cooperative labor–management culture grounded in mutual growth and trust. In addition to regular communication between labor and management, the company operates the Labor–Management Council at all times to continuously improve the working environment, ensure job stability, and expand the employee welfare. As a result of these efforts made, in December 2024, Mr. Park Gyeom-hun, the head of Hwashin's labor union, was selected as a recipient of a government award for his contribution to an excellent labor–management culture and excellent labor–management-government cooperation. This recognition is a testament to Hwashin's commitment to human rights–centered management and the cultivation of a healthy organizational culture based on mutual trust and collaboration between labor and management.

[Industrial Medal for Contributions to an Excellent Labor–Management Culture]

Organizational Culture

Pursuit of a Horizontal Organizational Culture

Hwashin is committed to fostering a horizontal organizational culture grounded in autonomy and mutual respect among its members. Recognizing that traditional vertical and rigid communication structures can hinder internal collaboration and dialogue, the company has streamlined its position hierarchy and integrated and abolished job positions to create a more flexible communication environment. Through these efforts made, Hwashin aimed to eliminate unnecessary hierarchies and distance among the positions and foster an environment where all employees can freely express their opinions and be heard. Going forward, the company will continue to promote a horizontal organizational culture that values individual creativity and autonomy to build a healthy and dynamic workplace that encourages continued changes and innovation.

Internal Communication Programs

Hwashin operates internal communication programs designed to promote smooth communication among the employees and build consensus within the organization through various channels. As part of these efforts made, the company publishes an online newsletter, “Haneultari,” twice a year. This publication has become a key platform for information sharing and communication among the employees. The newsletter is produced by an internal reporting team composed of employees, who plan and write the content themselves—capturing a wide range of voices from across the organization. Once published, the newsletter is shared via the company’s in-house electronic bulletin board and Website, making it accessible to all employees as well as external stakeholders. These initiatives help strengthen interdepartmental understanding and promote a culture of open communication in the workplace.

Culture of Open Communication

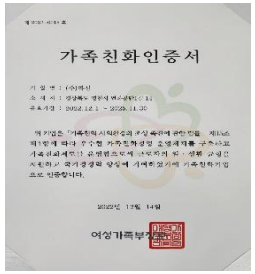
Hwashin believes that a culture of communication built on trust between management and the employees is key to organizational sustainability and competitiveness. To promote open management and active two-way communication, the company is implementing a variety of initiatives. Each year, Hwashin holds a company-wide business environment briefing to transparently share major management performance results, shifts in the business environment, mid-to-long-term strategies, and key managerial tasks with the employees. A Q&A session between the executives and staff is included in these briefings to facilitate genuine two-way communication in an open atmosphere. To share the strategic direction and reinforce cross-organizational collaboration, Hwashin also conducts a business strategy workshop wherein all the executives participate. During the workshop, each division presents its priorities and execution strategies for the coming year and the participants engage in open discussions and collaborative problem-solving to strengthen inter-executive communication. Through these open communication efforts made, Hwashin builds organizational consensus, improves trust in the leadership, and promotes a culture of autonomous engagement. In the future as well, the company will continue to pursue a healthy organizational culture wherein every member is respected and meaningfully connected.

[Business environment briefing held in 2024]

Organizational Culture

Work-Life Balance

Hwashin is committed to helping all its employees, without discrimination, and harmonizing their family life and work responsibilities by systematically operating programs and fostering a culture that supports work–life balance. The company distributes an internal manual outlining its support systems that cover every stage from pregnancy planning to childbirth and child-rearing. Institutional safeguards are in place to ensure that employees who use these benefits are not disadvantaged in performance evaluations or promotion timelines, allowing them to use the programs with confidence. In recognition of these efforts made to build a family-friendly corporate culture, Hwashin received the “Excellent Family-Friendly Company” certification from the Korean Ministry of Gender Equality and Family. In 2024, the company was also honored with the “Gyeongbuk Model Enterprise Award for Promoting Childbirth” from the Gyeongbuk PRIDE Company CEO Association. To commemorate these achievements and express appreciation to its employees for their hard work, Hwashin provided coffee trucks to its Eonha Plant, Bongdong Plant, and High-Tech Park Plant, creating an opportunity to further spread family-friendly values and culture across the organization. Hwashin will continue to enhance its systems and expand the work-life balance culture to enable its employees to enjoy both a sustainable career and a healthy personal life.



[Excellent Family-Friendly Company Certification]

[Coffee truck support]

[Programs Supporting Work-Life Balance]

Category	Program	Details
Pregnancy	Maternity protection during pregnancy	Work hours reduced by 2 hours a day between 12 and 36 weeks of their pregnancy
		Reassignment to easier duties during pregnancy
		Time allowance for prenatal checkups
Childbirth	Infertility treatment leave	Up to 3 days in a year (first day paid)
	Leave for miscarriage or stillbirth	Granted for 5-90 days depending on the duration of pregnancy
	Pre- and postpartum Leave	A total of 90 days (120 for multiple births)
		10 days of paid childbirth leave granted to spouse
Support for work–life balance	Childcare leave	Pregnant female employees; employees with children up to the age of 8 or up to second grade Within one year
	Reduced work hours During childcare period	1-5 hours a day
	Reduced work hours for family care	Any family member who requires an employee’s care because of illness, accident, advanced age, etc.: work hours may be reduced by 15–30 hours a week.
	Family care leave	Any family member who requires an employee’s care because of illness, accident, advanced age, etc.: Up to 3 months of leave per year
	Family care vacation	Any family member who requires an employee’s care because of illness, accident, advanced age, etc.: Up to 10 days of leave per year

Creating a Happy Workplace

Diverse Welfare Programs

Hwashin operates a wide range of employee welfare programs that go beyond improving the working environment to actively support their overall quality of life. These programs are designed to help the employees and their families lead more stable and fulfilling lives by addressing various aspects of daily living, including health, children's education, housing stability, and retirement planning, rather than focusing solely on working conditions. Through these efforts made, Hwashin aims to enhance both the employees' quality of life and satisfaction with the workplace and engagement at work. Moving forward, Hwashin will continue to expand customized welfare programs tailored to different stages of employees' life cycle and strive to cultivate a healthy organizational culture rooted in trust and mutual respect.

[Welfare Benefit Programs]

Support for family life	Tuition support for employees' children and for employees pursuing master's or doctoral degrees / monetary support for family events (congratulations and condolences) / housing loans / livelihood support loans / Support for infants and children
Support for office life	Commuter buses / company cafeteria / company dinner expense support / Long-term employee bonus
Leisure support	Vacation expense support / recreational facility support / club activity support / special vacation for long-term employees / sports festivals
Medical support	Regular health checkups / comprehensive medical examinations for employees aged 40 and above / Focused management of employees with abnormal findings / company fitness center / antismoking clinic
Work-life balance	Work–life balance support programs / focused breaks / annual leave and other leave

Intracompany Clubs

Hwashin officially supports employee club activities to help staff achieve work–life balance and enjoy a happy workplace culture. By providing opportunities for members to naturally connect and interact based on shared hobbies and interests, the company enhances nonwork-related satisfaction and fosters a sense of camaraderie. As of 2024, Hwashin operated a total of 23 intracompany clubs, including fishing, hiking, baseball, futsal, and bowling. Employees are free to join any club of their choice after joining the company, and can relieve stress and engage in personal development through a variety of activities. Hwashin will continue to actively support these club activities and encourage the formation of new groups to ensure that all its employees enjoy a joyful and dynamic workplace.

Promotion of Smart Work

Hwashin continues to strengthen its digital collaboration infrastructure to help employees work more efficiently and flexibly. The company adopted Microsoft Teams, a company-wide cooperative work platform, to not only share work schedules and materials, but also reduce unnecessary meetings and mundane work of reporting tasks using video conferencing. This has allowed the company to shape a flexible work environment that allows its employees to wok anytime, anywhere without physical restraints. We also provide Virtual Desktop Infrastructure (VDI) solutions that support the employees to comply with security protocols and work stably from anywhere, whether in the office, during business trips, or at home.

Creating a Happy Workplace

Reward System Operation

Hwashin expresses its gratitude for the efforts made by and dedication of each and every employee and operates various morale and motivation boosting programs to foster a healthy organizational culture. Every year, during the company's anniversary celebration, outstanding employees who have demonstrated exceptional achievements and served as role models within the organization are selected and awarded. In addition to formal recognition, practical rewards such as opportunities for overseas training are provided to boost their morale. Furthermore, to reinforce respect and appreciation for long-serving employees, the company offers monetary rewards and the right to special vacations based on their years of service, thereby encouraging long-term commitment. These programs go beyond mere recognition; they play a key role in building a strong sense of identity and ownership and in reinforcing the feeling that they are growing together with the company.

Spaces for Rest and Culture to Support Emotional Well-Being

To create a working environment wherein employees may enjoy moments of relaxation in their daily routine, Hwashin is actively investing not only in office spaces, but also in spaces dedicated to rest and cultural engagement. Within the company, a variety of spaces—including an in-house café, lounge areas for resting, and a library—are available for employees to recharge freely during the workday and to inspire creativity. The in-house café, in particular, serves as a space for employees to enjoy coffee and drinks while engaging in casual conversations, which help break down barriers between departments and foster an open organizational culture. The library and reading spaces offer opportunities for both self-development and emotional relaxation, thereby supporting the employees to independently acquire knowledge and information. These multipurpose cultural spaces go beyond basic welfare; they are strategically designed to enhance the emotional well-being and overall quality of life of the employees. Moving forward, Hwashin will continue to improve the working environment with a focus not only on the employees' physical health, but also their emotional satisfaction, to build a truly sustainable and happy workplace.

Retiree Roundtable

Hwashin holds an annual retiree roundtable to express sincere gratitude to employees who have dedicated themselves to the company until their retirement age. This event serves as a meaningful occasion to honor the contributions and experiences of long-serving members, offering warm encouragement and a heartfelt farewell to support a positive conclusion to their career journey. Such initiatives reflect Hwashin's people-centered management philosophy, which emphasizes respect and consideration throughout the entire span of an employee's working life. They also contribute to building a workplace where all members feel valued, trusted, and inspired to stay.

[In-House library]

[Lounge area]

Creating a Happy Workplace

Operation of a Company Workers' Welfare Fund

Hwashin has operated the Company Workers' Welfare Fund, established in 2003, for the stabilization of employees' lives and enhancement to their welfare. At the time of its establishment, the company contributed KRW 550 million to launch the fund. Through consistent asset management, the fund has grown to a total asset value of KRW 3.558 billion, including KRW 3.199 billion in permanent property and annual mean interest earnings and loan interest earnings of about KRW 90 million as of the end of 2024. The fund is managed with a strong focus on its core mission—improving the actual quality of life of the employees. It is actively used to support quarterly intracompany club activities, company sports events, and other programs that boost the morale and strengthen the organizational culture. Hwashin remains committed to continuously using the fund to identify practical and sustainable benefits that reflect the diverse needs of the employees and create a truly happy workplace that satisfies all the employees through the fund's transparent and efficient management.

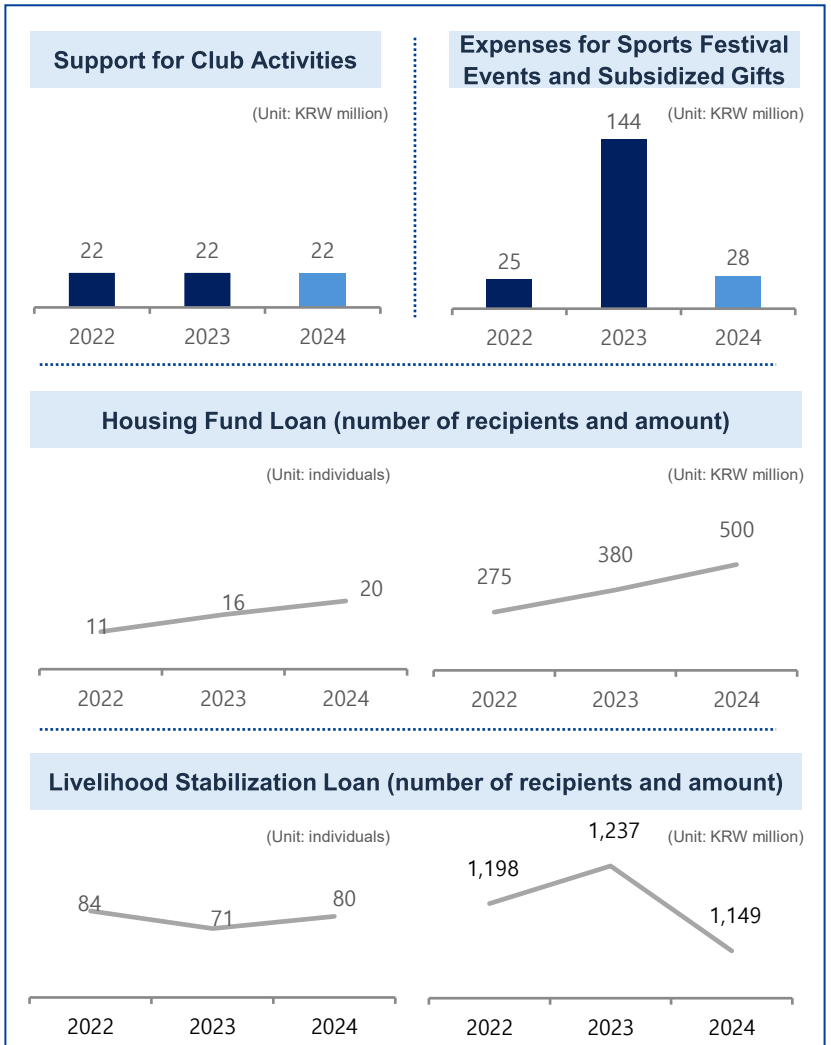
Company Workers' Welfare Fund's Operation Regulations

[Article 3] Business Purpose
The fund shall execute the following project expenses according to its capacity to pay
▶ Club operation costs, sports festival event costs

[Article 4] Loan Business
The fund shall execute the following loan project expenses according to its capacity to loan funds
▶ Housing purchase (construction), rent funds, and livelihood stabilization funds

[Article 14] Loan Eligibility
① Housing fund: not a home owner at the time the loan is applied for; leasing or purchasing a house up to national housing scale
② Living stabilization fund: a person who otherwise experiences difficulty with livelihood

[Overview of the Company Workers' Welfare Fund]



Note 1) Per the statement of financial position as of the end of 2024 (non-current assets)
Note 2) Housing fund loans: **KRW 1,031.354 million** / Livelihood stabilization fund loans: **KRW 2,074.22 million**

Safety and Health Management

Environment, Safety, and Health (ESH)

Hwashin systematically analyzes and assesses the environmental (E), safety (S), and health (H) risks throughout the entire product life cycle—from design and development to production, usage, and disposal. Through company-wide risk assessments, Hwashin identifies high-risk processes and worksites and establishes focused management systems to proactively mitigate the risks. In particular, employees at the Eonha Plant, Bongdong Plant, High-Tech Park Plant, and Yesan Plant are actively engaged in company-wide efforts to prevent accidents and create safe and healthy working environments based on the company's EHS management policy. It is a fundamental principle that all the employees be familiar with and practice the policy. Hwashin's EHS management policy serves as a core guideline for ensuring corporate sustainability and protecting workers' health. The company continuously evaluates and improves the policy's effectiveness and relevance through regular internal inspections and reviews. Furthermore, by transparently disclosing the management policy to its stakeholders, Hwashin clearly demonstrates its commitment to continuously improving the EHS areas and fulfilling its social responsibility. The company will continue to minimize ESH risks throughout its business activities and not only comply with the relevant laws and regulations, but also enhance its autonomous management capacity to build a sustainable safety culture and a healthy working environment.

Ensuring Independence of Safety and Health Budgets

To systematically manage safety and health risks at its worksites, Hwashin has established a separate safety and health account to ensure that the allocated budget is used exclusively for safety and health purposes. This systematized management structure prevents safety and health investments from being subordinated to general operating expenses, thereby enhancing the effectiveness of activities pursued to prevent accidents and improve the working environment. In addition, Hwashin regularly compiles and reviews the results of the safety and health budget allocation and execution to evaluate the appropriateness of the expenditures and execution rates. Based on this process, the company allocates the budgets flexibly, prioritizing according to the risk level of each worksite. Hwashin continues to make efforts to secure reasonable budgets that reflect the actual needs at each worksite.

[Aggregation of Expenses Executed for Safety and Health in 2024]

(Unit: KRW 1 million)

Type	Yeongcheon Plant	Yesan Plant	Total
Safety inspections, etc.	100	11	111
Accident-free awards, etc.	13	1	14
Work environment measurement	25	7	32
Medical exams, etc.	80	30	110
Disinfection	2	2	4
Total			**271**

Safety and Health Management

Safety and Health Management Organization and Activities

Hwashin has established a dedicated organization for safety and health management. The company ensures the proper placement of legally required personnel, including a general manager of safety and health, safety manager, health manager, and management supervisor. These employees are fully aware of their duties and roles according to their positions and carry out safety and health activities at worksites in accordance with established procedures. As such, Hwashin works to proactively prevent hazards at worksites and maintain a safe working environment. In addition, Hwashin has established the Occupational Safety and Health Committee for labor and management to hold meetings and jointly identify risks at worksites every quarter, as well as actively discuss and implement improvement measures and solutions. Hwashin will continue to practice safety and health management by fostering an autonomous safety keeping culture.

[Yeongcheon Plant's Safety and Health Management Organization]

Note 1) Yeongcheon Plant: Includes the Eonha Plant, Bongdong Plant, and High-Tech Park Plant
Note 2) The Yesan Plant has a separate organizational structure.

[Occupational Safety and Health Committee Meeting Details]

Quarter	Eonha Plant	Bongdong Plant	Yesan Plant	High-Tech Park Plant
First quarter	- Review of the 2024 Safety and Health Management Plan Draft - Review of first-quarter 2024 safety inspection results - Sharing key points of the Occupational Safety and Health Act - Temporary change of workers' representative	- Review of the 2024 Safety and Health Management Plan Draft - Sharing key points of the Occupational Safety and Health Act - Review of first-quarter 2024 safety Inspection results	- Discussions on the 2024 general/special health checkup schedule - Discussions on compliance with comprehensive health checkup guidelines for workers	-
Second quarter	- Review of amendments made to the Safety and Health Management Regulations	- Review of amendments made to the Safety and Health Management Regulations - Change of workers' representative	- Daily/regular inspection and supervisor report on forklifts - Establishment of industrial robot safety guidelines	-
Third quarter	- Review of amendments made to the Safety and Health Management Regulations - Review for the enactment of a manual for the distribution of safety gear	- Review of amendments made to the Safety and Health Management Regulations - Review for the enactment of a manual for the distribution of safety gear	- Attachment of stickers to prevent product stacking in front of indoor fire hydrants - Marking directions for operating fire hydrants - Public and private discussions on reducing collision risks between forklifts and vehicles at the plant entrance and materials loading/unloading areas	- Review of amendments made to the Safety and Health Management Regulations - Review for the enactment of a manual for the distribution of safety gear
Fourth quarter	- Review of amendments made to the Safety and Health Management Regulations	- Review of amendments made to the Safety and Health Management Regulations	- Discussions on the replacement of safety rings - Sharing results of the safety and health level evaluation of suppliers in the second half of 2024	- Review of amendments made to the Safety and Health Management Regulations - Appointment of Health Manager - Change of user committee member

Safety and Health Management

Occupational Health and Safety Management System

Hwashin places the highest priority on the safety and health of its employees. The company has established an Occupational Health and Safety Management System (ISO 45001) aligned with international standards to carry out systematic risk management and accident prevention activities. Each year, Hwashin operates its safety and health programs according to a step-by-step process: “risk assessment → organizational circumstance analysis and risk evaluation → goal formulation and improvement.” In addition to regular evaluations, risks are also assessed when a process changes or when industrial accidents occur as needed to quickly identify hazards and implement corrective actions. We are also in strict compliance with relevant laws and regulations, and other safety and health matters centered around the Occupational Safety and Health Act and the Serious Accidents Punishment Act of Korea. The company equally conducts both in-house reviews and third-party reviews by external certification bodies to objectively evaluate the appropriateness and effectiveness of the system. Through this process, Hwashin continuously enhances its safety and health management system in the workplace.

CERTIFICATE

kiwa

Registration no. KS 21175 IAF Code 18
First issue date 2018-09-13 Issue date 2024-09-13
Expiry date 2027-09-12 Reissue date 2024-09-05

Occupational Health and Safety Management System Certificate

KS Q ISO 45001:2018/ISO 45001:2018

We certify that the Occupational Health and Safety Management System of the Organization:

(주)화신

Is in compliance with the standard KS Q ISO 45001:2018/ISO 45001:2018 for the following products/services:

자동차용 새시 프레임, 엔진 크래들, 언트롤 암, BPC(battery pack case) 및 차체부품의 설계 및 제조

General Manager
Seung-Chan Lee

키퍼코리아㈜
서울특별시 성전구
방포로 278
팩스번호 : 02 415 5
Tel. +82.2.3397.0101
Fax. +82.2.3397.0105
URL : www.kiwa.kr

인증 사업장
경상북도 영천시 건화공단1길 14
및 별첨 인증서의 사업장

IAF KAB KAB-QC-31

Certified Plants

In Korea

5

Plant	Expiration Date
Eonha Plant	- September 12, 2027
Bongdong Plant	
Yesan Plant	
Technology Research Center	
High-Tech Park Plant	

[Workplace Safety Inspection Results]

(Unit: cases)

Category	Eonha Plant / Technical Research Center	Bongdong Plant	Yesan Plant	High-Tech Park Plant	Total
Improvements / identified issues	13/14	39/40	60/61	9/9	127/130
Improvement rate	93%	98%	98%	100%	97.6%

[Risk Assessment Improvement Results]

(Unit: cases)

Category	Eonha Plant / Technical Research Center	Bongdong Plant	Yesan Plant	High-Tech Park Plant	Total
Improvements / identified issues	30/30	25/25	81/81	18/18	154/154
Improvement rate	100%	100%	100%	100%	100%

[Contractor Management Activities]

Category	Eonha Plant	Bongdong Plant	Yesan Plant	High-Tech Park Plant
Status of businesses	HRDAIN, Our Home, Dowon E&C, Daesung	Kyeong Hee Industrial, Green Resources, Our Home	HRDAIN, Dukin Corporation, EMD Tongil Tourism	HRDAIN, Dowon Enterprise
Contractor Conference	Sharing of each factory’s emergency contact information and evacuation routes, etc.			
Joint safety inspection	Fire hazard and forklift inspection, etc.			

Safety and Health Management

Safety and Health Training

To enhance employee awareness of safety and strengthen their accident prevention capabilities, Hwashin operates a systematic safety and health training program every year. The training is conducted in compliance with relevant laws, such as the Occupational Safety and Health Act and the Serious Accidents Punishment Act of Korea, and includes all mandatory topics. Its primary goal is to improve practical on-site safety management skills. Furthermore, Hwashin conducts regular safety and health training, special safety and health training, other legally mandated job-specific training, and supervisor training to continuously raise awareness of safety among the employees and cultivate a culture wherein the individuals voluntarily practice safety. Training is offered through various methods, including online and in-person sessions. Completion rates and training effectiveness are regularly evaluated to ensure the program's impact. Hwashin will continue to strengthen its system for practical safety and health training and expand the training contents to deeply embed a company-wide culture of safety.

[2024 Safety and Health Training Completion Rate]

Type	Target	Completion Rate
Regular safety and health training	All employees	100%
Onboarding training	New employees	100%
Special safety and health training	When applicable	100%
Training upon change in work duties	When applicable	100%
Training on hazardous substances	When applicable	100%
Supervisor training	Management supervisor	100%

[Regular Safety and Health Training]

Month	Training Subject	Month	Training Subject
1	Understanding MSDS	7	Summer health management
2	Regulations on Occupational Safety and Health Standards	8	Prevention and management of job stress
3	Risk assessment	9	Safety measures for handling heavy objects and preventing accidents
4	Prevention of near-miss accidents	10	Protective devices for cranes, machines, and equipment
5	Infectious diseases and occupational health management	11	Case studies of accidents involving loading and transport machines
6	Handling hazardous and dangerous substances	12	Fire prevention and safety measures

[Special Safety and Health Training]

Relevant Internal Items	Target
Hazardous substances, industrial robots, firearm risks Press machines, cranes, hoists, and pressure vessels Electrical facilities, confined spaces, and forklifts	Workers handling the applicable tasks

[Other Training]

Training Details	Target	Training Institution
Statutory job training	Safety / health / environmental managers	Korea Industrial Safety Association Korean Industrial Health Association
Management and supervisor training	Office workers / on-site management and supervisors	

Safety and Health Management

Strengthening Supervisor Activities and External Safety Training

To prioritize the protection of workers' lives and health, Hwashin held the "Industrial Accident Prevention Proclamation Ceremony" in 2022, with the full participation of all the staff, including the CEO. This marked the company's first substantial step toward preventing serious industrial accidents. Since 2023, Hwashin has launched a full-scale effort to enhance on-site safety and health activities, focusing on supervisors. The company has clearly defined the job assignments, responsibilities, and authority of the supervisors and has implemented initiatives led by team leaders and chiefs—who serve as key frontline figures—to directly identify risk factors and carry out corrective measures. To further promote participation and engagement, Hwashin has introduced an incentive program for the supervisors. Additionally, the company is enhancing the safety awareness of the supervisors and workers through external safety training programs organized by local governments. Moving forward, Hwashin will continue to enhance its proactive risk management system centered on the supervisors and expand effective training and participatory programs to foster a deeply rooted safety culture at the field level.

Fire Safety Training and Comprehensive Drills

Hwashin operates a structured fire safety education and training system to ensure prompt and effective responses to fires and emergency situations at its worksites. The company has established internal fire response units and conducts regular in-house fire drills twice a year. These drills are designed to strengthen the initial response capabilities and ensure the proper execution of evacuation procedures in the event of a fire. The training is scenario-based, tailored to the actual situation of each fire unit, and focuses on improving the workers' response skills and checking the effectiveness of the emergency response system. Additionally, Hwashin conducts joint fire drills and fire safety training with the local fire department once a year to strengthen cooperation with related agencies and enhance the workers' practical response capabilities. Any improvements identified during the joint drills are promptly reflected to minimize safety blind spots at the workplace. Hwashin will continue to reinforce proactive, prevention-oriented safety management and ensure that all employees are equipped with the practical skills necessary to respond to fires and other emergency situations through ongoing education and training.

[Supervisor activity awards ceremony in 2024]

[Special lecture by the director of the Daegu Regional Employment and Labor Office]

[Fire safety education]

[CPR training]

Safety and Health Management

Activities to Foster a Culture of Safety and Health

At Hwashin, safety and health are not treated as mere guidelines but as values that naturally become part of the daily lives of our employees. To this end, we run a variety of participatory safety culture programs. In 2024, we collaborated with external organizations, such as the Yeongcheon Community Health Center, Mental Health Welfare Center, and partner dental clinics, to offer diverse engaging and experiential events. These included games that provided health information, stress management sessions, and oral health programs that employees could experience firsthand. These activities aim to create an environment wherein the employees can access health and safety information in a more familiar and engaging way. Additionally, we launched the “Walk Challenge” to promote regular walking habits, encourage employees to practice self-care, and foster a healthier working environment. We also hosted a “Punch King Event” to relieve stress, allowing employees to unwind and enhance their emotional well-being. Hwashin will continue to expand hands-on, experience-driven safety culture activities that encourage voluntary participation in order to build an organizational culture wherein all the employees may work joyfully and healthily.

Initiatives for a Healthy Working Environment

Hwashin operates a comprehensive health management program to promote a healthy working environment for all the employees. We conduct regular annual health checkups and comprehensive medical examinations, and we provide intensive follow-up care for individuals with abnormal findings to enable the early detection of illnesses and support their health maintenance. To ensure a quick response to common symptoms such as colds and muscle pain, we keep medical supplies readily available at all times. Additionally, on-site physical therapy facilities are provided to help employees recover from fatigue and prevent injuries. As part of preventive measures for high-risk working environments, we also invite external experts from the Korean Industrial Health Association to conduct regular training sessions on the prevention of noise-induced hearing loss. These efforts proactively support hearing protection and occupational disease prevention. Hwashin will continue to strengthen its prevention-focused health management system and remain committed to creating a working environment wherein all the employees may thrive both physically and mentally.

[Punch King Event]

[Smoking cessation promotion campaign]

[Health checkups, comprehensive medical examinations, and focused follow-up care for individuals with abnormal findings]

[Training to prevent noise-induced hearing loss]

Safety and Health Management

Operation of Physical Therapy and Health Management Spaces

Hwashin operates physical therapy and health management facilities in workplace infirmaries to help the employees effectively alleviate fatigue and physical discomfort that may occur during work and to encourage their self-care. Each infirmary is equipped with various treatment and health monitoring devices, including low-frequency treatment equipment, infrared treatment equipment, paraffin treatment equipment, air-pressure massagers, InBody analyzers, and blood pressure monitors. These facilities are open to all employees at any time during working hours for physical recovery and health status checks. These devices are especially effective in relieving fatigue and easing minor pain or tension in working environments that place significant strain on the musculoskeletal system. In addition, a full-time certified nurse is stationed in each facility to guide employees to safely and accurately use the treatment devices according to established procedures and standards. The nurse also provides health consultations, enabling the early detection of and response to symptoms and preventive care. Hwashin goes beyond simply providing treatment devices and continuously expands the provision of medical equipment and programs in consideration of the unique characteristics of each workplace and the specific health risk factors faced by the workers. We are enhancing our workplace health management system through integrated efforts such as intensive follow-up care for individuals with abnormal findings, musculoskeletal risk factor preventing activities, noise-induced illness prevention, and programs to prevent hazards in confined spaces. Additionally, we are exploring the future provision of personalized health management solutions. Hwashin remains committed to building a healthy workplace and proactive health management system by making continuous investments to enable the employees to fully focus on their work while in optimal condition.

[Low-frequency treatment equipment]

[Infrared treatment equipment]

[Paraffin treatment equipment]

[Air-pressure massager]

[InBody analyzer]

[Blood pressure monitor]

Safety and Health Management

Promotion of Employee Health

Hwashin operates a comprehensive health management program based on the belief that the physical and mental well-being of its employees is the foundation for sustainable corporate growth. All employees undergo annual regular health checkups, and special medical examinations are conducted before and after job assignments as well as at regular intervals to assess and manage their health conditions in relation to the working environment, both proactively and through follow-up care. In particular, Hwashin provides comprehensive medical examinations for employees aged 41 and older and their spouses to support their early diagnosis of diseases, improve their disease survival rates, and promote the health of their families. In addition, regular assessments of harmful factors in the working environment are conducted to evaluate worker exposure to them and develop improvement measures. A wide range of workplace-specific health protection activities are also widely implemented, including musculoskeletal hazard factor assessments, follow-up care for individuals with abnormal findings, hearing conservation programs, and confined space safety management programs. Hwashin will continue to strengthen its scientifically grounded and prevention-centered health management system to create a working environment wherein all the employees can work safely in their optimal health condition.

[Consultations with a Health Manager at all times]

HWASHIN
2024년 유소견자 대상 혈액검사 지원

9月 혈액검사 결과

성명 : ○○○ - 당화혈색소 : 8.0% (+5.7~6.4 : 당뇨 전 단계 / 6.5% 이상 : 당뇨) 검사일자 : '24.09.06

구분		고혈압		이상지질혈증(콜레스테롤)				당뇨	간장질환		
		수축기	이완기	TC(총콜)	HDL-C	TG(중성지방)	LDL-C	GLU	AST	ALT	rGT
정상범위		140미만	90미만	200미만	50이상	150미만	130이하	식전 100 식후 140	40이하	35이하	남 11~63 여 8~35
검사결과	24년 4월	132	80	118	62	46	47	150	26	33	24
	24년 9월	-	-	112	64	51	38	133	24	30	27
증감				-6	2	5	-9	-17	-2	-3	3

[Recordkeeping of Results]

[Types of Medical Examinations]

Category		Exam Period	Examined Items	Time of Examination	Examining Institution	
					Yeongcheon Plant	Yesan Plant
Regular health checkup		Once a year	General checkup, hearing test, lung capacity test, blood test, cavities, etc.	April	Korean Industrial Health Association	Korean Industrial Health Association
Preplacement medical exam		Pre-assignment		As needed	Worksite: Korean Industrial Health Association Office: Dongsan Orthopedic Clinic	Yesan Myongji Hospital, Chungcheongnam-do Hongseong Medical Center
Postplacement medical exam		Post-assignment Post-assignment				
Comprehensive medical exam	Employees	1 session / 3 years	Blood test, computed tomography (CT), ultrasound, gastroscopy, colonoscopy, MRI, etc.	Desired date between February and November	The Most Holy Trinity Hospital	Chungcheongnam-do Hongseong Medical Center
	Executives	Once a year			Preferred hospital	Preferred hospital

[Working Environment Measurements]

Measurement Period	Implementation Schedule	Relevant Departments for Measurement	Measuring Institution
Semiannually	First half: March Second half: September	Production Departments 1/2/3, Facility Management Team, Logistics Management Team, Development Testing Team, Advance Research Team, EV Structure Team, Production Team, Production Management and Logistics Team	Korean Industrial Health Association Environmental Hygiene Team

[Other Health Promotion Programs]

Medical Exam Management of Individuals with Abnormal Findings	Hearing Preservation Program	Confined Spaces Program	Operation of Infirmary & Physical Therapy Clinic
January–December	May–October	January–December	January–December

Creating Value in the Local Community

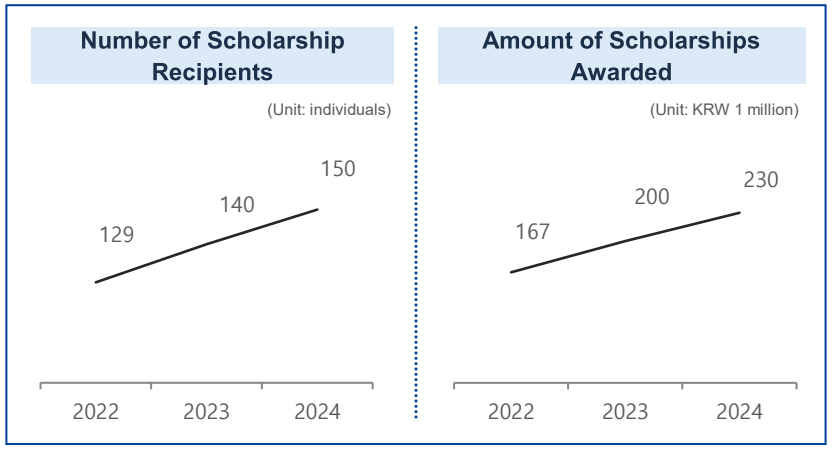
Wooseok Scholarship and Culture Fund

In 2005, Hwashin established the Wooseok Scholarship and Culture Fund to meet its social responsibilities consistently and systematically. Rooted in Hwashin's founding philosophy of people-centered growth and sharing, the foundation focuses on contributing to the local community and nurturing future generations through the balanced development of education and culture. Each year, the Fund annually runs scholarship programs for youth and college students, along with cultural and artistic initiatives and community contribution activities. The foundation provides meaningful support to promising individuals who pursue their dreams without losing hope or courage despite financial hardships and helps them focus on their studies. It also offers a range of opportunities to the selected scholarship recipients for them to grow into leaders who can contribute not only to their local communities, but also in Korea and globally. Since its founding, the fund has continually expanded both the scale of its scholarships and the number of beneficiaries, thereby contributing to the reduction of educational inequality and fostering a virtuous cycle of talent development in the local community. Hwashin will continue to deliver messages of hope to more students and neighbors through the foundation's activities and thus fulfill its role as a responsible company growing together with the local community.

[Foundation's Board of Directors]

Position	Name
Chairperson of the Board of Directors	Chung Seo-jin
Director	Park Gyeong-hwan, Do Yeong-rok, Song Sang-woo, Roh Tae-gi, Seong Tae-mun
Auditor	Min Jeong-gi, Jeong Jae-ook
Secretary-General	Kwon Yeong-woo

[State of Scholarship Provision]



[20th Wooseok Scholarship and Culturel Fund Award Ceremony]

Creating Value in the Local Community

Social Contribution Activities for Mutual Growth with the Local Community

Hwashin firmly believes that corporate growth must go hand in hand with the sustainable development of the local community. Guided by this belief, the company actively engages in a variety of social contribution initiatives to promote mutual growth with the region. Rather than focusing on one-off donations, Hwashin implements sustainable and systematic social contribution programs that bring about meaningful changes in the community. Through these efforts, the company continues to foster a culture of empathy and solidarity throughout the organization.

Disaster Response and Emergency Relief Support

In July 2024, when heavy localized rainfall caused widespread damages, including flooded homes in Yeongcheon City, Hwashin donated KRW 50 million to support the recovery efforts and help stabilize the lives of the affected residents. This donation reflects Hwashin's commitment to mutual growth and solidarity as a member of the local community and demonstrates the company's determination to provide meaningful assistance in times of crisis.

기부금 영수증

Local Community Sharing Campaigns and Donation Records

Hwashin equally actively participates in annual sharing campaigns to help address challenges faced by the local community. The company raised a total of KRW 160 million in 2022, KRW 170 million in 2023, and KRW 200 million in 2024—donating more than KRW 530 million to the community over the past 3 years. In recognition of its ongoing commitment to sharing, Hwashin was honored as a "Corporate Philanthropy Leader" by the Community Chest of North Gyeongsang Province.

Promoting a Culture of Employee-Driven Giving

Hwashin is also leading the way in creating a culture of voluntary giving based on employee participation. CEO Chung Seo-jin and employees take part in the "Salary Change for Change Donation Campaign," in which the employees voluntarily donate the remaining change from their monthly salaries. The funds collected through this initiative are used to support various on-the-ground activities of the local community.

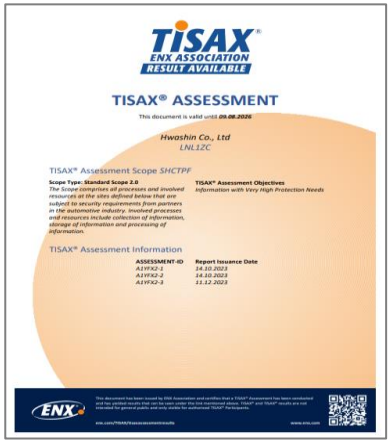
Information Protection

Information Protection Directions and Policy

Hwashin recognizes the protection of sensitive information, such as its employees' personal information, customer information, and trade secrets acquired in the course of its business activities, as a critical corporate responsibility. Accordingly, the company is advancing its information security framework while simultaneously strengthening employee awareness of security practices. Hwashin strictly complies with relevant laws and security regulations and systematically updates and enforces internal regulations, including its information security management standards and IT security incident response guidelines. These efforts help establish a solid foundation to respond effectively to various threats, such as information leaks, system intrusions, and information loss. To proactively address the growing sophistication of cybercrimes such as hacking and ransomware, Hwashin regularly conducts security training programs. These include response procedures for different types of cyberattacks and self-diagnosing methods for personal computers. These training sessions play a key role in raising security awareness among all the employees and preventing real-world damages, while also promoting a culture of voluntary information protection. Looking ahead, Hwashin will continue to enhance both its technical and administrative response system to build its information protection capacity and implement responsible information protection policies that uphold the trust of its customers and employees within a sustainable business environment.

Information Protection Certification and Management

Hwashin is actively pursuing and maintaining external information protection certifications to establish a globally recognized information protection system and earn the trust of its customers and stakeholders. In particular, the company has acquired certifications such as Trusted Information Security Assessment Exchange (TISAX), which sets the information protection standards for the automotive industry, and Hyundai Information Security Management System (H-ISMS), which meets the Korean information protection management standards. Through these certifications, Hwashin systematically manages its overall information protection standards—including security policies, infrastructure, and management systems. These are not one-time achievements; rather, they are renewed and managed through regular security checks, documentation reviews, and evaluations of the adequacy of physical and technological safeguards. This approach ensures that the company remains flexibly responsive to the ever evolving cyber threats. Moving forward, Hwashin will continue to build its company-wide information protection capacity to maintain information protection standards that meet the global standards and ensure the safe protection of sensitive information that belong to its customers, suppliers, and employees.


TISAX
ENX ASSOCIATION
RESULT AVAILABLE

TISAX® ASSESSMENT

This document is valid until 09.08.2026

Hwashin Co., Ltd
LNL12C

TISAX® Assessment Scope SHCTPF

Scope Type: Standard Scope 2.0
The Scope comprises all processes and involved resources at the sites defined below that are subject to security requirements from partners in the automotive industry. Involved processes and resources include collection of information, storage of information and processing of information.

TISAX® Assessment Objectives
Information with Very High Protection Needs

TISAX® Assessment Information

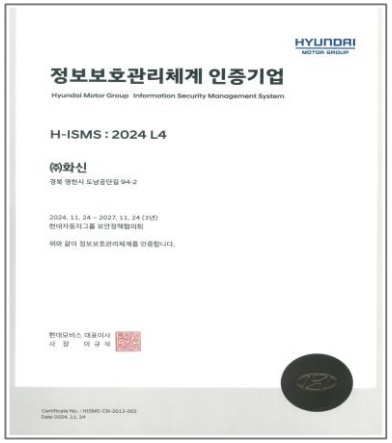
ASSESSMENT-ID	Report Issuance Date
A1YFX2-1	14.10.2023
A1YFX2-2	14.10.2023
A1YFX2-3	11.12.2023

ENX

This document has been issued by ENX Association and certifies that a TISAX® Assessment has been conducted successfully. The results of the TISAX® Assessment, the "Assessment Objectives", and TISAX® results are not intended for general public and only valid for authorized TISAX® Participants.

enx.com/PRAX/Assessmentinfo.xlsx

www.enx.com


HYUNDAI
MOTOR GROUP

정보보호관리체계 인증기업

Hyundai Motor Group Information Security Management System

H-ISMS : 2024 L4

㈜화신

경북 영천시 도남공단길 94-2

2024. 11. 24 – 2027. 11. 24 (3년)

현대자동차그룹 보안정책협의회

위와 같이 정보보호관리체계를 인증합니다.

현대모비스 대표이사
사 장 이 규 석

Certificate No. : HISMS-CN-2013-002
Date: 2024. 11. 24

Information Protection

Elevating Information Protection Awareness

[Company-Wide Information Security Training]

Hwashin operates a company-wide information security training system under the principle that the foundation of information security begins with employee awareness and practices. Each year, a security officer is selected within each team to undergo primary security training. These selected officers then play a key role in promoting security practices throughout the organization. Through in-team cascade training, Hwashin ensures that all employees understand and can apply core security principles. This structure helps raise the overall level of security awareness across the organization and supports the establishment of a security culture tailored to each department's unique characteristics. The training curriculum includes practical content such as personal data protection, email security, precautions for file sharing, and how to respond to ransomware and phishing attacks. The goal is to empower employees with the capability to proactively respond to security threats. Hwashin will continue to strengthen its development of security leaders and systematic training management to foster a prevention-focused security culture and enhance the company's sustainable information security management standards.

Simulated Training for Enhancing Response to Cybersecurity Threats

To prevent cybersecurity incidents in advance and enhance employees' response capabilities, Hwashin conducts phishing email simulation training twice a year—in the first and second halves of each year. The training uses realistic scenarios based on possible actual phishing threats, such as emails impersonating concert ticket promotions or well-known online retailers, which are contents that employees can easily fall for. These simulated attacks are sent to staff members to assess their awareness and responsiveness to security risks. In the training conducted during the second half of 2024, the information leak rate among the participants was approximately 4%, marking a 9% improvement compared to the first half of the year. Moving forward, Hwashin plans to diversify its simulated attack scenarios and concurrently enhance its security awareness training. Through these efforts made, the company aims to continuously strengthen the cybersecurity response capabilities of each employee and ultimately achieve a "zero percent" infection rate from cyberattacks.

Strengthening Internal System Security

To enhance security when accessing internal systems such as the Knowledge Management System (KMS) and Human Resources System (e-HR), Hwashin has introduced a mobile OTP-based double-layer authentication. Prior to the implementation, employees were provided with guidance on how to use the OTP system and adhere to security protocols. This initiative prevents account theft and unauthorized access, reinforcing the protection of internal information assets.

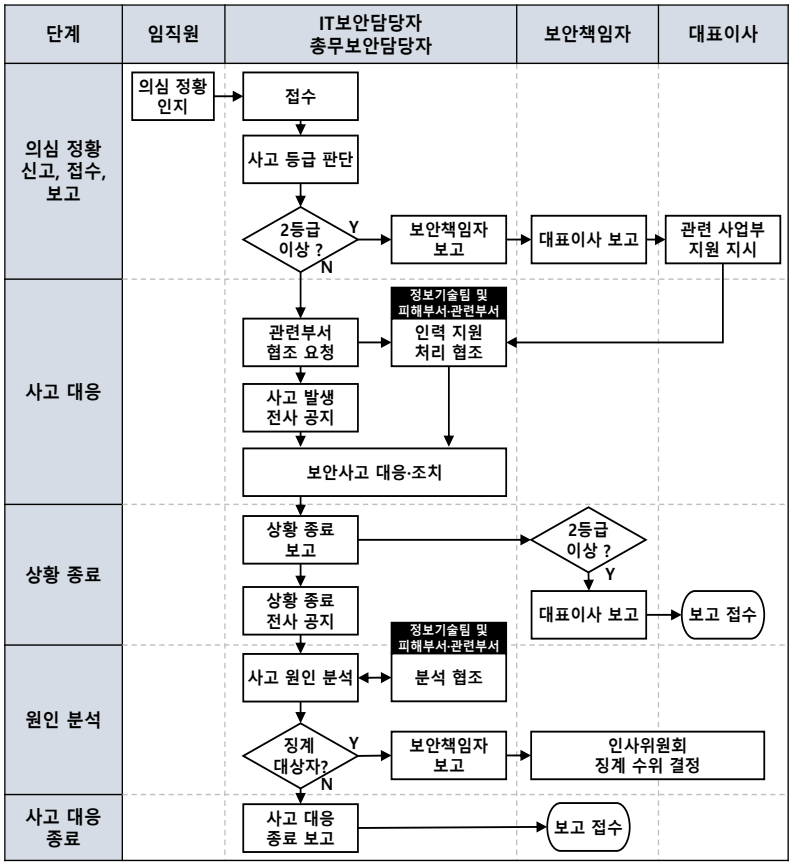
Installation of Company-Wide Security Solutions

Since 2022, Hwashin has deployed the next-generation security solution "SentinelOne" company-wide. This solution enables real-time monitoring of the activities within the system, such as files, processes, and memory of users. It can immediately identify causes and take measures to detect malicious code or hacking, and the security solution cuts off potential incidents that may occur in the company.

Information Protection

Security Incident Response Procedures

Hwashin has established and operates a company-wide security incident response procedure to ensure swift and systematic handling of security breaches. Each response phase is clearly defined, and a collaborative system among the relevant departments has been put in place to effectively respond to various threats, including information leaks, malicious code infections, and system intrusions.



Personal Information Protection System

Pursuant to Article 28 (2) of the Personal Information Protection Act of Korea, Hwashin operates a structured training and control system to ensure the appropriate handling and safe management of personal information. At least twice a year, training is provided to personnel handling personal information, the selected information protection officers, and departmental security representatives to raise awareness and strengthen the employees' practical capabilities in protecting personal information and preventing breaches. Additionally, there are regular inspections to determine whether the proper technical and managerial safeguards of personal information are being taken to continuously maintain a secure management system in line with the legal requirements and internal regulations. Furthermore, only designated personnel are granted system authorization regarding access to personal HR information to prevent the misuse or leakage of personnel information. These personnel are requested to sign a pledge of HR information protection annually as part of our measures to protect personal information. Hwashin will continue to protect the valuable information of its employees and customers based on a responsible approach to personal information protection and the ongoing operation of an effective, real-world information management system.

[Personal Information Protection Training]

Category	Details
Training frequency	At least twice a year
Target participants	Personal information protection officers, personal information handlers, departmental security representatives
Training details	Safe handling of personal information and prevention of data breaches
Training methods	Company-wide in-person training, department-level training, online training, and other methods tailored to specific situations

Shared Growth

Shaping a Culture of Shared Growth

To establish an order of fair trade and to prevent risks that may arise in contracts and transactions, Hwashin has formulated and adheres to four principles. We hold exchanges with suppliers about their general management activities and provide systematic and practical support, including the technical, training, and financial, to build their safety management capacity and business stabilization in order to shape a culture of shared growth.

[Four Action Points for Fair Trade and Shared Growth]

Action Point for Good Contracts	Present matters for mutual compliance in transactions
Action Point for Fair Supplier Selection (Registration)	Enhance transparency and fairness in supplier selection and operation of supplier pool
③ Action Point for the Establishment and Operation of the Subcontracting Transaction Internal Review Board	Review the fairness and legality of subcontracting transactions between suppliers in advance
④ Action Point for Good Practices in the Issuance and Retention of Documentation in Subcontract Transactions	Promote a practice of issuing advanced documentation in subcontracting agreements and transactions between suppliers

Supplier Code of Conduct

Hwashin has enacted a Supplier Code of Conduct and posted it online for its internal and external stakeholders to view it and effectively respond to supply chain risks through the establishment of a sustainable supply chain. Suppliers who provide goods or services to Hwashin throughout the supply chain are advised to comply with the Code. The substance of the Code of Conduct subdivides into four major areas of ethics, environment, labor/human rights, and safety/health, along with relevant implementation guidelines and conduct guides in the workplace.

Top score in evaluation of fair trade pact implementation (six consecutive years)

HWASHIN is subject to annual implementation evaluations by the Korea Fair Trade Mediation Agency and the Fair Trade Commission and was awarded the top score level for six years from 2019 to 2024 in recognition of its efforts made to establish an autonomous order of fair trade and promote a culture of coexistence and cooperation.

제 24269 호

표 창 장

주식회사 화신

귀사는 공정거래협약을 통해 공정한 거래질서를 확립하고 상생협력 문화를 확산시켜 우리나라 산업의 경쟁력 강화에 기여한 공로가 크므로 이에 표창합니다.

2024년 12월 16일

공정거래위원회 위원장 한 기 정

[Top citation from the Fair Trade Commission]

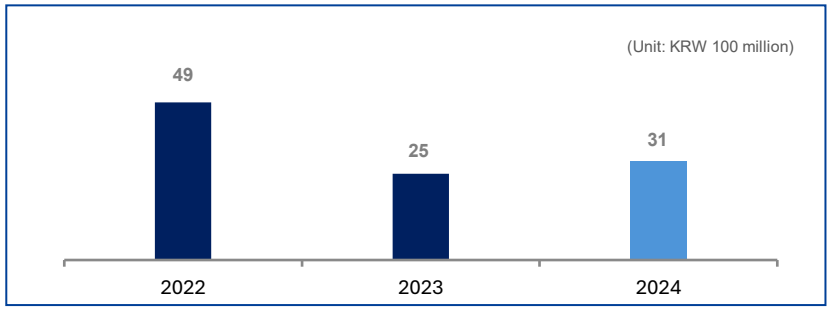
Fair Trade Pact Implementation Evaluation by the Fair Trade Commission	★★★★★★ **Top Score for Six Consecutive Years**

Shared Growth

Technical Support

Hwashin provides technical support to suppliers experiencing difficulties from worsening outcomes and shortfall of expert personnel, making joint efforts to help suppliers secure sustainable technological capabilities. In 2024, Hwashin supported improvements in production methods, as well as ingredient yield rate improvements of mass-produced and new vehicles, to enhance supplier profitability. Additionally, the company is implementing various improvements to help stabilize supplier production in the workplace.

[Supplier Technical Support Amount by Year]



Safety and Health Support

Hwashin places the health and safety of its supplier employees as a top priority and actively supports the prevention of industrial accidents and the integration of safety management systems within its partner companies. To proactively respond to the increasingly stringent safety and health regulations, such as the Serious Accidents Punishment Act of Korea, Hwashin conducts regular safety and health inspections for its suppliers every year. In 2024, joint inspections covering safety and fire hazards, forklift checks, and risk assessment support were carried out with the suppliers. These initiatives aimed to help them establish their own internal safety and health management systems and build their capacity to prevent worksite risks. The company also continues to provide worksite monitoring to identify and address potential hazards before they occur. Personal protective equipment (PPE), such as safety gloves and helmets, are regularly supported for its suppliers to prevent accidents in advance. Hwashin promotes the horizontal sharing of best practices in occupational safety and health among its suppliers to raise their overall safety standards. For suppliers that achieve zero-accident records, the company presents plaques and small awards to encourage the continued cultivation of a zero-accident culture. Moving forward, Hwashin will further strengthen its safety and health monitoring system, expand training and communication with its suppliers, and build their capacity to respond to risks. Through these efforts, the company aims to build a safety-centered, sustainable supply chain ecosystem together with its suppliers, with the ultimate goal of achieving “ZERO” serious and industrial accidents.

Severe Heat Season Support

Hwashin annually engages in activities to boost morale and prevent heat-related injuries in our suppliers who toil through the hot summers. Based on feedback from its suppliers, Hwashin directly provides supplies that are needed at worksites. In 2024, ice makers were distributed as part of the heatwave relief supplies. In this way, Hwashin will continue creating healthy and safe working environments for our suppliers’ employees and stronger relationships with them.

[Accident-Free Supplier Award]

Shared Growth

Training and Personnel Support

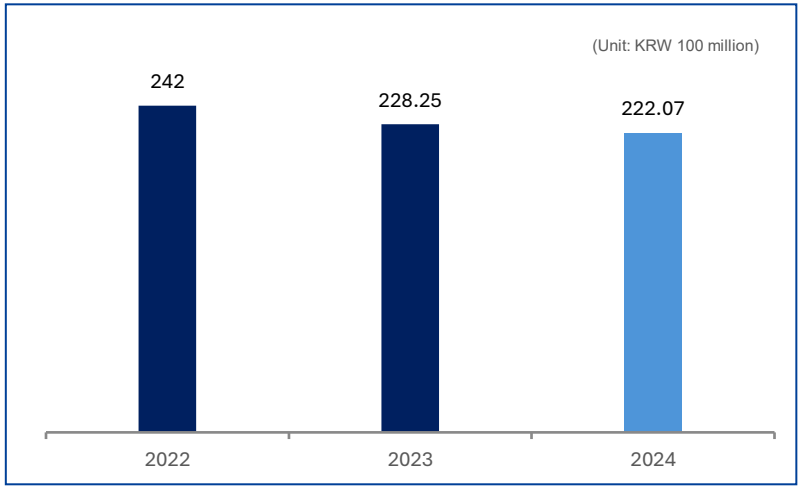
With the firm conviction in recognizing suppliers' competitive edge as its own, Hwashin plans and undertakes various training programs annually for capability development and developing top talent within our suppliers. In 2024, training sessions were held for key partners not only on job-specific topics such as production technology and quality, but also on safety using VR technology. If a supplier needs assistance with quality or productivity enhancement, we provide support through our expert personnel for fundamental solutions required by the suppliers up until increased profitability.

Financial Support

To resolve suppliers' funding difficulties and enhance their financial solvency and stable growth, Hwashin has partnered with Daegu Bank to operate the Shared Growth Fund. Since signing the working-level pact with Daegu Bank in 2013, Hwashin has supported interest costs when suppliers take out loans for operation funds, which enables them to save on financial costs and facilitates the procurement of business funds for stable supply chain operations. Hwashin also contributes about KRW 22.5 million every year to the Large, Medium and Small Enterprises Agriculture and Fisheries Foundation to provide steady support in masks, hand sanitizers, self-diagnosis kits, and safety gear since the COVID-19 pandemic. We also plan to provide a range of support to enhance our suppliers' competitiveness and resolve wealth concentration.

2024 Training Programs	Personnel Support
1. Technical Training → ROBOT elementary/intermediate level, PLC training 2. Safety Training → VR safety simulation training → Special safety lectures & seminars → Special lecture on safety leadership 3. Other → Supplier Global Coexistence and Cooperation Center	1. Quality Improvement Activities → Quality improvement activities → Refurbishment of worn-out molds and process improvement 2. Productivity Stabilization Activities 3. Profitability Improvement Activities → PRESS process improvement, optimization of raw material yield, improvement in welding lines, cycle time (C/T) reduction

[Shared Growth Fund's Operation Fund by Year]



Shared Growth

Raising Prices to Align with Raw Material Unit Price Increases

Hwashin swiftly raises and pays suppliers subcontracting prices every year to adapt to raw material unit price fluctuations. Recent events, including the COVID-19 pandemic and the Ukraine–Russia War, destabilized the global supply chain, causing raw material prices to skyrocket. To prevent the raw material unit price increase from burdening suppliers, Hwashin immediately raises prices appropriately to improve suppliers' management environment. This initiative is part of Hwashin's ongoing efforts to improve the business environment for its partner companies. In recognition of our efforts, we received a citation from the Korean Minister of SMEs and Startups in 2022.

제12479호

표 창 장

(주)화신

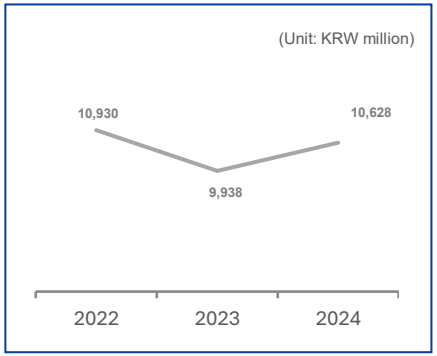
귀사는 납품대금 연동제 및 조정협의 제도의 확산에 기여한 공로가 크므로 이에 표창합니다.

2022년 12월 7일

중소벤처기업부장관 이

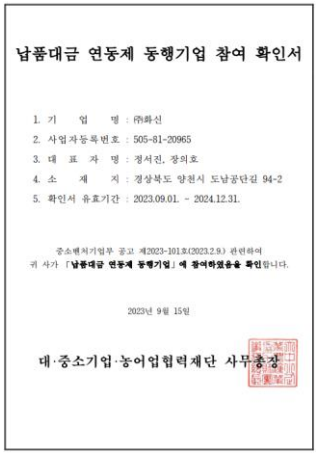
[Korean Ministerial Award for the Supply Payment Linkage System]

[Amount of Increase in Raw Material Unit Prices by Year]



Supply Payment Linkage System Win-Win Corporation

Hwashin has implemented voluntary supply payment linkage since before its enactment as law, marking up supply payments to align with increases in raw material unit prices compared to the time of contract execution to resolve supplier burdens. Since the government implemented the Supply Payment Linkage System as law in 2023, we have chosen to participate in advance as a "Supply Payment Linkage System Win-Win Corporation." Hwashin informed major suppliers about its plan to implement the system, provided relevant training ahead of implementing the system, and discussed with them the problems and difficulties that may arise from linked contracts. In conclusion, Hwashin will encourage the participation of consigning and consigned corporations to promote the system, and will continue building a culture of shared growth and coexistence along with it.


납품대금 연동제 동행기업 참여 확인서

1. 기 업 명 : (주)화신
2. 사업자등록번호 : 505-81-20965
3. 대 표 자 명 : 정서진, 장의호
4. 소 재 지 : 경상북도 양천시 도남공단길 94-2
5. 확인서 유효기간 : 2023.09.01. ~ 2024.12.31.

중소벤처기업부 공고 제2023-101호(2023.2.9.) 관련하여
귀 사가 「납품대금 연동제 동행기업」에 참여하였음을 확인합니다.

2023년 9월 15일

대·중소기업·농어업협력재단 사무총장

[Certificate of participation in the Supply Payment Linkage System]

[Information session for suppliers on the Supply Payment Linkage System]

Shared Growth

Autonomous Compliance Review Committee Meeting

Hwashin seeks to establish a fair subcontracting order by reviewing the fairness and appropriateness of subcontracting transactions. To this end, the departments involved in subcontracting transactions regularly hold Autonomous Compliance Review Committee meetings. We seek to prevent potential risk by seeking consultation from expert attorneys and the autonomous compliance manager regarding issues arising from each team's internal review.

Coexistence and Cooperation / Subcontracting Law Training

To shape a culture of fairness with suppliers, Hwashin annually distributes lesson plans and implements training for the involved departments. The lesson plans include matters such as an overview of fair trade and enforcement trends, the subjects and types of subcontracting laws, regulations, and sanctions for violations to provide basic education on subcontracting laws. In addition, we share cases and hold Q&A sessions with advisory attorneys in order to establish a corporate culture of coexistence between Hwashin and its suppliers.

Enhanced Communication with Suppliers

To strengthen relations with suppliers and establish a culture of shared growth where lines of communication are open for any issues, Hwashin implements various programs to enhance communication. Each year, Hwashin officers and employees conduct exchange meetings with suppliers' plant managers and cooperation meetings with supplier representatives, operating multifaceted communication channels to listen to voices on the ground and resolve any issues. Hwashin will continue operating various communication enhancement programs to empathize with and resolve supplier issues for a sustainable partnership with side-by-side growth.

[Programs for Enhanced Communication with Suppliers]

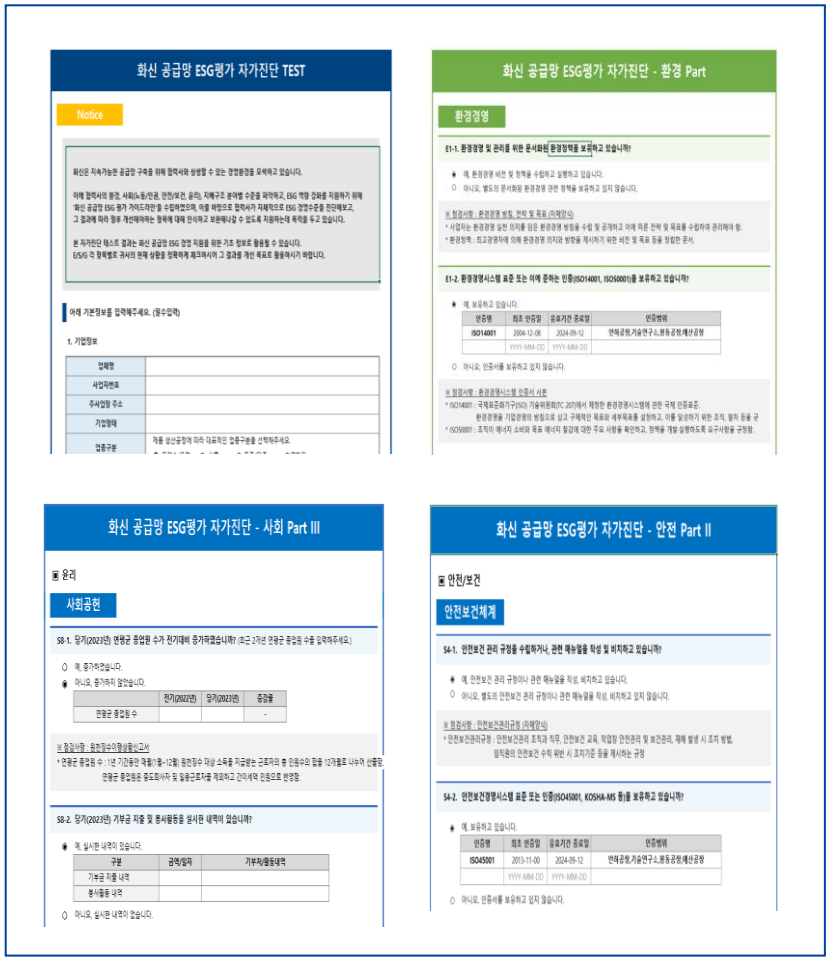
Supplier VOC activities Visits to suppliers to hear their grievances and resolve issues	**Supplier representatives networking events** Exchange meetings to resolve issues that may arise between primary and secondary suppliers
Online anonymous reporting channel A Cyber Complaints Center for supplier employees to convey issues	**Supplier factory manager meetings** Policy information sessions and performance management through quarterly roundtables

Shared Growth

Supply Chain ESG Evaluation

To ensure the sustainability of its overall supply chain, Hwashin operates a system for diagnosing the ESG performance and risk levels of its suppliers. Using its internally developed ESG evaluation tools, Hwashin regularly assesses its suppliers' implementation of sustainable management practices, focusing on four core areas: ethics, human rights, safety, and environment. Each item is reviewed in detail to determine compliance with legal standards and identify potential risks. In 2024, ESG evaluations were conducted for a total of 15 suppliers. Based on the results, each company was rated and the rating will be considered when selecting future suppliers and deciding contract continuation. Outstanding performers in ESG are rewarded with incentives to encourage voluntary ESG capacity building among the suppliers. Moving forward, Hwashin plans to continue refining its ESG evaluation criteria and establish a proactive risk prevention management system to build a cooperative business ecosystem for sustainable shared growth with its suppliers.

[2024 ESG Self-Diagnosis Questionnaire for Suppliers]



[2024 ESG Diagnosis Results of Suppliers]

Ranking	Field	Highest Score	Lowest Score
1	Ethics	93	52
2	Human rights	98	57
3	Safety	93	64
4	Environmental	89	53

Governance

Governance	80-82
Shareholder-Friendly Management	83-84
Risk Management	85-86
Ethical and Legal Compliance Management	87-89
Compliance Management	90-91

Governance

Enactment of the Corporate Governance Charter

Hwashin has established a Corporate Governance Charter to promote transparent and accountable management and to enhance long-term corporate value. This Charter clearly defines the roles and responsibilities of the Board of Directors, its oversight of management, and the principles of ethical business conduct to ensure the company's long-term growth and the protection of stakeholder interests, including its shareholders. Based on the Charter, Hwashin is committed to forming a Board that is both professional and independent, and to actively supporting responsible management by ensuring the efficient operation and robust supervisory functions of the Board. Through these efforts made, Hwashin aims to achieve both sustainable corporate growth and increased shareholder value, while establishing a governance system that earns the trust of society. Moving forward, Hwashin will continue to enhance and embed its corporate governance to promote greater management transparency and become a company trusted and respected by all its stakeholders.

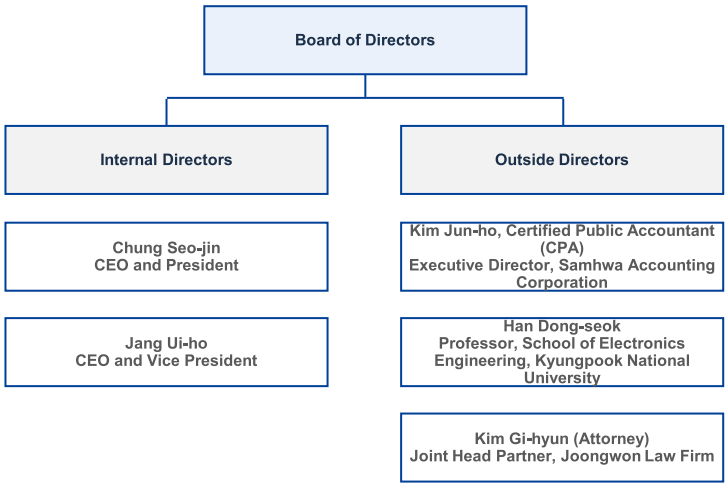
Board of Directors-Centered Management

To maintain a sustainable management system, Hwashin has a Board of Directors as the company's top decision-making body to hear the opinions of all its stakeholders, including its shareholders, and to advance the protection of their interests and transparent, effective management. We always strive for profit maximization and to meet corporate social responsibilities by regularly conducting board meetings on a quarterly basis, as well as ad hoc meetings as needed. Through this structure, Hwashin ensures that the Board functions not as a formal entity, but as a body that plays a practical role in management oversight and advisory.

Composition of the Board of Directors

Hwashin's Board of Directors consists of five directors. To ensure a responsible decision-making system based on expertise and transparency, the Board comprises two internal directors and three outside directors. Each director brings industry insight and management expertise, based on which they review and make decisions of key strategic and business matters. The CEO serves as the Chair of the Board, presiding over meetings and leading the decision-making process. Moving forward, Hwashin will continue to strengthen the independence, expertise, and diversity of its Board of Directors in order to support sound governance and sustainable corporate management.

[Composition of the Board of Directors]



※ For detailed information on the composition of the Board of Directors, please refer to the next page.

Governance

Independence of the Board of Directors

To enhance the independence and transparency of the Board of Directors, including outside directors, Hwashin transparently discloses all director information to the General Meeting of Shareholders prior to appointment. This includes the external disclosures of the nominator's identity, the relationship between each candidate and the largest shareholder, details of the person's transactions with the company, etc., to clearly externally communicate all factors that may affect a director's independence, including information on any potential conflicts of interest. Although Hwashin is not legally required to establish a committee for recommending candidates for outside directors as a listed company with gross assets of less than KRW 2 trillion, pursuant to Article 542-8 of the Commercial Act of Korea, the company rigorously maintains a thorough review process to ensure fairness and objectivity in director appointments. Going forward, Hwashin will continue to strictly uphold the independence of its Board of Directors, including its composition and operation, and make improvements to build a governance system that earns the trust of all its stakeholders.

Board Expertise

Hwashin continuously works to strengthen the expertise and capacity building of its Board members to ensure effective business management oversight and strategic decision-making. As part of this effort, the company provides annual training for the Board members on topics such as corporate governance principles, Audit Committee's structure, function, and activities, internal accounting management systems, and the role of the Audit Committee. Moving forward, Hwashin will continue to enhance the individual expertise of its directors and remain committed to steadily training and building their capacity to further advance a sustainable governance framework.

Director Remuneration and Compensation

Hwashin operates a fair and reasonable compensation system that aligns with the responsibilities and roles of its Board members. Director compensation is executed transparently at a level that reflects accountability to the shareholders and contributes to the company's sustainable growth. Director remuneration is determined by individual consultation every year by taking into account various factors, such as the importance of duties, scope of responsibility, expertise, and performance contributions. The remuneration of both internal and outside directors is executed within the amount limits approved by the general meeting of shareholders. This approach ensures both shareholder rights protection and transparency of compensation. Hwashin regularly discloses matters related to director remuneration through its business reports and general shareholders' meetings. Moving forward, the company will continue to review and improve the appropriateness and fairness of the remuneration, thereby operating sound governance that supports the Board's independence and responsible corporate governance.

[Director Remuneration Status in 2024]

Type	Number	Total Remuneration	Per Capita Remuneration
Registered director	2	KRW 503 million	KRW 252 million
Outside director	3	KRW 73 million	KRW 24 million

[Board of Directors' Activities and Attendance Rate]

Item	2022	2023	2024
Meetings convened	41 times	37 times	37 times
Attendance rate	100%	99%	100%

Governance

Board of Directors Status

For expertise and objectivity in decision-making, the Board of Directors comprises two internal and three outside directors.. The statuses of both internal and outside directors are disclosed in detail through our website, and we remain committed to ensuring the effective operation of the Board.

Audit Committee Status

To enhance the efficiency and expertise of audit-related functions and improve management transparency, Hwashin has also established an independent Audit Committee within the Board. The Audit Committee consists of three members and, in accordance with the company's Articles of Incorporation, performs its duties independently.

[Board Composition]

Type	Name	Position	Sex	Appointment Date	Term	Duties	Nominator	Transactions with the Company	Transactions with the Company	Experience
Internal director	Chung Seo-jin	CEO and President (Chairperson)	Male	March 29, 2022	3 years	Management lead	Board of Directors	Applicable	Largest shareholder	BA in Business, Korea University MBA, University of Rochester (United States) CEO and President, HWASHIN Co., Ltd. and HWASHIN Precision Co., Ltd.
	Jang Ui-ho	CEO and Vice President	Male	March 29, 2022	3 years	Manufacturing lead	Board of Directors	Applicable	Applicable	Former President, HWASHIN Co., Ltd. US Branch CEO and Vice President, HWASHIN Co., Ltd.
Outside director	Kim Jun-ho	Outside director / Auditor	Male	March 28, 2023	3 years	Representative member of the Audit Committee Financial expert	Board of Directors	Applicable	Applicable	CPA, tax accountant Executive Director, Samhwa Accounting Corporation
	Han Dong-seok	Outside director / Auditor	Male	March 29, 2022	3 years	Member of the Audit Committee	Board of Directors	Applicable	Applicable	Head, Kyungpook National University Center for ICT & Automobile Convergence Research Professor, School of Electronics Engineering, IT College, Kyungpook National University
	Kim Gi-hyun	Outside director / Auditor	Male	March 29, 2022	3 years	Member of the Audit Committee	Board of Directors	Applicable	Applicable	Chief Judge, Daegu District Court Joint Head Partner, Joongwon Law Firm

[Key Resolutions of the Board of Directors]

Date of Meeting	Agenda Item	Approval Status	Internal Directors		Outside Directors		
			Chung Seo-jin	Jang Ui-ho	Kim Jun-ho	Han Dong-seok	Kim Gi-hyun
March 4, 2024	Agenda item: resolution on cash dividend	Approved	In favor	In favor	In favor	In favor	In favor
March 4, 2024	Agenda item: reporting the evaluation of the internal accounting management 's operation system	Reported	-	-	-	-	-
March 27, 2024	Agenda item: reporting and approving the 2024 safety and health management plan	Approved	In favor	In favor	In favor	In favor	In favor
March 27, 2024	Agenda item: reporting and approving the 2024 environmental management plan	Approved	In favor	In favor	In favor	In favor	In favor
May 20, 2024	Agenda item: Board review of ESG materiality and company-wide nonfinancial risks	Approved	In favor	In favor	In favor	In favor	In favor
May 20, 2024	Agenda item: resolution on mid- to long-term dividend policy	Approved	In favor	In favor	In favor	In favor	In favor

Shareholder-Friendly Management

Returns-to-Shareholder Policies

In pursuit of our goal of maximizing shareholder interest, we implement dividends and other measures as a major means of returning part of the corporate profits to our shareholders. Based on the Articles of Incorporation, dividends are executed based on the resolution of the Board of Directors and approval of the General Meeting of Shareholders. At the Board meeting held on May 20, 2024, Hwashin resolved to adopt a mid- to long-term dividend policy aimed at securing dividend visibility and stability for the 3 fiscal years starting from 2024. Under this policy, the company will flexibly maintain a dividend payout ratio of approximately 7% based on the annually consolidated net profit for the current period. Details of the policy have been published on the Hwashin website (ESG > Returns-to-Shareholder Strategy > 5-Year Dividend Information). Guided by this policy, Hwashin plans to balance investment for future growth with enhanced shareholder value when executing dividends.

Operating Principles of the Returns-to-Shareholder Policies

1. Hwashin distributes the settlement dividends based on resolutions adopted at the General Meeting of Shareholders in accordance with its Articles of Incorporation.
2. The scale of the dividends is determined by taking into consideration future investments for the company's continued growth, business performance, and cash flow conditions.
3. Matters pertaining to dividends are notified in advance through public notice of dividend decisions in cash and in kind and by digital public notice (DART) up to two weeks before a regular General Meeting of Shareholders. The confirmed dividend amount is announced on the day of approval by the General Meeting of Shareholders through the "disclosure of the results of the regular General Meeting of Shareholders."

[Status of Dividend Amount Confirmation Date and Designation of Dividend Record Date]

Type	Settled Month	Whether Dividend Was Paid	Dividend Amount Confirmation Date	Dividend Record Date	Whether Dividend Forecast Was Provided
50th Fiscal Year	December 2024	O	March 25, 2025	December 31, 2024	X
49th Fiscal Year	December 2023	O	March 28, 2024	December 31, 2023	X
48th Fiscal Year	December 2022	O	March 28, 2023	December 31, 2022	X

[Dividend Status in Recent Business Years]

Business Year	Stock Class	Par Value	Dividend Per Share	Total Dividends (KRW 1 million)	Payout Ratio	Market Value Dividend Rate	Nominal Dividend Rate
2024	Common Shares	KRW 500	KRW 150	5,212	9.7%	2.1%	30%
2023	Common Shares	KRW 500	KRW 150	5,212	6.7%	1.1%	30%
2022	Common Shares	KRW 500	KRW 100	3,292	4.4%	1.3%	20%
2021	Common Shares	KRW 500	KRW 70	2,305	9.5%	0.9%	14%
2020	Common Shares	KRW 500	KRW 50	1,646	-3.0%	1.5%	10%

Shareholder-Friendly Management

Holding of Regular General Meetings of Shareholders

Hwashin holds a regular General Meeting of Shareholders every year and has implemented an electronic voting system starting from the 47th Regular General Meeting of Shareholders in 2022. On March 28, 2024, Hwashin held its 49th Regular General Meeting of Shareholders. Many shareholders attended the meeting and expressed their views, and Hwashin pledged to become a company trusted by its shareholders and stakeholders. Going forward, we will continue to actively communicate with our shareholders and the market through the General Meeting of Shareholders.

[Resolutions of the 49th Regular General Meeting of Shareholders]

Agenda	Type	Purpose of the Meeting	Passed	Number of Voting Shares	Number of Shares that Voted	Shares for	Shares Against, Abstained, etc.
No. 1	Ordinary resolution	Approval of the 49th financial statement	Yes	34,748,441	19,656,636 (56.6%)	19,576,758 (99.6%)	79,878 (0.4%)
No. 2	Ordinary resolution	Approval of the limits of director remuneration	Yes	34,748,441	19,656,636 (56.6%)	19,627,940 (99.9%)	28,696 (0.1%)

[Resolutions of the 49th Regular General Meeting of Shareholders (Excluding the Largest Shareholder and Persons in Special Relationships)]

Agenda	Type	Purpose of the Meeting	Passed	Number of Voting Shares	Number of Shares that Voted	Shares for	Shares Against, Abstained, etc.
No. 1	Ordinary resolution	Approval of the 49th financial statement	Yes	34,748,441	3,103,287 (8.9%)	3,023,409 (97.4%)	79,878 (2.6%)
No. 2	Ordinary resolution	Approval of the limits of director remuneration	Yes	34,748,441	3,103,287 (8.9%)	3,074,591 (99.1%)	28,696 (0.9%)

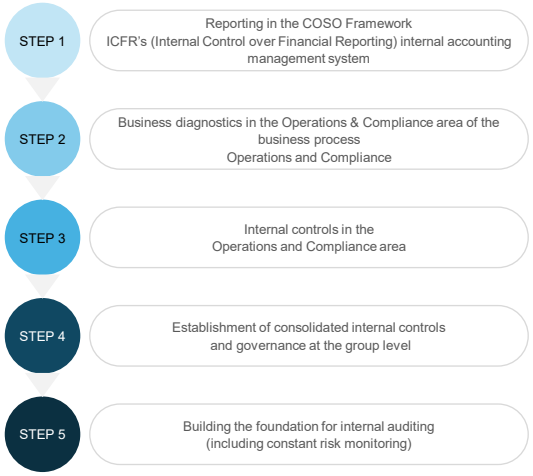
[The 49th Regular General Meeting of Shareholders]

Risk Management

Internal Control System

Hwashin's three main goals are the efficiency and effectiveness of corporate management, trustworthy financial reporting, and compliance with applicable laws and policy. As part of our efforts made toward the second goal, we operate internal accounting controls to give reasonable confidence that the company's financial statements were prepared and disclosed in accordance with generally accepted accounting principles. With the application starting in 2023 to listed company headquarters with at least KRW 2 trillion in total assets (stage-by-stage application differs by amount of total assets) and even consolidated subsidiaries, we are performing management diagnostics of overseas branches subject to consolidation and responding to the implementation of consolidated internal accounting control systems. Recognizing the limits of managing and supervising operational risks in overseas branches with internal accounting controls alone whose purpose is to secure the trustworthiness of financial reports, we are expanding the management and supervision functions of headquarters with internal controls.

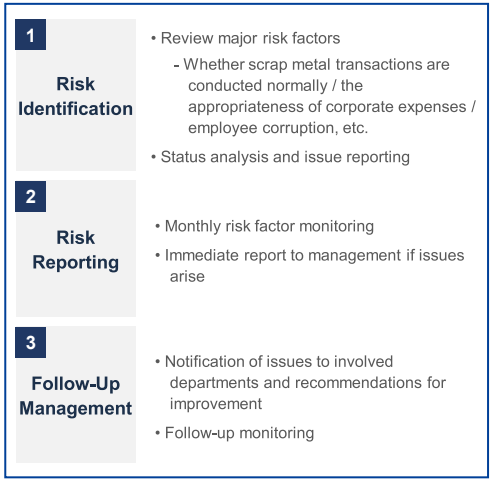
[Internal Control System's Implementation Road Map]



[Status of Internal Control Activities]

Category	Details	2022	2023	2024
Internal auditor	Number of business sites subject to audit (in Korea/overseas subsidiaries)	5	5	5
	Number of audited business sites (in Korea/ overseas subsidiaries)	1	3	3
	Audited rate of business sites	20%	60%	60%
Inspection activities	Number of regular Inspections	1	3	3
	Number of ad-hoc inspections	0	0	0
	Reports and transparency investigations via cyber reporting, phone, mail, etc.	0	0	0

[Risk Management Process]



Internal Accounting Management System

Hwashin operates an efficient internal accounting management system for the advanced prevention of errors or fraud that may distort financial statements during preparation and disclosure. The CEO evaluates and reports the status of internal accounting design and operations to the General Meeting of Shareholders, the Board of Directors, and the Audit Committee. The Audit Committee conducts its own independent evaluation, and an independent outside auditor provides a review or audit opinion pursuant to the "Internal Accounting Management System Design and Operation Concept Framework," disclosing the effective design and operation of this system from the standpoint of importance.

Risk Management

Tax Risk Management Framework

As policies and the economic environment surrounding the automobile industry continue to change rapidly, managing related tax risks has become a critical task for sustainable management. Accordingly, Hwashin conducts regular annual reviews of tax issues. The company collects, utilizes, and analyzes key information such as tax authority issues, interpretations and applications of revised tax laws, and major tax rulings. Through these efforts made, Hwashin establishes response strategies not only to reduce tax risks in Korea, but also to address international taxation risks. Matters related to tax payments are reported to management based on the type and importance of the tax. Hwashin does not operate any subsidiary for the purpose of tax avoidance. As a Tier-1 automotive vendor, it owns consolidated overseas subsidiaries in countries such as the United States, India, Brazil, and China, aligned with the overseas expansion of its client companies. Furthermore, to comply with the Adjustment of International Taxes Act of Korea, Hwashin applies reasonable arm's length pricing methods for transfer pricing transactions with its overseas subsidiaries.

Tax Risk Management

The core of Hwashin's tax risk management is "strict compliance with laws and regulations." We maintain relations of transparency with tax authorities and provide proof of relevant facts on request. As a global corporation, we are aware of differences among national tax legislations and work to prevent tax risks ahead of time. The company recognizes the risk of double taxation in transfer price transactions as tax authorities compete over tax authorization and are making efforts to resolve the issue by formulating reasonable standard price calculation methods consistent with domestic tax laws and transfer price guidelines by transaction type in international transactions with our overseas branches. We are also providing support from headquarters in good faith for the taxation obligations of corporate taxes, etc., at the overseas subsidiaries based on their national tax laws and the obligation to submit various materials required by the competent national taxation authorities.

Tax Strategy

We are aware that complying with tax laws and managing taxation risks are crucial for maximizing shareholder interest and meeting our corporate social responsibility (CSR) through contribution to the national budget and that these are fundamental to our sustainable management. Based on the foregoing, we are complying with the obligation to pay taxes in good faith in response to taxation agencies' principle of fair taxation, and are building a relationship of cooperative mutual trust with taxation agencies.

Transparent Disclosure

Hwashin makes transparent disclosures of major financial and taxation information that may affect the decision-making of various stakeholders through the digital disclosure system.

Ethical and Legal Compliance Management

Ethical and Compliance Management System

Hwashin will fulfill its roles and obligations as a trusted partner for customers and as a member of local communities, with all employees united under the values of human-centered management and participatory management open to all. Guided by the motto of putting good thoughts into the right actions, we will lead the era pf intense global competition that has become our reality. Hwashin has, therefore, enacted ethics and compliance rules as a standard of action and value judgment applicable to all officers and staff for its employees' individual dignity, company reputation, and fairness in transactions with suppliers for a principled company culture. And we are resolved to put them into practice.

Basic Mindset of Hwashin Employees

Hwashin employees, being aware that their individual actions are connected to the company's reputation, must hold firm to the following principles for a healthy corporate culture and stronger internal and external credibility:

Basic Mindset of Hwashin Employees

1. In carrying out all duties, employees must always perform duties with fairness and transparency pursuant to lawful procedures.
2. Employees must not engage in any illegal or wrongful activity using superior authority or dominant position.
3. They must not seek any quid pro quo for intentional work delays.
4. They must be mutually courteous in performing duties.
5. They must be fair and honest in performing and reporting work.
6. Employees must protect the company's property and maintain strict security with information arising from transactions and company secrets acquired during work.
7. They must comply with national laws and Hwashin regulations in everyday life and duties, and engage in no immoral or unethical actions that may be socially censured.

Ethical and Compliance Conduct Guidelines

1. Prohibition of Illegal or Wrongful Personal Interest

No one may misuse one's position or authority related to work or seek the following interest from any internal or external stakeholder in violation of national laws or Hwashin's regulations (pecuniary interest, entertainment, concurrent employment as staff or an officer, the acquisition or guarantee of capital profits, the provision or receipt of conveniences, and other receipt of valuables not mentioned in the foregoing or actions amounting to such).

2. Prohibition of Wrongful Solicitation

No one may solicit the following actions from any internal or external stakeholder using a superior position or amicable relationship. (Solicitation or pressure that may be socially censured; private favors or commissions)

3. Prohibition of Illegal or Wrongful Use of Company Assets

No one may use the company's tangible or intangible asset or business information as follows for their own or any third party's private interest. (Personal use, assignment, or lease to a third party without company approval; the use of company budgets for personal use, expenditures at odds with company purposes, or false records in accounting ledgers; the use or unauthorized leakage of company information assets for profit)

4. Prohibition of Activities that Damage a Healthy Corporate Culture

No one may engage in the following activities that damage a healthy corporate culture. (Immoral actions that may violate human rights and harm the workplace atmosphere; discrimination for any cause)

5. Prohibition of Other Activities in Violation of Laws and Company Regulations

No one shall otherwise violate national laws or Hwashin regulations in everyday life or duties.

Ethical and Legal Compliance Management

Ethics Training and Ethics Pledge

Hwashin conducts ethics and compliance training at least once a year to ensure that all employees understand the standards of proper conduct and develop the ethical judgment necessary to uphold the company's core values of compliance and integrity. The training covers key elements of the company's Ethics Code of Conduct, examples of its violations in the workplace, procedures for handling ethical breaches, and how to use the internal reporting system. These sessions are designed to help employees make ethical decisions and act responsibly in real-world business situations. In addition, all employees are required to personally write and sign the Ethics and Compliance Commitment Pledge, reinforcing their ethical awareness and encouraging autonomous commitment to ethical practices within the organization. Going forward, Hwashin will continue to expand its ethics and compliance training programs to foster a culture of integrity and prevent corruption throughout the company.

[Status of Ethics and Compliance Training Participation and Ethics and Compliance Commitment Pledge Signing]

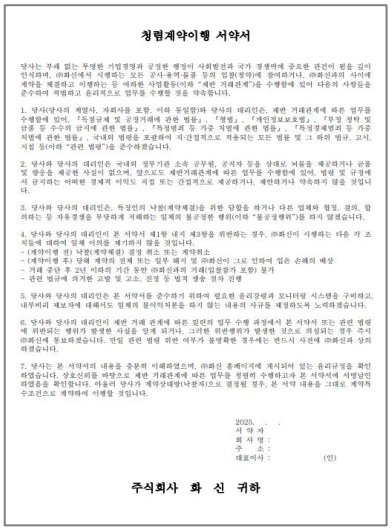
(Unit: individuals, %)

Details	2022			2023			2024		
	Target	Conducted	Participation rate	Target	Conducted	Participation rate	Target	Conducted	Participation rate
Ethics and Compliance Training	408	383	93.9	446	421	94.4	457	431	94.3
Ethics and Compliance Management Ethics and Compliance Commitment Pledge	431	407	94.4	411	383	93.2	465	429	92.3

※ Reason for non-participation: leave of absence (including parental leave), business trips (including overseas trips/assignments), etc.

Contract Performance Integrity Pledge

Hwashin, profoundly aware that uncorrupted and transparent corporate management are significant factors for social development and the enhancement of national competitiveness, is leading the way in fostering fair and ethical partnerships. We require anyone participating in bids (tenders) for our construction, services, or goods or engaging in any business activity that involves signing any contract to sign and submit the "Contract Performance Integrity Pledge" in advance and commit to lawful and ethical performance in their work. The pledge serves as a key mechanism for preventing the exchange of improper monetary or in-kind benefits, unfair transactions, and unlawful solicitations. It also plays a vital role in establishing a transparent business culture based on mutual trust with our suppliers. Through this system, Hwashin maintains a cooperative relationship with its suppliers grounded in mutual trust, while contributing to company-wide ethical business management and the minimization of corruption risks. Moving forward, the company will continue to build a clean and sustainable value chart by embedding a culture of integrity in all contracts.



청렴계약이행 서약서

당사는 부패 없는 투명한 기업경영과 공정한 평등이 사회발전과 국가 경쟁력에 중요한 관건이 된을 깊이 인식하며, ㈜화신에서 시행하는 모든 공사·용역·물품 등의 입찰(청약)에 참여하거나, ㈜화신과의 사이에 계약을 체결하고 이행하는 등 여하한 사업활동(이하 "제반 거래관계")을 수행함에 있어 다음의 사항들을 준수하여 적법하고 윤리적으로 업무를 수행할 것을 약속합니다.

1. 당사(당사의 계열사, 지분사를 포함, 이하 동일함)와 당사의 대리인은, 제반 거래관계에 따른 업무를 수행함에 있어, 「독점금지 및 공정거래에 관한 법률」, 「형법」, 「개인정보보호법」, 「건설 정치 및 감종 등 수수의 금지에 관한 법률」, 「특정법과 등 가중 처벌에 관한 법률」, 「특정경제범죄 등 가중 처벌에 관한 법률」, 국내의 법률을 포괄하여 자신합의로 적용되는 모든 법률 및 그 하위 법규, 고시, 지침 등(이하 "관련 법령")을 준수하겠습니다.

2. 당사와 당사의 대리인은 국내의 정부기관 소속 공무원, 공직자 등을 상대로 뇌물을 제공하거나 금품 및 향응을 제공한 사실이 없으며, 앞으로도 제반거래관계에 따른 업무를 수행함에 있어, 법령 및 규정에서 유지하는 어떠한 경제적 이익도 직접 또는 간접적으로 제공하거나, 제안하거나 약속하지 않을 것입니다.

3. 당사와 당사의 대리인은, 특정인의 낙찰(계약체결)을 위한 담합을 하거나 다른 입찰자 협정, 결의, 합의하는 등 자유경쟁을 부당하게 저해하는 입찰의 불공정한 행위(이하 "불공정행위")를 하지 않겠습니다.

4. 당사와 당사의 대리인이 본 서약서 제1항 내지 제3항을 위반하는 경우, ㈜화신이 시행하는 다음 각 조치들에 대하여 일체 이의를 제기하지 않을 것입니다.
- (계약이행 전) 낙찰(계약체결) 결정 취소 또는 계약파소
- (계약이행 후) 당해 계약의 전체 또는 일부 해지 및 ㈜화신이 그로 인하여 입은 손해의 배상
- 거래 종단 후 2년 이하의 기간 동안 ㈜화신과의 거래(입찰참가 포함) 불가
- 관련 법규에 의거한 고발 및 고소, 진정 등 법적 쟁송 절차 진행

5. 당사와 당사의 대리인은 본 서약서를 준수하기 위하여 필요한 윤리강령과 모니터링 시스템을 구비하고, 내부위규 제보자에 대해서도 일체의 불이익처분을 하지 않는 내부의 사규를 제정하도록 노력하겠습니다.

6. 당사와 당사의 대리인이 제반 거래 관계에 따른 일련의 입무 수행 과정에서 본 서약서 또는 관련 법령에 위반되는 행위가 발견한 사실을 알게 되거나, 그러한 위반행위가 발생한 것으로 의심되는 경우 즉시 ㈜화신에 통보하겠습니다. 만일 관련 법령 위반 여부가 불명확한 경우에는 반드시 사전에 ㈜화신과 상의하겠습니다.

7. 당사는 본 서약서의 내용을 충분히 이해하였으며, ㈜화신 홈페이지에 게시되어 있는 윤리규정을 확인하였습니다. 상호신뢰를 바탕으로 제반 거래관계에 따른 업무를 정정히 수행하고자 본 서약서에 서명날인하였음을 확인합니다. 아울러 당사가 계약상대방(낙찰자)으로 결정될 경우, 본 서약 내용을 그대로 계약특수조건으로 계약하여 이행할 것입니다.

2025. . .
서 약 자
회 사 명 :
주 소 :
대표이사 : (인)

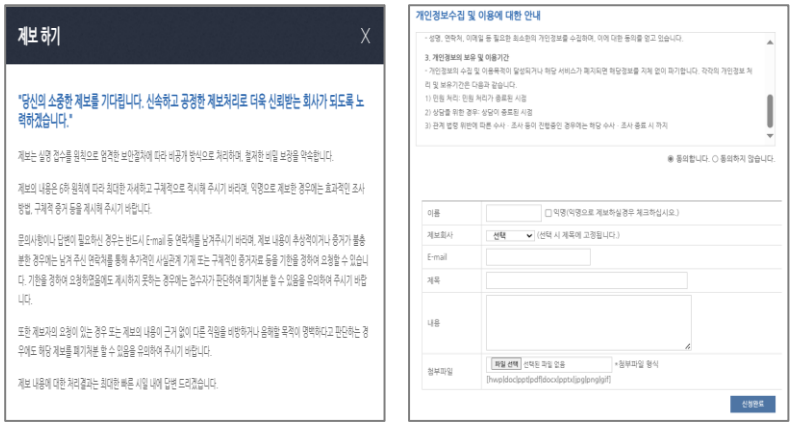
주식회사 화 신 귀하

Ethical and Legal Compliance Management

Cyber Complaints Center

To promote ethical management and establish a transparent corporate culture, Hwashin operates a Cyber Complaints Center for its employees and stakeholders. The system is designed to prevent wrongful work-related practices, secure fairness in transactions with suppliers, and enable the early detection and correction of violations of company regulations and ethical standards. Reports can be submitted anonymously or under one's real name via the company's intranet, email, phone, or mail. The identity of the whistleblower and the contents of the report are strictly kept confidential, and protective measures are in place to ensure that no disadvantage is caused to the whistleblower. All reports are promptly and fairly investigated and handled by a dedicated department. When necessary, corrective actions and preventive improvements are carried out in cooperation with the relevant departments. Hwashin will continue to strengthen its trust-based ethical management system and improve the effectiveness of the system to ensure a safe and supportive environment wherein the employees and stakeholders can report concerns with confidence.

* In 2024, the number of reports received through the Cyber Complaints Center was zero



[Cyber Complaints Center]

[Types of Reports Submitted via the Cyber Complaints Center]

Types of Reports	
Illegal or unjust pursuit of personal gain	Violation of the Fair Transactions in Subcon tracting Act of Korea
Unfair solicitations	Other violations of laws and company regulations
Illegal or improper use of company assets	Reports related to workplace sexual Harassment and human rights violations
Acts detrimental to a healthy corporate culture	Reports of safety and health hazards
Disputes arising in business relationships	Corruption and anti-competitive behavior

[Cyber Whistleblower Protection Program]

Whistleblower Protection Program	
Confidentiality assurance	• Disclosure or implication of the whistleblower's identity or the contents of the report without his or her consent is strictly prohibited. • Tracking of a whistleblower's location or whereabouts—such as through IP addresses when reports are submitted online (e.g., via email)—is strictly prohibited. • All individuals involved in the whistleblowing process are required to sign a confidentiality agreement to ensure that matters are handled fairly and independently. They are also obligated to strictly protect any confidential information obtained throughout the entire reporting procedure.
Protection of identity and status	• Any form of disadvantage or discrimination in employment conditions (hereinafter referred to as "retaliatory action") is strictly prohibited against individuals who assist in audits or investigations by reporting, making statements, or submitting materials. • Employees of the company and those of its suppliers who experience retaliatory action are entitled to request corrective measures.
Liability mitigation	• If an internal report leads to the discovery of disciplinary issues involving the whistleblower, disciplinary action may be reduced or exempted as a result of his or her reporting.

Compliance Management

Fair Trade Voluntary Compliance Program (CP)

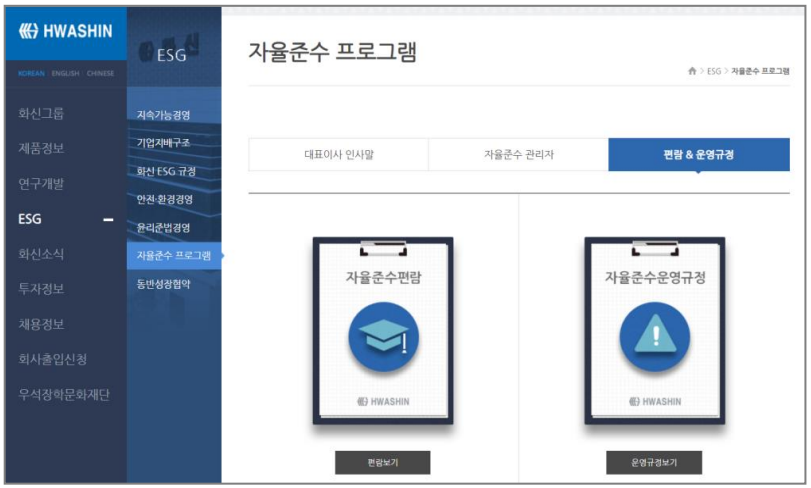
Since 2018, Hwashin has operated the Fair Trade Voluntary Compliance Program to promote fair and transparent market practices and legal compliance. The CP is an internal control system designed to help employees recognize fair trade regulations in advance and prevent potential violations. It outlines mandatory standards of conduct for employees, legal precautions, and procedures for voluntary compliance activities. Through CP, Hwashin aims to proactively prevent legal risks and foster ethical thinking and responsible decision-making across the organization. The company remains committed to continuously strengthening the effectiveness of CP, fostering a culture of autonomous compliance of fair trade, and achieving zero regulatory violations so that we may faithfully fulfill our role as an ethical and responsible corporate citizen.

CP Violation Reporting System

To enhance the effectiveness of CP, Hwashin operates an internal reporting system not only for follow-up responding to violations after their occurrence, but also for voluntarily preventing and detecting them at an early stage. The company has established a system that allows employees to directly report to the compliance manager at any time if they recognize an act that violates—or is likely to violate—fair trade laws or compliance standards. This approach reinforces a continuous monitoring framework. All reports are handled through procedures that strictly ensure confidentiality, and the principle of protection against retaliation is upheld to promote a culture of voluntary reporting. Hwashin will continue to improve the reporting system to prevent potential legal violations in advance and to help a voluntary compliance culture settle throughout the organization.

Eight Elements of CP

1. Establish and implement CP standards and procedures
2. Announce the top management's commitment and support for voluntary compliance
3. Designate (appoint) the autonomous compliance manager
4. Produce a voluntary compliance manual and distribute it to employees
5. Provide continuous and systematic compliance training
6. Establish an internal monitoring system
7. Discipline employees who violate fair trade laws and regulations
8. Evaluate program effectiveness and implement corrective measures



※ For details on Hwashin's voluntary compliance manual and operating regulations, please refer to the company website.

Compliance Management

Operation of Educational Programs to Enhance Awareness of Fair Trade

Hwashin systematically conducts fair trade-related training each year to establish a fair and transparent subcontracting order and to promote shared growth with its suppliers. These training programs are provided not only to the relevant internal departments but also to partner companies. They comprehensively cover the basics of the Subcontracting Act of Korea, key regulations, and potential penalties for violations. Practical training materials are also distributed, incorporating current enforcement trends and real-world cases from the Fair Trade Commission of Korea. The training sessions include Q&A sessions with legal advisors to address participants' specific concerns and enhance their legal understanding. This helps raise voluntary compliance awareness regarding fair trade laws and fosters a culture of mutual trust and cooperation between Hwashin and its suppliers. Hwashin remains committed to continuously operating effective training programs to establish a fair trading culture and will do its utmost to strengthen healthy partnerships with its suppliers.

Pre-Review and Procurement Inspection System to Prevent Legal Violations

Hwashin has established and operates a compliance system focused on pre-review and internal inspections to ensure fair trading practices and prevent legal violation risks in advance. A "Voluntary Compliance Review Committee" meeting is held monthly, where the compliance manager, relevant department representatives, and a fair trade legal expert jointly review and assess matters such as supplier registration/cancellation criteria, contract procedures, and transaction disputes. This pre-approval process helps proactively prevent violations of the Fair Transactions in Subcontracting Act of Korea. Additionally, a "regular procurement audit" is conducted semiannually, involving related procurement departments. This audit includes a preliminary document investigation, checklist-based review, interviews with the responsible staff, and on-site inspections to assesses compliance with the Fair Transactions in Subcontracting Act, the Monopoly Regulation and Fair Trade Act, company regulations, and other applicable laws from multiple angles. These activities are core to strengthening the organization's proactive response capabilities and compliance awareness. Going forward, Hwashin will continue to promote a transparent and accountable trading culture through proactive compliance management.

[2024 Fair Trade Compliance Training Performance]

[Autonomous fair trade compliance training]

Section	Number of Trainees
Coexistence part	15
Management part	10
Quality part	8
Yeongcheon Plant	7
Strategic Planning Department	6
HWASHIN Precision (Development Team)	5
Total	51

[2024 Regular Procurement Audit Results]

Type	Team Name	Compliant	Noncompliant
First half of the year Procurement audit	Parts Development Team	72 cases	-
	Procurement Team	83 cases	-
	New Business Development Team	71 cases	1 case
	Total	226 cases	1 case
Second half of the year Procurement audit	Parts Development Team	71 cases	-
	Procurement Team	82 cases	-
	New Business Development Team	71 cases	-
	Total	224 cases	0 case

※ One noncompliance case from the first half of the year has been processed.

Appendix

Financial Performance	93
Non-Financial Performance	94-97
Sustainable Management(ESG) Charter	98
GRI Standards	99-101
Third-Party Verification Statement	102-104

Financial Performance – Summary of Statements of Financial Position and Income Statements

(Unit: KRW)

Category			2022	2023	2024
Separate	Assets	Current assets	382,499,216,963	511,730,953,321	456,756,719,220
		Non-current assets	376,971,846,081	395,877,410,298	576,474,612,729
		Total	759,471,063,044	907,608,363,619	1,033,231,331,949
	Liabilities	Current liabilities	316,342,723,462	388,928,524,149	433,197,543,799
		Non-current liabilities	72,892,632,667	77,220,441,211	60,813,546,625
		Total	389,235,356,129	466,148,965,360	494,011,090,424
	Capital		370,235,706,915	441,459,398,259	539,220,241,525
	Sales		946,869,044,715	957,106,396,810	940,622,547,791
	Sales cost		863,147,644,327	878,035,977,106	864,975,139,156
	Cost for sales and management		52,145,965,143	40,221,520,998	57,578,444,950
	Operating profit		31,575,435,245	38,848,898,706	18,068,963,685
	Net profit for the current period		42,735,767,055	59,595,931,484	78,229,549,054
Consolidated	Assets	Current assets	548,104,713,599	677,129,872,707	599,667,165,885
		Non-current assets	456,516,280,900	519,684,111,662	722,002,703,873
		Total	1,004,620,994,499	1,196,813,984,369	1,321,669,869,758
	Liabilities	Current liabilities	541,172,902,992	626,781,242,442	668,820,568,133
		Non-current liabilities	106,584,500,685	124,969,416,541	135,416,894,252
		Total	647,757,403,677	751,750,658,983	804,237,462,385
	Capital		356,863,590,822	445,063,325,386	517,432,407,373
	Sales		1,690,271,415,164	1,802,759,833,241	1,712,315,816,922
	Sales cost		1,516,259,501,039	1,626,277,170,549	1,544,607,643,175
	Cost for sales and management		86,648,955,370	92,753,847,784	102,397,405,460
	Operating profit		87,362,958,755	83,728,814,908	65,310,768,287
	Net profit for the current period		74,211,911,444	77,268,483,097	53,561,268,072

* See digital disclosure system (DART)

Non-Financial Performance – Social

Items			Unit	2022	2023	2024
Employee Status						
Employment type	Regular		Individuals	841	879	961
	Temporary		Individuals	92	126	67
	Total		Individuals	933	1,005	1,028
New employment	Regular	Male	Individuals	50	81	44
		Female	Individuals	4	5	5
	Total		Individuals	54	86	49
	Temporary	Male	Individuals	76	77	54
		Female	Individuals	3	3	5
	Total		Individuals	79	80	59
Sex	Male		Individuals	892	960	981
	Female		Individuals	41	45	47
Female management personnel	Chief		Individuals	14	15	16
	Senior		Individuals	19	16	14
	Junior		Individuals	5	9	12
	Staff		Individuals	3	5	5
Region/country	Vietnam		Individuals	1	1	1
	United States		Individuals	-	1	1
	China		Individuals	-	-	1
Employees with disabilities	Number of employees		Individuals	30	29	30
	Ratio		%	3	3	3
Voluntary turnover	Number		Individuals	57	59	54
	Ratio		%	6	6	5
Childcare Leave						
Eligible workers	Male		Individuals	223	220	217
	Female		Individuals	13	13	12
Workers who took childcare leave	Male		Individuals	8	2	6
	Female		Individuals	2	4	8
Workers' reduced work hours during childcare leave	Male		Individuals	3	1	2
	Female		Individuals	-	-	1
Workers who returned to work after childcare leave	Male		Individuals	9	2	5
	Female		Individuals	4	-	5
Accumulated severance pay funds	Accumulated amount		KRW 1 million	52,238	57,256	61,721

* In accordance with mandatory employment regulations, Hwashin maintains an annual disabled employment rate exceeding the legal requirement of 3%. The company aims to sustain and expand this rate to 3.5% or higher by 2027.

Item			Unit	2022	2023	2024
Social Contribution						
Donations*			KRW Million	333	428	480
Labor Union Status						
Eligible workers			Individuals	877	951	971
Enrolled workers			Individuals	413	443	526
Enrollment rate			%	47	47	54
Training						
Total trained			Individuals	2,510	3,150	2,833
Total hours			Hours	18,765	26,423	24,653
Total costs			KRW 1 Million	83	450	150
Medical Exam Outcomes						
Workers with regular health checkups*			Individuals	755	798	798
Workers with comprehensive employee medical examinations *			Individuals	254	210	207
Industrial Accident Status						
Number of victims*	Accidents	Regular	Individuals	3	1	8
		Temporary	Individuals	-	-	2
	Illnesses	Regular	Individuals	1	3	-
		Temporary	Individuals	-	-	-
Industrial Accident Rate			%	0.44	0.55	0.67
Legal and Regulatory Violations*						
Date			Cases	-	-	-
Details			Cases	-	-	-
Sanctions			Cases	-	-	-

* Donations are the total amount of Hwashin donations and the expenses incurred in fulfilling the scholarship foundation's mission.
* Health checkup results exclude personnel from the Yesan Plant.
* Regular health checkups are legally mandated health checkups.
* Hwashin provides comprehensive employee medical examinations as employee welfare for employees and spouses aged 40 and above.
* Scope of industrial accident victims: Eonha Plant, Bongdong Plant, Technology Research Center, and Yesan Plant
* Accident-related injuries include sprains, fractures, etc., with risk assessments conducted before and after improvements were made for each type of injury.
* Violations of laws and regulations include breaches of the Code of Ethics and Conduct, labor law violations, environmental law violations, and violations related to information security and personal data protection.

Non-Financial Performance - Environment

Energy Usage

(Unit: TJ)

Source	Purpose	2022	2023	2024
Electricity	Production lines, etc.	124	128	130
Fossil fuels	Worksite heating, etc.	70	67	67
Renewable energy	-	-	-	-
Total		**194**	**195**	**197**
Energy usage concentration (TJ/KRW 100 million)		0.02 TJ/KRW 100 million	0.02 TJ/KRW 100 million	0.02 TJ/KRW 100 million
Energy usage decrease or increase rate (%)		3%	1%	1%

* Calculation scope: Eonha Plant, Bongdong Plant, Maeho Plant, Technological Research Center, Pyeongchon Advanced Research Center, Yesan Plant and High-Tech Park Plant
* Energy consumption figures have been partially revised based on third-party verification, and the conversion standard has also been partially updated
* The energy consumption target for 2024 was set at the same intensity level as the previous year, 0.02 TJ per KRW 100 million, and the actual performance also met this target

Greenhouse Gas Emissions

(Unit: tCO_2-eq)

Scope	2022	2023	2024
Direct emissions (Scope1)	4,094	4,234	4,145
Indirect emissions (Scope2)	16,018	16,383	16,606
Total (Scope 1+2)	**20,112**	**20,617**	**20,751**
Greenhouse gas emissions concentration (tCO_2-eq/KRW 100 million)	2.12 tCO_2-eq/KRW 100 million	2.15 tCO_2-eq/KRW 100 million	2.20 tCO_2-eq/KRW 100 million
Decrease or increase rate (%)	3%	3%	1%

* Calculation scope: Eonha Plant, Bongdong Plant, Maeho Plant, Technological Research Center, Pyeongchon Advanced Research Center, and Yesan Plant
* Scope 1: LNG gas, LPG gas, CO_2 gas, kerosene, diesel, gasoline / Scope 2: electricity

Non-Financial Performance - Environment

Atmospheric Pollutants

(Unit: ton)

Pollutant	Site	2022	2023	2024
PM	Eonha Plant	0.13	0.12	0.12
	Technology Research Center	0.04	0.02	0.02
	Bongdong Plant	0.01	0.009	0.006
	Yesan Plant	0.14	0.12	0.44
SOx	Eonha Plant	-	0.24	0.06
	Technology Research Center	-	-	-
	Bongdong Plant	-	-	-
	Yesan Plant	0.02	0.02	0.75
NOx	Eonha Plant	0.52	0.6	0.24
	Technology Research Center	-	-	0.01
	Bongdong Plant	-	-	-
	Yesan Plant	0.40	0.29	0.5

* Changes in measurement may occur due to differences in materials committed to processes, legal amendments, etc.

Water Pollutant Output

(Unit: kg)

Pollutant	Site	2022	2023	2024
TOC	Eonha Plant	928	356	477
	Yesan Plant	197	292	218
BOD	Eonha Plant	87	72	81
	Yesan Plant	38	73	48
SS	Eonha Plant	277	123	39
	Yesan Plant	67	45	12

Water Pollutants

(Unit: mg/L)

Pollutant	Site	2022	2023	2024
pH	Eonha Plant	7.20	6.90	7.6
	Yesan Plant	7.20	7.30	7.5
BOD	Eonha Plant	4.30	3.0	2.5
	Yesan Plant	1.70	18.4	2
TOC	Eonha Plant	45.9	14.8	24.5
	Yesan Plant	8.9	32.2	9.8
SS	Eonha Plant	13.7	5.1	1.8
	Yesan Plant	3.0	4	0.6
N-H	Eonha Plant	Not detected	Not detected	Not detected
	Yesan Plant	Not detected	Not detected	Not detected
T-N	Eonha Plant	3.89	27.1	7.6
	Yesan Plant	1.23	39.57	20.5
T-P	Eonha Plant	1.24	2.4	0.108
	Yesan Plant	0.22	1.14	0.7
Zn	Eonha Plant	1.35	2.1	2.1
	Yesan Plant	0.28	1.21	2
Cu	Eonha Plant	Not detected	Not detected	Not detected
	Yesan Plant	-	-	-
ABS	Eonha Plant	Not detected	0.03	Not detected
	Yesan Plant	Not detected	Not detected	Not detected

* The pH is a dimensionless value that represents the activity of hydrogen ions in a solution. As it is expressed on a logarithmic scale, it does not have a unit

Environmental Legal or Regulatory Violation Cases

Type	Unit	2022	2023	2024
Environmental legal or regulatory violation cases	Cases	-	-	-

* Based on actions subject to fines of at least KRW 10 million and penalties

Non-Financial Performance - Environment

Eco-Friendly Investment Performance and Future Plans

(Unit: KRW 1,000)

Type		Investment	Expense
2024 performance	1	R&D for spring seat using 100K-class ultra-high strength steel	62,925
	2	Development of low-carbon, eco-friendly giga-class steel plate chassis parts	35,510
	3	Development of FRT C/MBR using aluminum compression process	252,780
	4	LCA for carbon emission reduction	-
Total			351,215
2025 plan	1	Development of chassis parts using aluminum casting process	230,000
	2	Development of low-carbon, eco-friendly giga-class steel plate chassis parts	250,000
	3	Development of FRT C/MBR using aluminum compression process	33,000
	4	LCA for carbon emission reduction	-
Total			513,000

Usage of Major Raw and Subsidiary Materials (2024)

(Unit: kg)

Material	Eonha Plant	Bongdong Plant	High-Tech Park Plant	Yesan Plant	Total
Coil	-	48,041,509	-	-	48,041,509
Welding wire	1,186,640			339,715	1,526,355
Total	49,228,149			339,715	49,567,864
Concentration (kg/KRW 100 million)					5,269

* Based on coil/welding wire usage

Use and Output of Hazardous Chemicals

(Unit: kg)

Outcomes	2022	2023	2024
Hazardous chemical usage	9,020	7,805	11,280
Chemical output	3,570	-	-

* Hazardous chemical usage:Total figures for Eonha Plant and Yesan Plant
* Chemical output :The chemical substance is not classified as a Type 1, Type 2, or high-risk chemical; therefore, it is excluded from the reporting requirements.

Waste Output and Recycling Rate

(Unit: kg)

Type		2022	2023	2024
General Waste	Recycled	591,450	664,520	741,705
	Incinerated	74,580	101,020	50,080
	Landfill	199,500	136,270	81,160
	Total	793,530	901,810	872,945
Designated waste	Recycled	793,530	34,840	20,520
	Incinerated	23,930	44,760	45,220
	Landfill	-	-	-
	Total	50,440	79,600	65,740
Total		**867,900**	**981,410**	**938,685**
Waste reduction rate		31%	13%	-4%
Recycling rate		**63%**	**71%**	**81%**

Water Resource Usage

(Unit: m^3)

Type	Year	Eonha Plant	Bongdong Plant	Yesan Plant	Total
Water intake	2022	35,351	5,856	25,138	66,345
	2023	59,680	5,927	28,847	94,454
	2024	53,672	7,292	27,952	88,916
Water consumption	2022	15,118	5,548	2,951	23,617
	2023	35,504	5,582	3,600	44,686
	2024	36,732	6,978	3,443	47,153
Water output (wastewater)	2022	20,233	308	22,187	42,728
	2023	24,176	345	25,247	49,768
	2024	16,940	314	24,509	41,763

Water Reuse Outcomes

(Unit: m^3)

Activity	2022	2023	2024
Water usage	23,617	44,686	47,153
Water reuse	1,389	4,955	13,484
Water reuse rate	6	11	29

* The 2024 target water reuse rate (15%) was exceeded

Sustainable Management (ESG) Charter

지속가능경영(ESG) 헌장

Document No : HSESG-001

Change History

Version	Date	Status	Handled by	Comment
No.1	2024.01.01.	제정	ESG사무국	

회사	㈜화신			문서번호	2024-HSESG-001
문서명	지속가능경영(ESG) 헌장			페이지	2 of 22
주관 부서	ESG 사무국	제정일자	2024.01.01	개정번호	01-ESG2024

0. 목차

항목	페이지	제개정 일자	개정차수
0. 목차	2		
1. ESG 경영 선언문	3		
2. 용어 정의	4		
3. ESG 경영 기본 원칙	6		
4. ESG 경영 체계	7		
4.1. 개요	7		
4.2. ESG 비전	7		
4.3. ESG 경영 목표	7		
4.4. ESG 경영 전략	10		
5. ESG 추진 체계	11		
5.1. 개요	11		
5.2. ESG 추진 조직	11		
5.3. ESG 사무국 운영	14		
6. ESG 영역별 업무내용	15		
6.1. 개요	15		
6.2. 업무 범위 및 내용	15		
6.3. ESG 영역별 추진업무 및 수행 조직	21		
7. 첨부	22		
7.1.1 인권경영헌장	23		
7.1.2 인권경영 세부원칙	24		
7.2.1 윤리헌장 및 실천규범	25		
7.2.2 윤리준법경영	27		
7.2.3 윤리준법 행동지침	28		
7.2.4 윤리강령	29		
7.3.1 협력사 행동규범	36		
7.3.2 공정거래 및 동반성장 협약	39		
7.4.1 책임있는 광물 구매 정책	46		
7.5.1 정보보안 관리	47		
7.6.1 안전환경보건 경영방침	97		
7.6.2 환경관리(대기오염물질 관리)	98		
7.6.3. 생물다양성 정책	102		
7.7.1. 기업지배구조헌장	103		
7.7.2. 이사회 규정	107		

This confidential information must not be disclosed to others without prior written consent of Hwashin

The full text of the Sustainable Management (ESG) Charter is available on our website.
(http://www.hwashin.co.kr/kr/esg/esg_charter.do)

GRI Standards Index

General Disclosures

Disclosure		Page
The organization and its reporting practices		
2-1	Organizational details	6-7
2-2	Entities included in the organization's sustainability reporting	2,7
2-3	Reporting period, frequency and contact point	2
2-4	Restatements of information	28,95
2-5	External assurance	102-104
Activities and Employees		
2-6	Activities, value chain and other business relationships	11-14
2-7	Employees	94
2-8	Workers who are not employees	-
Governance		
2-9	Governance structure and composition	80,82
2-10	Nomination and selection of the highest governance body	81
2-11	Chair of the highest governance body	82
2-12	Role of the highest governance body in overseeing the management of impacts	80,82
2-13	Delegation of responsibility for managing impacts	80,82
2-14	Role of the highest governance body in sustainability reporting	25,80,82
2-15	Conflicts of interest	89
2-16	Communication of critical concerns	25,82
2-17	Collective knowledge of the highest governance body	81
2-18	Evaluation of the performance of the highest governance body	81
2-19	Remuneration policies	81
2-20	Process to determine remuneration	81
2-21	Annual total compensation ratio	-

Disclosure		Page
Strategy, policies and practices		
2-22	Statement on sustainable development strategy	5
2-23	Policy commitments	24,50,60
2-24	Embedding policy commitments	24,27,50,51, 60,63,64
2-25	Processes to remediate negative impacts	85-86
2-26	Mechanisms for seeking advice and raising concerns	77
2-27	Compliance with laws and regulations	94
2-28	Membership associations	-
Stakeholder engagement		
2-29	Approach to stakeholder engagement	19
2-30	Collective bargaining agreements	54
Material topics		
3-1	Process to determine material topics	21
3-2	List of material topics	22
3-3	Management of material topics	22

GRI Standards Index

GRI 200, 300, 400

Disclosure		Page
GRI 201 : Economic Performance		
201-1	Direct economic value generated and distributed	94
201-2	Financial implications and other risks and opportunities due to climate change	33
201-3	Defined benefit plan obligations and other retirement plans	94
201-4	Financial assistance received from government	-
GRI 202 : Market Presence		
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	-
202-2	Proportion of senior management hired from the local community	-
GRI 203 : Indirect Economic Impacts		
203-1	Infrastructure investments and services supported	69,74-76,94
203-2	Significant indirect economic impacts	69,74-76,94
GRI 205 : Anti-corruption		
205-1	Operations assessed for risks related to corruption	-
205-2	Communication and training about anti-corruption policies and procedure	87-89
205-3	Confirmed incidents of corruption and actions taken	94
GRI 206 : Anti-competitive Behavior		
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	-
GRI 207 : Tax		
207-1	Approach to tax	86
207-2	Tax governance, control, and risk management	86
GRI 301 : Materials		
301-1	Materials used by weight or volume	97
301-2	Recycled input materials used	-

Disclosure		Page
GRI 302 : Energy		
302-1	Energy consumption within the organization	95
302-3	Energy intensity	95
302-4	Reduction of energy consumption	95
GRI 303 : Water and Effluents		
303-1	Interactions with water as a shared resource	36-37
303-2	Management of water discharge-related impacts	36-37
303-3	Water withdrawal	97
303-4	Water discharge	97
303-5	Water consumption	97
GRI 304 : Biodiversity		
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	-
304-2	Significant impacts of activities, products, and services on biodiversity	-
304-3	Habitats protected or restored	-
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	43
GRI 305 : Emissions		
305-1	Direct (Scope 1) GHG emissions	29,95
305-2	Energy indirect (Scope 2) GHG emissions	29,95
305-3	Other indirect (Scope 3) GHG emissions	95
305-4	GHG emissions intensity	95
305-5	Reduction of GHG emissions	28-29,95
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	34,96

GRI Standards Index

GRI 200, 300, 400

Disclosure		Page
GRI 306 : Waste		
306-1	Waste generation and significant waste-related impacts	36-39
306-2	Management of significant waste-related impacts	38
306-3	Waste generated	97
306-4	Waste diverted from disposal	97
306-5	Waste directed to disposal	97
GRI 308 : Supplier Environmental Assessment		
308-1	New suppliers that were screened using environmental criteria	78
308-2	Negative environmental impacts in the supply chain and actions taken	78
GRI 401 : Employment		
401-1	New employee hires and employee turnover	94
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time	-
401-3	Parental leave	56,94
GRI 402 : Labor/Management Relations		
402-1	Minimum notice regarding operational changes	-
GRI 403 : Occupational Health and Safety		
403-1	Occupational health and safety management system	62
403-2	Hazard identification, risk assessment, and incident investigation	62
403-3	Occupational health services	67
403-4	Worker participation, consultation, and communication on occupational health and safety	61
403-5	Worker training on occupational safety and health	63
403-6	Promotion of worker health	65-67
403-7	Prevention and mitigation of occupational safety and health impacts directly linked by business relationships	61-62
403-8	Workers covered by an occupational safety and health management system	63
403-9	Work-related injuries	94
403-10	Work-related ill health	94

Disclosure		Page
GRI 404 : Training and Education		
404-1	Average hours of training per year per employee	94
404-2	Programs for upgrading employee skills and transition assistance programs	48-49
404-3	Percentage of employees receiving regular performance and career development reviews	-
GRI 405 : Diversity and Equal Opportunity		
405-1	Diversity of governance bodies and employees	82,94
405-2	Ratio of basic salary and remuneration of women to men	-
GRI 406 : Non-discrimination		
406-1	Incidents of discrimination and corrective actions taken	50,52
GRI 407 : Freedom of Association and Collective Bargaining		
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	-
GRI 408 : Child Labor		
408-1	Operations and suppliers at significant risk for incidents of child labor	-
GRI 409 : Forced or Compulsory Labor		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	-
GRI 410 : Security Practices		
410-1	Security personnel trained in human rights policies or procedures	71-72
GRI 413 : Local Communities		
413-1	Operations with local community engagement, impact assessments, and development programs	19-20,68-69
GRI 414 : Supplier Social Assessment		
414-1	New suppliers that were screened using social criteria	78
414-2	Negative social impacts in the supply chain and actions taken	-
GRI 416 : Customer Safety and Health		
416-1	Assessment of the safety and health impacts of product and service categories	-
416-2	Incidents of non-compliance concerning the safety and health impacts of products and services	-
GRI 418 : Customer Privacy		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	94

Third-Party Verification Statement – GHG Emissions Inventory

LRQA Independent Assurance Statement

Relating to Hwashin Co., Ltd.'s GHG Emissions Inventory for the calendar years 2019, 2023 and 2024

This Assurance Statement has been prepared for Hwashin Co., Ltd. in accordance with our contract.

Terms of engagement

LRQA was commissioned by Hwashin Co., Ltd. to provide independent assurance on its GHG emissions inventory for the calendar years 2019, 2023 and 2024 (here after referred to as "the report") against the assurance criteria below to a limited level of assurance and materiality of 5% using ISO 14064-3:2019, 'Specification with guidance for verification and validation of greenhouse gas statements'.

Our assurance engagement covered the operations of Hwashin Co., Ltd.'s domestic sites[1] and its overseas subsidiaries, and specifically the following requirements:

- Evaluating conformance with World Resources Institute / World Business Council for Sustainable Development Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, revised edition[2]
- Evaluating the accuracy and reliability of data and information for direct GHG emissions (Scope 1) and energy indirect GHG emissions (Scope 2).

The main activities of Hwashin Co., Ltd. include manufacturing of automotive parts and the GHG emissions have been consolidated using an operational control approach.

LRQA's responsibility is only to Hwashin Co., Ltd. LRQA disclaims any liability or responsibility to others as explained in the end footnote. Hwashin Co., Ltd.'s responsibility is for collecting, aggregating, analysing and presenting all the data and information within the report and for maintaining effective internal controls over the systems from which the report is derived. Ultimately, the report has been approved by, and remains the responsibility of Hwashin Co., Ltd.

LRQA's Opinion

Based on LRQA's approach nothing has come to our attention that would cause us to believe that Hwashin Co., Ltd. has not, in all material respects:

- Met the requirements above; and
- Disclosed accurate and reliable data and information as summarized in Table 1 ~ Table 3 below.

The opinion expressed is formed on the basis of a limited level of assurance and at the materiality of 5%.

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

LRQA's approach

LRQA's assurance engagements are carried out in accordance with our verification procedure. The following tasks though were undertaken as part of the evidence gathering process for this assurance engagement:

- Interviewing key people of the organization responsible for managing GHG emissions data and records;
- Reviewing processes related to the control of GHG emissions data and records;
- Visiting the head office and reviewed additional evidence made available by Hwashin Co., Ltd.;
- Verifying historical GHG emissions data and records at an aggregated level for the calendar years 2019, 2023 and 2024; and
- Reviewing whether Hwashin Co., Ltd. reflected the Greenhouse Gas Management Manual for Hyundai Motor and Kia Suppliers (Ver. 1.0).

[1] *Hwashin Co., Ltd.'s domestic subsidiaries were excluded from this assurance engagement.*

[2] *https://www.ghgprotocol.org*

LRQA's standards, competence and independence

LRQA implements and maintains a comprehensive management system that meets accreditation requirements for ISO 14065 *Greenhouse gases – Requirements for greenhouse gas validation and verification bodies for use in accreditation or other forms of recognition* and ISO/IEC 17021 *Conformity assessment – Requirements for bodies providing audit and certification of management systems* that are at least as demanding as the requirements of the International Standard on Quality Control 1 and comply with the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants.

LRQA ensures the selection of appropriately qualified individuals based on their qualifications, training and experience. The outcome of all verification and certification assessments is then internally reviewed by senior management to ensure that the approach applied is rigorous and transparent.

This verification engagement is the only work undertaken by LRQA for Hwashin Co., Ltd. and as such does not compromise our independence or impartiality.

Tae-Kyoung Kim
LRQA Lead Verifier
On behalf of LRQA
2nd Floor, T Tower, 30, Sowol-ro 2-gil, Jung-gu, Seoul, Republic of Korea

Dated: 31 March 2025

LRQA reference: SEO00001784

LRQA Group Limited, its affiliates and subsidiaries, and their respective officers, employees or agents are, individually and collectively, referred to in this clause as 'LRQA'. LRQA assumes no responsibility and shall not be liable to any person for any loss, damage or expense caused by reliance on the information or advice in this document or howsoever provided, unless that person has signed a contract with the relevant LRQA entity for the provision of this information or advice and in that case any responsibility or liability is exclusively on the terms and conditions set out in that contract.

The English version of this Assurance Statement is the only valid version. LRQA assumes no responsibility for versions translated into other languages.

This Assurance Statement is only valid when published with the Report to which it refers. It may only be reproduced in its entirety.

Copyright © LRQA, 2025.

Third-Party Verification Statement – GHG Emissions Inventory

Table 1. Summary of GHG Emissions Inventory 2019

Region	Corporate entity (Site)	Scope of GHG emissions (tCO_2e)		
		Direct GHG emissions (Scope 1)	Energy indirect GHG emissions (Scope 2, location-based)	Total
Korea	Hwashin Co., Ltd. (Eonha Factory)	1,853	8,369	10,222
	Hwashin Co., Ltd. (Bong-dong Factory)	712	3,310	4,022
	Hwashin Co., Ltd. (Yesan Factory)	643	1,708	2,351
	Hwashin Co., Ltd. (Maeho Factory)	0	311	311
	Hwashin Co., Ltd. (Pyeongchon R&D Center)	3	8	11
United States	Hwashin America Corporation	2,341	7,893	10,234
China	Hwashin BHAP (Cangzhou) Automotive Parts Co., Ltd.	459	1,977	2,436
	Hwashin BHAP (Chongqing) Automotive Parts Co., Ltd.	583	2,252	2,835
	Beijing Hwashin Automobile Parts Co., Ltd.	1,004	2,795	3,799
India	Hwashin Automotive India Private Limited	2,024	19,291	21,316
Brazil	Hwashin Fabricante de Pecas Automotivas LTDA	860	1,480	2,340
Total		10,483	49,393	59,876

Note 1: Scope 2, Location-based is defined in the GHG Protocol Scope 2 Guidance, 2015

Table 2. Summary of GHG Emissions Inventory 2023

Region	Corporate entity (Site)	Scope of GHG emissions (tCO_2e)		
		Direct GHG emissions (Scope 1)	Energy indirect GHG emissions (Scope 2, location-based)	Total
Korea	Hwashin Co., Ltd. (Eonha Factory)	2,463	8,811	11,274
	Hwashin Co., Ltd. (Bong-dong Factory)	794	4,459	5,253
	Hwashin Co., Ltd. (Yesan Factory)	974	2,688	3,662
	Hwashin Co., Ltd. (Maeho Factory)	0	362	362
	Hwashin Co., Ltd. (Hi-Tech Park Factory)	0	55	55
	Hwashin Co., Ltd. (Pyeongchon R&D Center)	3	8	11
United States	Hwashin America Corporation	2,480	7,995	10,475
China	Hwashin BHAP (Cangzhou) Automotive Parts Co., Ltd.	137	483	619
	Hwashin BHAP (Chongqing) Automotive Parts Co., Ltd.	199	1,073	1,272
	Beijing Hwashin Automobile Parts Co., Ltd.	727	3,657	4,384
India	Hwashin Automotive India Private Limited	2,476	17,585	20,061
Brazil	Hwashin Fabricante de Pecas Automotivas LTDA	980	851	1,831
Total		11,234	48,026	59,260

Note 1: Scope 2, Location-based is defined in the GHG Protocol Scope 2 Guidance, 2015

Table 3. Summary of GHG Emissions Inventory 2024

Region	Corporate entity (Site)	Scope of GHG emissions (tCO_2e)		
		Direct GHG emissions (Scope 1)	Energy indirect GHG emissions (Scope 2, location-based)	Total
Korea	Hwashin Co., Ltd. (Eonha Factory)	2,291	8,401	10,693
	Hwashin Co., Ltd. (Bong-dong Factory)	784	4,364	5,147
	Hwashin Co., Ltd. (Yesan Factory)	939	2,678	3,617
	Hwashin Co., Ltd. (Maeho Factory)	0	359	359
	Hwashin Co., Ltd. (Hi-Tech Park Factory)	129	794	923
	Hwashin Co., Ltd. (Pyeongchon R&D Center)	2	10	11
United States	Hwashin America Corporation	3,145	8,565	11,710
China	Beijing Hwashin Automobile Parts Co., Ltd.	866	3,066	3,932
India	Hwashin Automotive India Private Limited	2,350	18,428	20,777
Brazil	Hwashin Fabricante de Pecas Automotivas LTDA	745	1,268	2,013
Total		11,251	47,933	59,184

Note 1: Scope 2, Location-based is defined in the GHG Protocol Scope 2 Guidance, 2015

Third-Party Verification Statement – Sustainability Report

LRQA

LRQA Independent Assurance Statement

Relating to Hwashin Co., Ltd.'s Sustainability Report for the calendar year 2024

This Assurance Statement has been prepared for Hwashin Co., Ltd. in accordance with our contract but is intended for the readers of this Report.

Terms of engagement

LRQA was commissioned by Hwashin Co., Ltd. (Hwashin abbreviated) to provide independent assurance on its 'Hwashin Sustainability Report 2024' ("the report") against the assurance criteria below to a moderate level of assurance and materiality of professional judgement using "Accountability's AA1000AS v3", where the scope was a Type 1 engagement.

Our assurance engagement covered Hwashin's operations and activities in Korea and specifically the following requirements:

- Evaluating adherence to the AA1000 AccountAbility Principles[1] of Inclusivity, Materiality, Responsiveness and Impact

Our assurance engagement excluded the data and information of Hwashin's suppliers, contractors and any third-parties mentioned in the report.

LRQA's responsibility is only to Hwashin. LRQA disclaims any liability or responsibility to others as explained in the end footnote. Hwashin's responsibility is for collecting, aggregating, analysing and presenting all the data and information within the report and for maintaining effective internal controls over the systems from which the report is derived. Ultimately, the report has been approved by, and remains the responsibility of Hwashin.

LRQA's Opinion

Based on LRQA's approach nothing has come to our attention that would cause us to believe that Hwashin has not, in all material respects:

- Met the requirements above
- Covered all the issues that are important to the stakeholders and readers of this report.

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

Note: The extent of evidence-gathering for a moderate assurance engagement is less than for a high assurance engagement. Moderate assurance engagements focus on aggregated data rather than physically checking source data at sites. Consequently, the level of assurance obtained in a moderate assurance engagement is substantially lower than the assurance that would have been obtained had a high assurance engagement been performed.

LRQA's approach

LRQA's assurance engagements are carried out in accordance with our verification procedure. The following tasks though were undertaken as part of the evidence gathering process for this assurance engagement:

- Assessing Hwashin's approach to stakeholder engagement to confirm that issues raised by stakeholders were captured correctly. We did this through reviewing documents and associated records.
- Reviewing Hwashin's process for identifying and determining material issues to confirm that the right issues were included in their Report. We did this by benchmarking reports written by Hwashin and its peers to ensure that sector specific issues were included for comparability. We also tested the filters used in determining material issues to evaluate whether Hwashin makes informed business decisions that may create opportunities that contribute towards sustainable development.
- Reviewing additional evidence made available by Hwashin at its headquarters in Yeongcheon-si, Gyeongsangbuk-do.

Observations

Further observations and findings, made during the assurance engagement, are:

- Inclusivity:
  We are not aware of any key stakeholder groups that have been excluded from Hwashin's stakeholder engagement process.

[1] *https://www.accountability.org*

LRQA

- Materiality:
  We are not aware of any material issues concerning Hwashin's sustainability performance that have been excluded from the report. It should be noted that Hwashin has established extensive criteria for determining which issue/aspect is material and that these criteria are not biased to the company's management.
- Responsiveness:
  Hwashin has declared their commitment to achieve carbon neutrality by 2050 and has established specific action plans up to 2030. To manage sustainability risks within its supply chain, Hwashin conducts ESG evaluations and incorporates the quantitative assessment results into its management decisions.
- Impact:
  Hwashin has established a Sustainability (ESG) Charter, approved by its management, to monitor and manage potential and actual outward impacts directly or indirectly related to business operations. In particular, it has adopted a Responsible Minerals Sourcing Policy and continuously improves its practices by incorporating and updating risks identified within its supply chain into this policy.

LRQA's standards, competence and independence

LRQA implements and maintains a comprehensive management system that meets accreditation requirements for ISO 14065 *Greenhouse gases – Requirements for greenhouse gas validation and verification bodies for use in accreditation or other forms of recognition* and ISO/IEC 17021 *Conformity assessment – Requirements for bodies providing audit and certification of management systems* that are at least as demanding as the requirements of the International Standard on Quality Control 1 and comply with the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants.

LRQA ensures the selection of appropriately qualified individuals based on their qualifications, training and experience. The outcome of all verification and certification assessments is then internally reviewed by senior management to ensure that the approach applied is rigorous and transparent.

LRQA is Hwashin's verification body for its GHG emissions. The verification is the only work undertaken by LRQA for Hwashin and as such does not compromise our independence or impartiality.

Dated: 4 June 2025

Tae-Kyoung Kim
LRQA Lead Verifier
On behalf of LRQA
2nd Floor, T Tower, 30, Sowol-ro 2-gil, Jung-gu, Seoul, Republic of Korea

LRQA reference: SEO00001273

AA1000
Licensed Report
000-11/V3-HXFIK

LRQA Group Limited, its affiliates and subsidiaries, and their respective officers, employees or agents are, individually and collectively, referred to in this clause as 'LRQA'. LRQA assumes no responsibility and shall not be liable to any person for any loss, damage or expense caused by reliance on the information or advice in this document or howsoever provided, unless that person has signed a contract with the relevant LRQA entity for the provision of this information or advice and in that case any responsibility or liability is exclusively on the terms and conditions set out in that contract.

The English version of this Assurance Statement is the only valid version. LRQA assumes no responsibility for versions translated into other languages.

This Assurance Statement is only valid when published with the Report to which it refers. It may only be reproduced in its entirety.

Copyright © LRQA, 2025.

Distribution of the Sustainability Report

Hwashin's Sustainability Report (in both Korean and English) is available for download in PDF format on our website.If you have any questions regarding the contents of the report, please contact us using the information below.

- Publisher : ESG Planning Team, Hwashin
- Published in : June 2025

- Inquiries : +82-54-330-5309
- E-mail : Gyeong-Min.Lee@hwashin.co.kr
- 14, Eonhagongdan 1-gil, Yeongcheon-si, Gyeongsangbuk-do, 38828, Rep. of KOREA
- **http://www.hwashin.co.kr**

HWASHIN