

2021/22 NEXEN TIRE ESG Report

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# NEXT LEVEL MOBILITY FOR ALL

**NEXEN** NEXEN TIRE  
we got you



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**Cover Story**



In celebration of the 80<sup>th</sup> anniversary of NEXEN TIRE, this cover was designed using the 80<sup>th</sup>- anniversary emblem.

# 2021/22 Key Highlights

## ENVIRONMENTAL

Environmental management system (EMS) implementation rate



100%

Implementation rate of transition to Green Premium purchase



5.9%

Designated as an excellent workplace for reducing particulate matter in 2021



Environmental training completion rate (based on domestic worksites)



100%

## SOCIAL

Ranked No. 1 in global customer satisfaction index for 13 consecutive years (as of June 2022)

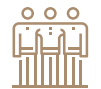


1<sup>st</sup>

Received the Grand Prize in Korea Labor-Management Cooperation Awards 2021



Recorded zero labor strikes for the 30 consecutive years



30 years

Selected as "Excellent Company in Quality Competitiveness" at the National Quality Management Convention (certificate and plaque from the Minister of Trade, Industry, and Energy)



Named "2020 Best Supplier of the Year" by Stellantis in 2021



Acquired global information security certification TISAX in 2022



Ratio of sustainable (recycled, recyclable) raw material use



23%

Received prize in the general service sector of the 2021 National Service Awards



## GOVERNANCE

Ratio of ethical risk assessment



100%

Ratio of ethics education completion



98.2%

Liability insurance of directors



Number of corruption cases identified



0 case



# INTRODUCTION

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## Global CEO Message

### Dear stakeholders,

I would like to express my sincere gratitude to our shareholders, customers, employees, partners, local communities, and other stakeholders for their unwavering trust and support for NEXEN TIRE.



Through 2021/22 ESG Report, which is published for the third time this year, we are sincerely grateful to share NEXEN TIRE's ESG management performances, plans, and strategies over the past year with our stakeholders.

The past year has been a time of difficulty, full of confusion and uncertainties in the global economy due to the continued proliferation of COVID-19. In particular, various elements causing instability, such as reduced automobile production due to semiconductor shortage, rapid rise in ocean freight as a result of the global logistics disruption, increased prices of raw materials, and anti-dumping tariff imposition by the US, wielded a negative impact on the tire industry. It also affected NEXEN TIRE. Despite record-high sales of KRW 2.0794 trillion, our operating profit was only KRW 4.4 billion due to the impact of the internal and external environment. However, we established a basis for securing a future growth engine by producing remarkable performances, which include expansion of supply to premium automotive companies such as Porsche and Audi, designation as the best supplier by Stellantis, awarding Podium prize in Toyota 86/BRZ Race, and receipt of the Grand Prize in the Korea Labor-Management Cooperation Awards.

This year, although the unstable management environment persists, we will move forward to grow into a sustainable company by actively responding to the challenges and tasks we face. To this end, we will implement the following strategies. In order to minimize the impact of instability in the global supply chain, NEXEN TIRE will establish mid- to long-term response strategies for shipping companies and increase the percentage of overseas sales by securing local distribution bases. We will also strengthen core competencies by business sector in order to realize customer delight, establish a multi-plant production system, and secure quality competitiveness in the market. In addition, we will create a new growth engine by implementing the second extension of our European plant located in the Czech Republic. At the same time, NEXEN TIRE will aggressively invest in future business items in the mobility field, such as eco-friendly vehicles and autonomous driving, in addition to securing technological competitiveness through the development of tires to lead the market in the future.

NEXEN TIRE will also actively promote ESG management in order to achieve sustainable growth. Recently, we won the Silver Medal from EcoVadis by scoring high in environment, labor and human rights, and sustainable procurement items of the sustainability assessment. By improving from the Bronze Medal in 2021 to the Silver Medal, we solidified our position as a sustainable company.

Last year, NEXEN TIRE derived the strategic tasks for internalizing the environmental management system, finalized the strategy implementation roadmap, and established goals by stage. To enhance eco-friendly management, we will continue establishing environmental management policies covering all areas from climate response and reduction of air pollutants, greenhouse gas emissions, and energy consumption to reduction of water consumption, local pollution, and waste generation, increased recycling, management of raw materials, and biodiversity protection. For environmental and climate change response in particular, we established "SHE Planning Team" to serve as a company-wide environmental management control tower. Moving forward, we will organize ESG response Operating Committee and the ESG Committee to manage our ESG status and issues and approve mid- to long-term ESG plans through linkage to the management's environmental change response and corporate strategies. In this process, we will internalize ESG management and consequently create an environment where ESG management is spread across the company. We also plan to share the goals and results transparently with our stakeholders in order to achieve further development.

This year, NEXEN TIRE is celebrating its 80<sup>th</sup> anniversary. We believe that it is the starting point of our journey towards becoming a sustainable company as well as the time for us to think prudently about our preparations for the future. In the era of ESG management, we will create the value of sustainable management to meet stakeholders' expectations and focus on our long-term growth. We invite you to join NEXEN TIRE's journey toward the future. Thank you.

NEXEN TIRE Global CEO **Ho-Chan Kang**

# NEXEN TIRE Profile

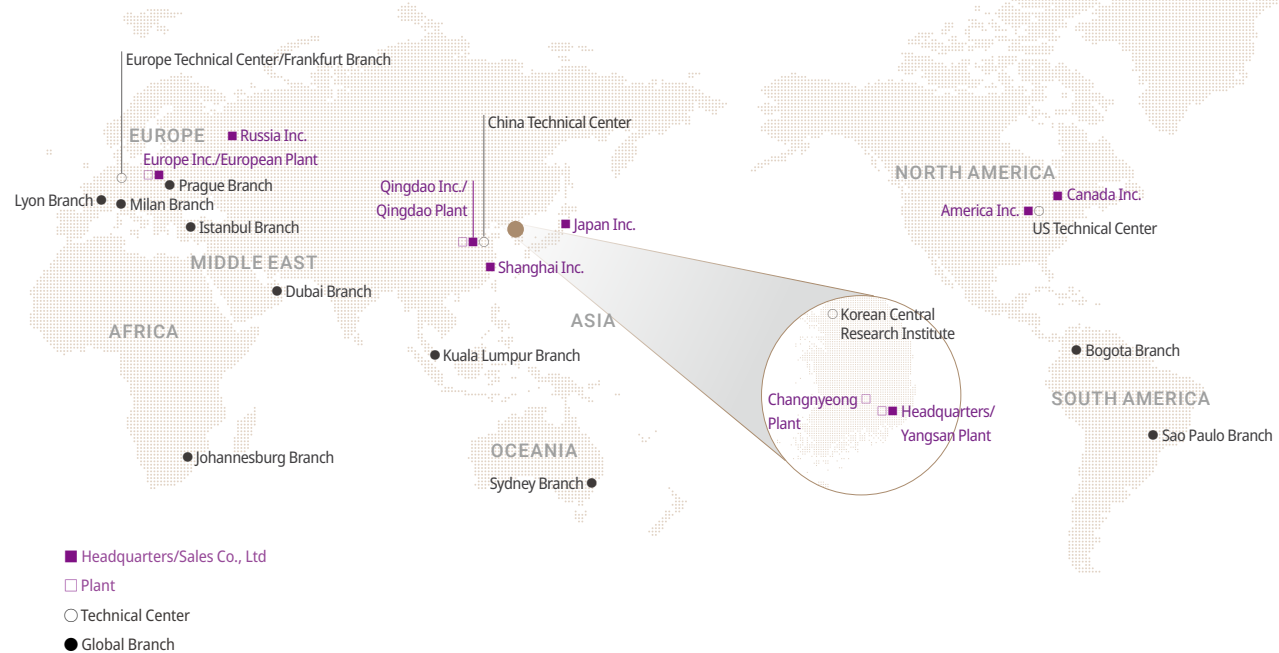
## Company Profile

Starting out as Heung-a Tire Industry in 1942, NEXEN TIRE has grown considerably with its epoch-making achievements in the domestic tire industry, starting with the production of automobile tires for the first time in Korea in 1956. After changing its name from "Woosung Tire" to "NEXEN TIRE" in 2000, the company marked the highest sales growth rate and gained recognition for its technological leadership. To date, NEXEN TIRE has expanded its operation beyond Korea, operating four plants in China and Europe. Centering on the Magok Central Research Institute, the company has established global R&D networks in the US, China, and Germany, responding rapidly to the diversifying market. NEXEN TIRE, which operates in more than 150 countries based on its expertise and technologies accumulated over 70 years, will not slow down its pursuit for becoming a top-notch company that looks forward to the next generation.

## Domestic and International Sales Network

Based in South Korea, NEXEN TIRE manufactures and sells tires through its global sales networks in China, US, Europe, and Southeast Asia. Since commencement of the European plant operation with a goal to establish global production bases in Europe and North America, NEXEN TIRE has been providing the best driving experience to customers around the world by securing quality and advanced productivity, and therefore enhancing quality competitiveness.

Domestic and International Sales Network



## Company History

1940	1970	1980	1990	2000	2010	2020
<p><b>1942.6.</b> Established Heung-a Tire Industry Co., Ltd.</p> <p><b>1952.3.</b> Changed company name to Heung-a Tire Co., Ltd.</p> <p><b>1956.6.</b> Produced automobile tires for the first time in Korea</p>	<p><b>1973.5.</b> Heung-a Tire Co., Ltd. undertaken by Wopung Industry Co., Ltd.</p> <p><b>1976.5.</b> Wopung Industry Co., Ltd. listed in the Korea Stock Exchange</p> <p><b>1979.8.</b> Wopung Industry Co., Ltd. undertaken by the Kukje Group</p>	<p><b>1984</b> Commenced construction of the radial tire plant in Yangsan</p> <p><b>1986.2.</b> Wopung Industry Co., Ltd. undertaken by the Woosung Group</p> <p><b>1987.6.</b> Established joint venture with Michelin Korea Tire Co., Ltd. (cooperation terminated in June 1991)</p>	<p><b>1991.10.</b> Signed technology cooperation agreement with Ohtsu Tires in Japan</p> <p><b>1994.3.</b> Changed company name to Woosung Tire Co., Ltd.</p> <p><b>1999.3.</b> Took over the management of NEXEN Corporation (formerly known as Heung-a Tire Co., Ltd.)</p>	<p><b>2000</b> Changed company name from Woosung Tire to NEXEN TIRE</p> <p><b>2005.6.</b> Established America Inc.</p>	<p><b>2011.8.</b> Launched the eco-friendly tire brand N'blue Eco</p> <p><b>2011.12.</b> Received presidential citation for labor-management cooperation</p> <p><b>2012.3.</b> Started operation of Changnyeong Plant</p> <p><b>2013.2.</b> Held the earliest general shareholders' meeting among all listed Korean companies for the 14<sup>th</sup> consecutive year</p>	<p><b>2013.3.</b> Commenced investment in the second extension of Changnyeong Plant</p> <p><b>2014.6.</b> Signed joint investment agreement for European plant (Czech Republic)</p> <p><b>2015.9.</b> Launched NEXT LEVEL, the first tire rental service offered by a Korean tire manufacturer</p>

# NEXEN UNIVERSE

## Mission

### Creating Value for Tomorrow, Every Step of the Way

NEXEN TIRE's mission of "Creating Value for Tomorrow, Every Step of the Way" is the foundation of NEXEN's business activities as well as the guidelines spurring the company's continuous change and growth. Every NEXEN employee's thoughts and behaviors, including value-creating activities, aim to contribute to the world's prosperity by creating a better future through the realization of satisfaction and expectations of mankind.

## Vision

### Next Level Mobility for All

Using innovative services and technologies that put people first, NEXEN TIRE will create a world where mobility can be enjoyed by all.



#### Challenge

Achieving outstanding outcome through passion and confidence without fear of failure

#### Creativity

Presenting new ideas or alternatives by thinking out of the box, leading change to prepare for the future rather than settling for the present

#### Collaboration

Maximizing cooperation between individuals and organizations based on an active, positive mindset to create better performance

## Code of Conduct

NEXEN TIRE's Code of Conduct, which embodies the company's management philosophy, can be described as the "actions of NEXEN employees for Challenge, Creativity, and Collaboration."

Humanity Principle	Action Principle	Employee Principle	Product Principle
We aim to benefit humanity and contribute to the betterment of the world.	We constantly explore, collaborate, and strive for a better future.	We take pride in our competitiveness and ability to benefit the world by enhancing people's life.	We build trust in our products through our leading technological innovation that puts life first.

## Entrepreneurship

<b>Perseverance</b> (Strongly in our own way) We make it happen even if others say it is impossible.	<b>Center</b> (Firm with confidence) We are determined to create a better world.
<b>Sincerity</b> (Upright for the benefit of all) We can bring change with the sincerity of hard work.	<b>Cooperation</b> (Cherishing each other) We pursue long-term mutual growth rather than short-term profit.

## Product

### Tire Brands & Products

**N'FERA**

**ROADIAN**

**N'PRIZ**

**WINGUARD**

**N'BLUE**

#### Summer



N'FERA Sport

#### Winter



WINGUARD Sport 2

#### SUV



ROADIAN HTX 2



ROADIAN ATX

#### All Seasons



N'FERA Supreme



N'blue 4 Season 2

# NEXEN TIRE Value Chain

## 1 — R&D

NEXEN TIRE defines eco-friendly products as superior products that have higher energy consumption efficiency (e.g. in high rolling resistance performance) in comparison to market average. We are investing in R&D to develop such eco-friendly products. In response to the strengthening of environmental regulations, we will continuously manage and increase the percentage of our eco-friendly products to achieve the GHG reduction goals and minimize particulate matter emissions.

**Percentage of eco-friendly products**

Korea **6.6%**, Europe **9.8%**

**R&D investment**

Approx. KRW **85.1** billion

**Ratio of R&D investment to annual sales**



**4.1%**

## 2 — Raw Material

Currently, approximately 23% of NEXEN TIRE's products use sustainable materials. We are seeking to increase this figure by incorporating various recycled and reusable materials into our products. We also conduct research in cooperation with various partners to develop high-performance tires using eco-friendly raw materials.

**Percentage of sustainable (reused/recyclable) materials**

**23.3%**

<p><b>Domestic and Overseas Business Portfolio</b></p>	<p><b>Tire Sector</b></p> <ul style="list-style-type: none"> <li>• Products (tire)</li> <li>• Others (rental, lease, and sales agency)</li> </ul>	<p><b>Non-tire Sector</b></p> <ul style="list-style-type: none"> <li>• Transportation and storage</li> <li>• Molding (tire mold)</li> <li>• Bakery, etc.</li> </ul>	<p><b>Tire brands</b></p> <p><b>5</b> Brands</p> 	<p><b>Total number of employees</b></p> <p><b>6,860</b> Persons (domestic 4,000 + overseas 2,860)</p> 
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## 3 — Manufacture

NEXEN TIRE is establishing and enhancing its Environmental Management System by acquiring ISO 14001 for entire domestic and overseas plants. We will continue minimizing environmental risks through systematic risk identification, assessment, and improvement activities. In addition, we are conducting a variety of investment activities to minimize environmental impacts by reducing GHG emissions, wastewater, garbage, and energy used in the process.

**Percentage of plants with ISO 14001**

**100%**

**GHG emissions (Scope 1 + 2)**

**368,296** tCO<sub>2</sub>eq

## 4 — Use

Tires are directly related to driver safety as they are the only parts in contact with the vehicle and the ground. NEXEN TIRE manufactures tires in compliance with the strict technical specifications of IATF 16949 for product's safety and quality. In addition, we wage safety campaigns and provide inspection services to customers in order to fulfill our product responsibilities.

**Percentage of plants with IATF 16949**

**100%**

## 5 — Recycling & Disposal

Almost 100% of the waste tires processed from NEXEN TIRE's domestic and overseas plants are recycled in various materials. They are broken down to obtain key ingredients such as rubber and steel. In domestic plant, these tires are reused to create thermal energy through incineration. The obtained rubber is used in eco-friendly rubberized asphalt.

**Waste tire recycle rate (based on plants)**

Approx. **100%**\*

\*Data from the Korea Tire Industry Association

# NEXEN TIRE UN SDGs

## Activities for the UN SDGs

Sustainable Development Goal	Activities	Page
<b>No Poverty</b> End poverty in all its forms everywhere	<ul style="list-style-type: none"> <li>Operating the NEXEN Wolsuk Cultural Foundation</li> </ul>	69
<b>Good Health and Well-Being</b> Ensure healthy lives and promote well-being for all at all ages	<ul style="list-style-type: none"> <li>Strengthening safety in worksites</li> <li>Managing employees' health</li> <li>Implementing N-Change and quarter-day leave system</li> <li>Operating an in-house blood donation center, etc.</li> </ul>	43-46, 48
<b>Quality Education</b> Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	<ul style="list-style-type: none"> <li>Operating the NEXEN Learning Academy (NLA)</li> <li>Providing ethics education and information security education, etc. to employees</li> </ul>	50-51, 74, 80
<b>Gender Equality</b> Achieve gender equality and empower all women and girls	<ul style="list-style-type: none"> <li>Providing education on diversity</li> <li>Announcing the Declaration of Human Rights, etc.</li> </ul>	41-42
<b>Affordable and Clean Energy</b> Ensure access to affordable, reliable, sustainable, and modern energy for all	<ul style="list-style-type: none"> <li>Conducting industry-academic collaboration research to develop eco-friendly tire materials</li> <li>Implementing the eco-friendly product policy</li> <li>Signing the Green Premium contract</li> </ul>	30, 33, 36-39
<b>Decent Work and Economic Growth</b> Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all	<ul style="list-style-type: none"> <li>Getting consulting service to improve the organizational culture and HR system</li> <li>Holding labor-management council meetings and Labor-Management talks</li> </ul>	47-49, 51-54
<b>Industry, Innovation and Infrastructure</b> Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation	<ul style="list-style-type: none"> <li>Conducting R&amp;D for eco-friendly products</li> <li>Revising information security and privacy regulations</li> </ul>	33-34, 71-74
<b>Reduced Inequalities</b> Reduce inequality within and among countries	<ul style="list-style-type: none"> <li>Providing human rights education</li> <li>Operating a reporting center</li> </ul>	41-42, 81

Sustainable Development Goal	Activities	Page
<b>Sustainable Cities and Communities</b> Make cities and human settlements inclusive, safe, resilient, and sustainable	<ul style="list-style-type: none"> <li>Implementing a tire support project for local communities</li> <li>Operating the Children Safety Center</li> <li>Operating volunteer clubs by worksite</li> </ul>	68
<b>Responsible Consumption and Production</b> Ensure sustainable consumption and production patterns	<ul style="list-style-type: none"> <li>Revising the sustainable purchasing policy for suppliers</li> <li>Implementing the conflict minerals management policy</li> <li>Hosting the 2022 Golden Tire Awards</li> <li>Collecting VOCs from agencies through regular market survey and reflecting the market trend to policy development</li> <li>Providing accurate product information by distributing the pattern guidebook and price list for 2021 - 2022</li> </ul>	57-58, 63-64
<b>Climate Action</b> Take urgent action to combat climate change and its impacts	<ul style="list-style-type: none"> <li>Establishing a carbon neutrality strategy and RE100 roadmap</li> <li>Developing energy-saving technologies</li> </ul>	36-39
<b>Life on Land</b> Terrestrial ecosystems	<ul style="list-style-type: none"> <li>Operating the environmental management system (EMS)</li> <li>Conducting on-site inspections of waste treatment companies</li> <li>Strengthening the supplier audit criteria</li> </ul>	29-32
<b>Peace, Justice and Strong Institutions</b> Promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable, and inclusive institutions at all levels	<ul style="list-style-type: none"> <li>Implementing the sustainable natural rubber policy</li> <li>Holding the general shareholders' meeting</li> <li>Providing cash dividend</li> <li>Holding an IR meeting</li> <li>Operating the reporting center</li> </ul>	63, 77-82
<b>Partnerships for the Goals</b> Strengthen the means of implementation and revitalize global partnership for sustainable development	<ul style="list-style-type: none"> <li>Sponsoring sports competitions</li> <li>Joining the Global Initiatives</li> </ul>	70, 86



# ESG MANAGEMENT

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- 16 Double Materiality Assessment
- 20 Management Approach(MA)
- 22 Stakeholder Communications



# ESG Management System



## NEXEN ESG History

### 2022

- Received the Silver Medal from EcoVadis (Apr. 2022)
- Acquired the information security certification TISAX (Magok, EP, NETC)
- Joined ETRMA (European Tyre and Rubber Manufacturers' Association)
- Joined K-ESG Alliance



### 2021

- Received the Grand Prize in the Korea Labor-Management Cooperation Awards
- Received the Bronze Medal from EcoVadis
- Participated in CDP (Climate Change) (Yangsan, Changnyeong, Czech Republic)
- 'N'FERA Sport' ranked No. 1 in the summer tire performance test conducted by German automobile magazine 'ACE Lenkrad'

### 2020

- Acquired ISO 45001 (Yangsan, Changnyeong, Cheongdo, Czech Republic)
- Acquired ISO 14001 (Yangsan, Changnyeong, Magok, Qingdao, Europe)
- Acquired IATF 16949 (Yangsan, Changnyeong, Qingdao, Europe)
- Joined the Global Platform for Sustainable Natural Rubber (GPSNR)
- Designated as an excellent workplace for reducing particulate matter
- Established a supplier CSR policy
- Named '2020 Best Supplier of the Year' by Stellantis
- Participated in CDP (Climate Change) (Yangsan, Changnyeong)
- Participated in CDP(Water Security) (Yangsan, Changnyeong)

### 2019

- Published the ESG Report (2020)
- Won the Grand Prize in the National Service Awards for NEXT LEVEL service (for three consecutive years from 2019 to 2021)
- Participated in EcoVadis
- THE NEXEN univerCITY acquired certification as an eco-friendly green office building

### 2017

- Participated in NQC SAQ

### 2015

- Conducted CO<sub>2</sub> reduction target management (Changnyeong, Yangsan)

### 2013

- Participated in CDP (climate change)
- Won the GM 'Supplier Quality Excellence Award' (for eight consecutive years from 2013 to 2021)

### 2011

- Acquired ISO 14001
- Conducted CO<sub>2</sub> reduction target management (Yangsan)
- Won the Grand Prize in the Gyeongnam QCC Contest (Yangsan, Changnyeong) (for ten consecutive years from 2011 to 2021)

### 2009

- Ranked No. 1 in the global customer satisfaction index (GCSI) (for 13 consecutive years upto 2022)

### 2008

- Established the NEXEN Wolsuk Cultural Foundation

### 2007

- Acquired certification as an excellent workplace with health promotion activities (Yangsan) (for 13 consecutive years from 2007 to 2021)

### 2003

- Established the NEXEN Wolsuk Busan Leading Scholarship Committee

### 1995

- Established the KNN Cultural Foundation

## ESG Policy

NEXEN TIRE established ESG principles to grow with stakeholders and fulfill corporate social responsibilities in pursuit of the value of consideration, coexistence, and symbiosis. Our ESG principles set the guidelines as to how we must fulfill social responsibilities in the areas of business ethics, labor and human rights, environment, and supply chain management.



### Business Ethics

NEXEN TIRE is striving to create a transparent, fair, and mature corporate culture based on its management principles and ethical standards to pursue the value of consideration, coexistence, and symbiosis while growing with stakeholders, such as shareholders, customers, suppliers, partners, local communities, and employees. We endeavor to practice ethical management, for example by conducting ethical management surveys among employees, providing regular education and operating a reporting center for ethical code violations in addition to running Ethics Management Team under direct control of COO. Moreover, the head of the Legal Affairs Team is designated as the compliance officer, and the Legal Affairs Team supports our compliance management.



### Environment, Health, and Safety(EHS)

According to the environmental management policy, NEXEN TIRE, in the short term, is implementing tasks based on the roadmap, such as life cycle assessment (LCA), with the goal of establishing environmental policies. In the long term, we are systematizing the internal and external eco-friendly process development by reviewing and discovering new business items for corporate sustainability and gradually increasing the percentage of eco-friendly products, etc. In terms of occupational health and safety, according to the full enforcement of the Act on the Punishment, etc. of Serious Accidents, we set occupational health and safety as the core value of our management activities and established and announced an independent occupational health and safety management policy. In addition, we are promoting substantial accident prevention by introducing and operating Occupational Health and Safety Assessment System for supervisors.



### Labor and Human Rights

As a people-oriented company, NEXEN TIRE is committed to fulfilling its mission through human rights management that puts labor and human rights protection first in all business activities. To this end, we have established a human rights management policy and announced the Human Rights Declaration to present the standards for value judgment that must be observed by all employees and stakeholders, and we have pledged to practice them in all business activities. We plan to establish the ESG committee to conduct various activities aimed at establishing a human rights management system and reinforcing company-wide human rights.



### Supply Chain Management

NEXEN TIRE is creating a sustainable ESG supply chain system by supporting the growth of partners based on transparent and healthy transactions. Since the Supplier ESG Management Policy was established in August 2019, we have been upgrading the policy annually according to customer needs and industrial trends. We are also supporting the spread of ESG value such as corporate ethics, labor and human rights, and environmental, health, and safety policies across the supply chain.

## NEXEN TIRE ESG Principles

## ESG Implementation System

While fulfilling its corporate social responsibility, NEXEN TIRE is promoting sound growth together with all stakeholders such as customers, business partners, local communities, and employees. We are committed to practicing sustainable management under the ESG strategy system covering the company's mission and vision as well as core values.

### ESG Strategy Promotion Roadmap



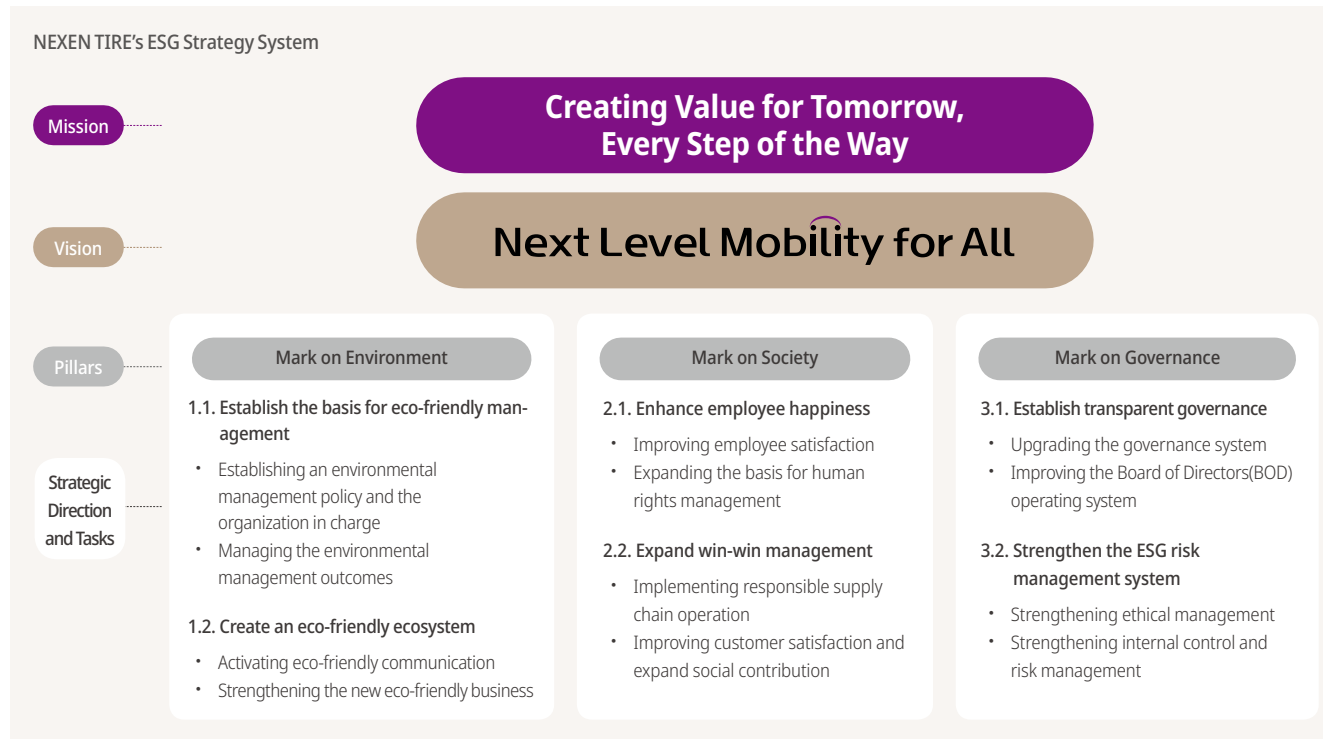
### ESG Strategy System and Tasks

In 2021, NEXEN TIRE established the ESG strategy system that is connected to the company-wide value system. We set "Mark On," which symbolizes the "skid mark" we made on the environment and society based on our sustainability, as well as the promotional directions for each of the ESG pillars. As for the direction of our mid- to long-term ESG goals, we reflected the requirements of various stakeholders including customers that wield significant impact on us. In addition, for the promotion of strategies by ESG pillar, items for which our level of response to domestic and overseas initiatives is insufficient are set as our tasks and reflected the recent changes in initiatives. Through this process, a list of strategic tasks for each of the ESG items was developed, which we will implement as response is required.

### ESG Management Organization

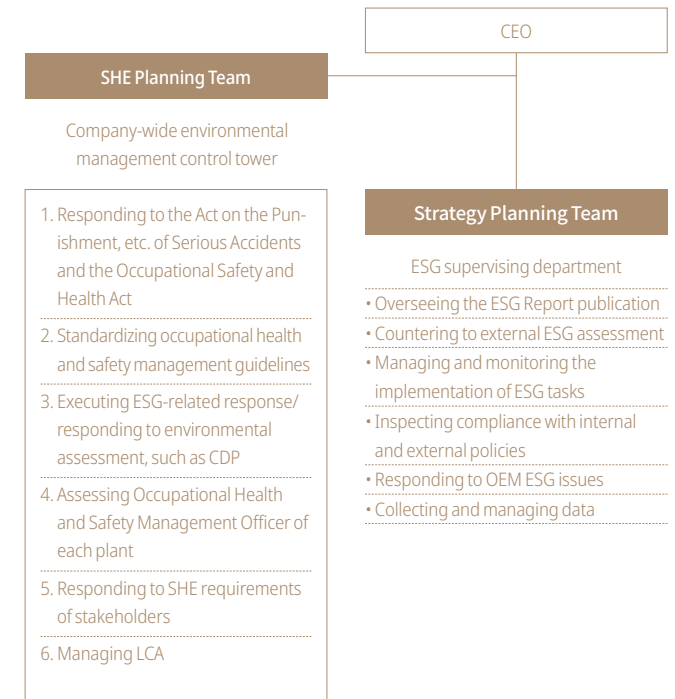
NEXEN TIRE responds to key ESG-related issues through the Strategy Planning Team of the Business Administration Business Group under the CEO. In 2022, for environmental and climate change response, we established the SHE Planning Team to serve as a company-wide environmental management control tower.

We will organize the ESG Response Operating Committee and the ESG committee to manage our ESG status and issues and approve mid- to long-term ESG plans through linkage to the corporate and response strategies to environmental change.



### ESG Management Organization

(As of Apr. 2022)





**ESG Promotion Goals by 2025**

●●●●● Completely fulfilled ●●●●○ 80% fulfilled ●●●○ 50 - 60% fulfilled ●●○○○ 40% fulfilled ●○○○○ 20% or less fulfilled

ESG Pillar	Strategic Direction	Tasks	Short-term Goal (by 2022)		Mid- to Long-term Goal (by 2025)	Remarks
			Detailed Goal	Fulfillment		
<b>Mark on Environment</b> 	<b>Establishing the basis for eco-friendly management</b>	Establishing an environmental management policy and the organization in charge	<ul style="list-style-type: none"> <li>Establishing environmental policy goals (GHG, energy consumption, etc.)</li> <li>Introducing the LCA (Life Cycle Assessment) system</li> <li>Establishing the organization in charge of SHE</li> </ul>	In progress ●○○○○ In progress ●●●○○* Completed ●●●●●	<ul style="list-style-type: none"> <li>Establishing a climate change response policy</li> <li>Responding to climate change by expanding eco-friendly management</li> <li>Promoting the achievement of Net Zero 2039</li> <li>Promoting the achievement of RE100 (plan to achieve EP by 2024, QP by 2024, YP by 2039, and CP by 2039)</li> </ul>	* Promoting LCA consulting in 2022
		Managing the environmental management outcomes	<ul style="list-style-type: none"> <li>Setting a waste reduction goal</li> <li>Establishing energy intensity management indicators</li> <li>Establishing water consumption indicators</li> </ul>	In progress ●○○○○ In progress ●○○○○ In progress ●○○○○	<ul style="list-style-type: none"> <li>Increasing renewable energy use</li> </ul>	
	<b>Creating an eco-friendly ecosystem</b>	Activating eco-friendly communication	<ul style="list-style-type: none"> <li>Developing a hazardous substance and waste reduction program</li> <li>Redefining the eco-friendly product</li> <li>Increasing the percentage of eco-friendly products to 6.6% in Korea and 9.8% in Europe</li> </ul>	In progress ●○○○○ In progress ●●●○○ Completed ●●●●●	<ul style="list-style-type: none"> <li>Increasing the percentage of eco-friendly products to 9.8% in Korea and 14.3% in Europe</li> </ul>	
<b>Mark on Society</b> 	<b>Enhancing employee happiness</b>	Improving employee satisfaction	<ul style="list-style-type: none"> <li>Establishing a health and safety policy for employees</li> </ul>	Completed ●●●●●	<ul style="list-style-type: none"> <li>Creating a sustainable work environment</li> </ul>	
	<b>Expanding win-win management</b>	Implementing responsible supply chain operation	<ul style="list-style-type: none"> <li>Establishing a supply chain policy</li> <li>Establishing a supplier performance assessment system</li> <li>Introducing and operating regular/constant communication channels with suppliers</li> <li>Establishing a green procurement policy</li> </ul>	Completed ●●●●● In progress ●○○○○ In progress ●○○○○	<ul style="list-style-type: none"> <li>Improving the supply chain management process</li> </ul>	* Partially reflected to the supply chain policy
		Improving customer satisfaction and expand social contribution	<ul style="list-style-type: none"> <li>Introducing a policy to encourage social contribution activities</li> </ul>	In progress ●○○○○*	<ul style="list-style-type: none"> <li>Developing a sustainable management system for mutual growth with external stakeholders</li> </ul>	
<b>Mark on Governance</b> 	<b>Establishing transparent governance</b>	Advancing the governance system	<ul style="list-style-type: none"> <li>Establishing a policy to ensure transparency of governance</li> <li>Establishing governance charters</li> </ul>	In progress ●●○○○ In progress ●●●○○	<ul style="list-style-type: none"> <li>Improving transparency in organizational structure</li> <li>Achieving transparent governance operation</li> <li>Minimizing ESG risks by upgrading inspection, internal control, and risk management system</li> </ul>	
		Improving the BOD operating system	<ul style="list-style-type: none"> <li>Revising the Board of Directors(BOD) regulations and disclosing information on the website</li> </ul>	In progress ●●●○○	<ul style="list-style-type: none"> <li>Completed regulation revision, to be disclosed on the website</li> </ul>	
	<b>Strengthening the ESG risk management system</b>	Strengthening ethical management	<ul style="list-style-type: none"> <li>Achieving 100% ethical management education completion</li> </ul>	In progress ●●●○○	<ul style="list-style-type: none"> <li>Maintaining 100% ethical management education completion</li> <li>Acquiring and reviewing anti-corruption certification</li> </ul>	98.2% in 2021
Strengthening internal control and risk management		<ul style="list-style-type: none"> <li>Upgrading the record storage period management system</li> <li>Revising the information security regulations</li> </ul>	In progress ●●●○○ Completed ●●●●●	<ul style="list-style-type: none"> <li>Conducting third-party anti-corruption due diligence</li> </ul>		

## ESG Performance

### ESG Response to Customer

NEXEN TIRE understands and strives to meet customers' ESG-related requirements. We are implementing the detailed items we have set up for each category, such as acquiring ESG-related certifications, conducting self-assessment and external disclosure, joining related organizations and initiatives, and strengthening product competitiveness.



#### Acquired ESG-related Certifications

- ISO 14001 (Yangsan, Changnyeong, Magok, Qingdao, Europe)
- ISO 45001 (Yangsan, Changnyeong, Qingdao, Europe)
- IATF 16949 (Yangsan, Changnyeong, Qingdao, Europe)
- TISAX (Magok, EP, NETC)



#### Self-assessment and Disclosure

- SAQ 4.0 of the NQC-Supplier Assurance Program development
- ESG Report publication
- Third-party verification of ESG Report
- ESG Training to all Employee
- LCA (Life Cycle Assessment) system
- Effort to achieve RE100

To satisfy customers' demand for various certifications, NEXEN TIRE has acquired the ISO 14001 (environmental management system) certification for all plants along with the ISO 45001 certification. We have also acquired the IATF 16949 certification, which is a requirement of global customers, for all manufacturing plants. We annually collect the requirements designated by global customers and promote the necessary improvements based on the requirements through a third-party follow-up review. In 2022, our information security management system has been strengthened further with our acquisition of TISAX (Trusted Information Security Assessment eXchange) certification, a global information security certification developed by VDA (German Association of the Automotive Industry) to assess the information security of parts makers, OEMs, and suppliers, etc. that contribute to the global automobile production supply chain.

#### SAQ 4.0 Assessment

For the degree of sustainable management, which has emerged as a key customer requirement, NEXEN TIRE assesses all plants using SAQ (Self-Assessment Questionnaire) 4.0 of the NQC-Supplier Assurance program, the criteria for supply chain assessment in the automotive industry. Through continuous improvement, we are obtaining improved scores year-over-year.

#### ESG Report Publication

NEXEN TIRE effectively and transparently communicates with stakeholders about the ESG management activities by publishing the ESG Report and receiving verification from the third-party.

#### Effort to Achieve RE100

To fulfill RE100, NEXEN TIRE purchased the Green Premium for Changyang and Yangsan Plants and completed renewable energy transition for 5.86% of total power use. Considering REC purchase and participation in the PPA for overseas manufacturing plants as well starting next year, we aim to achieve RE100 by 2039.

#### ESG Training

To establish ESG management, NEXEN TIRE provides annual ESG training to all employees. Considering the manufacturing process of our products, the training particularly focuses on the areas of environment and safety. Recognizing the importance of ESG management, NEXEN TIRE will continuously expand opportunities for our employees to join in the effort.

#### LCA System\*

From 2022, with a goal to meet the continued demand from automotive companies and achieve more active eco-friendly management, NEXEN TIRE analyzes 12 environmental impact items including global warming, resource depletion, and land use for the three tire products manufactured in Korea and overseas throughout their life cycle from pre-manufacturing to manufacturing, distribution, use, and disposal according to the ISO 14040 and 14044 by following the Rules for Environmental Product Declarations.

\*LCA data have been requested by key customers (BMW, Porsche, Hyundai Motor Company, Kia, etc.). LCA is conducted through the method of CML impact assessment using the GaBi operation program.

## ESG Response to Customer



### Joining Related Organizations and Initiatives

- GPSNR (2020)
- CDP Climate (2013)
- ETRMA (2022)
- K-ESG Alliance (2022)



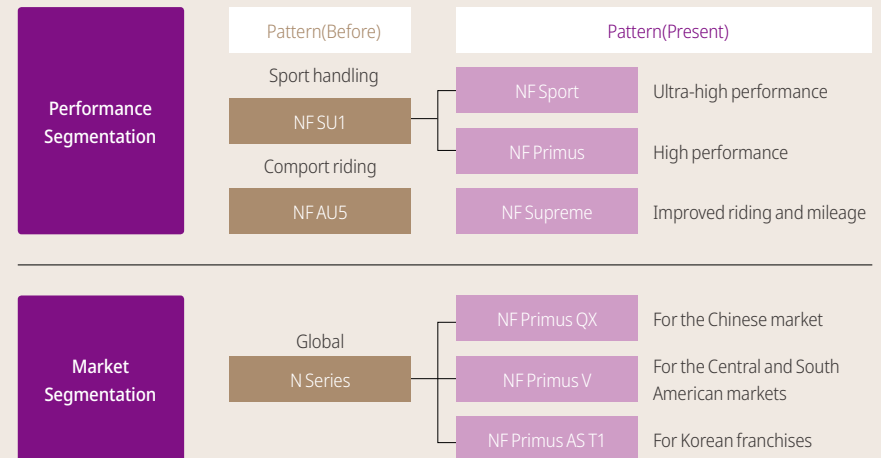
### Strengthening Product Competitiveness

- Downstream the product line-up
- Securing performance optimization technologies
- Sustainable supply of OE(original equipment) tires

Since 2020, NEXEN TIRE, as a company responsible for the natural rubber value chain, has been serving as a member of GPNSR (Global Platform for Sustainable Natural Rubber). We are also participating in CDP (Carbon Disclosure Project) Climate Change. In 2022, we joined ETRMA (European Tyre and Rubber Manufacturers' Association) as a member. By joining ETRMA, we are striving to understand and respond swiftly to changes in and regulations for global tire and rubber brands as well as relevant EU policies and regulations. In addition, since April 2022, we have been serving as a member of K-ESG Alliance. K-ESG Alliance was launched by the Federation of Korean Industries (FKI). FKI members, global enterprises, and startups, etc. are serving as members of this ESG-related consultative body. As a member of K-ESG Alliance, NEXEN TIRE strives to improve related systems by keeping up with the ESG management trend, identifying the difficulties of ESG management in Korea and abroad, and making proposals to the government and the National Assembly, etc. To meet the requirements of customers such as global automotive companies and consumers for tire replacement service, we are continuously carrying out product development and policy establishment activities.

### Downstreaming Product Screen

NEXEN TIRE is developing products by analyzing the needs of customers and markets in each global region and continuously investing in product screen with the goal of quantitative market analysis and performance improvement. In line with the further segmented customer requirements and target markets along with the diversified vehicle models, we are creating specialized products to meet customer needs more successfully.



### Sustainable Supply of OE(original equipment) Tires

NEXEN TIRE contributes to the enhancement of R&D competency as well as the value for a number of automotive companies by supplying quality OE(original equipment) tires. Having successfully completed new OE supply by meeting the strict requirements of automotive companies with advanced technological power, we are increasing our competitiveness in the global tire market.

### Securing Performance Optimization Technologies

To enter the premium OE market and develop top-quality products as required by customers, NEXEN TIRE is conducting researches to optimize the four key performance indicators—fuel efficiency, wet braking, noise, and wear—by securing design technology and developing new materials. In addition, we are focusing on new-concept product development for Electric Vehicle(EV) and quality improvement, such as developing new patterns, applying new materials, and promoting optimization design, through the application of big data technologies to the product development process.



# Double Materiality Assessment

## Double materiality



### Social and Environmental Impacts

In relation to the sustainability issue, what impact does the company have on the society and environment (inside-out approach)?



### Financial Impact

What impact does the sustainability issue have on the company's financial conditions and performances, etc. (outside-in approach)?

## Introducing the Double Materiality Assessment

With the increasing demand for ESG information disclosure from stakeholders, NEXEN TIRE's materiality assessment in 2022 was conducted with the double materiality concept, introduced by the GRI(Global Reporting Initiative) and the EU. The concept of double materiality, which was officially proposed in the Guidelines for Non-financial Reporting\* of the European Union (EU) in June 2019, recommends that companies make materiality decisions from two perspectives.

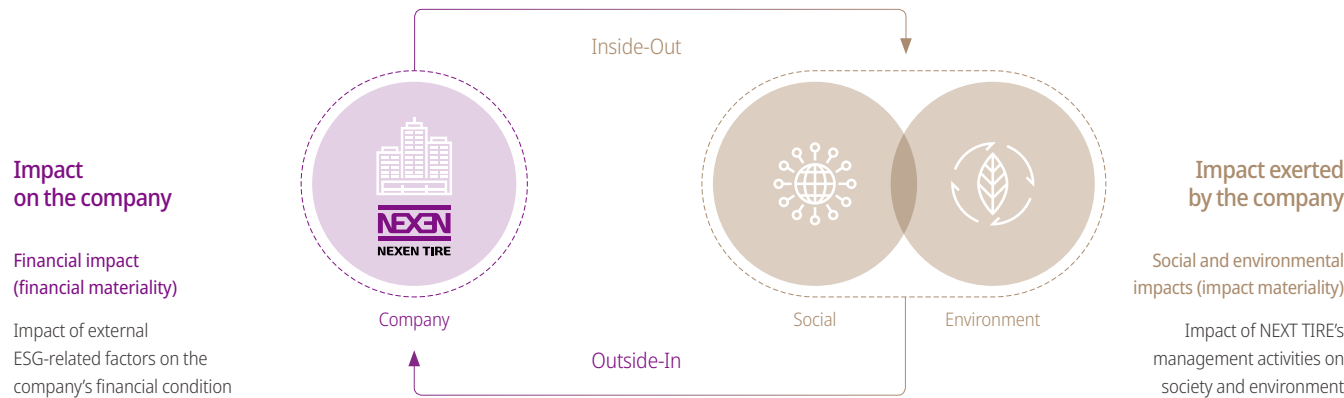
\*Guidelines on Non-financial Reporting: Supplement on Reporting Climate-related Information

NEXEN TIRE dedicates utmost effort to creating value for the company and stakeholders by establishing strategies based on the analysis of mutual connection among social and environmental and financial impacts.

We will strengthen the transparent communication with stakeholders by analyzing the level of impact awareness of each stakeholder group identified through double materiality assessment, reviewing risk factors in relation to the material issues derived, establishing directivity for response strategies, and disclosing the relevance to the mid- to long-term ESG goals.



### Concept of Double Materiality



### Sustainability Issues



## Double Materiality Assessment Process

NEXEN TIRE's materiality assessment was conducted in three steps.



## 2021 Materiality Assessment Results

As a result of the materiality assessment, 10 out of 25 sustainability issues were selected as material issues for NEXEN TIRE in 2021. For the materiality assessment of 2021, the results by stakeholder group, along with the overall rankings, were comparatively analyzed. Therefore, the assessment results indicate differences in the level of awareness of the impact resulting from ESG issues by stakeholder group. In establishing and promoting strategies for sustainability response, NEXEN TIRE will continue strengthening communication with stakeholders.

Rank	Area	Issue	Social and environmental impact	Financial impact	Employees	Partners	Local communities	External experts
1	Social	Product quality	●	●	●	●	●	●
2	Social	Safe work environment	●	●	●	●	●	●
3	Environmental	Climate change response and reduction of carbon emissions	●	●	●	●	●	●
4	Governance	Integrated risk management	●	●	●	●	●	●
5	Economic	Technological innovation and future business	●	●	●	●	●	●
6	Social	Customer safety	●	●	●	●	●	●
7	Social	Supply chain management	●	●	●	●	●	●
8	Environmental	Energy management	●	●	●	●	●	●
9	Environmental	Management of water resources, hazardous substances, and wastes	●	●	●	●	●	●
10	Governance	Compliance and ethical management	●	●	●	●	●	●

High ● Medium ● Low ●

### 25 Sustainability Issues

- |   |   |   |                            |                             |                          |                                     |
|---|---|---|----------------------------|-----------------------------|--------------------------|-------------------------------------|
| ① Technological innovation and future business              | ⑤ Management of water resources, hazardous substances, and wastes | ⑨ Safe work environment                   | ⑬ Raw material procurement | ⑰ Stakeholder communication | ⑲ Product quality        | ⑲ Information security              |
| ② Value creation and distribution (economic activation)     | ⑥ Circular economy  | ⑩ Employees' wellbeing and fair HR system | ⑭ Raw material procurement | ⑱ Customer safety           | ⑳ Marketing and branding | ⑳ Labor-management relationship     |
| ③ Energy management   | ⑦ Eco-friendliness and environmental impact of products           | ⑪ Talent fostering and recruitment        |                            | ⑳ Customer safety           |                          | ㉑ Sound BOD                         |
| ④ Climate change response and reduction of carbon emissions | ⑧ Biodiversity protection   | ⑫ Supply chain management                 |                            | ㉑ Customer safety           |                          | ㉒ Integrated risk management        |
|   |   | ⑬ Diversity and human rights              |                            | ㉒ Customer safety           |                          | ㉓ Compliance and ethical management |
|   |   | ⑭ Raw material procurement                |                            | ㉓ Customer safety           |                          |                                     |

## Material Issues of NEXEN TIRE in 2021

Ten selected material issues were analyzed from the perspectives of social and environmental impact, and financial impact.

<b>Material Issue 1. Product quality</b>	<p>Maintaining and improving product and service quality is a key issue in the manufacturing industry and for NEXEN TIRE. With its high-quality and eco-friendly products, we will guarantee customers' safety and lessen environmental impact of our business. As a result, we will solidify the reliability of the NEXEN TIRE brand and minimize financial risks.</p>	<b>Material Issue 6. Customer safety</b>	<p>Tires are closely associated with the safety of the driver, and any accident involving a tire has the risk of leading to a major accident. Therefore, NEXEN TIRE is dedicating its utmost effort to ensure customer safety through continued market monitoring even after the product launch along with strict quality verification. In doing so, we will fulfill our social responsibility of protecting the safety of customers and enhancing their satisfaction.</p>
<b>Material Issue 2. Safe work environment</b>	<p>With the importance of occupational health and safety increasing, NEXEN TIRE strives to fulfill social responsibility by providing a safe workplace to employees.</p>	<b>Material Issue 7. Supply chain management</b>	<p>EU is promoting the legislation of the Supply Chain Due Diligence Act, which will be enforced in 2024. In line with the global trend, NEXEN TIRE is supporting the spread of ESG management among suppliers by conducting responsible supply chain management. By doing so, we aim to contribute to creating a socially virtuous cycle.</p>
<b>Material Issue 3. Climate change response and reduction of carbon emissions</b>	<p>NEXEN TIRE is committed to implement the corporate environmental responsibility by developing mid to long-term carbon neutrality roadmap in response to the global climate change. We have also established a risk management process in order to control corporate risks that can occur due to the abnormal climate.</p>	<b>Material Issue 8. Energy management</b>	<p>In keeping with the global trend of enhancing the efficiency of energy consumption and increasing renewable energy use such as RE 100 and Net-Zero, NEXEN TIRE established a detailed roadmap, striving to become an eco-friendly company.</p>
<b>Material Issue 4. Integrated risk management</b>	<p>To NEXEN TIRE, managing financial and non-financial risks according to the rapid social and environmental changes as of late is very important. While identifying risks in advance through the establishment of an integrated risk management system, we are constantly monitoring, reporting, and responding to the risks.</p>	<b>Material Issue 9. Management of water resources, hazardous substances, and wastes</b>	<p>In addition to climate change, NEXEN TIRE also pays attention to other environmental issues. In particular, we endeavor to manage water resources efficiently, control chemicals that are harmful to human health and environment, and minimize the environmental impact of waste by adopting an appropriate waste treatment method.</p>
<b>Material Issue 5. Technological innovation and future business</b>	<p>With the expectation that future mobility market is to be driven by EV, NEXEN TIRE, as a tire company, will reinvent products through technological development and expand business areas by securing a sustainable business structure. In addition, by developing high-quality, eco-friendly products through continuous technological innovation, we will fulfill our social and environmental responsibilities at the same time while enhancing customer satisfaction.</p>	<b>Material Issue 10. Compliance and ethical management</b>	<p>As a global business operator, NEXEN TIRE is exposed to domestic and international risks concerning product liability, privacy protection, fair trade, corruption and bribery. These risks can impede the business activities of a company and wield a negative impact on its image. Therefore, NEXEN TIRE pays continuous attention to controlling the risks.</p>

# Management Approach



## Management Approach

For the 10 material issues derived through materiality assessment, NEXEN TIRE analyzes the ESG risk factors and conducts systematic management based on management strategies.

Rank	Issue	Definition	Risk Factors	NEXEN TIRE's Management Strategy	Performance Indicators	Performance in 2021/22	Page	Reporting Boundaries
1	Product quality	Activities to maintain and improve the company's products and services	<ul style="list-style-type: none"> <li>Maintaining a relationship of trust with customers</li> <li>Strengthening market competitiveness</li> <li>Meeting the needs of stakeholders</li> <li>Quality risk</li> </ul>	NEXEN TIRE preemptively grasps customers' needs to provide products that meet them, and it is strengthening product competency and quality based on continuous investment in R&D.	<ul style="list-style-type: none"> <li>Quality issue monitoring</li> </ul>	<ul style="list-style-type: none"> <li>Conducting internal quality review and receiving third-party certification</li> </ul>	25-26, 60-62	Customers, shareholders
2	Safe work environment	Activities to continuously improve systems and work environment to provide safe workplace	<ul style="list-style-type: none"> <li>Increased corporate responsibility for safety management according to the enforcement of the Act on Punishments, etc. of Serious Accidents and strengthening of the Occupational Safety and Health Act</li> <li>Increasing interest of employees in safety</li> </ul>	NEXEN TIRE strengthened safety management by establishing an organization in charge of occupational health and safety management. Our effort also includes the safety education of employees and suppliers and operation of the safety management system across all worksites.	<ul style="list-style-type: none"> <li>Safety education completion rate</li> <li>On-site safety inspection</li> </ul>	<ul style="list-style-type: none"> <li>Establishing an organization in charge of SHE</li> <li>Providing occupational health and safety education</li> <li>Conducting supplier risk assessment</li> </ul>	43-46	Employees, local communities
3	Climate change response and reduction of carbon emissions	Activities to establish climate change risk management and response system to reduce the greenhouse gas emission	<ul style="list-style-type: none"> <li>Increasing interest in global climate change issues</li> <li>Increasing needs of external stakeholders</li> <li>Strengthened regional regulations for air pollution</li> </ul>	Every year, NEXEN TIRE reviews greenhouse gas reduction plans such as investment in equipment, facility improvement, and introduction of new technologies. We also constantly monitor for air pollutants and conduct reduction activities as applicable.	<ul style="list-style-type: none"> <li>Scope 1,2 emissions</li> <li>Product LCA</li> <li>Fulfillment of particulate matter reduction agreement</li> </ul>	<ul style="list-style-type: none"> <li>Adopting a product LCA system</li> <li>Conducting energy audit in European plants</li> <li>Establishing the RE100 roadmap</li> <li>Signing the Green Premium contract</li> <li>Designated as a company with excellent performance in air environment improvement</li> </ul>	36-39	Shareholders, government, local communities
4	Integrated risk management	Activities to identify financial and non-financial risks which may have potential impact on company, and build a company-wide risk management and response system	<ul style="list-style-type: none"> <li>Strengthened ESG assessment criteria</li> <li>Strengthened global regulations for statutory violations</li> <li>Statutory violation directly leading to damage to corporate reputation and reliability</li> </ul>	Based on a company-wide risk management process, NEXEN TIRE conducts pre- and post-inspections on financial and non-financial risks. We also monitor risks frequently and review the key issues identified, which leads us to establish necessary response system..	<ul style="list-style-type: none"> <li>Key risk indicators</li> <li>Process Safety Management (PSM*) System</li> </ul>	<ul style="list-style-type: none"> <li>Conducting monthly risk monitoring and reporting</li> <li>Obtaining S grade for Process Safety Management</li> </ul>	82-84	Shareholders, employees
5	Technological innovation and future business	Activities to secure sustainable business structure and further its business sector through product innovation and investment expansion in physical and human resources	<ul style="list-style-type: none"> <li>Need to secure market competitiveness according to environmental change</li> <li>Meeting the needs of stakeholders</li> </ul>	To discover new growth engine, NEXEN TIRE established a corporate venture capital, and is investing in startups. While expanding the basic R&D personnel we focus on AI and big data research through industry - academic projects based on cooperative relationships.	<ul style="list-style-type: none"> <li>R&amp;D investment cost</li> </ul>	<ul style="list-style-type: none"> <li>Advancing the product life cycle management (PLM**) system</li> <li>Developing the tire performance prediction system</li> <li>Conducting R&amp;D for smart tire sensor technology</li> </ul>	24-27	Customers, shareholders

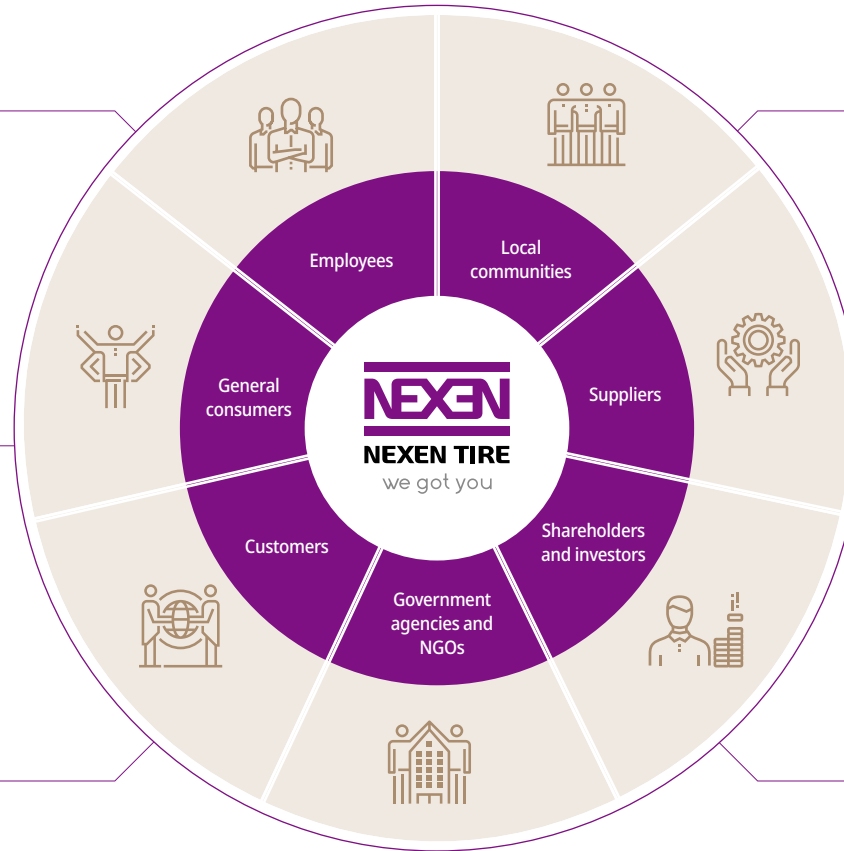
\*PSM(Process Safety Management)

\*\*PLM(Product Life-cycle Management System)



Rank	Issue	Definition	Risk Factors	NEXEN TIRE's Management Strategy	Performance Indicators	Performance in 2021/22	Page	Reporting Boundaries
6	Customer safety	Activities to enhance the product performance or develop designs (including activities raising customer safety awareness) considering the safety of final consumer(-customer)	<ul style="list-style-type: none"> <li>· Empowering market competitiveness</li> <li>· Customer satisfaction</li> </ul>	NEXEN TIRE is restructuring the R&D implementation system for product performance improvement and design development considering customer safety, such as driving safety. We are also conducting related activities including product performance verification and research for tire development through industry-academic cooperation.	<ul style="list-style-type: none"> <li>· Percentage of eco-friendly products</li> </ul>	<ul style="list-style-type: none"> <li>· Restructuring the R&amp;D organization to center on performance</li> <li>· Researching on product performance improvement</li> <li>· Investing in future-concept tire</li> </ul>	25-26	Customers
7	Supply chain management	Activities to co-exist with partners, and to support the dispersion of ESG management by managing the supply chain	<ul style="list-style-type: none"> <li>· Likelihood of ESG risk occurrence</li> <li>· Increasing sanctions and initiatives in relation to the supply chain</li> </ul>	While striving to create a shared growth culture with suppliers, NEXEN TIRE is committed to building a sustainable partnership in the long term. We strengthen the competitiveness of suppliers through regular management from the stage of selection in order to create a sustainable supply chain. We are also dedicated to establish a healthy industrial ecosystem.	<ul style="list-style-type: none"> <li>· Supplier ESG assessment</li> </ul>	<ul style="list-style-type: none"> <li>· Restructuring the supplier purchase policy</li> <li>· Improving the supplier ESG assessment items</li> </ul>	63-66	Suppliers
8	Energy management	Activities to expand the use of renewable energy and to reduce the amount or to improve the efficiency of energy used corporate wide	<ul style="list-style-type: none"> <li>· Strengthened environmental regulatory criteria</li> <li>· Energy loss</li> </ul>	NEXEN TIRE operates photovoltaic power generation facilities as an effort to expand renewable energy use. In addition, in order to reduce energy consumption, we are implementing efficient energy resource management strategies such as improving the system and applying high-efficiency energy-saving equipment.	<ul style="list-style-type: none"> <li>· Energy consumption</li> <li>· Tire energy efficiency rating system</li> </ul>	<ul style="list-style-type: none"> <li>· Developing performance and fuel efficiency prediction technologies through industry-academic cooperation</li> <li>· Operating photovoltaic power generation facilities</li> <li>· Operating electric forklifts in European plants</li> </ul>	31, 34, 38	Government, local communities
9	Management of water resources, hazardous substances, and wastes	Activities to minimize the impact on the environment by efficiently managing water resources, hazardous chemicals that are harmful to human health and environment according to the standard, and managing the waste disposal appropriately	<ul style="list-style-type: none"> <li>· Increasing social interest in environmental protection</li> <li>· Need to reinforce employees' consensus for environmental protection</li> <li>· Guaranteeing local residents' right to live in a clean environment</li> </ul>	Under the hazardous chemical management system, NEXEN TIRE conducts activities to control the hazardous chemicals included in the raw materials and tires. At the same time, we are dedicating effort to water quality management and process improvement in order to minimize impact on the water resource environment.	<ul style="list-style-type: none"> <li>· Hazardous substances training completion rate</li> </ul>	<ul style="list-style-type: none"> <li>· Advancing the regulatory substances management program</li> <li>· Conducting a groundwater environmental impact assessment</li> </ul>	32, 46	Local communities, customers
10	Compliance and ethical management	Activities to comply with domestic and foreign laws and regulations and to practice transparent and fair ethical management including anti-bribery, anti-corruption	<ul style="list-style-type: none"> <li>· Strengthened compliance-related regulations in Korea and abroad</li> <li>· Increasing financial/non-financial risks resulting from statutory violations</li> </ul>	NEXEN TIRE declared ethical management and appointed the compliance officer for inspecting fulfillment of the compliance criteria. Moreover, we provide regular ethics education to employees in order to strengthen compliance and ethical management.	<ul style="list-style-type: none"> <li>· Ethics education completion rate</li> <li>· Ethics-related report handling rate</li> </ul>	<ul style="list-style-type: none"> <li>· Providing ethics education</li> <li>· Conducting ethical management assessment and providing education</li> <li>· Conducting an anti-corruption examination</li> </ul>	80-81	Government, shareholders, employees

# Stakeholder Communications



<b>Key channels</b>	<ul style="list-style-type: none"> <li>· Questionnaire survey</li> <li>· Internal proposal system (Nack-a-thon)</li> <li>· NEMO</li> <li>· Operating a reporting center</li> </ul>
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<b>Areas of interest</b>	<ul style="list-style-type: none"> <li>· Organizational competency, organizational immersion, leadership</li> <li>· Fair HR system (equality, rationality)</li> <li>· Safe work environment, employee health</li> <li>· Human rights protection, welfare benefits, education for competency building</li> </ul>
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<b>Key channels</b>	<ul style="list-style-type: none"> <li>· Customer inquiry on the website</li> <li>· Operating a customer satisfaction center</li> </ul>
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<b>Areas of interest</b>	<ul style="list-style-type: none"> <li>· Providing products and services according to consumer needs</li> </ul>
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<b>Key channels</b>	<ul style="list-style-type: none"> <li>· Participating in domestic and overseas exhibitions and fairs</li> <li>· Participating in global initiatives</li> </ul>
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<b>Areas of interest</b>	<ul style="list-style-type: none"> <li>· Product innovation (product quality)</li> <li>· Acquiring international certifications and meeting the requirements</li> <li>· Human rights and labor</li> <li>· Climate change response</li> </ul>
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<b>Key channels</b>	<ul style="list-style-type: none"> <li>· Policy talk</li> <li>· Participating in domestic and global initiatives</li> </ul>
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<b>Areas of interest</b>	<ul style="list-style-type: none"> <li>· Meeting socioeconomic requirements</li> <li>· Climate change response</li> <li>· Fair trade</li> <li>· Compliance</li> </ul>
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<b>Key channels</b>	<ul style="list-style-type: none"> <li>· Consultative bodies with local communities</li> <li>· NGOs (Korean Red Cross, Beautiful Store)</li> </ul>
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<b>Areas of interest</b>	<ul style="list-style-type: none"> <li>· Social contribution considering the industrial characteristics</li> <li>· Meeting socioeconomic requirements</li> <li>· Climate change response</li> </ul>
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<b>Key channels</b>	<ul style="list-style-type: none"> <li>· Education to suppliers</li> <li>· Regular supplier monitoring</li> <li>· Market survey by visiting agencies</li> </ul>
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<b>Areas of interest</b>	<ul style="list-style-type: none"> <li>· Establishing a procurement policy for the sustainable growth of agencies</li> <li>· Preparing support measures to overcome the COVID-19 risk</li> </ul>
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<b>Key channels</b>	<ul style="list-style-type: none"> <li>· General shareholders' meeting</li> <li>· Investor relations (IR)</li> </ul>
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<b>Areas of interest</b>	<ul style="list-style-type: none"> <li>· Management performance</li> <li>· Governance</li> <li>· Ethical management</li> <li>· Compliance</li> </ul>
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# 03

## ECONOMIC SECTION

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## NEXEN TIRE's Economic Performances

### Improving Financial Stability

NEXEN TIRE's total sales in 2021 stood at KRW 2.0794 trillion, a 22% increase year on year. Despite the issue of semiconductor shortage, our OE sales continuously increased as a result of an increase in the supply volume of the existing SUV models and volume models.

Due to the rapid rise in ocean freight and increased raw material price, however, our operating profit decreased by approximately KRW 3.5 billion compared to the previous year. In response to this, we are solidifying the basis for improving profitability such as sales mix. Moving forward, NEXEN TIRE will dedicate its best effort to strengthening corporate competitiveness by responding to the rapidly changing external environment including oil price rise as a result of the war in Ukraine.



Total sales

KRW **2.0794** trillion\*  
(100%)



Sales from the tire sector

KRW **2.0753** trillion\*  
(98.1%)



Sales from the non-tire sector

KRW **4.2** billion\*  
(1.9%)

\*Internal trade removed

#### NEXEN TIRE's Sales Status\*

Category	Unit	2019	2020	2021	
Total sales	KRW hundred million	20,223.5	16,981.2	20,794.1	
By business sector	Tire	KRW hundred million	29,471.8	24,305.5	29,011.5
	Non-tire	KRW hundred million	249.2	210.5	205.9
	(Internal trade removed)	KRW hundred million	(9,497.5)	(7,534.8)	(8,423.3)

\*Based on consolidated financial statements

## R&D (Technological Innovation)

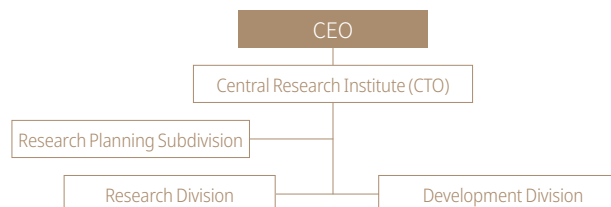
NEXEN TIRE is strengthening the core performance requirements of tires—such as fuel efficiency, contact surface, stiffness, noise, and wear—in line with the changes in the automotive market trend of electrification, high output, and high load. To this end, AI and big data technologies are applied to the product development process in order to develop new patterns, apply new materials, and optimize design. In addition, as the transition from internal combustion engine vehicles to EV is accelerating, we are improving the product development process in order to ensure more accurate performance verification and develop products that meet customer needs.

### Advancing the R&D Implementation System

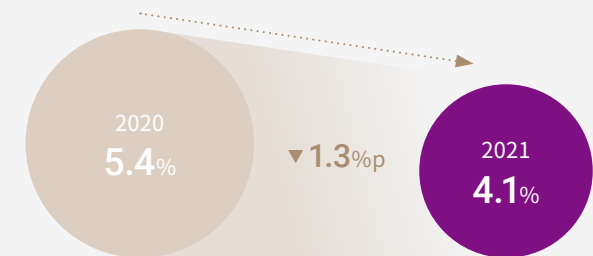
NEXEN TIRE restructured the R&D organization with focus on performance in order to develop products that satisfy customers and strengthen market competitiveness. We are securing future-oriented design technologies by expanding basic research human resources to study and analyze the factors affecting product performance and improving the organization for the structure field and strengthening its functions. In addition, research activities to improve the core tire performances further are being conducted through the expansion of industry-academic research and application of the research outcomes to new material and technology development. The new R&D organization serves as the foundation for our advancement to a global tire company equipped with differentiated products, technologies, and performance competitiveness.

#### R&D Organization System

(as of Apr. 2022)

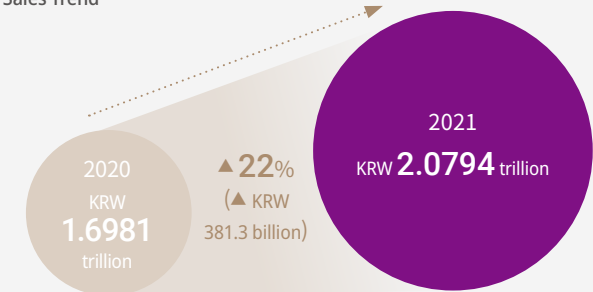


#### Ratio of R&D Investment to Annual Sales\*

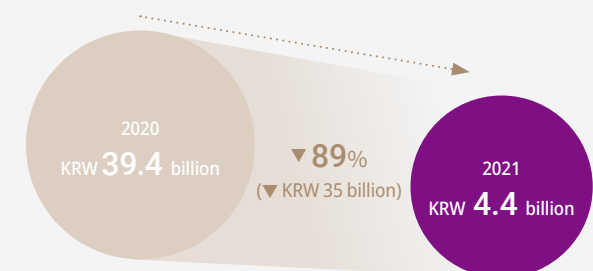


\*Before the deduction of government subsidies

#### Sales Trend



#### Operating Profit Trend



## One & Open R&D

NEXEN TIRE promotes One & Open R&D to create a creative culture that leads change and innovation. “One” refers to our focus on a unified goal, and “Open” refers to communication across our digital and global collaboration systems.

### R&D for Smart Tire Technology

#### Joint Research for Smart Tire Sensor Technologies with a Silicon Valley-based AI Company

In preparation for the near future where self-driving vehicles will lead the market, NEXEN TIRE is developing the THMS\*, a smart tire sensor technology to self-diagnose tire conditions and either notify the driver directly or transmit the information to the central control system through the Cloud.

In this regard, our Central Research Institute in Korea and the US R&D Center have been working together with REALITY AI, a Silicon Valley-based AI company, to conduct research on topics including the big data-based machine learning algorithm.

\*THMS: Tire Health Monitoring System

### Research for Product Performance Improvement

NEXEN TIRE is conducting researches to optimize the four key tire performance indicators—fuel efficiency, wet braking, noise, and wear—by securing design technology and developing new materials. In addition, to develop new-concept products for EV, we are focusing on product performance improvement—such as developing new patterns, applying new materials, and promoting optimization design—through the application of big data technologies to the product development process.

### Strengthening Synergy for Global R&D Competency

NEXEN TIRE is operating four global manufacturing plants and four global R&D centers. Through our global R&D network consisting of the Central Research Institute in Korea and global R&D centers in the US, Germany, and China, we develop the best products by analyzing different road conditions and driving styles in each region.

Research results for each region are shared across the R&D network, which

contributes to the development of future innovative products reflecting customer needs. An evaluation office was opened in the Idiada Test Center to verify product performance, enhancing our capacity to set the right direction for development. In addition, the global R&D network contributes to improving our R&D capabilities by acquiring various kinds of expertise in each region and producing synergy among the regions.

### R&D Global Network



# Drivers of NEXEN's Growth

## Research for Future-Concept Tires through Industry-Academic Cooperation

In October 2021, NEXEN TIRE unveiled the future-concept tires developed through industry-academic cooperation with the Korea Institute of Design Promotion, a subsidiary public organization of the Ministry of Trade, Industry, and Energy. The three future-concept tires—Conqueror, PUREBACK, and nGRIP—were manufactured through collaboration with KDM+ (Korea Design Membership Plus) of the Korea Institute of Design Promotion.



NEXEN TIRE's Future-Concept Tires

Individually, future-concept tires are a transform tire designed specially for icy roads in winter, an eco-friendly tire to prevent air pollution caused by micro-plastic debris generated due to tire wear, and a tire with improved grip and driving stability achieved with a special pattern designed after lizard foot. NEXEN TIRE will lead the future automotive industry trend by discovering creative ideas through the continuous promotion of industry-academic and industrial joint research projects.

## Discovering New Business Items

### Screening System to Discover New Businesses

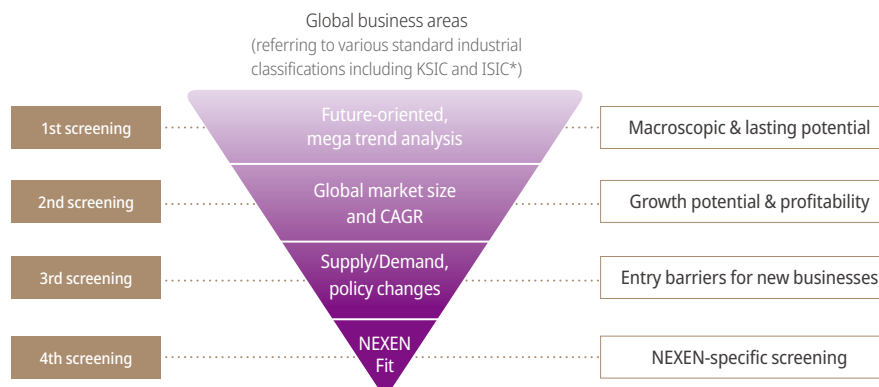
NEXEN TIRE selected 15 promising industries in 7 areas by considering the future mega trend, macroscopic environmental changes, industry dynamics, etc. and established entry models suitable for each industrial sector. In detail, we are considering direct entry into each industrial sector (greenfield investment), acquisition of key companies (M&A), affiliation with leading companies (joint venture), and investment in companies with growth potentials (venture investment). Based on each entry model, we are developing detailed business models and conducting a feasibility study for entry. At the same time, for M&A opportunities, acquisition feasibility is being examined for each case. The details will be shared transparently both internally and externally through public announcement and IR activities following completion of internal review on new business entry and appropriate decision-making process such as approval by the BOD.

### Venture Capital Operation



In December 2021, Next Century Ventures, a corporate venture capital (CVC) established by NEXEN TIRE, invested in the US Silicon Valley-based UAM (urban air mobility) startup, ANRA Technologies. ANRA Technologies is a company developing uncrewed aircraft system traffic management (UTM) technologies in the UAM field. It has been implementing projects with the National Aeronautics and Space Administration (NASA) and the Federal Aviation Administration (FAA) of the US as well as the European Union Aviation Safety Agency (EASA). Next Century Ventures pays close attention to technologies and businesses that will be game changers in the mobility field. In particular, the company focuses its competencies on discovering virtuous technological power to bring about positive changes for mankind. In addition to discovering and investing in startups, Next Century Ventures provides support to assist in the growth of such businesses. It will continue performing as a CVC to lead startup discovery, investment, and fostering.

### Screening System to Discover New Businesses



Identifying new businesses across the entire group

\*KSIC: Korean Standard Industrial Classification  
ISIC: International Standard Industry Classification

# Digital Transformation

## NEPS Establishment and Advancement

NEXEN TIRE established the Product Lifecycle Management (PLM)\* system NEPS (NEXEN Tire Product Life Cycle Management System) and strengthened data accuracy and relevance by implementing an ongoing advancement project. We secured the data infrastructure for big data and AI technology application by connecting technical data for design, analysis, specifications, and assessment and establishing a global integrated Laboratory Automation System (LAS)\*. In addition, we are making efforts to expand the corporate digital transformation by managing all R&D projects through the Project Management System (PMS)\* within the NEPS.

\*PLM (Product Life-cycle Management): Process to manage the entire process from product design to final production

LAS (Laboratory Automation System): Program for automatically analyzing test data from a test instrument and delivering it to another system or software

PMS (Project Management System): Program to manage the quantitative outcome and progress indicators of a project

## NEPS Operation System

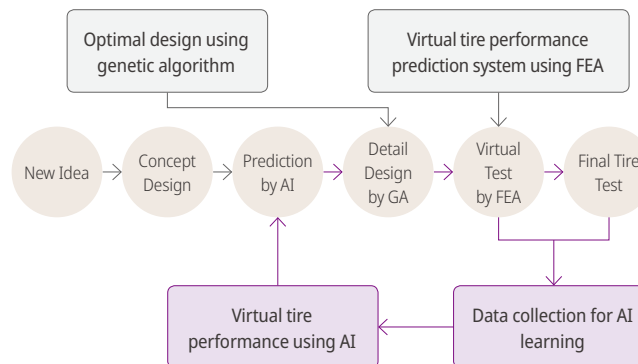
Document management	Project management	Spec. management
Product planning management	Product information management	Test evaluation
Modification history management	Spec. and test analysis	MIDAS
LAS	Collaboration management	Pre-performance verification and prediction

## Developing the Tire Performance Prediction System

In April 2022, NEXEN TIRE developed a tire performance prediction system using AI technology through an industry-academic cooperative study with Korea University and Hanyang University. This system is expected to improve pre-manufacturing efficiency, such as reducing the number of prototypes manufactured and development period, by accurately and swiftly predicting key performance indicators (fuel efficiency, noise, steering, etc.) considered in the stage of tire development through the application of machine learning technology. Based on the tire performance prediction system, we have completed the development of the “virtual brain loop system,” a tire development system, by using a performance prediction technique based on the FEA\*, a genetic algorithm, and our independently developed virtual design technology. This system will be applied to product development. Moving forward, we will promote continuous R&D investment for the virtual product development system and industry-academic joint research to foster talents and improve our R&D competencies.

\*FEA (Finite Element Analysis): Technique to analyze product performance through virtual 3D tire modeling and calculations in the computer using tire shape and material properties

## Virtual Brain Loop System, a Tire Development System

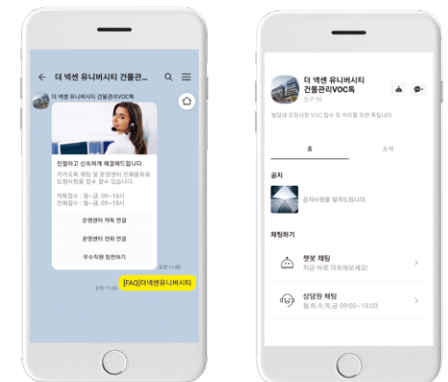


## Digital Culture Innovation in the Workspace

With the opportunities for internal communication decreasing as a result of the prolonged COVID-19, NEXEN TIRE prepared an internal communication space by installing and operating various entertainment facilities (arcade machines, darts boards, billiards tables, etc.) to boost employees' morale. In addition, to resolve employees' inconveniences within the workplace, a VOC reception platform was opened through Kakao Channel to provide one-stop service, from receiving complaints to handling issues, to preserve the welfare of our employees.

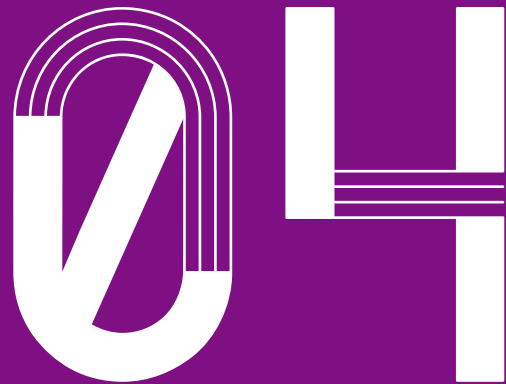


In-house Entertainment Space



VOC in Kakao Channel





# ENVIRONMENTAL DIMENSION

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# Environmental Management System



## NEXEN TIRE's Environmental Management

### Environmental Management System

By operating a company-wide environmental management system, NEXEN TIRE unified the environmental management standard documents of domestic and overseas plants in 2021 and consequently established a systematic, unified process. Every year, we develop and implement environmental risk reduction measures through risk and opportunity assessment. In our Chinese plant, ecological environmental and safety training, such as standardization of hazardous waste handling and emergency response to environmental accidents, is provided once a year to all employees.

<b>R&amp;D and raw materials</b>	<ul style="list-style-type: none"> <li>Establishing a chemical substance management system</li> <li>Conducting R&amp;D of eco-friendly materials</li> <li>Developing energy efficiency improvement technologies</li> <li>Conducting R&amp;D of tire fuel efficiency improvement</li> </ul>
<b>Manufacturing</b>	<ul style="list-style-type: none"> <li>Managing the concentration of air pollutant emissions, installing pollutant reduction devices</li> <li>Saving energy by optimizing the curing time</li> <li>Reducing water consumption and managing the concentration of contaminants in wastewater</li> <li>Establishing targets to reduce waste generation in the manufacturing process, continuously monitoring waste treatment companies</li> </ul>
<b>Use, recycling, and disposal</b>	<ul style="list-style-type: none"> <li>Reducing GHG emissions by selling energy-efficient products including N'blue S</li> <li>Managing recycling targets for waste tires and complying with the mandatory used tire recycling plans, designated by the Ministry of Environment</li> </ul>

### Environmental Training

NEXEN TIRE provides new technical employees with training on the company's emission facilities, emission prevention facility management status, and waste treatment-related processes. We also provide subcontractors with training twice a year on the treatment of wastewater and wastes that can be generated during operations. In addition, since 2020, NEXEN TIRE Europe has been participating in a project to provide environmental training and improve and protect the environment in Žatec and nearby areas of Czech Republic.

#### Environmental training completion status

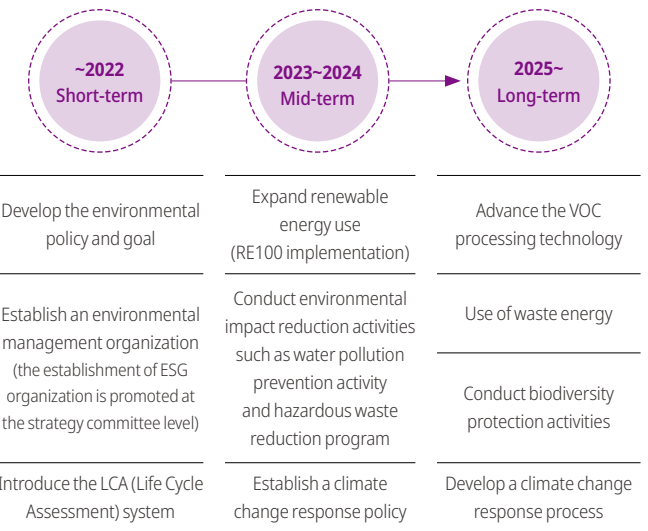
Category	Unit	2019	2020	2021
Target employees*	Persons	36	11	69
Employees who completed training**	Persons	36	11	69
Training completion rate	%	100	100	100

\*Subject to new technical employees

\*\*Based on domestic worksites

### Environmental Management Plan

In 2021, NEXEN TIRE derived the strategic tasks for internalizing the environmental management system, established a strategy promotion roadmap, and developed goals by stage. To promote eco-friendly management, we will continue establishing environmental management policies covering all areas from reduction of greenhouse gas emissions, energy consumption, water use, and waste generation to climate change response, recycling, raw material management, biodiversity protection, and regional pollution reduction.



#### Managing environmental goals and establishing the organization in charge

- Creating the basis for eco-friendly management promotion by developing environmental management policies : Covering all areas from reduction of greenhouse gas emissions, energy consumption, water use, and waste generation to climate change response, recycling, raw material management, biodiversity protection, and regional pollution reduction
- Setting up an environmental management control tower to strengthen expertise, clarifying R&R, and managing the environmental management performance

#### Managing the environmental performance management

- Establishing a company-wide environmental performance management process, developing short-, mid-, and long-term environmental goals and detailed promotional plans, and disclosing the implementation results
- Implementing roadmap-based tasks to promote environmental management
- GHG emissions, energy, water, waste, air, biodiversity
- Conducting LCA, reviewing the climate change response



ISO 14001 Certification  
(Yangsan Plant/Magok THE NEXEN univerCITY, Changnyeong Plant, Europe Plant, Qingdao Plant)

# R&D, Raw Material



## R&D of Eco-friendly Materials

NEXEN TIRE is implementing the mid- to long-term plans it has established to develop and apply eco-friendly materials with the goal of securing the sustainability of tire materials and reducing the use of petroleum resources. Eco-friendly materials refer to recycled and renewable raw materials. We assess raw materials based on our mid- to long-term plans.

As of 2022, we are assessing over ten types of reused/recycled raw materials that have discovered. In addition, through a government-supported project, we are researching tire development using sustainable raw materials together with a domestic raw material supplier and an automotive company\*.

\*In 2022, we conducted research on tire development using 30% sustainable raw materials with a domestic raw material supplier, including research on tire development using sustainable raw materials with an automotive company

### Discovering Eco-friendly Materials

In order to replace the existing petroleum and mineral resources, NEXEN TIRE is researching the application of green silica, a raw tire material based on natural substances such as synthetic rubber made using ingredients extracted from natural substances as well as natural resin, oil, and waste tire and other industrial recycled materials as raw materials for tire manufacturing. Moving forward, we will continuously conduct research projects, verifications, and assessments to discover a variety of reused and recycled raw materials and increase the rate of their application to products while maintaining tire stability and performance.

### Use of Sustainable Raw Materials

As of December 2021, at least 23.3% of raw materials used by NEXEN TIRE are sustainable materials. In the long term, we plan to increase the percentage of recycled raw materials from waste tires and other products. In addition, we will gradually increase the rate of sustainable raw material use while reducing the percentage of petroleum and chemical resources by discovering and applying renewable materials from natural and bio resources.

### Industry-Academic Joint Research to Develop Eco-friendly Tire Materials

To secure the sustainability of tires, various types of sustainable raw materials need to be developed. In addition, to apply them to tires, manufacturing technologies to secure tire performance indicators—such as fatigue, wear, braking, and fuel efficiency—equivalent to those when using the existing raw materials are required. With the goal of increasing the efficiency of tire development, NEXEN TIRE is promoting industry-academic joint researches (open innovation) with companies, government research institutes, and universities that wield great influence in the respective fields.

In 2021, we conducted research on tire development using 25% sustainable raw materials by applying reclaimed synthetic rubber other than natural rubber and reclaimed carbon black. In 2022, an R&D project for tire development using 30% sustainable raw materials—increased from the previous year—was conducted. Through the joint research, we will develop various technologies to replace widely used raw materials such as polymers, fillers, oils, and cords with eco-friendly raw materials.

#### Details of National Project



#### Project Title

Development of eco-friendly tire technologies for future mobility using sustainable materials (Apr. 2021 - Dec. 2024)



#### Detailed Task

Development of eco-friendly, highly fuel-efficient tire manufacturing technologies based on sustainable materials

- Zeus Oil & Chemicals Co., Ltd.: Eco-friendly oil development
- NEXEN TIRE Co., Ltd.: Eco-friendly oil development
- KOLON Co., Ltd.: Eco-friendly cord development
- D.Y Polymer: Recycled PET development
- Korea Automotive Technology Institute: Fatigue characteristic analysis methodology
- Korea Research Institute of Chemical Technology: Research on natural oil degeneration technology



23.3%

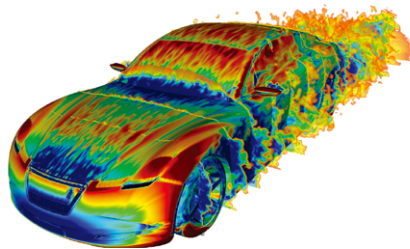
Ratio of sustainable raw material use in 2021



## Research on Energy Efficiency Improvement Technology

### Research on Vehicle Fuel Efficiency Improvement

NEXEN TIRE has been applying to product design the aerodynamic reduction technology it developed in 2020 to improve vehicle fuel efficiency. Completed through joint research with Dassault Systems, this technology predicts the shape that minimizes air resistance through simulation and directly applies it to the product; thus improving vehicle fuel efficiency. In addition, we are actively responding to the needs of automotive companies by developing a traded-off performance fuel efficiency prediction technology in 2021 through cooperation with Korea University and Hanyang University. Based on the technologies, we are expanding cooperation with European automotive companies, such as BMW, Mercedes Benz, and Volkswagen, for simulation, and obtaining recognition on our technological power for fuel efficiency improvement. NEXEN TIRE will continue dedicating effort to achieving energy efficiency\* improvement for its products.



Aerodynamic

## Research on Tire Fuel Efficiency Improvement

### Research on Tire Rolling Resistance and Noise Reduction

NEXEN TIRE is continuously conducting research activities to reduce rolling resistance of tires in order to develop products with improved energy efficiency. In 2019, we improved the rolling resistance class for our OE products supplied for the VW eighth-generation Golf models from B to A. In 2021, through continued structural and material research, we have also developed products with 25% enhanced rolling resistance compared to the existing A-class products. In addition, we have developed material technologies to enhance rolling resistance, braking, wear, and general tire performance indicators. In particular, we developed materials with 20% increased wear resistance, and applied them to the products for new vehicle OE, such as of HKMC, Audi, and BMW. Furthermore, our technological power was recognized both internally and externally as we secured remarkable results in rolling resistance, braking, and low-noise performance at a competition hosted by HKMC, ranking second among seven domestic and overseas tire makers. In addition, we developed a prediction system that can reduce tire noise using AI Big Data through research with Hyundai Motor Company, Kia and Inha University.

### Research on Tire Weight Optimization

Through a research project for tire optimization, NEXEN TIRE reduced the use of raw materials by approximately 1,170 tons in 2021 while optimizing tire weight without quality deterioration. This year, we will continue reducing the use of raw materials and reviewing the application of new materials with greater performance while implementing weight optimization by reconfiguring the design technologies for each component and optimizing the structures and materials.



Research on Tire Noise Reduction Using AI Big Data Technologies

### Tire Energy Efficiency Rating System

NEXEN TIRE operates a tire energy efficiency rating system. This is a system for measuring the rolling resistance and wet grip of tires and grading them on a scale of one to five. Among the rating items, fuel efficiency indicates the rolling resistance of tire. The lower the rolling resistance, the less frictional resistance there is between the tire and the road surface, which increases fuel efficiency and reduces carbon dioxide emissions; thus contributing to environmental protection.

In Korea, the minimum energy consumption efficiency standard system has been implemented since December 2013 to ban the manufacture, sale, and distribution of products that do not meet the government's minimum standards. NEXEN TIRE is manufacturing products that meet the minimum energy consumption efficiency standards.



1,170 tons

Amount of raw material use reduction in 2021

# Manufacture



## Reducing the Emission of Air Pollutants

To minimize air pollutant emissions, NEXEN TIRE controls the emission concentrations through monthly self-assessment. In addition, to increase the dust collection efficiency, we manage emission prevention facilities in the domestic worksites by investing KRW 165 million a year. As a result, the amount of dust emissions from domestic plants has been lowered by 18%\*.

\*Ratio of reduction by 2 tons in 2021 in comparison to 2020  
(Amount of dust emission from domestic worksites: 10.9 tons in 2020, 8.9 tons in 2021)

### Fulfilling the Particulate Matter Reduction Agreement

NEXEN TIRE entered into a voluntary agreement with Gyeongsangnam-do Provincial Hall to reduce particulate matter generation for five years from 2020 to 2024. After 2020, we fulfilled the particulate matter reduction agreement for two years in a row.

### Designation as a Company with Excellent Performance in Air Environmental Improvement

Through the assessment on the implementation of voluntary agreement for particulate matter reduction concluded with Gyeongsangnam-do Provincial Hall in 2021, NEXEN TIRE was found to have reduced the emission of air pollutants and was consequently selected in September 2021 as a company with excellent annual performance in protecting residents' health and improving the air environment to win the citation from the provincial governor.



Citation of the Governor of Gyeongsangnam-do

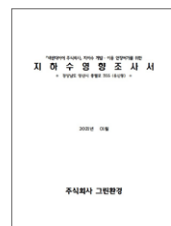
## Management of Water Resources

To minimize the impact on the water resource environment and prevent risks, NEXEN TIRE is making efforts to increase the water reuse rate through process improvement, while controlling water consumption and wastewater pollution level. The amount and concentration of pollutants in wastewater are controlled through self-assessment as well as wastewater measurement conducted twice a month within the respective industrial complexes. In addition, we prevent the risk of increase in pollution concentration by dredging the wastewater collection tanks three times a year.

### Investment in Non-point Pollution Reduction Facility Improvement

In 2021, NEXEN TIRE replaced all filters of non-point pollution reduction facilities at the cost of KRW 20 million in order to manage the quality of water discharged from non-point pollution sources within the worksites.

### Conducting the Groundwater Environmental Impact Assessment



Groundwater Impact Assessment Report

In January 2021, NEXEN TIRE conducted an environmental impact assessment through a specialized agency to assess the groundwater quality and also check the appropriate amount of water withdrawal and impact on nearby areas and river. The assessment verified that we do not wield any impact on the Yangsancheon, a nearby river.

## Waste Management

To control and reduce the amount of waste generation in the manufacturing process, NEXEN TIRE checks the waste generation amount and establishes waste reduction goals through environmental impact assessment by process.

### Waste Classification and Management Systematization

NEXEN TIRE classifies waste into general waste, scrap metal, paper, wood, plastic, and oil and uses different storage and disposal methods according to the classifications.

### Effort to Reduce Waste Discharge

In 2021, the amount of waste discharge for commissioned treatment through landfill decreased by more than 100 tons from the previous year. In addition, NEXEN TIRE is making efforts to increase the waste recycling rate. As a result, we recycle 87.1% of wastes discharged from worksites.

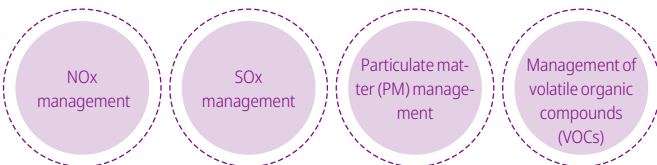
### On-site Inspection of Waste Treatment Companies

NEXEN TIRE conducts on-site inspections of waste treatment companies to evaluate their compliance with regulations.

### Strengthening the Supplier Audit Criteria

For the Chinese plant, NEXEN TIRE supplemented the criteria for qualification review of the solid waste processing company by revising the waste management program.

### Management of Air Emission Sources



## Use



### Eco-friendly Products

NEXEN TIRE defines eco-friendly products as those with minimum environmental impact. We also conduct continuous R&D to manufacture products that comply with the established definition. In addition, we are fulfilling our social responsibilities by participating in the Extended Producer Responsibility (EPR) system through the recycling of waste tires.

#### Operating an Eco-friendly Product Policy

NEXEN TIRE is implementing an eco-friendly product policy to increase customers' understanding of eco-friendly products and consequently assist in their selection and purchase of the company's products. According to the global greenhouse gas reduction plan, we define products with improved fuel efficiency as eco-friendly products. In addition, we specify the fuel efficiency ratings of our products and provide the information to general consumers.

**Environmental Review of All Products** For products supplied to areas where the eco-friendly labeling system for tire products is not mandatory, NEXEN TIRE also conducts the standardized fuel efficiency design, and conducts environmental review.

**Product Design and Operation According to Environmental Regulatory Criteria** While strengthening design to place the highest priority on fuel efficiency in order to meet the CO<sub>2</sub> emission criteria of automotive companies, NEXEN TIRE promotes the purchase of the same eco-friendly performance products in the future replacement market.

#### Definition of Eco-friendly Products

NEXEN TIRE defines eco-friendly products as those with excellent energy consumption efficiency and tires with rolling resistance rating higher than 3 - 4, which is the average rolling resistance of tires for automobiles distributed in the Korean market as of 2020.

According to the strengthened environmental regulations, CO<sub>2</sub> reduction goals and rolling resistance requirements will be reinforced, particulate matter emission will be minimized, and EV distribution will be accelerated. Therefore, we plan to establish goals that meet the global performance requirements and introduce and increase the percentage of eco-friendly products.

#### Examples of Eco-friendly Products

In response to the global environmental regulations, NEXEN TIRE is applying fuel efficiency improvement and noise reduction designs to each product. In particular, new pattern supplied to Europe have been developed with the highest rolling resistance level to meet the environmental requirements in the respective markets. As for the products supplied to the American market, which require not only high rolling resistance but also relatively longer lifespan, we apply a design technique to maintain performance even after a certain level of wear in order to extend the cycle of tire replacement, which becomes necessary due to performance deterioration caused by tire wear; thus reducing waste tire generation. As a new pattern developed using the Level Keeping Technology, NPRIZ S has been launched as an OE product for automotive manufacturing companies. The technology application will be expanded to general RE products.

**Eco-friendly Concept Tire of the Future** "PureBack," as the name suggests, is an eco-friendly tire designed in consideration of the discharge of micro-plastic debris caused by tire tread wear and which has emerged as a global issue. With the built-in suction system, micro-plastic debris generated during a vehicle operation is collected in a capsule located in the center of the tire. The driver can check how much micro-plastic debris has been collected inside the capsule by looking at the color of the LED lighting on the outside of the tire. It also ensures user convenience as the capsule is easily removed to discard the micro-plastic debris collected inside and mounted back on the tire.



PureBack, a Future-Concept Tire





**Developing Products for Eco-friendly EV** In line with the expansion of eco-friendly electric vehicle distribution, NEXEN TIRE is increasing products designed exclusively for OE supply targeting EV. We configured a product category for EV in order to broaden consumers' understanding of and choices when it comes to the products. As for the product names, we are applying a separate brand ("EV") for distinction. For example, Roadian GTX-EV and NF Sport-EV were developed through application of pattern designs specializing in high-load, high-output performances characteristic of EV to prevent rapid performance degradation. By applying electric power instead of an internal combustion engine, the noise generated by vehicles has been reduced considerably. In addition, to create a low-noise driver environment, we have introduced an exclusive facility for noise reduction system application, and we are manufacturing products using the system. The system application will be expanded to the new products for EV to be launched in the future.

**Roadian GTX-EV and NFERA Sport-EV, EV Tires** NEXEN TIRE supplies products for EV6, Kia's electric vehicle EGMP platform model. Tire designs conforming to the EV characteristics and requirements are applied to improve rolling resistance performance along with absorber for noise reduction. In particular, we have established a separate automated production system to apply high-quality absorber, and are manufacturing and supplying products to automotive companies under this system. In case of the two products supplied for response to EV load conditions and torque, we are applying the new pattern design and compound we have developed.

## Eco-friendly Services

### Tire Energy Efficiency Rating System

NEXEN TIRE contributes to energy saving and greenhouse gas reduction in Korea and abroad by distributing products developed through research on high-efficiency, eco-friendly products. Since 2013, we have been developing and supplying high-efficiency tires according to the government policy and in compliance with the "Regulations on energy efficiency measuring, rating criteria, labeling, etc. of automotive tires." The high-efficiency and eco-friendly products expand consumers' choices and provide useful information to promote their eco-friendly tire purchases.

With the high-efficiency tires supplied to consumers, we are not only fundamentally preventing issues concerning energy loss and environment but also contributing to energy saving and greenhouse gas reduction in the national transportation field.



Supply Products for Kia's Electric Vehicle EV6 to Europe and America

#### In Korea

- Launching 65 products with efficiency rating of 1-2, contributing to sales/distribution
- Achieving distribution of high-efficiency tires in Korea by 35% (1.2 million tires) in 2021

#### In Europe

- Launching 193 products with efficiency rating of A - B according to the EU regulations (rating 1 - 2), contributing to sales/distribution
- Achieving accumulated high-efficiency tire sales of approx. 4.3 million in 2017 - 2021, recording KRW 134 billion in sales

#### High-efficiency (Low Fuel Cost-LRR) Tire (Rating 1-2)\* Sales

Category	Unit	2019	2020	2021
Domestic	Quantity	1,000	471	722
	Amount	KRW million	9,839	34,663
Overseas	Quantity	1,000	570	1,024
	Amount	KRW million	5,650	34,145
Total	Quantity	1,000	1,041	1,746
	Amount	KRW million	15,489	68,808

\*Generally referring to tires with RR rating 1-2 (domestic) and rating A - B (Europe)

# Recycling & Disposal

## Domestic Worksites

### Domestic Collection and Disposal

In Korea, NEXEN TIRE is collecting and recycling waste tires in order to achieve the recycling target announced by the Extended Producer Responsibility (EPR). As a member of the Korea Tire Manufacturers Association, NEXEN TIRE handles waste tire collection, disposal, and cost settlement operations through consignment. If waste tire collection and handling are not carried out successfully, agencies distributing tires may experience difficulties due to lack of storage space. Therefore, we are striving to overachieve the target each year through active collection and handling of waste tires.

### Mandatory Recycling Implementation Plan Establishment and Target

**Management** At the beginning of each year, a mandatory recycling implementation plan is established through estimation of the shipment weight of new pattern for the year. In addition, waste tires collected through companies designated by the Korea Tire Manufacturers Association, and weight of waste tires sent to recycling companies are recorded to manage recycling goals. Issues arising during the process of collection and recycling are resolved through close cooperation between the Association and its members. Each member of the Association reports the total quantity of tires distributed domes-

tically to the Korea Environment Corporation, which then compares the recycling performances reported against data from collection and recycling companies to determine fulfillment of the mandatory recycling implementation plan.

### Example of Material/Thermal Recycling



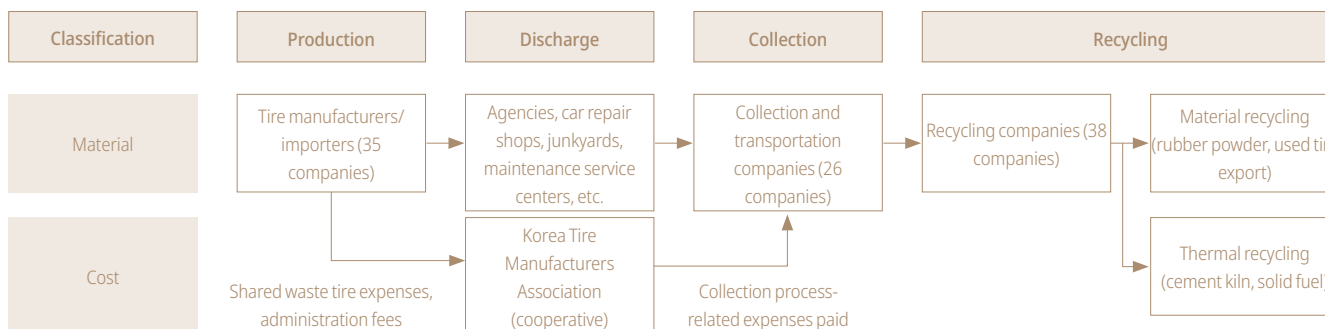
### Domestic Recycling

The collected waste tires are processed largely through material recycling and thermal recycling. According to the Act on the Promotion of Saving and Recycling of Resources, 30% of the mandatory recycling volume must be processed through material recycling.

**Material Recycling** Rubber powder made with waste tires is mainly used for flooring with a buffer effect, or for making plastic black. Every year, NEXEN TIRE is striving to find new supply for this material.

**Thermal Recycling** Although over 70% of waste tires are processed through thermal recycling, waste tire consumption as an alternative fuel is decreasing according to the nationwide response to the excessive waste synthetic resin generation as of late. Therefore, NEXEN TIRE is making efforts to secure demand in the relevant areas.

### Extended Producer Responsibility (EPR)



### Classification and Definition of Waste Tire Recycling Methods

Classification	Definition
Material Recycling	To make rubber powder by crushing the collected waste tires and separating the iron rims, or to export used tires
Thermal Recycling	To use waste tires as alternative fuel in cement factories, or to supply waste tires to a solid fuel company where they are crushed and used in making fuel chips

## Response to Climate Change



### Tire Recycling Status

Item	Unit	2019	2020	2021
Recycling Rate*	%	78.0	75.1	-***
Target Set by the Government**	%	78.6	79.0	79.6

\*Recycling rate = Approved recycling implementation amount ÷ Waste tire generation volume  
 \*\*Changing each year according to the Notice of the Ministry of Environment  
 \*\*\*The recycling rate of waste tires in 2021 will be finalized through an investigation by the Korea Environment Corporation in September 2022

- Approved Recycling Implementation Amount: According to the detailed criteria for the method of waste tire use (for thermal areas, only 70% of the total mandatory amount approved), weight from thermal areas has been partially excluded.
- Waste Tire Generation Volume: Quantity of new pattern delivered x Wear rate (0.85)

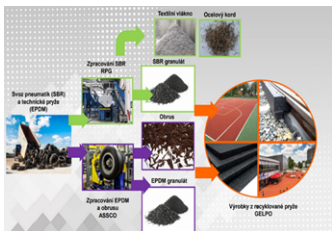
## Overseas Worksites

### Overseas Disposal

NEXEN TIRE Europe collects and processes waste tires only through companies verified according to the European law.

### Overseas Recycling

NEXEN TIRE Europe recycles waste tires by crushing and turning them into resources only through verified companies.



## Climate Change Response System

### Importance of Climate Change Response

In line with the recent rise in the demand for carbon neutrality from automotive companies and expansion of environmental regulations, such as Carbon Border Adjustment Mechanism, the risk of carbon emissions becoming subject to taxation is heightening. Countries around the world are establishing and upgrading their respective national greenhouse gas reduction targets, and companies are also setting targets reflecting their commitment to fulfilling zero GHG emission before 2050 as the target year of global carbon neutrality. To express active will for carbon neutrality, NEXEN TIRE established a mid- to long-term roadmap, reviewed the reduction plans, and set priorities by considering the expected benefits, investment cost, and time for the introduction of each plan. We manage GHG emissions through monthly monitoring. In addition, the goals established for each plant are managed by the relevant department and, if the goals are not achieved, the causes are analyzed. Moreover, we transparently disclose the external GHG verification and CDP results each year.

### Climate Change Response Management System

For company-wide climate change management NEXEN TIRE recently established the GHG inventory, and installed an organization in charge by designating managers in charge of management of emission sources, monitoring, and accounting management by manufacturing plant. We are striving to realize a more systematic climate change response, such as responding to climate change risks through the revision of the GHG management procedures and managing the monthly and yearly GHG emissions.

**Conducting Energy Audit in the European Plant** In 2021 - 2022, NEXEN TIRE's plant in Europe is undergoing an energy audit through TUV-SUD according to the laws of the Czech Republic (40/2021 Sb, EA Typ 2.). Through the audit, mid- to long-term energy-saving action plans will be established. According to the plans, we will actively respond to climate change by continuously investing in energy saving.

## Effort for Carbon Neutrality

### Reviewing the Application of Factory Energy Management System (FEMS)

In 2021, NEXEN TIRE Yangsan Plant introduced the FEMS system to establish the basic infrastructure for energy saving.

In addition, we installed an integrating watt-hour meter to check power consumption in 164 locations. A flow meter showing the direct compressed air consumption amount has also been installed in 80 locations. By linking the information obtained using the system with the previously established MES system, the actual amount of energy consumption for manufacturing per unit facility is analyzed. If the general scope of use is exceeded, leak from air compressors is decided, and alarm is automatically issued, with the situation notified to the respective maintenance part. This system is expected to produce an energy-saving effect as it will ensure swift identification and handling of facility failures and areas of energy waste. Currently, it is being applied to various processes that involve a large amount of power and compressed air use. The system application will be expanded through increased investment.

### Green Premium Contract

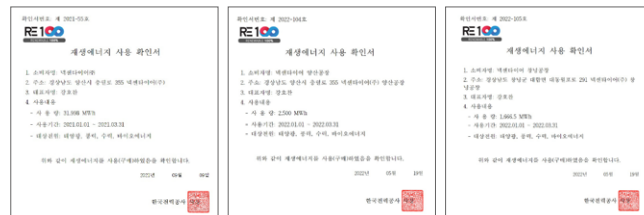
For active response to climate change, NEXEN TIRE's domestic plant in Changnyeong participated in the Green Premium at the time of its introduction in 2021. With Yangsan Plant also participating in the system that same year, we recorded an RE100 implementation rate of 5.86%.





### Establishing a Carbon Neutrality Strategy and the RE100 Roadmap

Last year, together with a professional consulting firm, NEXEN TIRE established systematic carbon neutrality strategies as well as the RE100 roadmap. We set the RE100 fulfillment year by considering the industrial trend and requirements of automotive companies and designed a simulation tool for estimating the fulfillment rate and cost by selecting optimal plans and percentages according to the interim goals. For our domestic and overseas plants, we set the RE100 goals in line with the 2039 Carbon Neutrality. Considering short to mid-term convenience and economic benefits, we will use the Green Premium and certificate purchase as the means for implementation. In the long term, we plan for a transition to PPA and intend to expand the application.



Certificate of Renewable Energy Use

### Risks and Opportunities

NEXEN TIRE operates an assessment process annually in order to identify and resolve key management issues including climate change. The risks and opportunities identified through the assessment are as follows:

Risk/Opportunity Factors	Impact	Response
Transition Risks	<b>Policies and Regulations</b> Increased CER purchasing fees due to strengthened GHG emission regulations	NEXEN TIRE is continuously monitoring energy-saving activities to manage GHG emissions. We are reviewing the application of GHG reduction facilities and new technologies, such as expansion of renewable energy use and replacement of equipment with high-efficiency models. In 2020, we invested KRW 340 million in the installation of low-NOx boiler burners and replacement of old steam traps and LED lighting with high-efficiency equipment.
	<b>Technology</b> Investment in transition to low-carbon operation system	
	<b>Market</b> Decreased tire demand as customers' eco-friendly demand is not met	By establishing a system that is compatible with ISO 14001, we ensure the reliability of our environmental response actions and climate change-related reports. The accuracy and reliability of the established systems and GHG emission management are verified by a third party.
Physical Risks	<b>Short-term</b> Losses caused by plant shutdown due to typhoon and flood	We conduct periodic facility inspections and risk investigations in relation to damage caused by natural disasters, such as typhoon and heavy rain. In addition, we continuously conduct safety inspections and repairs to make our buildings impervious to natural disasters. Crisis management experts from various fields such as fire, gas, electricity, and rescue operations were hired, with a dedicated emergency response team established. In addition, we provide regular training and conduct periodic safety diagnosis activities using the emergency response manual we created.
Market	Increasing sales by accessing new and emerging markets	GHG emission amounts are allocated to all companies according to the GHG emissions trading scheme. By reducing GHG emissions, companies can generate profits by selling the Certified Emission Reductions (CERs). NEXEN TIRE is conducting energy-saving activities to enter the carbon credit market through the reduction of GHG emissions. We plan to manage and reduce energy consumption in new facilities and plants continuously.
Technology	Developing new pattern and services through R&D and innovation	One of NEXEN TIRE's main products is winter tires. We predict the winter tire sales volume by collecting and searching big data and adjust the production rate accordingly. In addition, we are continuously developing tires with unique characteristics suitable for environmental change caused by climate change.



## Reduction of GHG Emissions

Every year, NEXEN TIRE is reviewing various GHG reduction plans such as investment in equipment, facility improvement, and introduction of new technologies. In addition to management of Scope 1 and 2 emissions, we recognize the importance of managing Scope 3 emissions for complete and transparent evaluation of GHG emissions, and therefore are expanding the scope of the activities. In 2021, using the GHG Protocol Scope 3 estimation tool, we estimated emissions for ten categories. This year, we plan to review the reduction of emissions through stabilization of the Scope 3 estimation tool. In the long term, we will join SBTi (Science-Based Targets initiative).

### Effort for Reducing Exhaust Gas Emissions

All forklifts operated in NEXEN TIRE's European plant are electric forklifts. We also plan to purchase electric models for all forklifts and tow trucks required for the stage 2 plant extension.

### Application of Energy-Saving Operation System to Manufacturing Plants

For the stage 2 extension of the European plant, NEXEN TIRE plans to apply an improved control system for air compressor operation. Each compressor (four turbo compressors, one screw-type compressor) is sequentially and automatically operated in the load sharing system to extend the equipment lifespan and minimize excessive air production. As a result, reduction in the amount of power consumption for compressor operation and carbon emissions is expected. We plan to apply this operating system from 2023.

**Application of Energy-Saving High-Efficiency Equipment** NEXEN TIRE dedicates continued effort to improving energy efficiency in the production processes of each plant. In the Chinese plant, the amount of electricity use was lowered by reusing the residual heat from air dryers. In addition, we are continuously carrying out an operation to improve motor operation efficiency by replacing the motors with a high-efficiency type.

**Energy Saving through Collection and Reuse of Steam** NEXEN TIRE Changyeong Plant has established a steam recovery system through which re-vaporizing steam generated from the storage tanks of hot water and steam collected from production processes is reused in heating make-up water for the tanks. By saving energy used in heating make-up water, the amount of fuel consumption has been lowered, resulting in the fuel cost reduction by KRW 150 million a year, and, subsequently, reduction of carbon emissions. Expanded application of the system to other plants is being reviewed.

### Developing Energy-Saving Technologies

**Mixing Process Optimization** "Mixing process" is a process of mixing various chemicals such as filler (carbon black, silica, etc.) and sulfur with the rubbers (natural rubber, synthetic rubber) for making tires. NEXEN TIRE is reviewing a technology for optimizing the rubber mixing time in order to achieve productivity improvement and energy saving.

In 2021, we optimized the order of material input by analyzing processes that can affect the mixing cycle. The process for feeding raw and subsidiary materials, such as polymer and filler, was optimized to stabilize tire quality by improving filler dispersion, and keep the tire performance deviation to a minimum. As a result of applying the optimized process, the duration of mixing cycle for 14 compounds (rubber compounds) was lowered by 10 - 40 seconds per compound. As the idle time of the mixing facilities was increased by as much as the reduced mixing time, not only energy saving but also improvement of process management competency was achieved. Through continuous optimization, we will promote more efficient process and resource management.



# 100%

Rate of Electric Forklift Operation in European Plant



### Minimization of Energy Leak

NEXEN TIRE continuously reinforce facilities where heat loss occurs by using thermal imaging cameras in order to minimize energy leakage from worksites.

**European Plant** To minimize energy leak and heat loss from steam pipes and curing facilities in the European plant, NEXEN TIRE continuously replaces old steam traps and insulates steam pipes. In March 2021, an external agency inspected all steam lines in the manufacturing plant using thermal imaging cameras and provided consulting service for energy efficiency improvement. According to the result, 18 steam traps were replaced and piping insulation was conducted in 23 locations in 2021.

**Yangsan Plant** In 2021, 58 steam traps in Yangsan Plant were replaced based on periodic inspections. The amount of resultant energy saving is approximately KRW 90 million. In addition, heat loss equivalent to over KRW 15 million is being prevented each year through installation of high-performance insulation covers on 234 steam unit piston valves in the curing process, which is where the largest amount of heat energy is used. Moreover, along with the continuous replacement of constant speed motor with inverters, old pumps are replaced with a high-efficiency type.

## Eco-friendly Office

### THE NEXEN univerCITY



THE NEXEN univerCITY, which brings together the growth DNA and identity of the NEXEN Group, is the core facility that leads the growth of global NEXEN. With total floor area of 57,171㎡, it consists of 2 floors underground and 8 floors aboveground. The building, which is divided into the research block and the office block, is designed to help employees conduct creative activities in a horizontal, free atmosphere. The research facilities include an R&D center for studying product design, AI technologies, and virtual tires, a performance research center for developing matching performance between vehicles and tires, and a material research center where various materials are analyzed. The characteristics of the industry are visualized with the tire tread-shaped design on the outside of the building.



THE NEXEN univerCITY is a green building created with eco-friendly design elements such as photovoltaic power generation system, air conditioning system using geothermal heat, and green roof system for heat loss reduction. The courtyard, which is a green space in the center of the building, and the multi-helix green roof walkway surrounding it connect the overall space that serves as a space for continuous idea expressions. In particular, the first, second, and third floors are open to the public as a space where employees, local residents, and local communities can interact. Serving as an R&D control tower and the hub that manages the European Technology Institute in Germany, the Technology Research Institute in the US, and the Technology Research Institute in China, THE NEXEN univerCITY successfully conveys the identity and value of NEXEN TIRE.



### Creating an Eco-friendly Work Environment

NEXEN TIRE offers flexible work hours and telecommuting system that allows employees to select their preferred work times. We have also launched a campaign to replace business trips with videoconferencing to save time and resources.

# 05

## SOCIAL DIMENSION

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# Human Rights

## Human Rights Management Policy

NEXEN TIRE incorporated human rights management into its mid- to long-term ESG strategies to secure human rights and values in all management activities. In fulfillment of its responsibility to respect human rights, NEXEN TIRE supports and complies with human rights-related domestic and international standards and norms. In addition, we identify potential issues based on our human rights policies in all business activities, including our subsidiaries and suppliers.

### Declaration of Human Rights

To fulfill its social responsibilities faithfully and pursue sustainable development with all stakeholders, NEXEN TIRE has included human rights principles in the Declaration of Human Rights, which must be observed by all members of the company. We are committed to promoting the principles of internationally recognized human rights, particularly those defined in the UN Universal Declaration of Human Rights and the UN Guiding Principles on Business and Human Rights. We also make the utmost effort to protect the human rights of all stakeholders and prevent human rights violations.

### Prohibition of Child Labor and Forced Labor

NEXEN TIRE is conducting various activities to protect and promote human rights throughout all management activities. In particular, we adhere to the Ten Principles of the UN Global Compact and abide by the key agreements of the International Labor Organization (ILO), including strict prohibition of child labor and forced labor as stated, too, in our Declaration of Human Rights. Since our foundation, no human rights-related issues such as child labor, forced labor, and human trafficking have occurred in the company, and we will continuously work hard to prevent any legal issues during the business operation. Moving forward, we will perform our role as a responsible corporate citizen through the active practice of human rights management.

### NEXEN TIRE's Declaration of Human Rights

NEXEN TIRE adheres to the human rights principles set by the UN Universal Declaration of Human Rights and the UN Guiding Principles on Business and Human Rights.

All NEXEN TIRE employees must consider the following principles when performing their tasks, and all stakeholders in a business relationship with NEXEN TIRE are encouraged to respect the same principles:

- ① We respect the diversity of employees, and we are committed to ensuring that each employee or potential employee is not discriminated by gender, age, race, nationality, religion, disability, political orientation, and region of origin in all processes of human resource management such as recruitment, evaluation, compensation, and training.
- ② We prohibit child and forced labor and adhere to all ILO-recommended, state-ratified labor principles regarding health, safety, working hours, etc.
- ③ We provide sufficient communication opportunities to all employees and guarantee freedom of association and collective bargaining.
- ④ We prepare appropriate support measures for a safe work environment for employees.
- ⑤ We protect the human rights of local communities where the workplace is located.



## Human Rights Awareness Improvement

### Human Rights Education

NEXEN TIRE respects freedom and human rights as the basic and inalienable rights of all people. In order to strengthen human rights management system, training is provided in all areas of human rights such as prevention of sexual harassment and improvement of awareness of the disabled; efforts are also being made to establish an organizational culture that respects human rights.

### Human Rights Education\* Completion Status

Category	Unit	2019	2020	2021
Persons Subject to Education**	Persons	4,066	4,027	3,979
Persons Who Completed Education	Persons	4,034	4,005	3,937
Education Completion Rate	%	99.2	99.5***	98.9

\*Including training on sexual harassment prevention and improvement of awareness of the disabled

\*\*Based on domestic worksites

\*\*\*Human rights education completion rate of 2020 corrected due to display error



## Diversity and Inclusion

### Creating a Culture that Embraces Diversity

NEXEN TIRE seeks to create a culture that embraces diversity for securing and fostering excellent talents. We are promoting activities considering the universal factors of diversity, such as gender, age, and disability. To provide stable jobs to people with disabilities and fulfill our social responsibility, we established N'zel Withus a subsidiary-type standard business for the disabled, in 2017. N'zel Withus provides bread and confectionery to the Yangsan and Changnyeong plants and NEXEN Corporation. As of 2021, a total of 73 people with disabilities are employed. We strive to respect diversity in hiring employees.

#### Diversity in NEXEN TIRE

Category	Unit	2019	2020	2021
People with Disabilities*	Persons	64	66	73
Foreigners	Persons	2,634**	2,506**	2,736
People of Old Age***	Persons	609	671	718

\*Employees of NEXEN TIRE including those of N'zel Withus

\*\*Data for 2019 and 2020 were changed due to the data management tool modification, caused by the integration of internal HR management system

\*\*\*Employees over 50 years of age

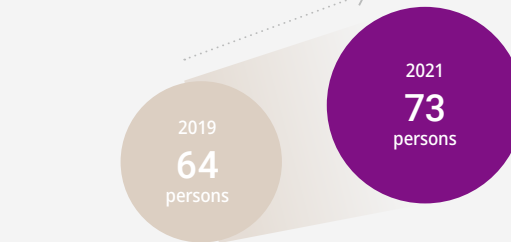
#### NEXEN TIRE's Female Employees

Category	Unit	2019	2020	2021
Female Employees	%	6.9*	7.7*	8.9
Female Managers**	%	0.1	0.1	0.1
Female Executives	Persons	0	0	0

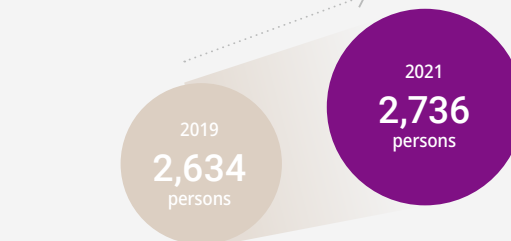
\*Data for 2019 and 2020 were changed due to the data management tool modification, caused by the integration of internal HR management system

\*\*Job position equivalent to manager and above

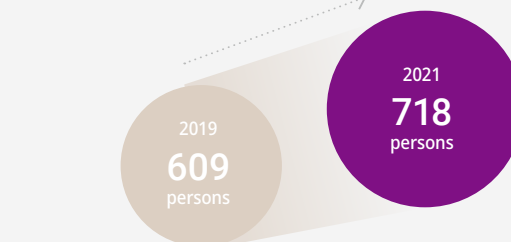
#### Number of Employees with Disabilities in NEXEN TIRE



#### Number of Foreign Employees in NEXEN TIRE



#### Number of Elderly Employees in NEXEN TIRE



### In-house Broadcast for Exchange Among Generations

NEXEN TIRE makes an active use of the in-house broadcast system to share and expand communication among the employees. Providing contents such as "Talk Talk," "N-Balance Game," and "Introducing Our Team," which are operated through employees' direct participation, we strive to break down barriers and strengthen communication across generations.

### Providing Education on Diversity

Through the in-house cyber campus, NEXEN TIRE provides education on gender equality and values of diversity to all employees.

### Prohibition of Discrimination and Harassment

NEXEN TIRE prohibits workplace discrimination and harassment. The Human Resources Team is designated and operated as the department in charge of handling discrimination and harassment-related grievances. When any discrimination or harassment case occurs, a person in charge is assigned to the case, and the Personnel Disciplinary Committee is convened based on the evidence.



# Occupational Health and Safety

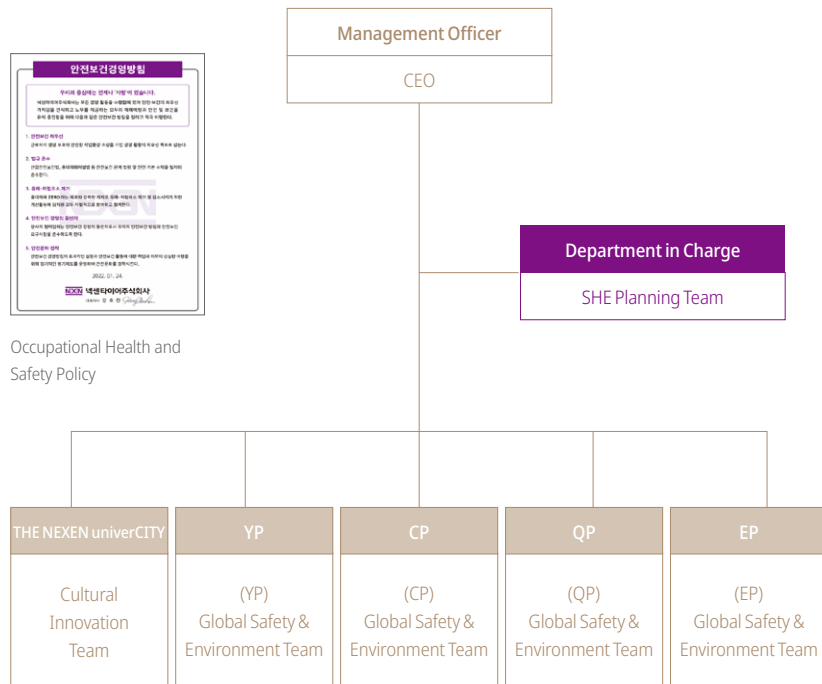


## Occupational Health and Safety Implementation System

### Establishment of an Organization in Charge of Occupational Health and Safety

NEXEN TIRE is making the utmost effort to establish and implement the health and safety management system with the goal of recording zero severe accidents. To enhance the occupational health and safety of organization, we established the SHE Planning Team consisting of persons possessing professional qualifications and experiences in the health and safety fields as members. As an organization under the direct management of the CEO, the SHE Planning Team functions as a company-wide health and safety control tower and handles comprehensive health and safety management operations. NEXEN TIRE not only strengthened the efficiency and expertise of health and safety management by allocating additional personnel other than the safety and health managers appointed in each plant according to the law but also conducts real-time monitoring and other operations to prevent accidents in blind spots and assigns field patrol staff for swift response to emergency situations upon their occurrence.

### Occupational Health and Safety Organization and its R&R



### SHE Planning Team

#### NEXEN TIRE's company-wide SHE (safety, health, environment) control tower

1. Responding to the Act on the Punishment, etc. of Serious Accidents and the Occupational Safety and Health Act
2. Standardizing occupational health and safety management guidelines
3. Responding to ESG-related issue / environmental assessment such as CDP
4. Assessing level of occupational health and safety management on each plant, such as the occupational health and safety management officer appointment rate
5. Responding to the SHE requirements of stakeholders
6. Reflecting occupational health and safety related KPIs

### Safety & Environment Team in each plant

1. Conducting on-site safety, health, environment, and firefighting operations in each plant
2. Responding to the Occupational Safety and Health Act and related laws and regulations (domestic worksites)
3. Performing activities to prevent disasters and accidents in plants

## Occupational Health and Safety Improvement Activities

### Revision of Health and Safety Regulations

To establish health and safety R&R through the documentation of internal regulations, NEXEN TIRE established regulations for compliance with the Act on the Punishment, etc. of Serious Accidents and fully amended the occupational health and safety management regulations. We also established a process for responding to the Act on the Punishment, etc. of Serious Accidents and analyzed the occupational health and safety management status on each plant. In 2022, to internalize substantial occupational health and safety management system, we will inspect the implementation status of occupational health and safety-related laws and regulations every six months. In addition, advanced education course shall be offered to enhance the occupational health and safety-related roles and responsibilities of management supervisors.

### Occupational Health and Safety Education

NEXEN TIRE provides occupational health and safety education to all workers working in plants. Education is provided in Yangsan and Changnyeong plants in compliance with the occupational health and safety-related statutory requirements. As of 2021, the education completion rate is 100%.

### Occupational Health and Safety Education\* Status

Category	Unit	2019	2020	2021
Target persons**	Persons	3,502	3,486	3,459
Persons who completed education	Persons	3,502	3,486	3,459
Education completion rate	%	100	100	100

\*Including regular occupational health and safety education, education of new employees, education of management supervisors, and practical training of firefighting safety management assistants

\*\*Subject to workers in plants, including double counting

## Occupational Health and Safety Improvement Activities

### Effort for Strengthening Safety in Plants

For workers' occupational health and health, NEXEN TIRE organizes various health and safety activities, participated in by not only the safety management related departments, but also all employees.

**Safety Inspection of Plants** To strengthen on-site safety management as the basis of accident prevention, the management officer and health and safety managers conducted on-site safety inspections in each plant.



Occupational Health and Safety Inspection of Plant by COO

**Discovering and Improving Risk Factors by Each Plant** In each plant, risk factors of each department are identified and improvements are made on a monthly basis under the guidance of the management supervisor. In addition, risk prediction education items are selected and managed. Special safety patrol is conducted before and after holiday periods, during which employees' safety awareness can be lowered, in order to prevent accidents. Moreover, along with the monthly labor-management joint on-site safety inspection, health and safety management officers participate in the improvement meetings to allocate the necessary budget and receive reports on the results of follow-up actions.

**Operating Programs to Motivate Workers' Participation in Health and Safety Management** In particular, to encourage workers' participation in occupational health and safety activities, NEXEN TIRE secures and executes the budget necessary for operating health and safety management motivation programs such as paying zero accident incentives and presenting prize money in safety contests.

**Expanding the Health and Safety Budget for Accident Prevention** In 2022, with the goal of preventing accidents and health damage of workers, NEXEN TIRE compiled the health and safety budget for an accident prevention project based on workers' opinions at more than double the amount in 2021; thus contributing to creating a health and safety culture.

**Health and Safety Risk Management at the Magok Central Research Institute** To create an accident-free workplace, the Magok Central Research Institute established the occupational health and safety management system; it is managing health and safety-related risks by developing measures to prevent severe industrial accidents. NEXEN TIRE is making company-wide efforts to prevent the recurrence of the same accidents by strengthening intensive management for each task. The Magok Central Research Institute provides safety training in relation to the handling of chemicals and test types in prior to commencing tests. Risk factors are assessed and the improvements are made on an annual basis, based on the internal checks and the external safety inspection conducted by a professional institution.

### Risk Assessment and Monitoring for Suppliers

NEXEN TIRE makes every effort to prevent accidents of suppliers.

**Risk Assessment and Monitoring for Suppliers** NEXEN TIRE annually conducts risk assessment and monitors its validity.

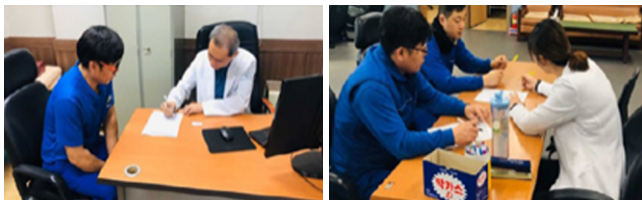
**Plant Inspection and Education for Internal Suppliers** For in-house suppliers, plant inspection and education of managers are conducted on a quarterly basis. In addition, NEXEN TIRE holds monthly committee meetings to discuss on technical support provision with subcontractors and make improvements on occupational health and safety related issues. As such, we seek to induce a mutual growth with, and prevent industrial accidents of subcontractors.



## Employee Health Management

### Promotion of Employees' Health and Disease Prevention

In order to contribute to the health promotion of employees, NEXEN TIRE is replacing old measuring and therapeutic equipment at in-house health management room to examine body composition of employees with cerebrovascular disease and prevent any musculoskeletal related disease. We invested KRW 35 million in replacing low-frequency electrical stimulation and intermittent pneumatic compression devices, and purchased extracorporeal shock wave therapy devices to provide health promotion program that can lower the likelihood of reclaiming shoulder and back pain among returning employees. We seek to reduce the number with musculoskeletal disease resulting from industrial accidents. Furthermore, we also invest in and conduct various programs for employees' health management.



Consultation with Medical Specialists

Consultation with Nurses

Through general and special health checkups, employees' health condition is assessed. In addition, we perform health promotion activities (operating an obesity clinic, providing health counseling service, etc.) to manage employees in high health risk groups, such as those with high risk of cerebrovascular diseases, those experiencing symptoms of musculoskeletal diseases, and those susceptible to job stress. Separately from the basic requirement, we regularly provide comprehensive health checkup service along with tumor marker test consisting of ultrasound examination and gastro-colonoscopy to employees and their spouses.

In 2022, in order to reduce the number of employees suffering from hearing-related diseases in plants, we will provide education on noise-induced hearing loss to members of departments that generate high level of noise.

We will also conduct the hearing protection aid fitting test to manage employees with high risk of noise-induced hearing loss. Moreover, for employees' mental health, we will assess employees' job stress levels, analyze the results, and implement preventive measures based on the results along with health checkup and counseling data.

### COVID-19 Prevention

For COVID-19 prevention, NEXEN TIRE periodically supplies disease prevention items such as masks, hand sanitizers, and disinfectants to suppliers. In addition, to restrict the entry of potential suspect of COVID-19, three designated gates are operated. While the body temperature of people entering worksites is measured at six self-measuring stations, thermometers are placed in each department to enable employees experiencing fever and other abnormal symptoms to check their temperatures continuously. When a confirmed case occurs, we encourage employees to undergo self-diagnostic test and leave work to prevent the spread of the disease. According to the government policies in line with the delta and omicron variants, we continuously distribute 'Manuals' to employees and suppliers to prevent any misunderstandings and confusion on response procedure. At the same time, to prevent the spread of the disease after holidays or plant closing, we encourage employees to conduct PCR test or self-diagnostic test before commuting to work. At the Magok Central Research Institute, entry route to the building is reduced, temperature check is conducted at each permitted entrance and



Response to COVID-19



Temperature measuring for COVID-19 prevention

public areas are disinfected twice a week. For directors and employees, we operate a flexible work arrangement in three groups and encourage telecommuting when the national social distancing level is elevated.

### Operating an In-house Health Management Room

NEXEN TIRE sets up an in-house health management room in the Magok Central Research Institute where medical professionals (nurses) provide general first aid to employees when required, and assess and promote the health of employees.

### Operating an Obesity Clinic

NEXEN TIRE operates an obesity clinic to encourage employees with high risk of obesity and those wishing to participate in the program to control their weight and gain healthy diet and exercise habits. We recorded an average success rate of 66% between 2019 and 2021 in body fat reduction and other goal achievement. In addition, employees are divided into three risk level groups according to their cerebro-cardiovascular disease risk levels as indicated in the health checkup results. Each group is differently managed after expert consultations and distribution of education materials. In 2022, we plan to measure employees' blood pressure, blood sugar level, and body composition in quarterly basis during the health counseling sessions.



### Effort for Creating a Healthy Work Environment

**Plant** NEXEN TIRE's plants implement various activities to improve the work environment and to create a healthy workplace. The work environment assessing company has been changed on a biennial basis to conduct a preliminary survey from various perspectives. The preliminary survey, which was conducted to prevent the omission of assessment items, enabled us to categorize the risk factors by adding 16 assessing items and segmenting department processes. Having also improved ventilation and air supply environment, we plan to invest continuously in work environment improvement in 2022.

In particular, we have measured the intensity of illumination once a year and installed additional lighting, replaced the existing lighting with LED lighting, and introduced a local lighting system in 59 locations. To maintain appropriate illumination intensity, we are establishing and implementing improvement plans.

**Magok Central Research Institute** To create a safe work environment, the Magok Central Research Institute conducts the legally required environment measurement twice a year including safety inspections and precise safety assessments through specialized inspection agencies for the improvement of hazardous work environment and prevention of accidents. For building maintenance, it strives to prevent all accidents by conducting annual structural safety assessments on buildings, elevators, gas facilities, electrical equipment (substation, etc.), and pressure vessels as well as mechanical facility maintenance and performance inspection.

### Management of Chemicals

NEXEN TIRE is making efforts to mitigate the negative environmental impacts by considering impacts across the product value chain. In particular, we manage the use of regulatory chemicals by upgrading the global regulatory chemical monitoring system in the stage of product development. We also promote the continuous development of eco-friendly materials for application to tire products and technologies to improve energy efficiency.

### Training for Management of Hazardous Substances

NEXEN TIRE provides training on hazardous substances to all workers in plants where hazardous chemicals are handled. In our Yangsan and Changnyeong plants, online training course is provided once a year as to the method of responding to chemical accidents, criteria for handling hazardous substances used in the plants, and directions for using accident prevention and personal protective equipment. As of 2021, a total of 3,317 persons received the education, and marked 100% education completion rate.

#### Status of Training on Hazardous Substances

Category	Unit	2019	2020	2021
Target persons*	Persons	3,134	3,259	3,317
Persons who completed training	Persons	3,134	3,259	3,317
Training completion rate	%	100	100	100

\*Subject to workers in domestic plants



# 100%

Hazardous substance training completion rate in 2021

### Advancing the Chemical Substance Management System

With the global chemical-related regulations tightening and the scope of application expanding, the importance of controlling the chemicals contained in raw materials has amplified. In 2022, NEXEN TIRE advanced the Regulated Substance Monitoring Program (RSMP) to accurately check the compositions of chemicals contained in raw materials including whether or not the substances are subject to regulation from the initial stage of raw material development. Through the program, we regularly update the list of substances subject to regulation according to the EU REACH, the Chemical Substances Act\*, and in the automotive and tire industries and monitor the total amount of such substances in raw materials and tire products. In addition, we regularly check the hazardous substance test reports of suppliers to control the hazard caused by chemicals.

\*Act on the Registration and Evaluation of Chemical Substances

### Process Reestablishment According to the MSDS\*

Process Reestablishment According to the MSDS (Material Safety Data Sheet)\*NEXEN TIRE Europe assesses new chemicals from the perspective of workers' health. In addition, it assesses the MSDS provided by suppliers through a professional company. The MSDS is reviewed and revised to meet the requirements of GHS\*\* and CLP\*\*\*.

\*MSDS: Material Safety Data Sheet

\*\*GHS: Globally Harmonized System of Classification and Labeling of Chemicals. A system aimed at establishing regulations for globally unified classification and labeling of chemicals according to their hazard and risk

\*\*\*CLP: Classification, Labeling & Packaging. A system requiring the submission of identification and hazard classification information for hazardous substances and those subject to the EU environmental regulations and registration

# Employees



## HR System Operation and Creation of a Good Workplace Environment

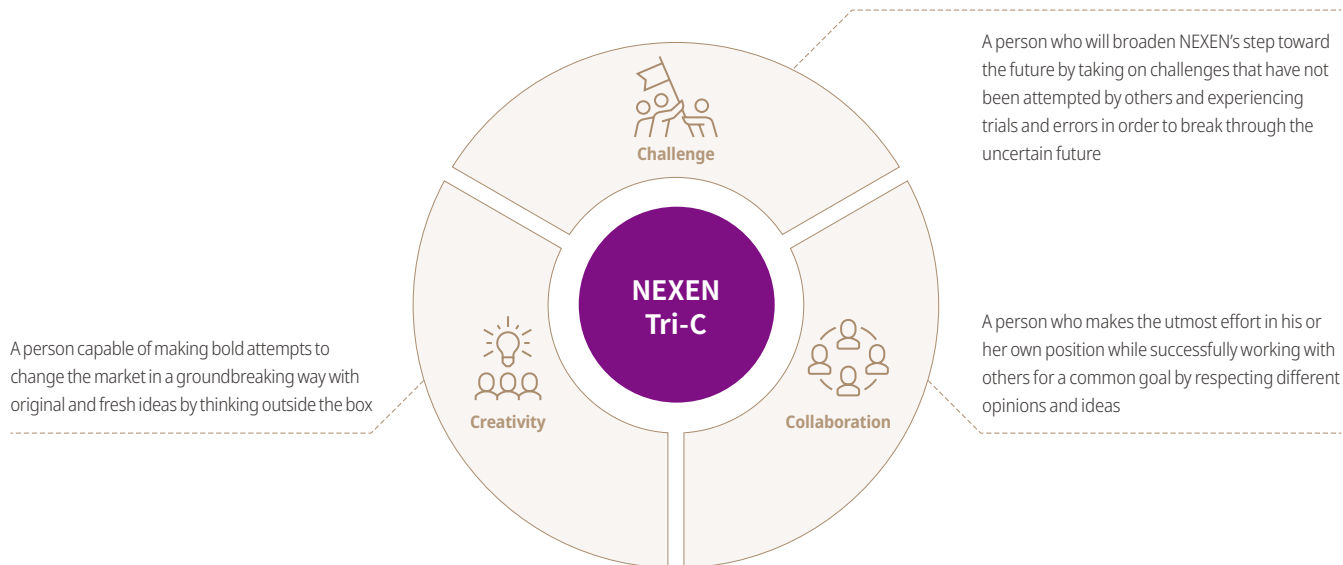
### NEXEN UNIVERSE

NEXEN TIRE operates the “NEXEN UNIVERSE,” which features a corporate value system enabling individuals to think and act together for the organization. Through this, we are striving to foster competent members who uphold the fundamental values and seek to improve their abilities constantly. We are committed to foster competent talents by investing in recruitment process, employee self-development training program and fair evaluation and compensation system.

### Fair Recruitment

NEXEN TIRE has set the NEXEN Tri-C as the ideal image of personnel and established a system for recruiting human resources accordingly. We recruit talented personnel based on their experiences and job characteristics. The recruitment takes place in an open process. To ensure fairness of recruitment and provide opportunities to a large number of applicants, we have introduced the AI interview system. The detailed recruiting process varies according to our recruitment criteria for new domestic employees, employees for domestic sales positions, and experienced employees. For gender equality, the interviewers receive training in prior to interviewing applicants.

### NEXEN TIRE's Ideal Personnel (NEXEN Tri-C)



### NEXEN TIRE's Recruitment Process



#### Document screening & AI-driven interview



Securing the minimum job qualifications by determining the eligibility of candidates

#### 1<sup>st</sup> interview (job competency)

Evaluate the task performance competency, responses to specific situations, specialized knowledge, etc.

#### Final interview (executive interview on personality)

Comprehensively evaluate whether the candidate corresponds to NEXEN TIRE's organizational value

-  [NEXEN TIRE Recruitment Website](#)
-  [NEXEN TIRE Recruitment Announcement Website](#)

### Job Types in NEXEN TIRE



## System Improvement to Enhance Employee Productivity

NEXEN TIRE is making various investments based on the mindset that the happiness of employees is directly correlated to company's competitiveness. We are revolutionizing our HR system to create a corporate culture for improving employees' satisfaction and productivity by implementing various systems, from innovation in working methods to create a workplace with a high level of employees' satisfaction to welfare benefits tailored to the lifestyles of the Millennials.

### N-Change System

With the goal of improving the job competency of employees and helping them develop leadership, NEXEN TIRE has been implementing the N-Change system since June 2020 to encourage executives and team managers in domestic plants to take a leave at least once a month (monthly refresh). As of the end of 2021, 109 employees take a leave under the system. N-Change contributes considerably to creating an environment where employees can freely take leaves while improving their concentration on their work.



### Working Hour Monitoring Campaign

To establish the statutory 52-hour work week system, NEXEN TIRE is conducting a campaign to monitor employees' working hours. Since 2019 in particular, we have been operating the attendance registration system we have introduced for the qualitative improvement of working hours through quantitative business operation. Extended and holiday work are allowed only through prior approval, and data on monthly working hours are shared by organization to achieve gradual improvement in working hours.

### Activating the Flexible Working Hours System

Since September 2020, NEXEN TIRE has been implementing the flexible working hours system for the Central Research Institute, allowing workers to select their working hours. As of the end of 2021, 523 employees are using the system, and it contributes considerably to helping employees maintain work and life balance and improve their performance.



### Implementing the Quarter-day Leave System

In September 2020, NEXEN TIRE introduced the quarter-day leave system that allows employees to divide a one-day leave into four two-hour leaves. As of the end of 2021, 1,042 employees are using this system. It contributes considerably to creating a flexible work environment and helping employees, who takes a while to commute, to achieve work-life balance.



### Fair Workplace without Discrimination

NEXEN TIRE is striving to secure outstanding talents regardless of gender and provide various opportunities for employees' growth by creating a culture that respects diversity. In operating the HR system, we apply equal standards to both male and female workers in terms of position, performance management, and promotion systems; thus preventing discrimination for all workers.

### Job and Career Development Support System

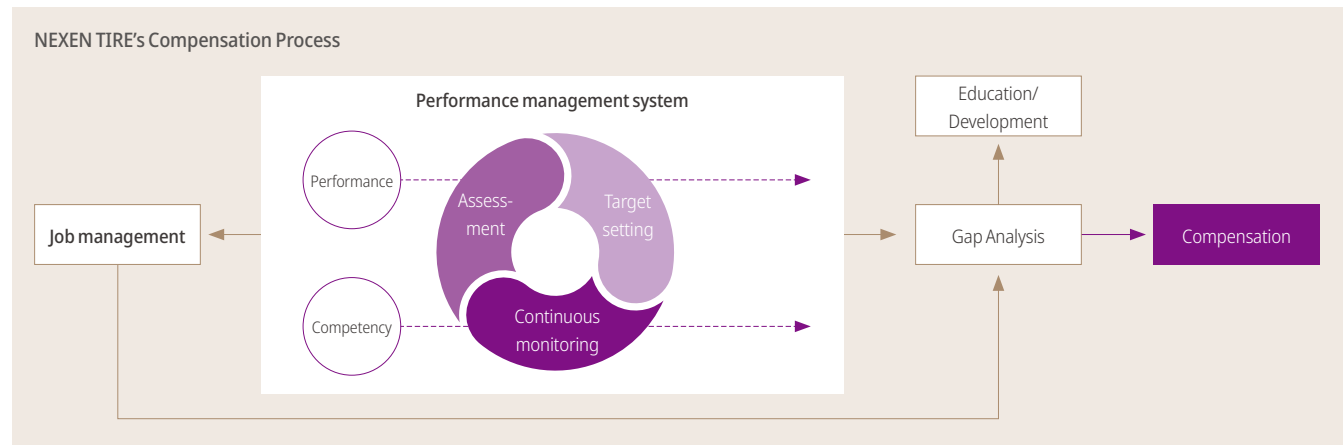
**Operating the Job Transfer Support Program "Purple Challenge"** Since 2019, NEXEN TIRE has been operating the "Career Challenge" system to provide employees with an opportunity for job transfer. In 2022, the system was renamed to "Purple Challenge." With employees setting their career goals by themselves, the company identifies the demand for job transfer by employees according to their individual career goals and reflects such to the annual personnel appointment or when positions become vacant.

**Service to Support Reemployment** NEXEN TIRE is making efforts to provide reemployment support service—such as career and aptitude examination, career design, job placement, and training for reemployment or business establishment—to workers who are scheduled for transfer or retirement, etc.

### Fair Compensation

NEXEN TIRE has established a transparent, objective personnel assessment and compensation system to fairly assess and evaluate employees' efforts. In 2021 in particular, we promoted change to a reasonable assessment and compensation system through external global consulting to provide persons producing the best outcomes with preferential treatment that is more readily accepted by employees. In 2022, we are planning a change to improve the fairness and feasibility of assessment by reflecting the performance report and difficulty levels of each target. In terms of the assessment grade, we are preparing to introduce and implement an absolute assessment system.

The personnel assessment results are used in talent fostering, employee promotion, compensation and leader selection. Considering that the annual salary adjustment rate and bonus amount differentiated according to the assessment result, we are providing fair compensation based on employees' performances without discrimination in terms of age and gender. We held a presentation in March 2022 for the successful establishment of the system change, and the Human Resources Team sincerely responds to employees' individual inquiries about the system.





## Competency Building and Talent Fostering

Along with the rapid change in company's management environment and work mode, NEXEN TIRE operates educational programs to foster "NEXEN-type talents" who will get through the waves of new change. We started making changes based on continued research and dedication to provide our employees with the best and optimal learning opportunities.

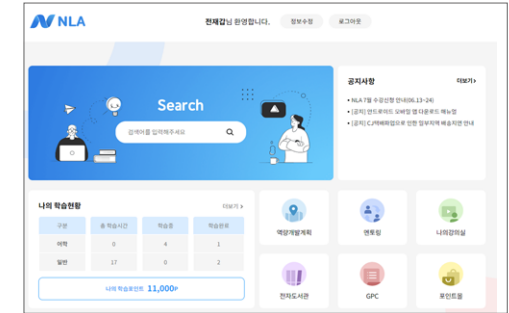
### Creating an Environment for Employees' Self-initiated Learning

**Operating the NEXEN Learning Academy (NLA)** Considering the changed work environment brought about by COVID-19, NEXEN TIRE operates the NEXEN Learning Academy (NLA) where employees can engage in learning at anytime, at anywhere. Employees can unlimitedly access various com-

petency building courses offered at NLA. Through the partnership, we also provide YouTube and micro learning contents.

### NEXEN-type Talent Fostering

NEXEN TIRE operates a range of educational programs to support job performances for talent fostering.



NLA Website

### NEXEN TIRE's Education System

Phase 1	Basic competency				Leadership competency			Job competency							
	Core value		Sustainable management		Performance management	Change management	Talent fostering	General		Specialized					
Executives	NEXEN UNIVERSE spread		Sexual harassment and discrimination prevention in workplace	ESG & sustainability training	Performance management executives' course	Leadership of executives	Interviewer executives' course	Remote training External training	<div style="border: 1px solid black; padding: 5px;">                     Phase 2    R&amp;D Subdivision    Production Subdivision    Sales Subdivision                 </div>						
Team managers					Performance management team managers' course	Leadership of team managers	Interviewer team managers' course								
					New team managers' course										
Team members	Senior managers	NEXEN UNIVERSE introductory course	NEXEN UNIVERSE practice course	Special themed lecture (UNIVERSE Class)	Awareness improvement of the disabled	Occupational health and safety	Privacy protection	Performance management advanced course	Leadership for change implementation	Expatriate fostering course	Expatriate reinstatement course	(1-day job-themed) Data reporting EXCEL statistics Digital literacy Digital marketing Technical document writing Report review Time management ...	Tire course	Administration	Intensive English course / Language in Company Learning organization CoP course Internal instructor fostering
								Managers	Performance management advanced course					Leadership for problem solving	
	Assistant managers							Manager promotion course	Leadership for work initiatives					Logistics	
	Staff							Performance management basic course	Leadership for self-management					...	
								Assistant manager promotion course							
								Performance management basic course	Leadership for self-management						
Introductory course & mentoring course for new employees															





### NEXEN UNIVERSE Leaders' Training

To support leaders in the position of team manager or higher who will lead NEXEN TIRE's future, the "NEXEN TIRE Leadership Program" is provided on an annual basis. The program consists of courses on organization management, performance management, personnel management, and competency building as the leadership elements. New training programs are also being operated to reinforce communication between leaders and followers, which has been weakened due to prolonged COVID-19.

#### NEXEN TIRE's Leadership Program

	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.
Education Roadmap	Performance management	Organization management	People management	Organization management	Performance management	SEASON BREAK	People management	Performance management	Performance management	Change management
	(1 Day) Organizational goal and strategy	(Video conference) Clear work distribution and instruction	(Video conference) Fostering by situation	(Video conference) Cooperative organization building & strategic recruitment (interview competency)	(Video conference) Effective KPI interim assessment		(Video conference) Motivation, authority delegation	(1 Day) Fair performance assessment	(Video conference) Enhancement of assessment and interview skills	(1 Day) Change Management in the new normal era
	Executive seminar				Executive seminar				Executive seminar	
Linked Education	Online learning (e-learning, micro learning, etc.)					Insight special lecture			Knowledge letter service	

### Building Global Competency

The NEXEN Learning Academy provides unlimited learning content to help employees communicate freely in foreign languages. It also offers intensive video learning as a preparatory course for expatriates. In addition, we seek to enhance the training program for expatriates by renewing the cross-cultural training program.



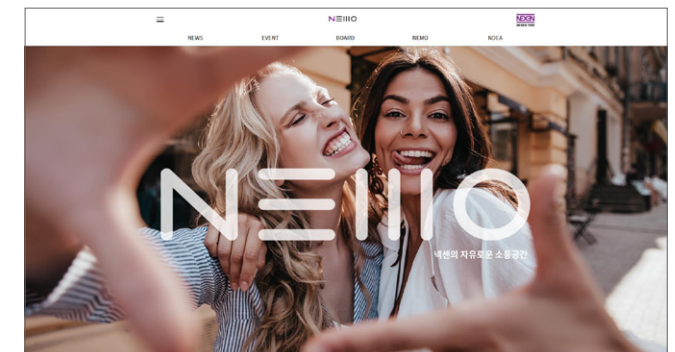
\* Targeting employees of domestic worksites and dispatched workers (expatriates, advisers, non-executive directors, security staff, and vehicle drivers excluded)

### Organizational Culture

NEXEN TIRE sets improvement goals on working processes and methods on each BG to improve their work efficiency. Through the flexible working system, telecommuting, and "Core Time" for two hours a day, we provide working modes optimized to individual circumstances and create an environment where employees can immerse themselves in their work uninterrupted.

### Strengthening Organizational Communication: Operating NEMO, a Gathering of NEXEN Members

NEXEN TIRE opened the "NEXEN Gathering - NEMO" website in 2020. NEMO is used as a platform for promoting small gatherings among employees wherein they share used goods, as well as for notifying employee benefits through corporate partnerships. We are continuously developing and sharing new programs with our employees' participation, such as regular in-house broadcasting, video content production for intergenerational understanding, and in-house radio broadcasting during lunchtime.



NEMO



## Organizational Culture Improvement Activities

### Purple Wave Campaign

NEXEN TIRE conducts the “Purple Wave” Campaign to lay the foundation for an organizational culture that values creativity, promotes cooperation, and takes on new challenges and strengthen communication and trust among employees. We are strengthening internal training as part of the vision and value internalization activity. In addition, while discovering core value success cases, we are preparing to hold the “Purple Awards” for spirit to take on challenges and lessons learned from bold attempts that unfortunately did not lead to success. We are also operating the Purple Mentoring program, which is for the executives and members of different organizations to communicate through social contribution activities, and Purple Point system for the participants to exchange small gifts to express gratitude for work-related assistances received.

### Efficient Meeting and Reporting Culture

To promote non-authoritative, efficient reporting process, NEXEN TIRE implements the OPR (One Page Report) document standard. While striving to provide clear and detailed work instructions and feedback from senior workers, we are encouraging direct reporting between the persons concerned to prevent delays in reporting, caused by the absence of people in the line of reporting. We are also improving the speed of operation by recognizing various reporting methods, such as messenger, text message, e-mail, and note. In addition, the duration of sharing minutes is analyzed and notified across the company on a monthly basis to avoid unnecessary meetings, and all employees are participating in the effort to create a meeting culture that focuses on results and execution.

### Operating an In-house Proposal System (N'Dea)

NEXEN TIRE is operating the “N'Dea” system, an in-house proposal system to collect creative ideas from employees and reflect them to the company management. It shall be the third-session in 2022, and ever since launching the N'DEA system in 2019, it provides employees with an opportunity to participate in the company's development. Over the past three years, a total of 298\* ideas have been received through the N'Dea system.

For the second season of N'Dea in 2021, the operating method was improved from the previous season. Through the system improvement, the convenience of employees' idea proposal has also been increased. At the same time, to activate the system, the compensation criteria have been strengthened. For the participants in the second season of N'Dea, for example, online coffee coupons were presented as basic rewards, and the best idea was received prize money of KRW 15 million.

As NEXEN's take on the Hack-a-thon contest wherein participants come up with ideas, produce outcomes, and prove the feasibility within a limited span of time, N'ack-a-thon is highly effective in strengthening idea execution and securing the fairness and transparency of the result. Therefore, it will again be applied to the third season of N'Dea.

Lastly, among ideas suggested by employees, we select those that can be implemented swiftly to ensure operational efficiency. We hope the N'Dea system will serve as a space for communication where our employees can exchange their individual opinions through direct participation.

\*N'Dea - 215 ideas (June 2019 - Dec. 2020) + NEMO - 82 ideas (Dec. 2020 - June 2022)

N'Dea  
Season 1 HERO  
(1<sup>st</sup> place)

**Introduction of tracking system to prevent market disruption**

Expected to build customer trust, strengthen sales power, help manage sales prices, and prevent sales drop

N'Dea  
Season 2 HERO  
(1<sup>st</sup> place)

**Consumption of and marketing for returned rubber through collaboration with EIDER**

Expected to produce effect for consumption of and marketing for returned rubber through tire compound application to the shoes of outdoor brand



298 cases

Number of ideas received over the past three years through the N'Dea system





## Labor and Management Promoting Shared Growth

### Labor Union

NEXEN TIRE's labor-management wage bargaining and collective bargaining agreement are executed every year and every two years, respectively. For the wage and collective bargaining agreement in 2020, labor and management agreed on a wage freeze without negotiation to share the difficulties caused by the global economic stagnation and the company's sales decrease as a result of the COVID-19 pandemic. In 2021, labor and management achieved an agreement from wage negotiation in a short period of time based on mutual trust and contributed to increasing the company's sustainable development and the productivity of all employees by improving working conditions and welfare. In addition, at the quarterly labor-management council meetings, employees' health, safety, work environment, and welfare facility improvement, etc. are discussed. Moreover, labor and management executives communicate with the CEO through the annual meeting of the board of representatives. NEXEN TIRE's labor and management have recorded zero strikes for 30 consecutive years.

With a considerable number of automotive companies that are highly relevant to the tire industry falling under the influence of militant labor unions, the repetitive strikes each year and the establishment of multiple labor unions result in conflict among labor unions. However, NEXEN TIRE has achieved an exceptional record of zero strikes for 30 consecutive years. This is because, although the owner of the company had changed several times until the company name was changed to NEXEN TIRE, the belief that "a stable company guarantees employees' stability" has been strongly instilled among employees. Communication between labor and management has been emphasized, based on the understanding that neither the company nor employees can develop without win-win cooperation. We established a foundation of trust between labor and management by transparently disclosing our management status and discussing with the labor union to achieve agreement on material issues.



Wage agreement signing ceremony in 2021

### NEXEN TIRE's Labor Union

Category	Description
Union Name	NEXEN TIRE Labor Union of the Federation of Korean Rubber Industry Trade Unions
Date of Establishment	June 2, 1961
Number of Members*	2,920 (as of the end of Dec. 2021)

\*Based on technical workers (excluding assistant managers and those in higher positions, persons performing specific duties, commissioned workers, day laborers, etc.)



### Activities for Labor-Management Harmony and Stabilization

**Labor-Management Communication** The labor-management relationship built through communication contributes to the organizational culture of trust and harmony. The union respects the company's right to conduct business and does not interfere in the company's rightful exercise of such right, while the company faithfully assists in the union's decision making by providing documents and data necessary for the union operations. For successful communication between labor and management, NEXEN TIRE holds quarterly labor-management council meetings and labor-management talks. Through the meetings, labor and management cooperatively perform activities to improve the work environment and welfare facilities.

#### Labor-Management Council

- Labor-Management executives holding the labor-management council meeting every quarter
- Discussing items on the internal work environment and employees' safety and health

#### Labor-Management Talk

- Quarterly meetings held with the attendance of labor union executives and team/part leaders of each department
- Collecting suggestions and complaints from department members, discussing plans to improve the work environment and conditions
- Providing feedback on items discussed in the previous quarter



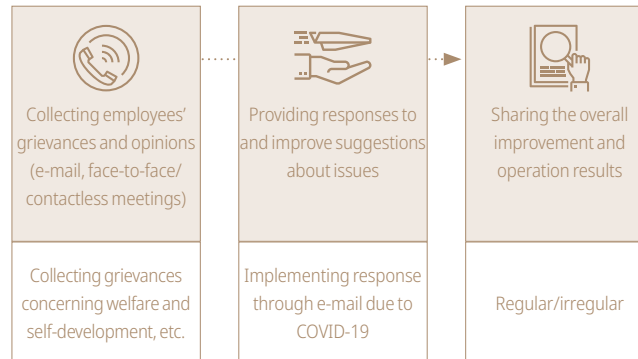
**Activities for Labor-Management** Harmony Around October each year, NEXEN TIRE's labor and management hold a sports day event by department to promote regular engagement and build harmony among participants. We make efforts to create an opportunity for company-wide exchange by holding and expanding the scope of sports day events to compete for the awards of the labor-management council chairperson and the head of the Global Manufacturing BG (Business Group), etc.

**Outcomes of Labor-Management Cooperation** In May 2021, as a result of the effort to place emphasis on trust between labor and management, which led to the accomplishment of zero strikes for 30 consecutive years, NEXEN TIRE won the grand prize at the '33<sup>rd</sup> Labor-Management Cooperation Award' hosted by the Korea Enterprises Federation. We will continue dedicating the utmost effort to creating a cooperative culture of shared growth between labor and management with which we ensure employees' happiness and contribute to the local communities by preventing industrial accidents and strengthening ESG activities.

**Effort to Resolve Employees' Grievances**

NEXEN TIRE operates the "Change Agent (CA)" system to collect employees' grievances and opinions. Through the system, we collect opinions about welfare, CA activities, policies, and communication, etc, and develop solutions through discussion. Having continuously implemented the CA system since 2020, we will resume the activities that have been suspended or have not been conducted due to COVID-19.

**Change Agent Activity Process**



**Supporting Employees' Welfare and Benefits**

**Childbirth and Childcare Support System** NEXEN TIRE provides female employees with one-day monthly unpaid menstrual leave and 90-day leave when pregnant (120 days when pregnant with more than one baby). We also operate a maternity support system and a pre-mother care system to provide leave for at least 45 days (60 days if pregnant with more than one baby).

<p><b>Life</b></p> <ul style="list-style-type: none"> <li>· Commuter bus (manufacturing plants)</li> <li>· Gift on holidays</li> <li>· Free supply of tires</li> </ul>	<p><b>Leisure</b></p> <ul style="list-style-type: none"> <li>· Summer vacation expenses</li> <li>· In-house communities</li> <li>· Recreational facilities</li> </ul>
<p><b>Health</b></p> <ul style="list-style-type: none"> <li>· Comprehensive health checkup</li> <li>· In-house gym</li> <li>· Affiliated hospital</li> </ul>	<p><b>Family</b></p> <ul style="list-style-type: none"> <li>· Children's educational expenses</li> <li>· Family events</li> </ul>
<p><b>etc.</b></p> <ul style="list-style-type: none"> <li>· Reward trip</li> </ul>	



Prize Winning at the 2021 Labor-Management Cooperation Award (May 2021)



Change Agent

**In-house Childcare Center** NEXEN TIRE operates in-house childcare centers at the key worksites, such as the Central Research Institute and manufacturing plants, to help employees work worry-free. To ensure the high-quality education and safety of children, we maintain the number of teachers above the legal standards by age, receive educational programs from specialized institutions, and provide nutritional meals by using separate cooking facilities. Apart from government subsidies, all operating expenses are fully borne by the company to create a work environment where employees can take care of their children and work at the same time. At the parent satisfaction survey (on a scale of five points) conducted in 2021, we recorded an average score of 4.85 points, which consists of 4.9 points for childcare environment, 4.8 points for childcare program and interaction, 4.8 points for openness of facility operation and home-connectedness, and 4.9 points for nutrition, safety and health.

# Customers



## Customer Satisfaction Management

### Customer Satisfaction Promotion System

To provide higher-quality products and services to customers (car makers, general consumers, and dealers), NEXEN TIRE strives to promote continuous communication, secure product competencies, understand the needs of various customers through win-win management with suppliers, and reflect them to the products. In particular, we have been continuously collecting VOCs from general consumers (claiming customers), and we are making efforts to reflect the needs identified through consumer feedback to our after-sales service system and product development. In addition, we analyze data from the customer satisfaction call center, a VOC collection channel, monthly and quarterly to reflect the customer VOCs in detail.

### Definition of "Customer" in Customer Satisfaction Management



Car makers  
(automotive companies)



General consumers



Dealers



Others

### Organization for Customer Satisfaction

NEXEN TIRE is operating the customized response strategies it has developed at various BGs, such as Customer Satisfaction Team, Global OE Quality Team, NEXEN LEVEL Team, Brand Communication Team, and Europe OE Technical Team, targeting customers by region and type.

## Customer Satisfaction Promotion Activities\_Car Makers

The global OE business sector builds relationships of trust with automotive companies by providing them with technologically innovative products. In addition, through continuous R&D competency improvement, it develops products optimized for new vehicle models; thus providing safety-based added values to the final consumers. As a result of such effort, NEXEN TIRE won recognition for supply stability and technological value from a number of global automotive companies. In 2021, we proved our value by supplying tires (OE) for a number of new vehicle models such as Staria of Hyundai Motor Company, EV6 of Kia, and A3 of Audi. We will continue promoting sustainable shared growth with customers by maintaining a relationship of mutual trust based on efforts to fulfill our social responsibilities.

### Sharing the Product Operation Policy with Car Makers

NEXEN TIRE strengthens the stability and reliability of the quality of products supplied to customers by holding meetings and inspecting the procedures of company-wide OE supply contract review. With the goal of developing and supplying products required by automotive companies at the right time, we preemptively develop supply-standard products, share the details with customers on a regular basis, and consequently form a close network with them. In addition, to reflect the product operation policy to our mid to long-term product strategies and customers' development policies, we have established a cooperative system with the relevant subdivision.

### Supplying Products that Meet the Technical and Quality Requirements



**Tire Supply for 8<sup>th</sup>-generation A6 and 4<sup>th</sup>-generation A3 of Audi** NEXEN TIRE started tire supply for the 8<sup>th</sup>-generation A6 and 4<sup>th</sup>-generation A3 models of Audi, a premium German automotive company. Based on technological power and expertise built through continued R&D investment and effort for quality improvement, we are successfully building a cooperative relationship with the premium German automotive company.

### Designation as "2020 Best Supplier of the Year" by Stellantis



In 2021, NEXEN TIRE won the "2020 Best Supplier of the Year" by Stellantis, a global automotive company. At the award ceremony held online due to COVID-19, NEXEN TIRE became the only tire company to be named best company in the "Competitiveness" category. We are dedicated to becoming a supplier that grows with customers. With the best supplier designation as momentum, we will strengthen our competitiveness in the global market based on excellent quality and technological power.

### Winning the GM Supplier Quality Excellence Award



### Winning the GM Supplier Quality Excellence Award for Eight Consecutive Years

NEXEN TIRE was selected by global automotive company General Motors as "Best Supplier of the Year" for eight consecutive year at the 2021 GM Supplier Quality Excellence Awards. The award ceremony has been held annually since 1992. Through quality, logistics, and supply chain assessment, awards are given to suppliers that have contributed to GM's value creation and innovation.

## Customer Satisfaction Promotion Activities\_ General Consumers

In Korea where most households own a vehicle, customer interest in tire service is high. Customers sharing their experiences and feedback in the social media affect the consumption trends, demanding innovations and changes in the tire industry. Tire services are gradually evolving into a new service platform presenting a completely different model of customer satisfaction. NEXEN TIRE is constantly developing a variety of highly reliable customer services to meet customer needs and match the consumption trends.

### Improving Customer Satisfaction

**Claim Consultation** NEXEN TIRE operates service centers across the country to provide swift consultations and services to customers. One-on-one customized consultations are conducted at the designated service centers.

**Happy Call** To receive the opinions of customers and assess their satisfaction and quality of consultation service provided, NEXEN TIRE makes a Happy Call to customers who received services and claim consultations. We are striving to provide effective follow-up management by continuously monitoring our service quality.

### Product Warranty

With confidence in the product and service quality, NEXEN TIRE has been operating the special warranty program since 2007, targeting customers purchasing N'FERA and winter tire products. All customers who purchased the products covered by the special warranty are offered a one-time replacement with a new product when they raise claims even if the defect is caused by user negligence, not manufacturing negligence.

### Customer Complaint\* Handling

Category	Unit	2019	2020	2021
Customer complaints received	Sessions	3,303	2,418	1,755
Complaint handling rate	%	98.8	99.3	99.9

\*Subject to customers who raised claims

### Strengthening Communication with Customers

NEXEN TIRE strives to become a customer-friendly brand by organizing events where customers can participate to obtain various experiences. We will communicate more actively and build closer relationships with customers by holding various brand events.

**NEXEN TIRE's NEXT LEVEL Golf Day** On April 25, 2022, NEXEN TIRE held the "NEXEN TIRE NEXT LEVEL Golf Day" at Gaya Country Club in Gimhae-si, Gyeongsangnam-do by inviting customers. This event was held targeting customers who purchased or rented "The New N'FERA AU7," a premium four-season tire released early this year through renewal. Customers participating in the event were provided with an opportunity to play golf on the ninth NEXEN-Saintnine Masters course along with a field lesson by a professional golf player. For the convenience of the selected customers, we prepared a range of benefits including a welcome kit.

**80<sup>th</sup>-Anniversary Event for Customers Making Purchases** NEXEN TIRE held an 80<sup>th</sup>-anniversary event targeting customers purchasing or renting four of the N'Priz, a four-season high-performance tire ensuring stable driving performance, and Radian GTX, an SUV tire, as well as all products of N'FERA, the company's representative premium high-performance tire. Through a draw, 8,889 of the customers were presented with gifts.



NEXT LEVEL Golf Day



80<sup>th</sup>-Anniversary Event



NEXEN - Saintnine Masters 2022



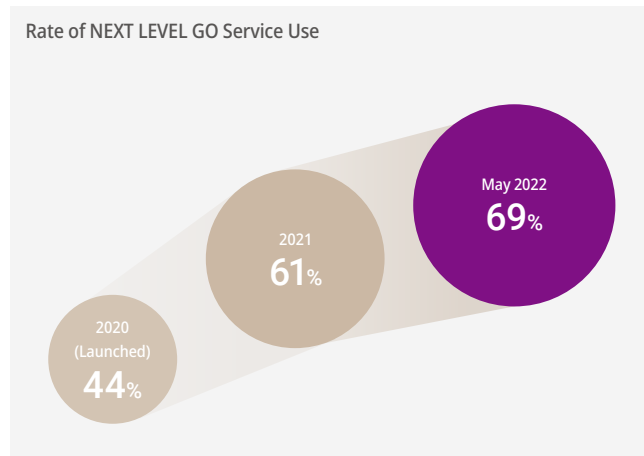
### Advancing Customer Service

**NEXT LEVEL GO** The NEXT LEVEL service, NEXEN TIRE's new service, is recording continuous growth in line with the latest trend of contactless order, contactless tire replacement service, and minimization of contact with other people amid the COVID-19 pandemic. Launched in January 2020, the NEXT LEVEL service was used by 7,004 customers in the first year. The user count has since increased to 31,028 in 2021 and 19,894 by May 2022, totaling 57,926 so far. As such, the service is being used by a great number of customers. With the society returning to normalcy, majority of customers are selecting the service to make use of their personal time. As a result, the rate of customers using the service has increased from 44% in the first year of launch to 61% in 2021 and 69% as of May 2022. In addition to service expansion across the country and forging of partnership with Coupang, NEXEN TIRE is continuously advertising the convenience of the NEXT LEVEL service through various marketing channels. We are also striving to develop additional services to meet customer needs.

## NEXT LEVEL

### 📍 NEXT LEVEL Website

Rate of NEXT LEVEL GO Service Use

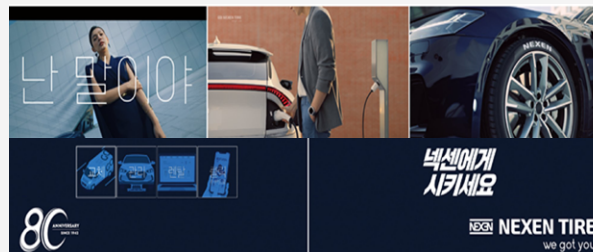


Promotional Event for BS Customers in Korea

### NEXEN TIRE's Advertising Campaign

The "Let NEXEN do it for you" campaign, which was launched in March 2022, conveys NEXEN TIRE's commitment to meeting customer needs that are diversifying further amid the fast-changing trend.

In addition to the differentiated NEXT LEVEL services, we strive to improve customer convenience at all contact points, from tire replacement to care, rental, and order, by providing products optimized to various vehicle models. In the global market, we are continuously conducting a brand campaign based on product performance. We will develop into a brand that always communicates closely with customers through the website and social media channels.



**NEXT LEVEL Rental** Having launched Korea's first special tire rental service by veering away from the conventional lump-sum payment purchasing model, NEXEN KOREA places the highest priority on creating customized services to meet the changing customer needs. In 2021, NEXT LEVEL Rental started a warranty service to replace damaged tires due to customer negligence free of charge during the contract period in order to provide differentiated service to achieve customers' satisfaction. In addition, customers using relief assurance service (economic assurance product + alignment service) were additionally provided with a warranty service of free tire replacement for products mounted on vehicles with mileage of less than 30,000km since tire replacement and which have been affected with wear.

## NEXT LEVEL RENTAL

넥스트 레벨 렌탈

### 📍 NEXT LEVEL Rental Website



## Customer Satisfaction Promotion Activities\_Customers

### Supporting Customers' Marketing Activities

NEXEN TIRE supports the marketing activities of global customers in order to assist in their sales and profitability improvement. We provide financial support to cover the cost of various online and offline marketing activities performed by our customers in their respective countries. Furthermore, along with data and business operating guidelines that can be used for marketing purposes, interior and exterior guidelines, display items and promotional tires are provided for store interior improvement and product advertisement. In particular, for professional and improved customer service by our sales personnel, we provide an online product education service.



**Participation in Tire Cologne 2022** NEXEN TIRE participated in "Tire Cologne 2022," an exhibition held in Germany. Visited by 12,000 people from approximately 100 countries over the course of 3 days from May 24 to 26, 2022, Tire Cologne is a global exhibition for the tire industry such as tire, wheel, and automotive parts makers. Participating in the exhibition for the second time following 2018, NEXEN TIRE introduced "N'Blue 4Season 2," a new tire for all seasons that is optimized to the European environment. In addition, we exhibited "N'FERA Sport," which is supplied as a new vehicle tire for "Panamera" of Porsche, together with the vehicle. We further strengthened our presence as a global premium brand by exhibiting "N'FERA Sport EV," an EV tire supplied for Kia's electric vehicle "EV6," and other products developed exclusively for electric vehicles in the "EV Zone."



**2022 Golden Tire Awards** NEXEN TIRE organizes an annual event to thank and congratulate dealerships and suppliers that support and grow with the company based on trust despite the fierce competition in the domestic market. In 2021 and 2022, instead of holding the award ceremony, we visited the prize winners in person and presented them with the awards in compliance with the government's policy of practicing social distancing and prohibiting gathering amid COVID-19. At the Golden Tire Awards held in May 2022, a total of 59 dealerships received the awards. The top prize winner was presented with a plaque together with a department store gift voucher and a new product, the N'FERA AU7 tire.



## Customer Satisfaction Performance

NEXEN TIRE focuses on winning customers' trust and strives to achieve customer satisfaction.

### Winning the Trade, Industry, and Energy Minister's Award at the 23<sup>rd</sup> Korea Brand Awards



Having launched Korea's first tire rental service in 2015, NEXEN TIRE has been making continued efforts to provide differentiated customer service. As a result of such efforts, we won the Trade, Industry, and Energy Minister's Award at the 23<sup>rd</sup> Korea Brand Awards, an event hosted by the Ministry of Trade, Industry, and Energy and organized by the Institute for Industrial Policy Studies (IPS).

Korea Brand Awards are presented by the government to companies, institutions, and local governments that improved industrial competitiveness based on creative brand management and contributed to national economic development through remarkable brand development.



Korea Brand Awards Ceremony in December 2021

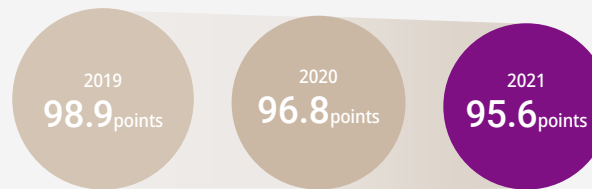
### Winning the National Service Awards for Two Consecutive Years



NEXEN TIRE achieved the remarkable feat of winning the National Service Awards in the category of general tire service for two consecutive years.

### Customer Satisfaction Index

NEXEN TIRE's Customer Satisfaction Scores



### Top Ranking in GCSI (Global Customer Satisfaction Competency Index) Maintained

**Ranked No. 1 in GCSI's Tire Category for 13 Consecutive Years** To secure international customers' brand reliability and loyalty, NEXEN TIRE is seeking to acquire GCSI certification issued by the Global Management Association, a research and assessment subsidiary of the Ministry of Trade, Industry, and Energy. As of 2022, we topped the tire category for the 13 consecutive year.



GCSI Certification Ceremony in June 2022

#### \*What is GCSI (Global Customer Satisfaction Competency Index)?

This is a global assessment system established with the goal of enhancing awareness of global customer satisfaction management and supporting high-quality customer satisfaction management by providing global industrial competitiveness indicators. In 2021, the assessment was conducted online targeting approximately 97,000 valid samples. The assessment items consist of customer value, global competency, and loyalty as well as customer satisfaction elements.



## Quality Management System

### Quality Management System

To achieve customer delight beyond customer satisfaction, NEXEN TIRE is actively reflecting global quality requirements to the business operations and continuously improving the overall quality system that encompasses pre-manufacturing quality, manufacturing quality, and customer quality management. Every year, an internal audit is conducted to inspect the status of customer requirement reflection. We are striving to ensure customer safety and achieve customer delight through organic cooperation among business sectors.

#### Definition of "Customer" in Quality Management

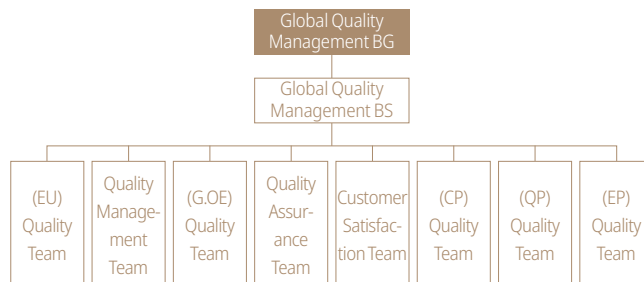


### Quality Management Organization

NEXEN TIRE's quality management organization is largely divided into the Global Quality BG and Global Quality BS, which are subdivided into pre-manufacturing manufacturing, and customer quality management organizations targeting domestic and overseas markets.

#### Quality Management Organization System

(As of Apr. 2022)



## NEXEN TIRE's Quality Policy

### NEXEN TIRE's Quality Assurance

"NEXEN TIRE is an advanced enterprise that pursues customer delight through continuous quality innovation activities to secure the world's top-notch quality."

The quality policy of NEXEN TIRE Corporation is described above. To implement the policy, quality goals shall be established and reflected to the management plan, with all employees dedicating efforts to fulfilling the goals.

To this end, NEXEN TIRE has established a quality system that complies with the IATF 16949 and the PL law, with the CEO declaring supply only of products that comply with product and environmental laws and regulations and which can satisfy customers through continuous R&D based on product safety and reliability as well as accumulated technological power.

In relation to the quality management system, all organizations and employees shall observe the following:

1. Actively respond to customer requirements;
2. Improve competitiveness by eliminating elements generating waste in the process of design and manufacturing;
3. Improve the quality level through continuous improvement activities.

## Quality Management Improvement Activities

### Pre-manufacturing Quality

**Strengthening the Internal Quality System** NEXEN TIRE conducts comprehensive monitoring to understand the needs of stakeholders, carries out strengthened internal audit on all processes, continuously improves on the weaknesses detected, and undergoes verification annually through third-party certification.

### Strengthening Risk Management

NEXEN TIRE focuses on activities to achieve zero-defect quality assurance by conducting quality management on prototypes in the stage of development, quality management of raw and subsidiary materials based on the strengthened quality control of suppliers, and management of risks that can occur across all processes.

### Manufacturing Quality

**Error Proof System** In order to prevent fundamentally potential defects caused by operators' mistakes and unexpected malfunction of production facilities during standard operations in each process, NEXEN TIRE has introduced the Error Proof System to each process.

### Promoting Zero Quality Issues

NEXEN TIRE strives to achieve zero quality issues by establishing a quality assurance system for intermediate products and mixing agents based on the reinforcement of statistical quality control and a quality assurance system for finished products based on strengthened reliability test.

## Quality Management Improvement Activities

### Customer Quality

**Quality Monitoring Through Alarm Operation** To secure reliability for product quality in the global market, NEXEN TIRE regularly conducts systematic quality monitoring. When a quality issue arises, an alarm function is used to provide quick feedback to the research, manufacturing, and management departments.

**Quality Management of Developed Products** The characteristics of target markets are analyzed and reflected from the stage of development planning. NEXEN TIRE strictly inspects performance requirements at each stage from product performance enhancement to finished tire product development. Through this process, we ensure that products suitable for each market are provided.

**System for Response to Recalls** In case risk of damage to life, body, or property of consumers is expected due to a major product defect, NEXEN TIRE swiftly decides a recall, reports it to the relevant organizations, and notifies the details of the recall to customers and sellers, etc. To customers who purchased the defective product in the market, we notify free replacement with normal tires and provide related services.

### Systemization of Change Management for Mass-produced Products

NEXEN TIRE developed a system of systematizing change management for raw materials and intermediate products as well as processes and design stage. We dedicate efforts to securing the consistent quality of products supplied to customers by conducting standardized quality inspections on the changed products.

**Measures to Prevent Recurrence of Product Issues** By developing improvement measures in relation to product issues, NEXEN TIRE makes continuous efforts to prevent the recurrence of the issues and secure productivity of high-quality products.

### Quality Expert Fostering

To meet the increasing demand of stakeholders, NEXEN TIRE fosters quality experts and provides training to employees as required in each area of business. In particular, we produce and distribute educational materials to achieve customer quality satisfaction.

### Support for Innovation Activities in Manufacturing Plants

NEXEN TIRE activates quality control circle activities centering on the TPM (total productive maintenance) and consequently induces the productivity improvement of technical employees as well as efficient development and innovation of plants.

We are solving issues in the areas of production, quality, loss, cost, delivery, and safety (PQLCDS) by applying employees' proposals and making improvement of the manufacturing environment and sites based on the 3R5S activities.



Production and Distribution of Quality Training Data

## Quality Management Performance

### Winning a Plaque of Merit on the 60<sup>th</sup> Anniversary of the Korean Standards Association

At the 60<sup>th</sup>-anniversary event of the Korean Standards Association (KSA) held on March 11, 2021, NEXEN TIRE was given a plaque of merit together with eight other companies including Shinhan Bank, LS Electric, and Poongsang. Established in 1962 according to the Industrial Standardization Act, KSA is an organization that specializes in global standard and quality management. It provides services to the International Organization for Standardization (ISO) and ESG Management Consulting as well as the Korean Industrial Standards (KS), Korea's domestic industrial standards. The event was attended by the heads of the relevant organizations such as the President of the Korean Agency for Technology and Standards and 1<sup>st</sup> Vice Minister Jin-kyu Park of the Ministry of Trade, Industry, and Energy.

### Korean Standards Association's 60<sup>th</sup>-Anniversary Event (Mar. 2021)

NEXEN TIRE is performing various activities with the Korean Standards Association, such as receiving consulting service on company-wide TPM field innovation activities, practicing quality management, complying with domestic and international standards, and acquiring certifications.



Korean Standards Association's 60<sup>th</sup>-Anniversary Event (Mar. 2021)

### Designation as Excellent Company in Quality Competitiveness at the 47<sup>th</sup> National Quality Management Convention in 2021

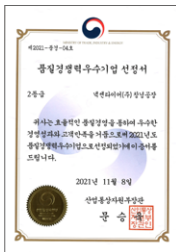


In 2021, NEXEN TIRE's Changnyeong Plant was selected as Excellent Company in Quality Competitiveness at the 47<sup>th</sup> National Quality Management Convention, an event hosted by Ministry of Trade, Industry, and Energy subsidiary Korean Agency for Technology and Standards and organized by the

Korean Standards Association. This award is presented to companies that produced outstanding performances through quality control and continuous innovation. In 2021, a total of 29 companies were selected to receive the award. The qualification as an outstanding company is given through an assessment on 13 items including strategy, management system, information management logistics, small group activities, and proposal activities.

As a result of performing strict quality control and quality innovation activities and continuously providing high-quality customer services including tire replacement and rental services, NEXEN TIRE succeeded in acquiring the certification.

### Winning Presidential Medals at the National Quality Control Circles Contest for 11 Consecutive Years



NEXEN TIRE internally holds the annual quality control circles contest. Since 2011, we have also been participating in the National Quality Control Circles Contest through regional preliminaries and winning Presidential medals each year. In 2021, our excellent field competencies were again recognized by winning the Presidential Silver Medal in the categories of field improvement and non-manufacturing

with “work time reduction through mold replacement process improvement” and “reduction of release processing time through transfer process improvement,” respectively.

Year	Department	Quality Control Circle	Presidential medal (Category)	Number of Medals
2011	(YP) Curing Part	Himmoo	Presidential silver medal (TPM)	1
2012	(YP) Materials Part	Cheoeum	Presidential gold medal (site improvement)	1
2013	(YP) Curing/Mixing Part	C1/standard operation	Presidential gold medal (TPM)/ Presidential bronze medal (site improvement)	1  1
2014	(YP) Materials/Curing/Electricity Part	Bangatgan/ Gamasot/Beongae	Presidential silver medal (TPM) (site improvement/ TPM/preservation management)	3
2015	(YP) Materials/PCR Part	Yangsancheon/ Dure	Presidential gold medal (freestyle)/ Presidential silver medal (site improvement)	1  1
2016	(YP) PCR/Facility Preservation 1Part	BMN1/Tachyon	Presidential gold medal (field improvement)/ Presidential bronze medal (preservation management)	1  1
2017	(YP) PCR/(CP) Materials Part	Banggeul Banggeul/ Myeongpum	Presidential silver medal (site improvement/freestyle)	2
2018	(YP) Pressing/(CP) Quality Inspection Part	Ganeumsoe/ Spillover	Presidential bronze medal(TPM/service, non-manu- facturing)	2
2019	(YP) Curing/(CP) Materials, Curing Part	Ttambangul/Myeongpum/ Garam	Presidential gold medal (site improvement)/ Presidential silver medal (freestyle)/ Presidential bronze metal (TPM)	1  1  1
2020	(YP) Bead/(CP) PCR Part, Quality Inspec- tion Team	Bangatgan/ Hero/ Spillover	Presidential gold medal (site improvement)/ Presidential gold medal (freestyle)/ Presidential bronze metal (non-manufacturing)	2  1
2021	(CP) Mold Part/(CP) Logistics Manage- ment Team	Didimdol/ Geobugi	Presidential silver medal (site improvement)/ Presidential silver medal (non-manufacturing)	2
<b>Total</b>	<b>14 Parts</b>	<b>23 quality control circles</b>	<b>Presidential medals won 23 times</b>	7  11  5

# Suppliers



## Policy for Shared Growth with Suppliers

### Responsible Supply Chain Management

Responsible supply chain management means not only establishing a procurement system for high-quality raw materials but also completing a supply chain through which the company's economic, social, and environmental values can be delivered to the stakeholders. Having established a sustainable procurement process, NEXEN TIRE will advance as a sustainable global enterprise by tracking down and transparently disclosing procurement processes within the supply chain.

### Sustainable Purchase Policy for Suppliers

Together with stakeholders such as customers, suppliers, local communities, and employees, NEXEN TIRE is establishing and implementing sustainable purchase policies to create a sustainable future. We are sharing the ESG management values across the supply value chain. In 2021, the supplier purchase policy was fully restructured with the goal of achieving carbon neutrality of

suppliers by 2050. In 2022, we will enter into an agreement for purchase policy implementation with the tier 1 raw material suppliers of our global subsidiaries in order to improve suppliers' ESG awareness.

### Sustainable Natural Rubber Policy

In 2020, NEXEN TIRE joined the GPSNR (Global Platform for Sustainable Natural Rubber) as a member of the natural rubber value chain and a responsible purchaser. In 2021, the GPSNR Committee distributed the sustainable natural rubber policy and action plan to the member companies. NEXEN TIRE plans to conduct the GPSNR activities accordingly. In the long term, we will select natural rubber suppliers by considering their GPSNR membership status and ESG competency levels.

### Conflict Minerals Policy

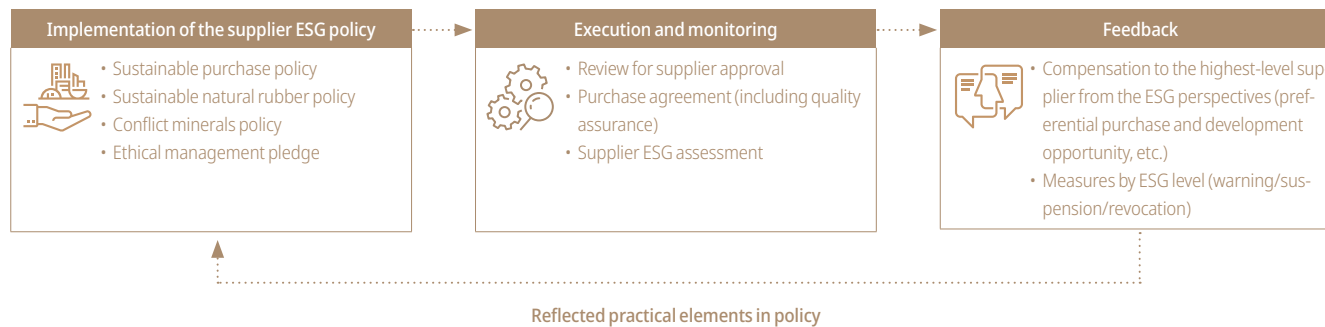
NEXEN TIRE has an internal policy that prevents the inclusion of conflict minerals\* in the supply chain for the company's production process. The suppliers' supply chain is thoroughly monitored, and on-site inspection and corrective measures are implemented when necessary to ensure responsible supply chain management. Prior to the procurement of new raw materials, we check whether the supplier handles any conflict materials. We also request suppliers to sign a contract that forbids the use of conflict materials prior to the commencement of a regular transaction in order to establish a responsible supply chain.

#### \* What are Conflict Minerals?

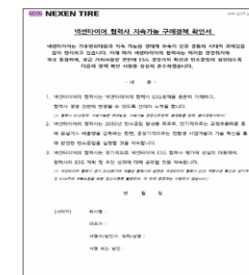
These refer to the minerals tin, tantalum, tungsten, and gold produced in countries under conflict, such as the Democratic Republic of the Congo and its neighboring countries. The mining process of the conflict minerals gives rise to social issues, such as human rights violations including child labor and forced labor. Additionally, the money raised through this process is used to fund armed forces that perpetrate civilian massacre, etc. within the country.

※ For NEXEN TIRE, conflict minerals management is required for tin, which is used in the manufacture of bead wire.

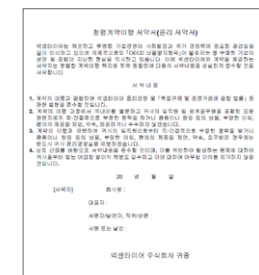
### Sustainable Procurement Process



### Sustainable Natural Rubber Policy



Agreement for Supplier Purchase Policy Implementation



Ethical Management Pledge



## Supplier Management

Through regular internal reporting based on “fair trade and fulfillment of social responsibilities,” NEXEN TIRE internally manages shared growth with suppliers at the executive level. While strengthening our corporate competitiveness by managing suppliers, we strive to create a sustainable supply chain and establish a healthy industrial ecosystem.

### Supplier Development and Selection

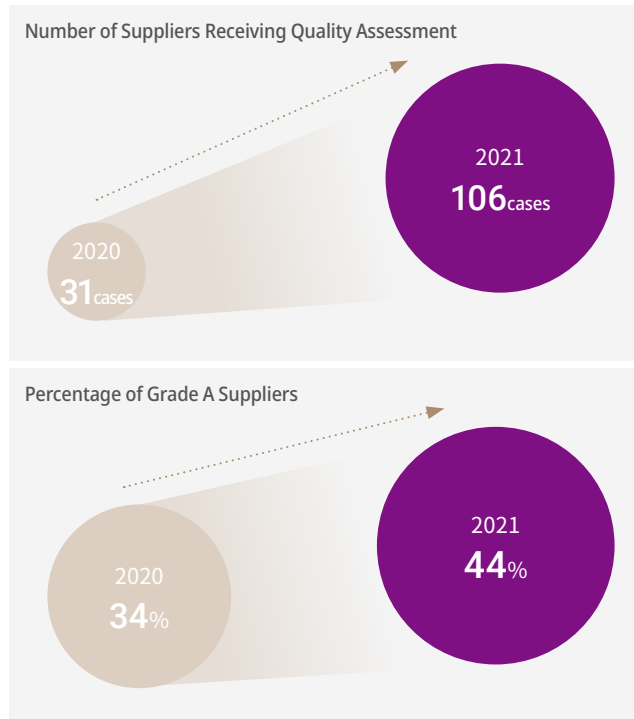
To meet the global market demand and prepare for future changes in the tire market, NEXEN TIRE discovers and assesses high-quality raw and subsidiary material suppliers and processing companies. We select raw material suppliers according to our raw material development procedures by comprehensively considering the companies’ quality, environmental, and safety aspects as well as performance of the materials supplied by them.

### Field Inspection on Suppliers

NEXEN TIRE performs regular quality assessments based on the results of manufacturing plant inspections, quality evaluations, certifications (ISO/IATF 16949), delivery performances, etc.

We update the list of approved suppliers twice a year, and suppliers must undergo scheduled factory inspections according to their quality grades.

NEXEN TIRE’s factory inspectors have obtained qualifications as internal inspectors within the purchasing, quality management, and R&D department along with the VDA 6.3 certification. They perform inspections on suppliers’ factories based on in-depth understanding of the suppliers’ production processes. In principle, factory inspection is conducted in the form of an on-site inspection. However, written assessment can be performed for suppliers that have obtained a grade of A or B in the previous evaluations, unless there are any particular issues such as product defect or noncompliance with the delivery terms.



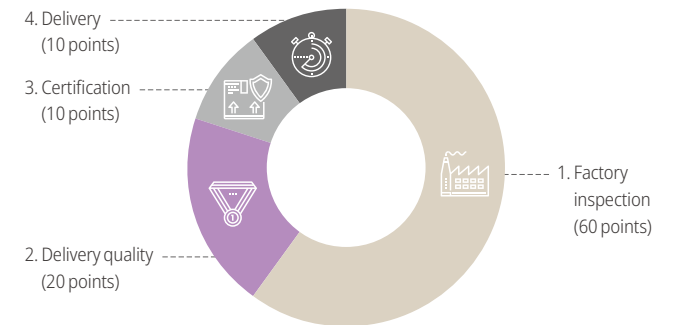
### Comprehensive Grading Criteria

Grade	Grade A	Grade B	Grade C
Criteria	90-100%	80-89%	70-79% 69% or less
Incentives/ Penalties	Review upgrade of payment conditions and M/S	Continue performing improvement activities	① Perform special factory inspection ② Required for grade 2 or higher (registration canceled if grade 3 is maintained for two consecutive years) Cancel registration

### Supplier Risk Examination

NEXEN TIRE evaluates internal and external risks by comprehensively considering suppliers’ delivery terms and quality, management activities, and impact on the company. In particular, suppliers engaging in socially unacceptable conducts or purposely violating the terms of contract may be permanently barred from trading with NEXEN TIRE. In addition, to reinforce the mutual risk management system, we reexamine the qualifications for approval for suppliers obtaining grade 3 or 69 points or less at the regular inspections for two consecutive years.

### Comprehensive Evaluation Items (Points Allocated)



### Grading Criteria for Regular Factory Inspection

Grade	Grade 1	Grade 2	Grade 3
Criteria	90-100%	80-89%	70-79% 69% or less
Description	Management for maintenance	Improvement required for inadequacies	Improvement required for inadequacies and grade B or higher required (suspension of transaction if grade C is obtained in two consecutive regular inspections) Suspension of transaction

## Supplier ESG Assessment

**Supplier Subject to ESG Assessment** In 2020, NEXEN TIRE conducted the first ESG assessment targeting tier 1 raw material suppliers.

Through the assessment, we were able to understand the ESG competency levels of our suppliers. In the second half of 2021, we additionally reflected the requirements of internal and external stakeholders in relation to climate change response and tier 2 supplier management and partially revised the policy and assessment items. The revised supplier ESG assessment is being implemented for 201 tier 1 suppliers of our manufacturing plants in Korea, China, and Czech Republic, with completion targeted for the third quarter of 2022.

In addition, from 2022, we have made it mandatory to collect ESG policy implementation pledges from and conduct ESG assessment on suppliers for approval of new tier 1 suppliers. By doing so, we will encourage all our suppliers to understand our ESG goals and requirements and consequently reflect them to the industry.

**Assessment and Result Management** Supplier ESG assessment is conducted in the form of a questionnaire survey. Based on the response and supporting documents, points are given according to the internal scoring criteria. After the assessment, suppliers are graded by their competency level. For key suppliers, incentives such as preferential right for market share (M/S) and development opportunities will be provided.

Targeting suppliers with low ESG competency, NEXEN TIRE plans to support their ESG competency improvement and ESG-related risk prevention by implementing appropriate improvement measures. In the long term, we will create a sustainable supply chain by expanding the target of assessment to include tier 2 and 3 suppliers.

**Assessment Criteria and Elements** The ESG assessment of key suppliers is based on NEXEN TIRE's sustainable purchase policy and Code of Ethics. The assessment items consist of business ethics, labor and human rights, safety and health, environment, responsible purchasing, and ESG competency. The assessment information will be posted on our website in order to secure the transparency of the assessment and improve suppliers' ESG awareness.



## Revised Supplier ESG Assessment Items

Category		Assessment Details
Internal policy	Raw materials	Supply of materials that have a significant impact on vehicle performance and driver safety
		Supply of materials that have a partial impact on vehicle performance and driver safety
		Supply of materials necessary for basic tire production
	Sustainability	Financial stability of suppliers assessed at least quarterly based on purchasing performance in the previous year
	Purchase amount	Measured based on the previous year's purchasing amount
ESG areas	Business ethics	Availability of official ethics policy, privacy and intellectual property right protection, anti-corruption/anti-bribery/conflict of interests, etc.
	Labor and human rights	Principles of human rights and labor rights for employees, work environment improvement, competency development, promotion of activities for the socially vulnerable and minority groups
	Safety and health	Internal safety and health management policy, regular safety and health status check, impact review targeting subcontractors, etc.
	Environment	Internal environmental management policy, carbon emission reduction policy, status of holding valid environment management system-related certifications within the last three years, etc.
	Responsible purchase	Status of responsible raw material purchasing policy establishment, supply chain traceability, transparency of raw material management, regular supplier assessment, etc.
	ESG competency	Collection and handling of stakeholder complaints, grievances, and proposals, establishment of risk response and management policies, etc.



## Sustainable Raw Material Procurement

### Supply Chain Management Status and Plan

NEXEN TIRE has established sustainable raw material purchase guidelines and supplier ESG competency development plans. In the mid to long term, we plan to expand the development of outstanding suppliers of eco-friendly materials.

#### NEXEN TIRE Supply Chain

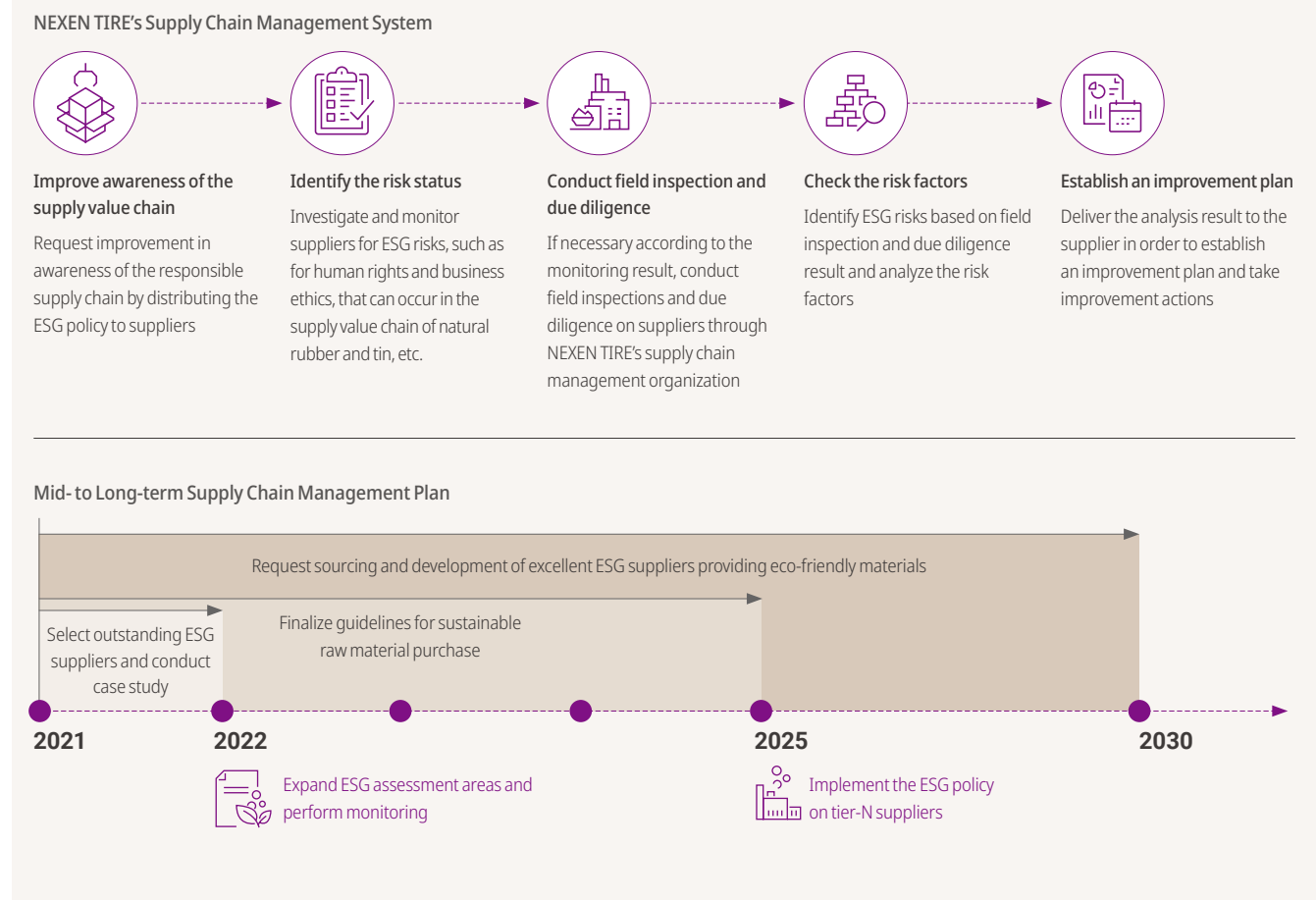


#### Supply Chain Management Status

Internal Policy	
Sustainable Purchase Policy for Suppliers	Establish a sustainable purchase policy considering business ethics and social responsibilities between NEXEN TIRE and suppliers
Establishment of Sustainable Natural Rubber Policy	Join the global platform for natural rubber sustainability
Supply Chain Assessment and Training	
Supplier Review (inspection/written assessment)	For supplier approval, give additional points to suppliers that have obtained related certifications (ISO 14001, etc.) - Regularly check for certificate renewal
Supplier ESG Assessment	Measure and assess supplier ESG competency - Scheduled to establish compensation and training systems by supplier ESG competency level through in-depth analysis of ESG assessment results

### Enhancing the Traceability of Raw Materials

NEXEN TIRE defined the supply process in each stage in order to enable suppliers to fulfill their social, economic, and environmental responsibilities from the stage of manufacturing to supply and provide better values to stakeholders. To maintain responsible supply chain management, we will strengthen ESG risk management and raw material traceability in the supply chain based on the supply chain management system.





# Social Contribution

## Social Contribution Promotion System

### Social Contribution Strategy Development

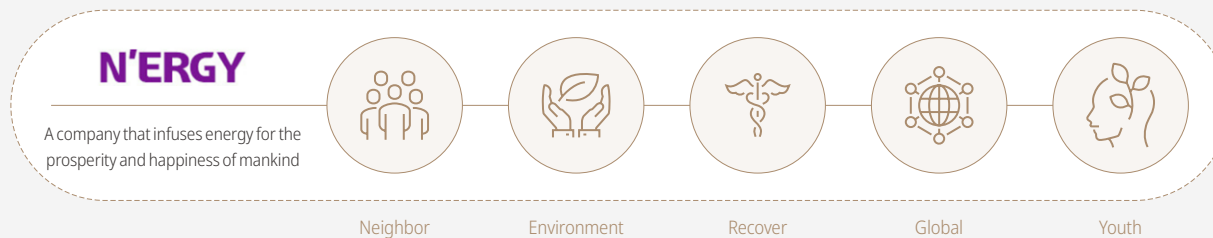
In 2021, NEXEN TIRE established the social contribution operation plan to promote employees' interest and voluntary participation in social contribution activities. Despite the difficulties posed by the COVID-19 pandemic, we developed a portfolio to perform social contribution activities continuously according to the circumstances. In 2022, we plan to start various programs to encourage employees' participation.

### NEXEN TIRE's Social Contribution Promotion Portfolio



### Core Values of N'ERGY

Tires are the source that generates movement by being in contact with the ground. Through this movement, NEXEN TIRE seeks to grow into a company that infuses energy into all parts of society and shares the energy. We believe that a company must win people's trust, contribute to the national economic development, aim for happiness of all that are related to us, and bring prosperity to the world. The energy will be spread across the world through NEXEN TIRE's "N'ERGY."



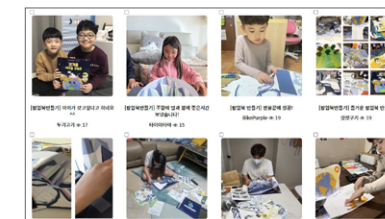
### Creating an Environment that Activates Employee Engagement

**Developing a System for Activating Employees' Volunteer Work** NEXEN TIRE established a systematic foundation to activate social contribution activities through the voluntary participation of employees by providing them with welfare points according to the accumulated annual volunteer service hours. (Max. 100,000 points).

**Participation-based Volunteer Program** In October 2021, NEXEN TIRE organized a variety of volunteer programs with specialized organizations in order to increase engagement in social contribution. The scope of participation has been widened to include not only employees but also their family members. In addition, we established a system with a page dedicated to employees on a platform of a specialized organization through which employees can conveniently apply for participation in the programs.



Volunteer Work Platform



Volunteer Programs (examples)





## Social Contribution Activities

### Social Contribution That Reflects the Characteristics of the Tire Industry

NEXEN TIRE fulfills its social responsibilities by promoting shared growth and exchange with local communities using the characteristic elements of the tire industry.

**Tire Donation to Social Welfare Centers** To create a safe mobility environment for social welfare centers, NEXEN TIRE has been conducting an activity of replacing old tires and donating new tires since March 2022 through cooperation with local social security councils and welfare foundations in regions where each worksite is based.

**Children's Safety Protection Center Operation by Chain Stores under Direct Management** Since October 2021, NEXEN TIRE has been operating the Children's Safety Protection Center\* through regular chain stores under direct management located across the country as a social contribution activity to provide shelters to children as their protection from risks.

\* Children's Safety Protection Center: A system established to protect children through cooperation with the police and local communities



Tire Donation to Social Welfare Centers

### MOU for Tire Supply with Busan and Yangsan Private Taxi Union

In February 2019, NEXEN TIRE and the Busan and Yangsan Private Taxi Union entered into an MOU. The MOU is for the supply and use of tires manufactured at NEXEN TIRE's Changnyeong Plant for approximately 14,300 vehicles. Based on the MOU, NEXEN TIRE is stably supplying tires for the taxis of Busan and Yangsan Private Taxi Union. By encouraging local consumers to use products made by a local company, we contributed to creating a virtuous cycle of corporate development and employment increase. The MOU was successfully concluded as Vice Chairperson Hyo-Jin Kim of the Yangsan City Council led communication with NEXEN TIRE's labor and management. This MOU served as a momentum to boost the local economy through mutual cooperation between local businesses.



MOU with Private Taxi Union

### Social Contribution According to the Characteristics of Local Communities

**Operation of Volunteer Clubs by Worksite** NEXEN TIRE carries out social contribution activities in the respective regions of each worksite by operating volunteer clubs. Based on an MOU with the Yangsan-si Welfare Center for the Disabled, the Hope Sharing Club has been performing various activities including side dish delivery, heating kit donation, and participation in the Yangsan-si Children with Disabilities Day despite the difficult circumstances caused by COVID-19.

For our Changnyeong Plant, we plan to set up a volunteer club that will start participating in social contribution activities in 2022 according to the local characteristics through an MOU with the Changnyeong-gun General Welfare Center for the Disabled.



**Blood Donation Promotion** Since October 2021, NEXEN TIRE has been fulfilling its social responsibilities by holding a blood donation campaign through which discount coupons for tires are presented to local residents participating in blood donation.



Korea Red Cross Summer/Winter Blood Donation Campaign



### Employees' Donation and Supporting Activities

**Voluntary Employee Donation System (N'Fund)** The voluntary donation system N'Fund is operated targeting NEXEN TIRE employees. Our employees can participate in the program by indicating the amount they wish to donate in person in the donation application form.

The monthly system operation status is transparently shared through the in-house community. The recipients of the donation to be provided with the fund raised through N'Fund will be decided by the participant's vote.

**Zero Waste Environmental Campaign** NEXEN TIRE, in cooperation with the Beautiful Store, holds an employee donation event (Zero Waste Campaign). The donated items are sold to consumers at the Beautiful Store branches. This campaign is meaningful as it promotes environmental protection and donation of the proceeds from the sharing and selling of used items.

**In-house Blood Donation Center** NEXEN TIRE's employees voluntarily donate their certificate of blood donation to support those who are in need of blood transfusion.



Zero Waste Campaign



In-house Blood Donation Center

### Operation of Foundations

Through three cultural foundation—NEXEN Wolsuk Cultural Foundation, Wolsuk Busan Leading Scholarship Committee, and KNN Cultural Foundation where chairman Byung-Joong Kang serves as the chairperson—NEXEN TIRE contributes to the development of local communities and enhancement of local culture. Established with the goal of returning profits to society, each foundation actively supports projects in the education, arts, culture, and academic fields. In particular, we provide scholarships and financial support to schools in Busan and Gyeongsangnam-do region annually; thus contributing to the development and fostering of talents to lead the future.

**NEXEN Wolsuk Cultural Foundation** With the goal of returning corporate profits to society, the Wolsuk Cultural Foundation was founded in January 2008 with the support of chairman Byung-Joong Kang and NEXEN Group. The foundation has been continuously expanding the target and scope of its support, starting with making donations to the socially underprivileged such as rice donation. The scope further extends to promoting academics and developing culture and art in local communities.



NEXEN Wolsuk Cultural Foundation Scholarship Award Ceremony in 2021

**Wolsuk Busan Leading Scholarship Committee** The Wolsuk Busan Scholarship Foundation provides scholarships and living assistance twice a year to middle school and high school students living in the Busan region who have excellent academic records but experiencing difficulties in livelihood. So far, more than 2,000 students have benefited from the program.

**KNN Cultural Foundation** Established in 1995, the KNN Cultural Foundation implements major social contribution projects such as cultural awards, scholarships for developing science-gifted students, and various academic activities. Among local private broadcasting companies, the KNN Cultural Foundation, which has the largest amount of donations, is rated highly in terms of corporate profit return to society.

#### Scholarships

Category	Unit	2019	2020	2021
NEXEN Wolsuk Cultural Foundation	KRW million	222	595	759
NEXEN Wolsuk Busan Leading Scholarship Committee	KRW million	60	60	60
KNN Cultural Foundation	KRW million	189	155	177

#### Scholarship beneficiaries

Category	Unit	2019	2020	2021
NEXEN Wolsuk Cultural Foundation	Persons	525	497	525
NEXEN Wolsuk Busan Leading Scholarship Committee	Persons	60	80	80
KNN Cultural Foundation	Persons	189	154	176



## Contribution to Local Cultural Development

### Sponsorship of Sports Competitions

**Motorsports** NEXEN TIRE is participating in various motorsports events to increase brand awareness and spread the excellence of its products. We made an unprecedented achievement in 2021 with our first set of racing tires, winning the first game during our first-ever participation in the SUPER 6000 class in the SUPERRACE CHAMPIONSHIP one of the most prestigious motorsports competitions in Korea. We launched “N’FERA Racing Team” following the win, and we have been participating in racing competitions with our own team since then. NEXEN TIRE is producing excellent results despite its short history, winning the double podium in round 2 of the competition in 2022 and ranking No. 1 in the TIRE MAKER CHAMPIONSHIP. In addition, at the ADAC Total 24H Race in Nürburgring, Germany, which we entered for the first time in 2021, our racing team finished second in the class; thus proving the excellent durability of our racing tires. We also produced a significant result of ranking third among global tire makers in round 7 of Toyota GR 86/BRZ Race in Japan.



Participation in the ADAC Total 24H Race in Nürburgring, Germany



Ranked Third in Toyota GR 86/BRZ Race



Launch of ‘N’FERA Racing Team’



Ranked the First in TIRE MAKER CHAMPIONSHIP in the Second Round of SUPERRACE CHAMPIONSHIP

**Football** NEXEN TIRE has maintained a partnership with Manchester City over seven seasons since 2015. We are again officially sponsoring the team in the 2021 - 2022 season. Since extending our partnership with Manchester City in the Premier League in 2017, we have officially sponsored the Manchester City FIFA Online 4 Cup, an e-sports event targeting the Generation MZ. We also held a celebratory event for Manchester City for its fourth win in the league. In addition to various offline events and activities on the social network, NEXEN TIRE is using advertising campaign and TV advertising as a marketing platform for communication with the fans. Eintracht Frankfurt, a prestigious German football club we have been sponsoring since 2011, won the UEFA (The Union of European Football Associations) Europa League after 42 years. Taking this as a momentum, we have expanded the target of sponsorship to other football clubs, and we are producing excellent results. NEXEN TIRE serves as an official sponsor of SK Stavia Praha, a professional Czech team, for two seasons from the 2021 - 2022 to the 2022 - 2023 seasons. In addition, we are officially sponsoring AC Milan, an Italian Series A team, over three seasons from the 2021 - 2022 to the 2023 - 2024 seasons. AC Milan was the champion in the 2021 - 2022 season.



**Hockey** NEXEN TIRE is officially sponsoring Anaheim Ducks of the National Hockey League (NHL) for three years from the 2021 - 2022 season. In North America, ice hockey is one of the most popular sports. Founded in 1992, Anaheim Ducks won the “Stanley Cup (NHL)” in 2007. Through the sponsorship, we obtained the right to expose our brand on the display and outdoor advertising sections of Honda Center, the home stadium of Anaheim Ducks. Our brand exposure to various sports events including baseball and concerts in the stadium is expected to improve our sports marketing performance.

**Golf** Since 2013, NEXEN TIRE has hosted the “NEXEN-Saintnine Masters” KLPGA Golf Competition with NEXEN Corporation. As the only KLPGA golf competition in Busan and Gyeongsangnam-do region, the NEXEN-Saintnine Masters is held at Gaya Country Club located in Gimhae, Gyeongsangnam-do. We will contribute to the development of local culture as well as the golf industry by hosting the competition. NEXEN-Saintnine Masters is held for the ninth time in 2022. In celebration of NEXEN TIRE's 80<sup>th</sup> anniversary and Saintnine's 10th anniversary, a screen golf event was held for the fans. In addition to sponsoring domestic golf competitions, we have been sponsoring Yae-Eun Hong, an LPGA rookie, since 2020 to contribute to the better future of the golf industry.

# Information Security

## Information Security Management System

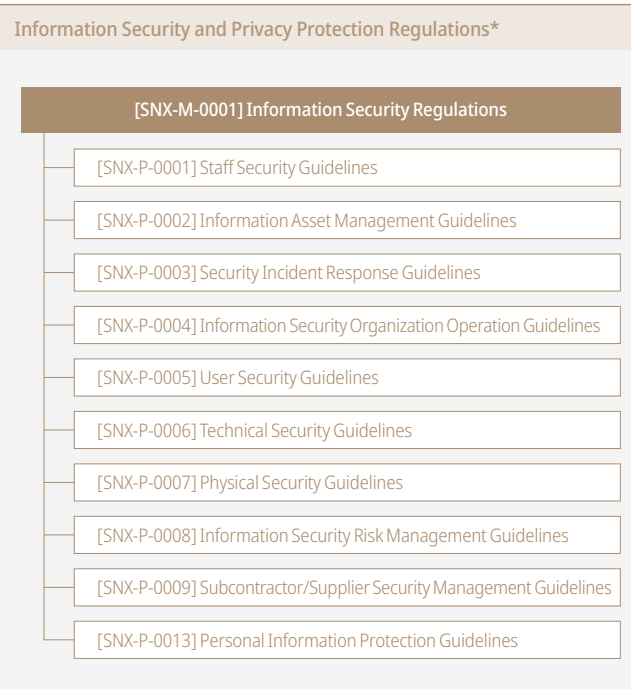
The rapidly changing cyber environment and big data-based business has further increased the importance of information security and emphasized corporate responsibility to develop technologies for information security. For information security, NEXEN TIRE developed the information security management system by establishing the principles of information security and privacy protection. By implementing the system, we seek to ensure global top-tier information security.

### Information Security Policy

NEXEN TIRE implements a information security policy according to domestic and international laws, such as the Act on the Promotion of Information and Communications Network Utilization and Information Protection and Personal Information Protection Act, as well as regulatory changes. We reestablished the policy recently based on the security framework of the International Organization for Standardization (ISO). In addition, we conduct continuous security control and monitoring activities by establishing the Information Security Management System (ISMS) on the basis of the information security policy. Moreover, we guarantee the stability and reliability of the information system through risk management.

### Privacy Policy

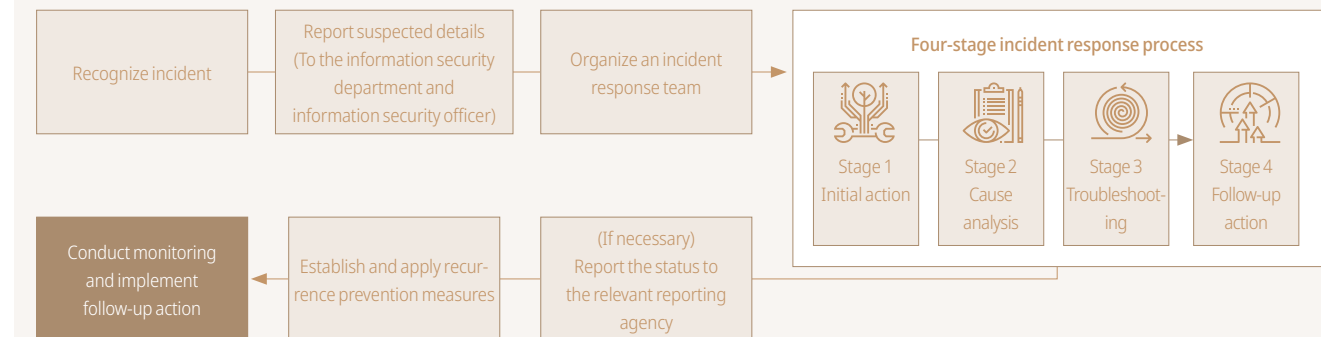
For every worksite located in each country, NEXEN TIRE monitors the local and international personal information protection-related laws and ensures compliance with the legal requirements of the services provided to customers. We dedicate the utmost effort to protecting customers' information and guaranteeing the rights of data subjects.



## Information Security Incident Response System

An incident response system has been established to minimize damage caused by an information security incident and prevent additional damage through swift response. In addition, internalization of the incident response system is promoted through regular simulation training.

### Information Security Incident Response Process



\*Established the ISO/IEC 27001 standard



### Information Security Operating Organization

Recognizing the importance of information security, NEXEN TIRE, for domestic and international compliance, separately operates a information security organization governed directly by the COO under the CEO. The company-wide information security organization is entrusted with the responsibility and authority with regard to information security. It handled overall information security-related operations, such as operating the information security management system, managing the information security business, and responding to incidents. For overseas worksites, we are also operating information security parts in each worksite in order to guarantee information security level equivalent to that in the headquarters. At the regular information security

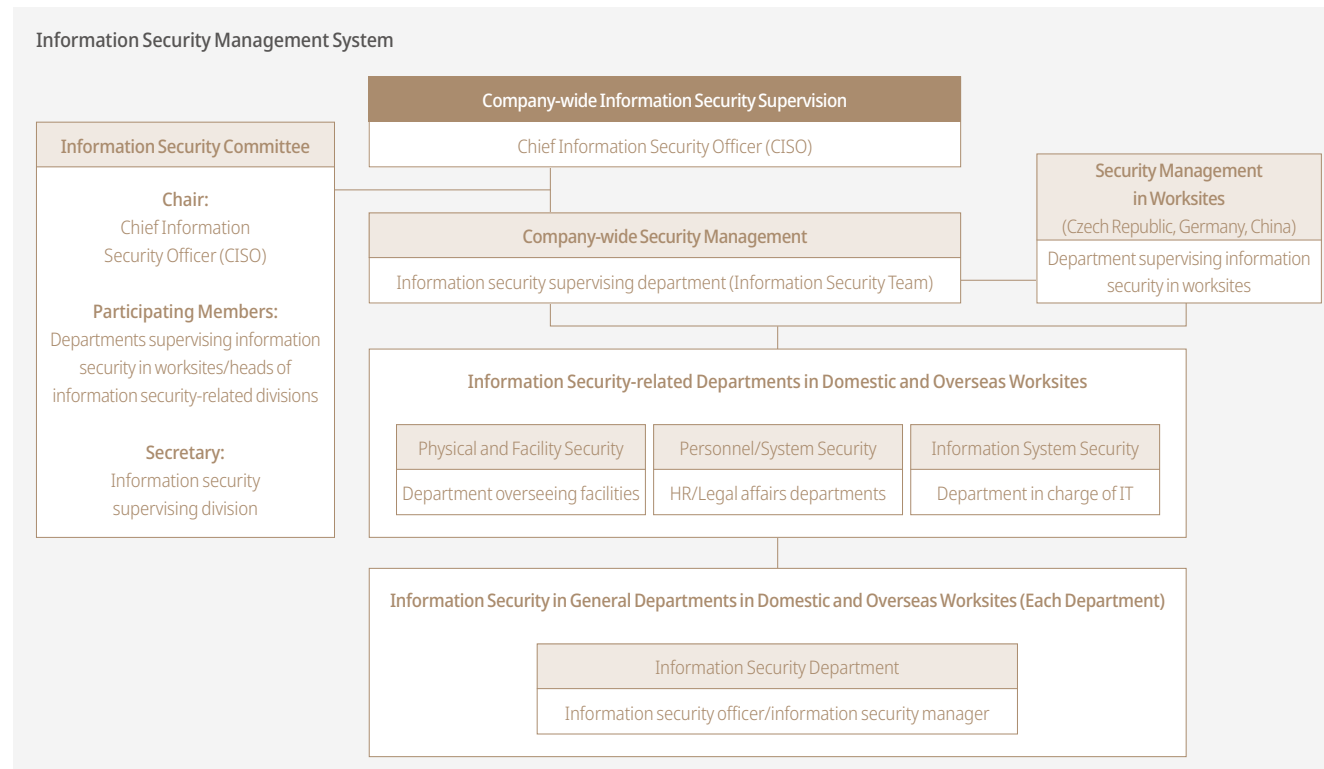
committee meetings, executives of each business sector discuss and check on various information security related issues.

### Designation of Information security/Privacy Protection Managers

NEXEN TIRE designates information security and privacy protection managers in each organization to promote and encourage employees' autonomous and active participation in the information security system implementation.

### Information Security Certification Management

**Acquisition of TISAX\*** In 2022, NEXEN TIRE acquired TISAX (Trusted Information Security Assessment eXchange) certification, a global information security certification, for the company's information security management system recognized by the German Association of the Automotive Industry (VDA). TISAX is a certification that should be obtained by every global OE car maker. It is issued only when there is no non-conforming element in the company's information security system based on a standardized security process. Therefore, to obtain this certification, a company needs to operate a security management system based on very high standards. NEXEN TIRE has been officially recognized for top-tier security management competency as the certification was acquired for not only domestic R&D centers but also key manufacturing plants and R&D centers abroad. While further developing our information security management system and related technologies, we plan to grow as a global enterprise with the highest security level.



**\*What is TISAX?**

TISAX is a global information security management system certification scheme developed by the German Association of the Automotive Industry (VDA) to standardize security assessment criteria for automotive companies worldwide. Based on the ISO/IEC 27001 of the International Organization for Standardization (ISO), it assesses a company's overall information security management system.



## Information Security Activities

### Information Security Monitoring

To secure internal and external reliability along with the stability of the information system, NEXEN TIRE conducts regular monitoring for data security and privacy protection. While operating a high-standard security system to respond to cyber attacks, we are regularly conducting risk assessment, vulnerability diagnosis, and improvement operations.

### Simulation Training on Response to Cyber Threats

In 2021, NEXEN TIRE inspected the internal information security management system by holding a simulation training on response to cyber threats jointly with the Korea Internet & Security Agency (KISA). The training was conducted with the goal of improving employees' privacy security awareness by sending social engineering hacking e-mails, which have recently emerged as an issue. In addition, with employees participating in the incident response simulation training, the company's security threat detection and response system has been improved.

### Inspection for Information Security

To secure external reliability, NEXEN TIRE conducted vulnerability inspection targeting its official website and information system. Based on the result, we are operating all information systems in such a way that a high security level is maintained.

### Revising Information Security and Privacy Regulations

In 2021, NEXEN TIRE revised and integrated the 15 types of information security policy, regulations, and guidelines as well as privacy protection guidelines into 11 types—such as information security regulations and guidelines and privacy protection guidelines—and also updated the regulatory response and management plans.

### Information Security and Cyber Security-related Compliance

Category	Unit	2019	2020	2021
Penalties/Fines due to information security and cyber security-related violations	KRW	0	0	0
Number of customers suffering damage due to data violations	Persons	0	0	0

### Number of Information Security and Cyber Security-related Violations



### Number of Violations Concerning Customers' Personal Information



### Information Security Monitoring Activities and Achievements in 2021

Category	Operation of the information security management system	Internet data center (IDC)	Training for violations	Personal information DB monitoring	Document security	Employee training	Campaign activities	Disaster recovery and response training
Description	Systematically operate the information security management system (ISMS)	Identify and improve on vulnerabilities	Provide training for violations through cooperation with external institutes	Encrypt personal information and control and manage data within DB	Upgrade the document security system	Provide information security and privacy protection education	Improve and provide training for employees' awareness of information security	Provide training on recovery from disaster upon occurrence
Key Activities and Achievements in 2021	<ul style="list-style-type: none"> <li>Operating an organization in charge of information security</li> <li>Strengthening the information security policy system</li> <li>Assessing and improving on information security risks</li> </ul>	<ul style="list-style-type: none"> <li>Identifying vulnerabilities in the website and information system and implementing supplementary measures</li> </ul>	<ul style="list-style-type: none"> <li>Holding simulation e-mail hacking training targeting employees</li> <li>Providing map training for violations</li> </ul>	<ul style="list-style-type: none"> <li>Encrypting all personal information in DB</li> <li>Monitoring DB access and control through the DB access control system</li> </ul>	<ul style="list-style-type: none"> <li>Investing in and upgrading the document security system (DRM)</li> </ul>	<ul style="list-style-type: none"> <li>Providing information security and privacy protection education to employees</li> </ul>	<ul style="list-style-type: none"> <li>Waging an information security campaign using noticeboard and electronic boards</li> <li>Measuring the effectiveness of the monthly Information Security Day</li> </ul>	<ul style="list-style-type: none"> <li>Providing training on accident response and minimization of damage according to the suspension of information system operation</li> </ul>





### Education of Employees on Information Security

Since 2013, NEXEN TIRE has been providing information security education to all employees annually. In 2021, we provided information security education not only to the incumbent but also to newly recruited employees.

In addition, personal information handlers are provided with education on the Personal Information Protection Act, one of the four required education programs. As such, NEXEN TIRE is making its best effort to internalize awareness of information security.

#### Status of Information Security Education Completion (Compulsory Education)

Category	Unit	2019	2020	2021
Target Persons*	Persons	954	929	1,037
Persons who Completed Education**	Persons	880	859	987
Education Completion Rate	%	90.0	90.5	95.2

\*Based on domestic worksites

#### Status of Completion of Education on the Personal Information Protection Act (Internal Education)

Category	Unit	2019	2020	2021
Target Persons*	Persons	65	82	101
Persons who Completed Education**	Persons	55	79	93
Education Completion Rate	%	84.6	96.3	92.1

\*Education subject to personal information handlers

\*\*Based on domestic worksites

### Information Security Risk Assessment

With contactless work activated due to COVID-19, NEXEN TIRE conducted information security risk assessment. In addition, to minimize external security threats, we developed and applied security control procedures for preliminary security review and creation of a safe work environment.

#### Activities to Improve Awareness of Information Security

To improve employees' awareness of information security, NEXEN TIRE holds various campaigns and also inspects the status of employees' information security by designating the monthly Information Security Day.

### Privacy Protection Life Cycle Management

NEXEN TIRE promotes privacy protection life cycle management in order to manage information safely throughout the entire process of information collection, storage, use, and destruction. In addition, we implement information security measures in administrative, physical, and technical areas to ensure further enhanced information security throughout the life cycle. We post the privacy policy on the website to notify details of collection, retention, use, and destruction of the personal information we collected from data subjects and enable them to check the status of their personal information management anytime. In strict compliance with domestic and international privacy-related laws such as the 『Personal Information Protection Act』 and the 『GDPR』, we provide a secure, reliable privacy protection environment.



### Collecting and Handling Privacy-related Complaints

NEXEN TIRE specifies through its privacy policy that data subjects can exercise their right to view, correct, delete, and suspend the handling of their personal information at any time. We also collect privacy-related grievances through various channels including website, written report, phone, and e-mail. Upon receiving privacy-related grievances, we handle them without delay according to the established procedures and notify the results. We also collect reports on violations of not only general laws and company rules but also privacy policy and ethical codes through the ethical management reporting center and operate an internal whistle blowing process.

#### Processing of Privacy-related Reports (External Stakeholders)

Category	Unit	2019	2020	2021
Complaints Confirmed	Cases	0	0	0
Complaints Handled	Cases	0	0	0
Response Rate	%	-	-	-

#### Processing of Privacy-related Reports (Regulatory Organizations)

Category	Unit	2019	2020	2021
Complaints Confirmed	Cases	0	0	0
Complaints Handled	Cases	0	0	0
Response Rate	%	-	-	-



# GOVERNANCE DIMENSION

76 Responsible Governance

80 Ethical Management

82 Risk Management

# Responsible Governance

## Sound BOD

NEXEN TIRE maintains stable, effective, and transparent governance to ensure sustainable growth and protect the profits of stakeholders. By delegating decisions and tasks to the Board of Directors, we aim to have a stable management structure take root through checks and balances. In addition, we have established the Board of Directors (BOD) based on the judgment that expertise and diverse perspectives lead to an efficient governance structure. While holding regular and irregular meetings among members, we promote the establishment of transparent governance by adhering to the principle of disclosure in order to secure transparency in our operation processing criteria, procedures, and results.

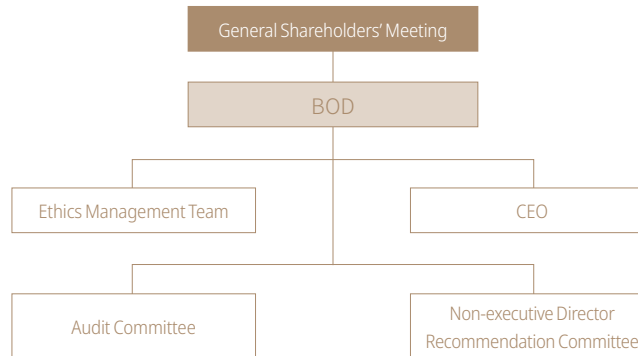
### Organization of the BOD

According to the Articles of Association, NEXEN TIRE's BOD can consist of three to nine members, and majority of the members must be non-executive directors. As of the end of December 2021, the BOD consists of two executive directors and three non-executive directors. All non-executive directors have no relations with the company, management, and major shareholders. Details of the BOD are disclosed on the website.

### Composition of the BOD

Category	Name	Gender	Date of Appointment	Expiration of Term
Executive Director	Byung-Joong Kang	Male	1999.6.	2023.3.
	Ho-Chan Kang	Male	2001.3.	2022.3.
Non-executive Director	Seung-Hwa Kwon	Male	2020.3.	2023.3.
	Hyun-Jeon Kim	Male	2016.2.	2022.3.
	Han-Ik Yoo	Male	2021.3.	2024.3.

### Organization of the BOD



### BOD Committees

Category	Composition (Persons)	Functions	Operation Status
Audit Committee	Non-executive directors (3)	<ul style="list-style-type: none"> <li>Review accounting documents, audit procedures of accounting firm, and audit result</li> <li>Request additional review of accounting books and related documents to accounting firm and review the result</li> <li>Review the operational status of internal accounting control system after receiving reports from the internal accounting manager</li> </ul>	4 sessions in 2019 9 sessions in 2020 6 sessions in 2021
Non-executive Director Recommendation Committee	Executive director (1) Non-executive directors (2)	Recommend non-executive director candidates at the general shareholders' meeting	2 sessions in 2019 2 sessions in 2020 1 session in 2021

**Non-executive Director Recommendation Committee** Executive directors and non-executive directors are transparently appointed through a fair process based on the recommendation by the BOD and the Non-executive Director Recommendation Committee, respectively. The term of office of all directors is three years, and vacant positions caused by early resignation or termination of the term are filled by individual appointments through the general shareholders' meeting.

### Composition and Purpose of Establishment of the Non-executive Director Recommendation Committee

Name of Committee	Category	Name	Purpose of Establishment and Delegated Authority
Non-executive Director Recommendation Committee	Executive Director	Byung-Joong Kang	• Meeting the regulations specified in Article 542-8 (4) of the Commercial Act
	Non-executive Director	Hyun-Jeon Kim, Han-Ik Yoo	• Recommending non-executive director candidates at the general shareholders' meeting

**Audit Committee** Consisting of non-executive directors possessing professional knowledge in each field, the Audit Committee of the BOD conducts surveillance, diagnosis, and assessment of the company's management activities and provides appropriate alternatives. The Committee not only ensures management transparency and enhances competitiveness but also minimizes management risks and reports the interests of stakeholders such as shareholders and customers.



## BOD Operation

The BOD serves as the highest permanent decision-making body. To ensure that checks and balances are in place, decision-making and task execution roles are separately delegated to the BOD and management, with the management's business execution status reported to the BOD. As a result, the BOD's independence is secured, and a decision-making structure centered on the BOD has been formed. The Articles of Association also stipulate serving a BOD convocation notice at least one week in advance. In 2022, the directors' liability insurance was purchased at the company's expense. The regulations on the BOD and Committees are disclosed in the Governance Report. The information is also available in IR Data on the website.

## IR Data

**BOD Convocation** The Articles of Association and the Regulations for BOD Operation stipulate overall matters concerning the BOD operation, such as authority and responsibilities of the BOD as well as the BOD operating procedures. According to Article 38 of the Articles of Association and Article 6 of the Regulations for BOD Operation, BOD meetings are held separately as regular and extraordinary meetings. In 2021, a total of ten BOD meetings were held. NEXEN TIRE strives to ensure in-depth and efficient BOD operation by providing the directors with data necessary in discussing agenda items as well as the required explanations, as necessary, prior to the BOD meeting convocation.

## BOD Assessment System

**Estimation of Remuneration According to Performance Assessment** Remuneration is determined by considering the nature of delegated tasks and results of performance according to the executive remuneration regulations (resolved by the BOD). In addition, incentives are paid in consideration of the previous year's annual remuneration, management performance coefficient, and rate of increase on assessment grade. NEXEN TIRE is considering the establishment of fair internal assessment criteria through regular assessment of activities based on comprehensive criteria, such as attendance rate, independence, and contribution, to the extent that the criteria do not impair the independence of each director. We also plan to develop a method for reflecting the assessment results to remuneration and reappointment decisions.

## Independence of the BOD

To ensure the effective monitoring functions on management, the right to elect and dismiss the CEO is given to the BOD according to the relevant laws and regulations. In addition, to guarantee that the function of BOD is not weakened due to its relationship with the management, the majority of the BOD members are organized with non-executive directors who are proven independent. Any director with special interest in a specific agenda item is denied the voting right for the item.

## BOD Compensation System

The remuneration of directors is calculated based on the management performance according to economic, social, and environmental performance indicators. In addition, separate stock options are not provided to non-executive directors.

**Remuneration Limit** Compensation for directors is paid according to the regulations within the annual remuneration limit of KRW 6 billion approved by the general shareholders' meeting.

### Remuneration of Directors

Category	Unit	Total	Executive Director	Non-executive Director*
Number of Executives	Persons	5	2	3
Total Remuneration	KRW million	1,684	1,549	135
Average Remuneration per Person	KRW million	337	774	45

\*Based on the Audit Committee, including remuneration of non-executive directors who retired in the first quarter of 2021

### CEO-to-Employee Compensation Ratio

Category	Unit	2019	2020	2021
Total Compensation of the CEO	KRW million	971	998	1,068
Average Compensation of Employees*	KRW million	70.6	61.7	65.5
CEO-to-Employee Compensation Ratio	Times	13.8	16.2	16.3

\*Based on domestic worksites



10 sessions

Number of BOD meetings held in 2021



KRW 6 billion

Annual remuneration limit for directors



## BOD Diversity and Expertise

NEXEN TIRE imposes no limitations in terms of nationality, gender, religion, or race when appointing non-executive directors. In addition, we organized the BOD with diverse experiences and backgrounds so that the BOD can represent the interests of stakeholders including shareholders and engage in major decision-making and management activities considering social value.

### Expertise of BOD Members

Category	Name	Gender	Position	Expiration of Term	Field of Expertise	Career Highlights
Executive director	Byung-Joong Kang	Male	<ul style="list-style-type: none"> <li>CEO</li> <li>Chairperson of the BOD</li> <li>Chairperson of the Non-executive Director Recommendation Committee</li> </ul>	2023.3.	General company management	<ul style="list-style-type: none"> <li>Chairman of NEXEN TIRE</li> <li>Chairman of the Wolsuk Scholarship Foundation</li> <li>CEO of NEXEN Corp.</li> </ul>
Executive director	Ho-Chan Kang	Male	<ul style="list-style-type: none"> <li>CEO</li> </ul>	2022.3.	General company management	<ul style="list-style-type: none"> <li>Global CEO of NEXEN TIRE</li> <li>CEO of NEXEN Corp.</li> </ul>
Non-executive director	Seung-Hwa Kwon	Male	<ul style="list-style-type: none"> <li>Chairperson of the Audit Committee</li> </ul>	2023.3.	Accounting, audit	<ul style="list-style-type: none"> <li>CEO of EY Adviser</li> <li>Former CEO of EY Accounting Firm</li> </ul>
Non-executive director	Hyun-Jeon Kim	Male	<ul style="list-style-type: none"> <li>Member of the Audit Committee</li> <li>Member of the Non-executive Director Recommendation Committee</li> </ul>	2022.3.	General company management	<ul style="list-style-type: none"> <li>CEO of Hwayang Industry</li> <li>Previously held a position at Samsung Techwin</li> </ul>
Non-executive director	Han-Ik Yoo	Male	<ul style="list-style-type: none"> <li>Member of the Audit Committee</li> <li>Member of the Non-executive Director Recommendation Committee</li> </ul>	2024.3.	General company management	<ul style="list-style-type: none"> <li>CEO of RXC PRIZM (founder)</li> <li>Chairperson of the BOD of TMON</li> </ul>

**improving the Expertise of Non-executive Directors** NEXEN TIRE appoints individuals with specialized knowledge and extensive experience in the fields of business administration and accounting, etc. as non-executive directors. To improve the expertise of non-executive directors, we are providing education in major subjects such as internal accounting control system, audit issues, and accounting policy change. We are planning to expand the scope of the education in the future. In 2021, the education was held in three sessions. In addition, non-executive directors can receive support from experts according to Paragraph 10, Article 10 of the Regulations for BOD Operation.

### Non-executive Education in 2021

Date	Education Provided by	Content of Education
2021.3	N Culture Team, NEXEN TIRE	Issues related to the amendment of Commercial Act and general shareholders' meeting, etc.
2021.7	Ethics Management Team, NEXEN TIRE	Issues related to the revised quarterly and semiannual reports, etc.
2021.9	Ethics Management Team, NEXEN TIRE	Consolidated internal accounting control system and consolidated settlement procedures, etc.

## Transparency of the BOD

In order to ensure the transparency of the BOD, NEXEN TIRE appointed two executive directors and three non-executive directors as a member of the BOD. We also operate Audit Committee under the BOD, constituted only by non-executive directors. The Audit Committee receives and reviews reports on the operation of the internal accounting control system from the internal accounting manager to prepare and disclose transparent, reliable accounting information. In addition, the Audit Committee supervises the work of directors and management and is in charge of approving the appointment of external auditors.

Through the Non-executive Director Recommendation Committee, NEXEN TIRE appoints competent directors with expertise and sense of responsibility transparently. The Non-executive Director Recommendation Committee comprehensively reviews the independence and competency of non-executive director candidates according to related laws as well as the company's Articles of Association and the BOD regulations and recommends them to the general shareholders' meeting. To enhance transparency in the process of non-executive director appointment, the BOD re-deliberates on the candidates.

## Shareholders and investors

### Shareholder policy

In compliance with the provisions of Article 361 of the Commercial Act, etc. which regulates the convocation of general shareholder's meeting, NEXEN TIRE sends a meeting convocation notice and discloses the details of the meeting, such as that of the date, location, and agenda items, through the electronic disclosure system (DART) two weeks prior to the meeting. This enables the shareholders to express their opinions at the general shareholders' meeting. We ensure that our shareholders can exercise their voting right in written document (letter of attorney), which has the same effect as utilizing the electronic voting system. To provide our shareholders with a greater variety of options in exercising their voting right, we are considering whether to adopt the electronic voting system and to vote by proxy.

### Shareholder Status

(As of the end of Dec. 2021)

Category	Unit	Description
NEXEN Corp.	Number of shares	Shares 43,217,425
Byung-Joong Kang	Number of shares	Shares 19,001,037
Ho-Chan Kang	Number of shares	Shares 3,174,222
Other Shareholders	Number of shares	Shares 32,275,193

### Persons with shareholding by 5% or more excluding majority shareholder and affiliated persons

(As of the end of Dec. 2021)

Category	Unit	Description
National Pension Service	Number of shares	Shares 5,780,083
	Ownership ratio	% 5.9
	Transaction relationship with the company	-

### General Shareholders' Meeting

To increase shareholder convenience, even before the compliance program for the dispersion of general shareholder's meetings was implemented in 2018, NEXEN TIRE was the first to hold a general shareholder's meeting for 20 years from 2000 to 2019, among listed companies undergoing settlement at the end of December. During the last three fiscal years, we again held general shareholders' meetings on the dates when meetings were not concentrated, with the only exception of 2021 when it was inevitably held on a concentrated date considering the consolidated settlement schedule of overseas subsidiaries due to the impact of COVID-19.



64th General Shareholders' Meeting (Mar. 2022)

### Shareholding Status by Management\*

(As of the end of Dec. 2021)

Category	Unit	Description
Byung-Joong Kang	Number of shares	Shares 19,001,037
Ho-Chan Kang	Number of shares	Shares 3,174,222

\*Based on executive directors

### Providing Cash Dividend

To improve shareholder value, NEXEN TIRE pays a considerable portion of its annual management outcomes as dividends despite the uncertain environmental factors wielding a negative impact on the tire industry, such as COVID-19, semiconductor supply shortage, and logistics disruption. The dividend payout ratio is determined with consideration given to the overall cash flow situations including investment for the company's sustainable growth and management performance.

### IR Meeting

NEXEN TIRE holds regular IR meetings with institutional and individual investors including analysts from securities companies and transparently discloses its management status and strategies for the future.

We held a total of four IR meetings (Mar., May, Aug., and Nov.) in 2021. In addition, through one-on-one meetings and conference calls, we strengthen communication with shareholders and investors. As part of our effort to improve shareholder convenience, IR information is permanently posted on our website and IR Report disclosing our performance is published quarterly.

### Disclosure/Announcement Board

### IR Report



# Ethical Management



## Ethical Management System

Based on our Code of Ethics and management philosophy which pursue mutual development and the value of consideration, coexistence, and cooperation with our stakeholders including shareholders, suppliers, partners, local communities and employees, NEXEN TIRE strives to foster a transparent, fair, and mature corporate culture. We are committed to achieve sustainable management by conducting regular education and ethical management surveys for employees and operating a reporting center to receive reports on violations of the Code of Ethics.

## Declaration of Ethical Management

On June 1, 2019, NEXEN TIRE declared ethical management through our website.

## Ethical Management Organization

NEXEN TIRE practices ethical management by establishing the Ethics Management Team under the direct control of the Chief Operating Officer (COO). At the same time, we support ethical management by entrusting the CEO and COO with authorities such as supporting financial reporting, involving in the secretariat of the Audit Committee, investigating on the statue of internal accounting operation, operating the internal whistle blowing system, and inspecting employee's corruptions. The role of the Ethics Management Team has been further elaborated as a central department that spreads ethical management practice by notifying the CEO's messages and providing ethical management education.

### Ethical Management Organization

(as of Apr. 2022)



## Code of Ethics

**Code of Ethics and Action Guide** NEXEN TIRE strives to grow into a top-notch global enterprise. In order to do so, we recognized that a fair, transparent corporate culture is essential, so we distributed the Code of Ethics and detailed rules as the basis for upright behavior and value judgment which needs to be respected by all executives. The Code of Ethics and rules are posted on the company's website for easy access by all.

### NEXEN TIRE Code of Ethics

#### NEXEN TIRE Code of Ethics

- We provide satisfaction and trust to our customers by providing safe and quality tires.
- We constantly strive to improve our technology and contribute to the community through investment and development.
- We maintain honest and faithful work ethics and transparently disclose corporate management information.
- We establish a trustworthy corporate image by abolishing inefficient practices.
- We neither promote unfair benefits related to work nor abuse power in relation to our work.
- We establish a shared relationship based on trust and harmony and with pride that all workers and managers are owners of our company.

#### Action Guide

Legal compliance	Ethical compliance of employees	Respect for and protection of employees	Transparent management	Fair transaction
Prohibition of accepting any bribery	Environmental protection	Labor-management relationship	Contribution to country and society	Compliance with the Code of Ethics

## Ethical Management Reporting

### Ethics Education for Employees

Ethical management is a corporate culture that makes an organization transparent and efficient. The driver of NEXEN TIRE's ethical management is the employees. We conduct an annual ethics education to fortify ethical management among employees. In 2021, we provided online ethical management education to all employees (prevention of sexual harassment, awareness of the disabled, ESG management). 98% of the employees completed the education.

### Ethics Education Completion in 2021

Category	Unit	2021	Remarks
Prevention of sexual harassment, awareness of the disabled	Target persons*	Persons	1,048
	completed education	Persons	1,036
	Education hours	Hours/session	2
Patagonia's ESG management story	Target persons*	Persons	1,026
	completed education	Persons	1,000
	Education hours	Hours/session	10

\*Targeting workers at the headquarters and R&D centers (Magok, etc.)

### Diagnosis of Ethical Management Status

NEXEN TIRE conducts annual diagnosis to understand the level of ethical management in each department and to prevent corruption. We examine the ethical standards of each department through a questionnaire survey of employees and by using monitoring information. Based on the results, specialized education is provided. In 2021, six teams including the Procurement Team were audited. We track all the items that needs to be improved after the audit on a quarterly basis and report them to the COO.





### Reporting Center

NEXEN TIRE receives reports on all acts that violate—or may violate—the Code of Ethics, including employees’ job-related fraud, damage to the company’s image, and impairment of employee reputation. Not only the employees of NEXEN TIRE but also all external stakeholders can report through the company’s website. In 2021, we received five reports and implemented corrective actions for all of them. Reports on employees’ violation of the Code of Ethics are released after review, if the case involves any facts that needs to be disclosed according to the company rules. According to Article 16 of the Detailed Rules of the Code of Ethics, rewards and punishments are given to declare the management’s commitment to implement ethical management.

#### Reporting Website

### Whistle Blower Protection

In principle, the whistle blower’s identity, content of the report, result, etc. are kept confidential according to the whistle blower’s intention. In addition, for the personal information collected at the time of reporting, the purpose of collection and retention period are specified in advance to protect the whistle blower.

### Reporting Method

<b>Internal e-mail for reporting</b>	ethics@nexentire.com
<b>Website</b>	Click “Report” at the top of the website → External e-mail for reporting (nexenethicscenter@gmail.com)
<b>Written report</b>	Ethical Management Team, 7F THE NEXEN univerCITY, 177, Magokjungang-ro, Gangseo-gu, Seoul, Korea

### Status of Ethical Report in Process

Category	Unit	2019	2020	2021
Number of Reports	Cases	2*	6	5
Processing Rate	%	100	100	100

\*Total number of reports made since the integration of reporting center in Nov. 2019

### Report Handling Process



## Compliance Management

### Compliance Officer Appointment and Operation

NEXEN TIRE appoints a compliance officer who is legally qualified to inspect whether the compliance criteria are being met and the details are disclosed in the Annual Report. The compliance officer monitors the compliance status of executives and employees as well as legality of the company’s management activities. At the same time, the compliance officer faithfully supports the company’s organization and business through various compliance supporting activities and reports the results of such activities to the BOD.

### Anti-corruption and Anti-bribery

Aside from creating and distributing guidelines regarding compliance with the Improper Solicitation and Graft Act, NEXEN TIRE conducts regular inspections to ensure fair execution of operations by preventing any violations of the Act. Every year, we select worksites that will receive scheduled and unscheduled examinations about corruption. When a corruption case is identified, appropriate measures are taken in cooperation with the compliance officer. The corruption examination was conducted six times in 2021, and no serious case of corruption was identified. In addition, we provided education on compliance with various anti-corruption laws not only in Korea but also overseas and completed the signing of pledge by all executives and employees. Moreover, in compliance with the Political Funds Act, we do not provide any political contributions such as political funds, campaign funds, and lobbying funds for specific political organizations. However, we contribute to the development of public policies and interest by regularly sponsoring associations promoting public interest that are guaranteed to be politically neutral.



**6** cases  
Anti-corruption examinations conducted



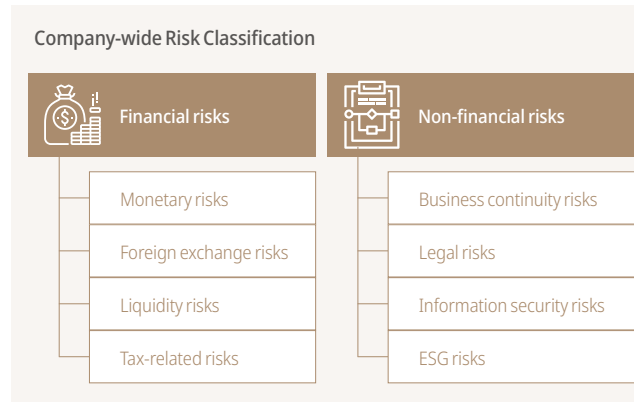
**0** cases  
Serious corruption cases detected

# Risk Management

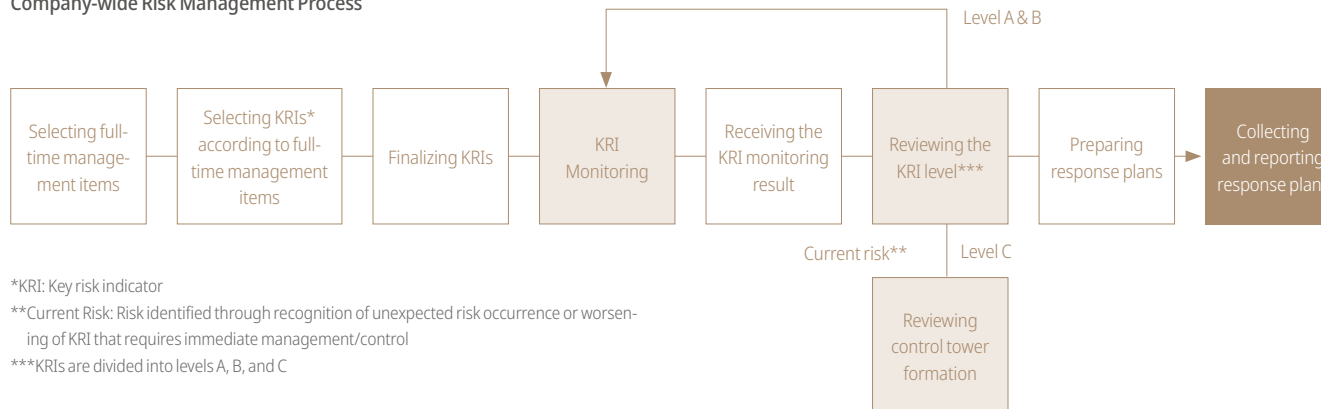
## Risk Management System

### Risk Management Organization and Reporting System

NEXEN TIRE appointed the Chief Risk Officer (CRO) and designated a risk management department in 2020 for preemptive and retroactive risk management through proactive recognition and analysis of and response to risk factors in the business environment. As of 2021, we are systematically monitoring and managing a total of 42 risks such as financial, credit, and operating risks. With the risk monitoring results reported to the CRO monthly, we strive to achieve normalization and stable development of our management activities. In addition, we update the risk items through a company-wide agreement each year.



### Company-wide Risk Management Process



\*KRI: Key risk indicator

\*\*Current Risk: Risk identified through recognition of unexpected risk occurrence or worsening of KRI that requires immediate management/control

\*\*\*KRIs are divided into levels A, B, and C

Level	Definition
A Normal	Ordinary risk (average over the last three years)
B Caution	Requiring caution/monitoring
C Warning	Requiring active response

## Financial Risk Management

Being engaged in global business, NEXEN TIRE is exposed to various financial risks, foreign exchange risks, liquidity risks, and tax-related risks. Risk management is essential for our entry into the second major growth phase through the operation of the European plant and for the establishment of a stable financial basis. To this end, we are constantly monitoring for risks, reviewing the identified major issues, and developing response strategies.

### Financial Risks

While the required amount of operating fund is increasing as a result of the rapid rise in ocean freight and raw material price across the globe, NEXEN TIRE's borrowings has also been increasing since 2021 following the second investment in the European manufacturing plant. In response, we have established a financial risk management structure by expanding the proportion of stable long-term and short-term borrowings to improve cash flows and strengthened financial stability through the sale of export bonds under non-recruiting conditions. At the same time, we are maintaining a stable financial structure with borrowings using the "swap" system. We have been improving our credit ratings and continuing stable financial activities by repaying borrowings using cash generated from sales as a financial source and through successful issuance of corporate bonds in 2020.

### Foreign Exchange Risks

With NEXEN TIRE expanding global operations, exports accounted for approximately 82% of its sales in 2021. As a result, we are exposed to foreign exchange risks in relation to the collection and operation of foreign currencies. In principle, assets and liabilities for each currency are matched to minimize foreign exchange risks. Foreign exchange risks for surplus currencies are separately managed based on the cash flow analysis by currency. Currently, we are reviewing foreign exchange risk management internally through more sophisticated derivatives trading compared to the existing products, and we will establish a more specialized strategy based on the review.





### Liquidity Risks

Through integrated and organic liquidity management between the headquarters and overseas subsidiaries, we are preparing for unpredictable liquidity constraints. We are focusing on establishing a stable financial structure to respond immediately to global turbulences by selling export bonds and processing a large-scale limited credit loan that can be borrowed and repaid at any time. Distributed transactions through multiple financial institutions under this credit line enable us to manage financial expenses and reduce risks from specific financial institutions.

### Tax Risks

NEXEN TIRE preemptively identifies and manages tax-related risks by continuously monitoring changes in tax-related regulations and policies. We faithfully fulfill our tax reporting and payment obligations at domestic and overseas worksites based on a reasonable tax strategy. Complying with tax laws and regulations in countries where our worksites are located, we prohibit the transfer of values to areas with low tax jurisdictions, refrain from using financial structures for tax evasion, shun transfer pricing, and avoid secrecy jurisdictions and tax havens.

## Non-financial Risk Management

Stakeholders' expectations as to the company's non-financial factors are gradually increasing. Accordingly, we are subdividing internal and external ESG management-related risk factors to identify risks preemptively and strengthen our response in order to secure market competitiveness continuously.

### Business Continuity Risks

NEXEN TIRE has established a process through which the Chief Risk Officer (CRO) can immediately form a control tower to respond systematically to the occurrence of a current risk (fire in manufacturing plant, natural disaster, disease, war, etc.). We are also operating the dedicated department we have established. In the event of a current risk, we strive to overcome the risk through effective response and seize new opportunities to develop together with our stakeholders, employees, shareholders, and customers.

### Legal Risks

As a global business, NEXEN TIRE is exposed to various legal risks both in Korea and abroad. The legal risks are derived from potential risks arising from (i) non-compliance with domestic and foreign laws, (ii) disputes related to various projects or contracts, (iii) domestic and international litigation and other forms of litigation, and (iv) other business or social and environmental changes.

NEXEN TIRE is expected to experience as well the occurrence of legal issues in the fields of product liability, privacy protection, fair trade and e-commerce, and international trade, etc. with regard to the business operated in each country. Results from the occurrence of such risks may cause significant financial damage and adversely affect our business activities and reputation as well.

Meanwhile, in 2019, the Fair Trade Commission imposed a penalty onus for the case of "resale price maintenance." Since the event, we have been implementing effective response plans we have established for potential risks in

the future, such as actively preventing conducts in violation of fair competition by controlling whether various transactions are being made appropriately, providing company-wide education, conducting regular status survey, and taking improvement actions through the legal affairs and ethical management organization. For the systematic management of legal risks, we are building an organized review system by establishing a risk management team and promoting cooperation among the relevant departments. We are monitoring legal risks that can affect our business in addition to checking in advance for any violations of domestic and foreign laws and various international treaties by strengthening the contract signing and screening process.

### Information Security Risks

The importance of information security in the automotive industry is amplifying along with compliance with information security-related laws that are being reinforced domestically and internationally. NEXEN TIRE is making various efforts to protect customer data and internal technologies from cyber attacks. Having established a information security management system, we are performing information security activities that conform to domestic and overseas systems and security standards. In addition, through the Audit Committee, the company's security risks are being monitored constantly. We also appoint a Chief Information Security Officer (CISO) and a Chief Privacy Officer (CPO). The department in charge of risk management designates information security risks as a key risk indicator (KRI) and conducts monthly inspections. Our worksites in Korea and abroad have appointed specialized security operation personnel to perform information production inspection and improvement activities organically with the headquarters.

### ESG Risks

NEXEN TIRE's risk management supervising department selects and manages ESG-related risks annually and develops risk response plans.



### Health and Safety Risks



Having improved the safety level by introducing a safety school program, a safety reporting system, and a smart alarm system, discovering risk factors, and operating improvement programs, NEXEN TIRE was commended by the Ministry of Employment and Labor and Korea Occupational Safety & Health Agency (KOSHA) for considerably contributing to the prevention of occupational accidents.

As a result, the safety manager of NEXEN TIRE's Yangsan Plant received the KOSHA President citation. Among our domestic manufacturing plants, Yangsan Plant obtained a Grade S in the Process Safety Management (PSM), a system for reviewing process safety reports for the prevention of exposure to hazardous substances, fire, and explosion every four years from the first review, and it has maintained such assessment level continuously. In the case of Changnyeong Plant, it first garnered a Grade M+. Through continued effort, however, it obtained a Grade S in 2017, and it has been maintaining such since then.

### Fire Risks

To reduce fire risks, NEXEN TIRE invests in facilities, conducts facility management through daily inspections, and provides basic simulation training. Equipped with various firefighting facilities for each facility that involves the use of fire, we implement monthly firefighting facility inspections through specialist companies along with self-inspections on Fire Prevention Day and statutory inspections. In 2021, the facilities were improved through investment of KRW 65 million. The improvement activities will be continuously performed in 2022. On Fire Prevention Day every second Wednesday of the month, we prepare a self-inspection report and submit it to the fire station. In addition, we maintain a 24-hour fire monitoring system by operating an internal disaster prevention center.

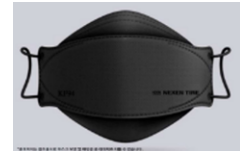
## Response to COVID-19

### Response to COVID-19 Risk

NEXEN TIRE's Magok Central Research Institute is implementing the disease prevention guidelines it has established according to the guidelines of the Central Disaster and Safety Countermeasures Headquarters (Korea Disease Control and Prevention Agency, etc.). It is strengthening the disease prevention and response system according to the situations.

### COVID-19-related Supporting Activities

In 2021, for agencies experiencing difficulties due to consumer sentiment decline caused by COVID-19, NEXEN TIRE held four prize giveaway events for consumers (in Feb., Apr., Jul., Sep.). In December 2021, we distributed KF94 masks through 1,297 agencies across the country to support their safe business activities.



#### Response to Confirmed Case

##### Response Activities

##### Confirmed Case in Worksite

- Instructing the employee concerned to leave work immediately and quarantine at home for seven days (paid leave)
- Conducting rapid antigen test on employees who have been in contact with the confirmed case (test expenses fully supported)
- Conducting disinfection along moving routes and in the office space of the confirmed case

##### Confirmed Case in Family

- Instructing the employee concerned to leave work immediately and take a PCR test
- Not ruling out from commuting to work if the employee holds negative COVID-19 test result and has no symptoms for three days from the date of test (quarantine if confirmed)

##### Monitoring of Symptoms Displayed by Confirmed Case (Quarantined Person)

- Monitoring symptoms and severity of confirmed case (over the phone)
- Encouraging employee displaying residual symptoms, such as coughing, after quarantine to telecommute

#### Disease Prevention Activities at THE NEXEN univerCITY

##### Disease Prevention Activities

##### At Entry

- Measuring and recording the body temperature of employees and visitors entering the building
- Placing a hand sanitizer for use in communal spaces and entrances

##### Disease Prevention Rules in the Workplace

- Wearing a face mask at all times
- Conducting periodic disinfection and ventilation
- Implementing the flexible working hours system (3 shifts) and telecommuting for one third of all employees
- Refraining from group events, such as education and gathering

##### Meetings in the Workplace

- Refraining from face-to-face meeting
- Refraining from drinking beverages during meetings and encouraging the use of hand sanitizer

##### Cafeterias and Restaurants

- Social distancing (no conversation while eating)
- Sitting apart from other seats (no conversation while eating)

##### Business Trip

- Providing guidelines for business trip according to the social distancing level
- Encouraging videoconference as much as possible



# APPENDIX

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# Initiatives and Awards

## Response to Initiatives

Initiative	Year of Membership	Description
GPSNR (Global Platform for Sustainable Natural Rubber)	2020	A global platform for sustainable natural rubber established through cooperation among tire manufacturers, NGOs (non-government organizations), rubber producers, and rubber processing companies
ETRMA (European Tyre & Rubber Manufacturers' Association)	2022	An organization representing the regulations and interests of tire and rubber manufacturing companies in Europe and international society
FKI (Federation of Korea Industries) K-ESG Alliance	2022	An environmental, social, and governance (ESG) federation launched under the leadership of FKI

## External Initiative Response Performance



Initiative	2020	2021	Remarks	
EcoVadis	Bronze	Silver	Increased by 1 level	
KCGS	Overall	B+	B+	Maintained
	Environmental	B+	B+	Maintained
	Social	B+	A	Increased by 1 level
	Governance	B	B	Maintained
MSCI	B	B	Maintained	
CDP	Climate Change	C	C	Maintained

## Awards

Date	Description
2022.6.	Ranked No. 1 in the global customer satisfaction index (GCSI) for 13 consecutive years  Won the Grand Prize at the Gyeongsangnam-do Quality Control Circle Contest 2022 (Yangsan Plant, Changnyeong Plant) - Won the award for 12 consecutive years since 2011  Received prize in the general service sector of the 2021 National Service Awards  Won the GM Supplier Quality Excellence Award 2021 (for eight consecutive years)
2021.11.	Selected as Excellent Company in Quality Competitiveness at the National Quality Management Convention (certificate and plaque from the Minister of Trade, Industry, and Energy)
2021.8.	Won the Presidential Silver Medal in two categories at the National Quality Control Circle Contest - Won the Presidential Award for 11 consecutive years since 2011
2021.6.	2020 GM Supplier Quality Excellence Received Award(Excellent Quality) (for 7 consecutive years)  Named Best Supplier of the Year by Stellantis, a global automotive company
2021.5.	Won the Grand Prize at the Korea Labor-Management Cooperation Awards of the Korea Enterprises Federation
2021.4.	N'FERA Sport ranked No. 1 in the summer tire performance test conducted by German automobile magazine ACE Lenkrad
2021.2.	Yangsan Plant certified as excellent workplace in health promotion activities for 13 consecutive years

## Design Awards



## Won prize in the product design category at the Red Dot Design Award 2022 in Germany



## ESG Data

### Economic Performance

#### Financial Performance\*

Classification	Unit	2019	2020	2021
Sales	KRW 100 million	20,223.4	16,981.2	20,794.1
Cost of sales	KRW 100 million	14,056.9	12,598.0	16,398.0
Gross profit	KRW 100 million	6,166.5	4,383.2	4,396.1
Logistics cost	KRW 100 million	448.2	472.9	616.6
Sales and administrative expenses	KRW 100 million	3,644.6	3,516.1**	3,735.6
Operating profit	KRW 100 million	2,073.7	394.2	43.9
Other income	KRW 100 million	37.0	49.0	46.4
Other expenses	KRW 100 million	140.7	59.7	97.5
Financial income	KRW 100 million	923.5	640.2	843.1
Financial expenses	KRW 100 million	1,050.1	1,150.5	671.1
Net profit (loss) before income tax	KRW 100 million	1,843.3	(126.8)	164.8
Income tax expenses	KRW 100 million	658.8	39.2	118.5
Net profit (loss) during the term	KRW 100 million	1,184.5	(166.0)	46.3
Other comprehensive income	KRW 100 million	215.7	156.2	585.6
Total comprehensive income	KRW 100 million	1,400.2	(9.8)	631.9
Current assets	KRW 100 million	10,885.5**	12,002.7**	14,760.0
Non-current assets	KRW 100 million	23,475.0	23,408.1	23,474.1
Total assets	KRW 100 million	34,360.5	35,410.8	38,234.1
Current liabilities	KRW 100 million	6,184.2	7,667.5	10,417.3
Non-current liabilities	KRW 100 million	12,597.3	12,273.8	11,817.6
Total liabilities	KRW 100 million	18,781.5	19,941.3	22,234.9
Total equity	KRW 100 million	15,579.0	15,469.5	15,999.2

\*Based on consolidated financial statements

\*\*Figures adjusted through rounding

#### Performance by Business Sector\*

Classification	Unit	2019	2020	2021	
Total	Sales	KRW 100 million	20,223.4	16,981.2	20,794.1
	Operating profit/loss	KRW 100 million	2,073.7	394.2	43.9
	Assets	KRW 100 million	34,360.5	35,410.8	38,234.1
	Liabilities	KRW 100 million	18,781.5	19,941.3	22,234.9
Tire	Sales	KRW 100 million	29,471.8	24,305.5	29,011.5
	Operating profit/loss	KRW 100 million	1,808.4	177.7	(327.0)
	Assets	KRW 100 million	43,960.0	44,315.0	46,984.8
	Liabilities	KRW 100 million	23,071.0	23,640.4	25,927.6
Non-tire (transportation and storage)	Sales	KRW 100 million	154.0	100.0	99.7
	Operating profit/loss	KRW 100 million	16.7	19.9	13.1
	Assets	KRW 100 million	447.6	424.3	396.0
	Liabilities	KRW 100 million	236.0	200.1	164.9
Non-tire (molds)	Sales	KRW 100 million	39.3	59.8	48.6
	Operating profit/loss	KRW 100 million	(1.6)	2.1	(1.7)
	Assets	KRW 100 million	41.0	54.0	50.1
	Liabilities	KRW 100 million	5.0	14.6	6.6
Non-tire (bakery, etc.)	Sales	KRW 100 million	55.8	50.7	57.6
	Operating profit/loss	KRW 100 million	0.2	(0.5)	(0.2)
	Assets	KRW 100 million	4.3	4.3	17.0
	Liabilities	KRW 100 million	1.0	0.9	1.2
Internal transaction removal	Sales	KRW 100 million	(9,497.5)	(7,534.8)	(8,423.3)
	Operating profit/loss	KRW 100 million	250.1	195.1	359.7
	Assets	KRW 100 million	(10,092.4)	(9,386.8)	(9,213.8)
	Liabilities	KRW 100 million	(4,531.5)	(3,914.7)	(3,865.4)

\*Based on consolidated financial statements



## Performance Distribution to Stakeholders

Classification		Unit	2019	2020	2021
Government	Income tax	KRW 100 million	658.8	39.2	118.5
Suppliers	Purchase cost*	KRW 100 million	7,863.0	5,481.0	8,609.0
Employees	Total (wage and welfare benefits)	KRW 100 million	4,609.4	4,419.6	4,439.4
	Wage**	KRW 100 million	4,075.7	3,929.9	3,925.8
	Welfare benefits***	KRW 100 million	533.7	489.7	513.6
Shareholders	Dividends and interest expenses	KRW 100 million	316	291	300

\*Consolidated, tire raw material purchase amount (natural rubber, etc.)

\*\*Consolidated (wages, bonuses, allowances, miscellaneous allowances)

\*\*\*Consolidated (four major insurances, health checkups, and other welfare expenses)

## Launched Products and Services

Classification		Unit	2019	2020	2021
Number of launched products/services*	Products/Services		149	269	309

\*Categorized as new products for two years from launch

## Environmental Performance

## Greenhouse Gas

Classification		Unit	2019	2020	2021	
Total		tCO <sub>2</sub> eq	347,786*	309,222*	368,296	
Direct GHG emissions (Scope 1)	Yangsan Plant	tCO <sub>2</sub> eq	7,573	5,046	5,801	
	Changnyeong Plant	tCO <sub>2</sub> eq	24,598	20,158	23,412	
	Qingdao Plant**	tCO <sub>2</sub> eq	25,880	21,410	24,842	
	Europe Plant**	tCO <sub>2</sub> eq	7,211	9,757	13,177	
	Others***	tCO <sub>2</sub> eq	191	264	301	
	Subtotal	tCO <sub>2</sub> eq	65,453*	56,635*	67,533	
Indirect GHG emissions (Scope 2)	Yangsan Plant	tCO <sub>2</sub> eq	120,897	100,045	114,892	
	Changnyeong Plant	tCO <sub>2</sub> eq	58,568	50,003	58,300	
	Qingdao Plant**	tCO <sub>2</sub> eq	69,453	58,539	66,271	
	Europe Plant**	tCO <sub>2</sub> eq	31,241	41,977	58,539	
	Others***	tCO <sub>2</sub> eq	2,174	2,023	2,761	
	Subtotal	tCO <sub>2</sub> eq	282,333*	252,587*	300,763	
GHG emissions reduced		tCO <sub>2</sub> eq	(41,583)	38,564	(59,074)	
GHG emissions intensity (Scope 1 + 2)	Total production weight	Yangsan Plant	ton	194,355	157,313	182,156
		Changnyeong Plant	ton	109,337	85,661	105,147
		Qingdao Plant**	ton	9,657	24,385	41,886
		Europe Plant**	ton	98,141	74,650	88,985
		Others***	ton	0	0	0
		Subtotal	ton	411,490	342,009	418,174
		GHG emissions intensity (Scope 1 + 2)		Yangsan Plant	tCO <sub>2</sub> eq/ton	0.661
Changnyeong Plant	tCO <sub>2</sub> eq/ton			0.761	0.819	0.777
Qingdao Plant**	tCO <sub>2</sub> eq/ton			3.982	2.122	1.712
Europe Plant**	tCO <sub>2</sub> eq/ton			0.971	1.071	1.024
Others***	tCO <sub>2</sub> eq/ton			0	0	0
Subtotal	tCO <sub>2</sub> eq/ton			0.845*	0.904	0.881

\*Data of 2019 and 2020 recalculated by including GHG emissions from Qingdao Plant

\*\*Excluded from verification

\*\*\*Daegu PG, THE NEXEN univerCITY, sales offices nationwide

## Air Pollutants

Classification	Unit	2019	2020	2021	
<b>Total</b>	ton	210.3	171.2	75.3	
NOx emissions	Yangsan Plant	ton	48.2	48.2	41.0
	Changnyeong Plant	ton	87.7	87.7	7.1
	Europe Plant	ton	7.2	6.4	4.7
	Qingdao Plant	ton	42.4	16.4	7.4
	Subtotal	ton	185.5	158.7	60.2
SOx emissions	Yangsan Plant	ton	0.1	0.1	0.0
	Changnyeong Plant	ton	0.2	0.2	0.0
	Europe Plant	ton	-	-	-
	Qingdao Plant	ton	0.8	0.4	0.2
Subtotal	ton	1.1	0.7	0.2	
Particulate matter (PM) emissions	Yangsan Plant	ton	10.4	3.3	1.7
	Changnyeong Plant	ton	12.4	7.6	7.2
	Europe Plant	ton	0.4	0.7	1.7
	Qingdao Plant	ton	0.5	0.2	4.3
	Subtotal	ton	23.7	11.8	14.9

## Energy

Classification	Unit	2019	2020	2021	
<b>Total</b>	TJ	5,184	4,445	5,332	
Fuel (LNG, LPG, diesel, etc.)	Yangsan Plant	TJ	143	95	111
	Changnyeong Plant	TJ	483	396	460
	Qingdao Plant*	TJ	399	329	440
	Europe Plant*	TJ	145	196	238
	Others**	TJ	-	-	4
Subtotal	TJ	1,170	1,016	1,253	
Purchased electricity consumption	Yangsan Plant	TJ	1,608	1,349	1,571
	Changnyeong Plant	TJ	1,206	1,030	1,218
	Qingdao Plant*	TJ	311	262	297
	Europe Plant*	TJ	131	176	232
	Others**	TJ	-	-	57
Subtotal	TJ	3,256	2,817	3,375	
Purchased steam consumption	Yangsan Plant	TJ	758	612	703
	Changnyeong Plant	TJ	-	-	-
	Europe Plant*	TJ	-	-	-
	Qingdao Plant*	TJ	-	-	-
	Subtotal	TJ	758	612	703
Renewable energy consumption	Yangsan Plant	TJ	-	-	-
	Changnyeong Plant	TJ	-	-	-
	Europe Plant	TJ	-	-	-
	Qingdao Plant	TJ	-	-	-
	Subtotal	TJ	-	-	-
Energy intensity	Yangsan Plant	TJ/ton	0.013	0.013	0.013
	Changnyeong Plant	TJ/ton	0.015	0.017	0.016
	Europe Plant	TJ/ton	0.029	0.015	0.011
	Qingdao Plant	TJ/ton	0.007	0.008	0.008
	Subtotal	TJ/ton	0.013***	0.013***	0.013

\*Excluded from verification

\*\*Daegu PG, THE NEXEN univerCITY, sales offices nationwide

\*\*\*Data of 2019 and 2020 recalculated by including energy consumptions in Qingdao Plant

## Water resources

Classification			Unit	2019	2020	2021
Total			m <sup>3</sup>	1,961,048	1,720,395	1,881,657
Water consumption	Yangsan Plant	Groundwater	m <sup>3</sup>	1,059,210	906,529	953,111
		Potable water	m <sup>3</sup>	31,134	27,313	29,760
		Subtotal	m <sup>3</sup>	1,090,344	933,842	982,871
	Changnyeong Plant	Industrial water	m <sup>3</sup>	359,937	318,023	369,249
		Domestic water	m <sup>3</sup>	78,154	68,379	77,457
		Subtotal	m <sup>3</sup>	438,091*	386,402*	446,706
	Qingdao Plant	Potable water	m <sup>3</sup>	369,634	300,856	337,193
	Europe Plant	Surface water	m <sup>3</sup>	62,979	99,295	114,887
Total			mg/L	150.6	164.5	186.5
Concentration of water pollutant discharge	Yangsan Plant		mg/L	64.3	75.7	85.7
	Changnyeong Plant		mg/L	46.5	59.4	61.6
	Qingdao Plant		mg/L	25.8	6.4	29.5
	Europe Plant		mg/L	14.0	23.0	9.7
Total			ton	403,245	327,354	282,221
Wastewater discharge	Yangsan Plant	Wastewater	ton	3,822	2,615	7,291
	Changnyeong Plant	Wastewater	ton	29,789	23,883	43,080
	Qingdao Plant	Wastewater	ton	369,634	300,856	113,481
	Europe Plant	Wastewater	ton	-	-	118,369

\*Figures of water consumption in 2019 and 2020 corrected due to display error

## Waste

Classification			Unit	2019	2020	2021	
Total			ton	9,798.7	8,608.8	10,323.3	
General waste discharge	Recycling	Yangsan Plant	ton	2,630.7	2,160.8	2,480.1	
		Changnyeong Plant	ton	2,269.7	1,797.0	2,268.8	
		Qingdao Plant	ton	710.6	555.0	1,273.8	
		Europe Plant	ton	1,351.0	2,142.7	2,241.8	
		Yangsan Plant	ton	-	-	0	
		Changnyeong Plant	ton	-	-	0	
	Incineration	Qingdao Plant	ton	-	-	0	
		Europe Plant	ton	-	-	0	
		Landfill	Yangsan Plant	ton	36.2	61.1	54.3
			Changnyeong Plant	ton	22.6	25.0	32.5
			Qingdao Plant	ton	-	-	18.9
			Europe Plant	ton	1,065.5	998.7	866.4
Subtotal	ton	8,086.3	7,740.3	9,236.6			
Hazardous waste discharge	Recycling	Yangsan Plant	ton	187.3	157.0	161.0	
		Changnyeong Plant	ton	228.5	133.0	192.6	
		Qingdao Plant	ton	134.1	150.0	183.1	
		Europe Plant	ton	636.2	203.1	195.4	
	Incineration	Yangsan Plant	ton	58.3	54.2	65.0	
		Changnyeong Plant	ton	34.1	33.0	80.7	
		Qingdao Plant	ton	160.8	138.0	152.2	
		Europe Plant	ton	272.7	-	56.7	
		Landfill	Yangsan Plant	ton	0.4	0.2	0
			Changnyeong Plant	ton	-	-	0
			Qingdao Plant	ton	-	-	0
			Europe Plant	ton	-	-	0
Subtotal	ton	1,712.4	868.5	1,086.7			

## Raw Materials

Classification			Unit	2019	2020	2021
Total			ton	285,654	213,016	260,628
Raw material consumption	Yangsan Plant	Natural rubber	ton	48,214	33,640	39,797
		Synthetic rubber	ton	44,766	33,057	40,423
		Carbon black	ton	44,150	34,412	40,005
		Silica	ton	10,181	6,322	7,565
		Textiles	ton	9,205	6,949	8,273
		Steel cord	ton	15,757	12,463	15,202
		Bead wire	ton	7,710	5,921	6,925
		Subtotal	ton	179,983	132,764	158,190
		Changnyeong Plant	Natural rubber	ton	26,269	19,671
	Synthetic rubber		ton	27,842	22,254	27,518
	Carbon black		ton	23,246	16,667	22,146
	Silica		ton	10,412	7,459	10,350
	Textiles		ton	5,249	4,053	4,974
	Steel cord	ton	7,933	6,437	7,880	
Bead wire	ton	4,720	3,711	4,579		
Subtotal	ton	105,671	80,252	102,438		

## Environmental Management

Classification		Unit	2019	2020	2021
ISO 14001 certification rate	All plants	ea	4	4	4
	Implementing plants	ea	3	4	4
	Ratio	%	75*	100	100
Environmental risk assessment rate	All plants	ea	4	4	4
	Implementing plants	ea	3	4	4
	Ratio	%	75*	100	100

\*2019 figure corrected due to display error

## Environmental Training

Classification		Unit	2019	2020	2021
Environmental training completion rate	Target persons*	Persons	36	11	69
	Persons who completed training**	Persons	36	11	69
	Training Completion Rate	%	100	100	100

\*Subject to new technical employees

\*\*Based on domestic worksites

## Social Performance

### Occupational Health and Safety

Classification		Unit	2019	2020	2021	
Lot Time Injuries Frequency Rate (LTIFR)	Employees	Yangsan Plant	Cases/one million working hours	1.000	0.670	2.002
		Changnyeong Plant	Cases/one million working hours	1.208	0.295	2.385
		Korea (Yangsan, Changnyeong)	Cases/one million working hours	1.074	0.509	2.130
	Partners	Yangsan Plant	Cases/one million working hours	0	0	2.215
		Changnyeong Plant	Cases/one million working hours	0	0	3.295
		Korea (Yangsan, Changnyeong)	Cases/one million working hours	0	0	2.649
Accident rate	Employees	Yangsan Plant	%	0.291	0.146	0.479
		Changnyeong Plant	%	0.339	0.084	0.498
		Korea (Yangsan, Changnyeong)	%	0.309	0.123	0.486
	Partners	Yangsan Plant	%	0	0	0.599
		Changnyeong Plant	%	0	0	0.917
		Korea (Yangsan, Changnyeong)	%	0	0	0.725
Work environment measurement	Number of cases surpassing the criteria	Services	-	-	0	
Health and safety system application rate	Target persons	Persons	4,137	4,171	4,088	
	Persons covered by the system	Persons	3,806	3,837	3,860	
	Application rate	%	92	92	94	
Internal audit rate	Target persons	Persons	4,137	4,171	4,088	
	Number of employees subject to implementation	Persons	3,806	3,837	3,860	
	Ratio	%	92	92	94	

### Occupational Health and Safety

Classification		Unit	2019	2020	2021
KOSHA-MS certification rate	All plants*	Products/Services	2	2	2
	Implementing plants	Products/Services	1	1	1
	Ratio	%	50	50	50
Health and safety risk assessment rate	All plants	Products/Services	3	4	4
	Implementing plants	Products/Services	3	4	4
	Ratio	%	100	100	100

\*KOSHA-MS applied to Yangsang Plant and Changnyeong Plant only

### Suppliers

Classification		Unit	2019	2020	2021
Percentage of suppliers subjected to ESG assessment	Total number of suppliers	Products/Services	135	133	131
	Number of assessed suppliers	Products/Services	0	121	Not implemented*
	Percentage of assessed suppliers	%	0	91.0	Not implemented*
Purchase cost**	KRW 100 million		7,863	5,481	8,609

\*Some assessment items changed according to the supplier ESG policy revision, ESG assessment to be re-conducted in 2022

\*\*Consolidated, tire raw material purchase amount (natural rubber excluded)

### Employees

Classification		Unit	2019	2020	2021
Total		Persons	6,841*	6,669*	6,860
Gender	Male	Persons	6,369*	6,155*	6,252
	Female	Persons	472*	514*	608
Age	Under the age of 30	Persons	1,155	884	947
	30 - 50 years of age	Persons	5,077	5,114	5,195
	Over 50 years of age	Persons	609	671	718
Nationality	Korea	Persons	4,207*	4,163*	4,124
	Others	Persons	2,634*	2,506*	2,736
Female employees	Number of female executives	Persons	0	0	0
	Percentage of female executives**	%	0.1	0.1	0.1
Employees with disabilities	NEXEN TIRE	Persons	55	55	57
	N'zel Withus	Persons	9	11	16

\*Data for 2019 and 2020 were changed due to the data management tool modification, caused by the integration on internal HR management system

\*\*Job position equivalent to manager and above

## Parental leave

Classification		Unit	2019	2020	2021
Maternity leave	Total	Persons	175	188	170
	Male	Persons	172*	184*	163
	Female	Persons	3*	4*	7
Rate of return after maternity leave	Total number of employees taking maternity leave	Persons	175	193	182
	Employees who returned after maternity leave	Persons	174	193	182
	Male employees who returned after paternity leave	%	99.4*	100.0	100.0
Parental leave	Total	Persons	9	16	14
	Male	Persons	5*	12*	5
	Female	Persons	4*	4*	9
Rate of return after parental leave	Total number of employees taking parental leave	Persons	9	16	14
	Employees who returned after maternity leave	Persons	7	13	10
	Rate of return after leave	%	77.8*	81.3*	71.4

\*Data for 2019 and 2020 were changed due to the data management tool modification, caused by the integration of internal HR management system

## Average Number of Years of Continuous Service

Classification		Unit	2019	2020	2021
Gender	Male	Years	8.9	9.8	10.2
	Female	Years	4.6	4.6	4.4

## Labor-management Relationship

Classification		Unit	2019	2020	2021
Labor Union	Number of employees subject to labor union membership	Persons	2,964	2,954	2,928
	Number of employees who have joined the labor union (Ko-rea)	Persons	2,958	2,946	2,920
	Percentage of employees who have joined the labor union (those subject to labor union membership)*	%	99.5	99.6	99.7
Labor-Management Council	Items handled	Cases	23	20	21
	Total number of Labor-Management representatives	Persons	14	16	18

\*Employees subject to labor union membership are limited to technical employees and entry-level office workers

## New Recruitment

Classification		Unit	2019	2020	2021
Total		Persons	1,156	532	1,014
Gender	Male	Persons	999	411	764
	Female	Persons	157	121	250
Age	Under the age of 30	Persons	636	257	569
	30 - 50 years of age	Persons	465	257	427
	Over 50 years of age	Persons	55	18	18
Region	Korea	Persons	197	117	234
	Others	Persons	959	415	780

## Employee Turnover

Classification		Unit	2019	2020	2021
Total		Persons	928	704	824
Gender	Male	Persons	816	626	668
	Female	Persons	112	78	156
Age	Under the age of 30	Persons	407	287	331
	30 - 50 years of age	Persons	449	360	423
	Over 50 years of age	Persons	72	57	70
Nationality	Korea	Persons	198	152	266
	Others	Persons	730	552	558
Turnover rate	Target employees	Persons	6,841	6,669	6,860
	Employee turnovers	Persons	928	704	824
	Turnover rate	%	13.6	10.6	12.0
Voluntary turnover rate	Target employees	Persons	6,841	6,669	6,860
	Employee turnovers	Persons	404	331	463
	Turnover rate	%	5.9	5.0	6.7



## Employee Diversity

Classification			Unit	2019	2020	2021
Total			Persons	6,841*	6,669*	6,860
Total number of employees by gender	Male	Under the age of 30	Persons	993	732	752
		30 - 50 years of age	Persons	4,782	4,773	4,807
		Over 50 years of age	Persons	594	650	693
		Subtotal	Persons	6,369*	6,155*	6,252
	Female	Under the age of 30	Persons	162	152	195
		30 - 50 years of age	Persons	295	341	388
		Over 50 years of age	Persons	15	21	25
		Subtotal	Persons	472*	514*	608
Total number of employees by nationality	Korea	Under the age of 30	Persons	378	307	308
		30 - 50 years of age	Persons	3,333	3,315	3,246
		Over 50 years of age	Persons	496	541	570
		Subtotal	Persons	4,207*	4,163*	4,124
	Foreign	Under the age of 30	Persons	777	577	639
		30 - 50 years of age	Persons	1,744	1,799	1,949
		Over 50 years of age	Persons	113	130	148
		Subtotal	Persons	2,634*	2,506*	2,736

\*Data for 2019 and 2020 were changed due to the data management tool modification, caused by the integration on internal HR management system

## Employee Diversity

Classification			Unit	2019	2020	2021	
Number of employees according to employment contract type	Permanent	Male		Persons	6,681*	6,474*	6,690
		Under the age of 30	Persons	932	650	697	
			30 - 50 years of age	Persons	4,725	4,704	4,766
			Over 50 years of age	Persons	584	639	683
	Subtotal	Persons	6,241*	5,993*	6,146		
	Female	Under the age of 30	Persons	139	130	151	
			30 - 50 years of age	Persons	286	330	368
			Over 50 years of age	Persons	15	21	25
		Subtotal	Persons	440*	481*	544	
	Temporary			Persons	160*	195*	170
	Male	Under the age of 30	Persons	61	82	55	
			30 - 50 years of age	Persons	57	69	41
			Over 50 years of age	Persons	10	11	10
			Subtotal	Persons	128*	162*	106
		Female	Under the age of 30	Persons	23	22	44
				30 - 50 years of age	Persons	9	11
Over 50 years of age				Persons	0	0	0
Subtotal			Persons	32*	33*	64	

\*Data for 2019 and 2020 were changed due to the data management tool modification, caused by the integration on internal HR management system

## Employee Diversity

Classification		Unit	2019	2020	2021	
Number of employees according to employment contract type by region	Permanent	Persons	6,681*	6,474*	6,690	
	Korea	Under the age of 30	Persons	318	231	246
		30 - 50 years of age	Persons	3,159	3,173	3,115
		Over 50 years of age	Persons	457	507	542
		Subtotal	Persons	3,934*	3,911*	3,903
		China	Under the age of 30	Persons	372	232
	30 - 50 years of age		Persons	1,138	1,176	1,226
	Over 50 years of age		Persons	15	24	30
	Subtotal		Persons	1,525*	1,432*	1,440
	Czech Republic	Under the age of 30	Persons	355	290	398
		30 - 50 years of age	Persons	545	518	617
		Over 50 years of age	Persons	70	68	84
		Subtotal	Persons	970*	876*	1,099
	Others	Under the age of 30	Persons	26	27	20
		30 - 50 years of age	Persons	169	167	176
		Over 50 years of age	Persons	57	61	52
		Subtotal	Persons	252*	255*	248
	Temporary	Persons	160*	195*	170	
	Korea	Under the age of 30	Persons	37	60	51
		30 - 50 years of age	Persons	48	45	37
Over 50 years of age		Persons	10	11	9	
Subtotal		Persons	95*	116*	97	
Czech Republic	Under the age of 30	Persons	46	44	48	
	30 - 50 years of age	Persons	18	35	22	
	Over 50 years of age	Persons	0	0	1	
	Subtotal	Persons	64*	79*	71	
Others	Under the age of 30	Persons	1	0	0	
	30 - 50 years of age	Persons	0	0	2	
	Over 50 years of age	Persons	0	0	0	
	Subtotal	Persons	1*	0	2	

\*Data for 2019 and 2020 were changed due to the data management tool modification, caused by the integration on internal HR management system

## Social Contribution (Foundation Operation)

Classification		Unit	2019	2020	2021
Total operating expenses	NEXEN Wolsuk Cultural Foundation	KRW million	222	595	759
	KNN Scholarship	KRW million	189	155	177
	Wolsuk Busan Leading Scholarship Committee	KRW million	60	60	60
Scholarship beneficiaries	NEXEN Wolsuk Cultural Foundation	Persons	525	497	525
	KNN Scholarship	Persons	189	154	176
	Wolsuk Busan Leading Scholarship Committee	Persons	60	80	80

## Employee Training

Classification		Unit	2019	2020	2021
Average training hours and sessions per employee	Annual training sessions	Sessions	6,206	5,419	7,717
	Total training hours	Hours	79,769	27,385	46,333
	Number of employees*	Persons	4,130	4,138	4,033
	Average training sessions per employee	Session/person	1.5	1.3	1.9
	Training hours per employee	Hours/person	19.3	6.6	11.5

\*Subject to employees of domestic worksites and dispatched workers (expatriates, advisers, non-executive directors, security staff, and vehicle drivers excluded)

## Training for Hazardous Substances

Classification		Unit	2019	2020	2021
Education for Hazardous Substances Completion rate	Target persons*	Persons	3,134	3,259	3,317
	Persons who completed training	Persons	3,134	3,259	3,317
	Training completion rate	%	100	100	100

\*Subject to workers in domestic plants

## Occupational Health and Safety\* Education

Classification		Unit	2019	2020	2021
Completion rate	Target persons**	Persons	3,502	3,486	3,459
	Persons who completed education	Persons	3,502	3,486	3,459
	Education completion rate	%	100	100	100

\*Including regular health and safety education, education of new employees, education of management supervisors, and practical training of firefighting safety management assistants

\*\*Subject to workers in plants, including double counting

## Human Rights Education\*

Classification		Unit	2019	2020	2021
Completion rate	Total number of employees**	Persons	4,066	4,027	3,979
	Persons who completed education	Persons	4,034	4,005	3,937
	Training completion rate	%	99.2	99.5***	98.9

\*Including training for sexual harassment prevention and improvement of awareness of the disabled

\*\*Based on domestic worksites

\*\*\*Corrected 2020 human rights education completion rate due to display error

## Information Security Education

Classification		Unit	2019	2020	2021
Completion rate	Target persons	Persons	954	929	1,037
	Persons who completed education	Persons	859	840	987
	Training completion rate	%	90.0	90.4	95.2

\*Based on domestic worksites

## Privacy Protection Education

Classification		Unit	2019	2020	2021
Completion rate	Target persons*	Persons	65	82	101
	Persons who completed education**	Persons	55	79	93
	Training completion rate	%	84.6	96.3	92.1

\*Education subject to personal information handlers

\*\*Based on domestic worksites

## Quality Management

Classification		Unit	2019	2020	2021
Ratio of R&D cost to sales*	Ratio	%	4.6	5.4	4.1
	Sales	KRW 100 million	20,223.4	16,981.2	20,794.1
	R&D cost**	KRW 100 million	926.1	915.0	851.0
Free inspection service	Number of services provided	Services	468	156	..***
	Number of vehicles	Vehicles	13,706	4,929	..***
General and policy compensations	Cases	Sessions	304	154	127
	Compensation	Products/Services	756	364	353
Special warranty compensations	Cases	Sessions	963	704	583
	Compensation	Products/Services	1,019	733	619

\*Based on consolidated financial statements

\*\*Before the deduction of government subsidies

\*\*\*Free inspection service ended in 2021

## Customer Satisfaction

Classification		Unit	2019	2020	2021
Customer satisfaction score		Points	98.9	96.8	95.6
Customer complaint* handling rate	Customer complaints	Sessions	3,303	2,418	1,755
	Customer complaints handled	Sessions	3,265	2,402	1,754
	Customer complaint handling rate	%	98.8	99.3	99.9

\*Subject to customers raising claim

## Governance Performance

### BOD Operation

Classification		Unit	2019	2020	2021
Number of BOD sessions		Total	13	14	10
Number of audit committee meetings		Total	4	9	5
Non-executive director attendance	Total number of non-executive directors	Persons	3	3	3
	Number of non-executive directors attending BOD meetings	Persons	3	3	2.9
	Attendance rate	%	100.0	100.0	96.7

### Organization of the BOD

Classification		Unit	2019	2020	2021		
Total		Persons	5	5	5		
BOD	Executive directors	Gender	Male	Persons	2	2	2
			Female	Persons	0	0	0
		Age	Under the age of 30	Persons	0	0	0
			30 - 50 years of age	Persons	1	1	0
			Over 50 years of age	Persons	1	1	2
			Subtotal	Persons	2	2	2
	Non-executive directors	Gender	Male	Persons	3	3	3
			Female	Persons	0	0	0
Age		Under the age of 30	Persons	0	0	0	
		30 - 50 years of age	Persons	1	1	1	
		Over 50 years of age	Persons	2	2	2	
		Subtotal	Persons	3	3	3	

### BOD Operation

Classification	Unit	2019	2020	2021
CEO remuneration	KRW million	971	998	1,068
Average compensation of employees*	KRW million	70.6	61.7	65.6
CEO - to employee compensation ratio	Times	13.8	16.2	16.3

\*Based on domestic worksites

### Shareholders and investors

Classification		Unit	2019	2020	2021
Shareholder status	NEXEN Corp.	Shares	42,253,845	43,217,425	43,217,425
	Byung-Joong Kang	Shares	19,001,037	19,001,037	19,001,037
	Ho-Chan Kang	Shares	3,174,222	3,174,222	3,174,222
	Other shareholders	Shares	33,238,773	32,275,193	32,275,193
Shares held by founders	Byung-Joong Kang	Shares	19,001,037	19,001,037	19,001,037
	NEXEN Corp.	Shares	42,253,845	43,217,425	43,217,425
Shareholding status by management*	Byung-Joong Kang	Shares	19,001,037	19,001,037	19,001,037
	Ho-Chan Kang	Shares	3,174,222	3,174,222	3,174,222

\*Based on executive directors

### Ethical Management

Classification		Unit	2019	2020	2021	
Ratio of ethical risk assessment	Target worksites	ea	5	2	6	
	Implementing worksites	ea	5	2	6	
	Ratio	%	100	100	100	
Number of corruption cases identified	Disciplinary measures due to corruption	Disciplinary measures	Cases	0	0	0
		Dismissal	Cases	0	0	0
	Contract termination by partner due to corruption		Cases	0	0	0
	Legal measures due to corruption		Cases	0	0	0
Total number of corruption cases*		Cases	0	0	0	
Penalties	Anti-competition, monopoly, etc.	KRW 100 million	11.48	0	0.2	

\*Cases under investigation during the reporting period not included

### Ethical Management Education

Classification	Unit	2019	2020	2021	
Completion rate	Target persons*	Persons	1,038	1,010	2,074
	Persons who completed education	Persons	1,025	1,010	2,036
	Completion rate (Korean worksites)	%	98.7**	100	98.2

\*Education on sexual harassment prevention and improvement of awareness of the disabled targeting persons working at the headquarters and R&D centers, Patagonia ESG management story (overlapping persons included)

\*\*Education completion rate for 2019 (Korean worksites) corrected due to display error

## SASB Standards Index Domestic and overseas plants

### Sustainability Disclosure Topics & Accounting Metrics

Classification	Index	Unit*	Code	Page	2020	2021	Remarks
Energy management	(1) Total energy consumed	GJ	TR-AP-130a.1	89	4,445,000	5,332,000	
	(2) Percentage grid electricity	%		-	63.4	66.8	
	(3) Percentage renewable	%		-	0	0	
Waste management	(1) Total amount of waste from manufacturing	Metric Tons(t)	TR-AP-150a.1	90	8,608.8	10,323.3	
	(2) Percentage hazardous	%		-	10.1	10.5	
	(3) Percentage recycled	%		32	84.8	87.1	
Product safety	Number of recalls issued, total units recalled	Cases	TR-AP-250a.1	60-61	0	Undisclosed	
Design for fuel efficiency	Revenue from products designed to increase fuel efficiency and/or reduce emissions	KRW 100 million	TR-AP-410a.1	-	5,918.1	10,565.9	Global sales of products that acquired certification of compliance with the EU labeling requirements converted into Korean won (annual average exchange rate for 2021 applied)
Materials sourcing	Description of management of risks associated with the use of critical materials	-	TR-AP-440a.1	63	Maintained	Maintained	Refer to the NEXEN TIRE Conflict Minerals Policy
Materials efficiency	Percentage of products sold that are recyclable (based on sales)	%	TR-AP-440b.1	-	100	100	
	Percentage of input materials from recycled or re-manufactured content	%	TR-AP-440b.2	-	0.6	0.6	Percentage of reclaimed butyl rubber among the input materials in 2021
Competitive behavior	Total amount of monetary losses as a result of legal proceedings associated with anti-competitive behavior regulations	KRW 100 million	TR-AP-520a.1	-	0	0.2	2013. 08.~2016. 7. Fine of KRW 20 million imposed in 2021 for the measure for online agency to comply with the minimum selling price (resale price maintenance)

\*Disclosure unit and display method changed from the previous year's report (display up to the first decimal place, amount display in KRW million and KRW 100 million)

### Activity Metrics

Classification	Index	Unit	Code	Page	2020	2021	Remarks
Activity Metrics	Number of parts produced	1,000	TR-AP-000.A	-	32,979	40,795	Based on the production of tires
	Weight of parts produced	Metric Tons(t)	TR-AP-000.B	-	337,055	417,914	Based on the production of tires
	Area of manufacturing plants	m <sup>2</sup>	TR-AP-000.B	-	1,858,134	1,858,134	Based on the site area (Yangsang, Changnyeong, Cheongdo, Europe (Czech Republic))

## TCFD Standards Index

Classification	Index	CDP Index	Note
Governance	Disclose the organization's governance around climate-related risks and opportunities	a. Describe the board's oversight of climate-related risks and opportunities	2021/22 NEXEN TIRE ESG Report p.12, 36
		b. Describe management's role in assessing and managing climate-related risks and opportunities	2021/22 NEXEN TIRE ESG Report p.12, 36
Strategy	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material	a. Describe the climate-related risks and opportunities identified by the organization over the short, medium, and long terms	2021/22 NEXEN TIRE ESG Report p.37
		b. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	2021/22 NEXEN TIRE ESG Report p.36-37
		c. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios including a 2°C or lower scenario	
Risk Management	Disclose how the organization identifies, assesses, and manages climate-related risks	a. Describe the organization's processes for identifying and assessing climate-related risks	2021/22 NEXEN TIRE ESG Report p.36
		b. Describe the organization's processes for managing climate-related risks	2021/22 NEXEN TIRE ESG Report p.29, 37
		c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	2021/22 NEXEN TIRE ESG Report p.36, 82-83
Metrics and Targets	Disclose the metrics and targets used to assess and manage the relevant climate-related risks and opportunities where such information is material	a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	In order to assess risks and opportunities, NEXEN TIRE monitors and manages greenhouse gas emissions, environmental investment costs, and number of ISO 14001-certified worksites, etc.
		b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and related risks	2021/22 NEXEN TIRE ESG Report p.88
		c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	Having established the greenhouse gas inventory in 2021, NEXEN TIRE has been managing monthly and yearly greenhouse gas emissions and allocating—and consequently managing—the target reductions.



# GRI Standards Index

Index	Details	Page	Remarks
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102-11	Precautionary principle or approach	82-84	
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102-16	Values, principles, standards, and norms of behavior	07	
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102-18	Governance structure	76-78	
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Index	Details	Page	Remarks
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Key topics

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Key topics

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<b>305: Emissions</b>			
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Index	Details	Page	Remarks
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## Third-party Assurance

### To readers of 2021/22 NEXEN TIRE ESG REPORT

#### Introduction

Korea Management Registrar (KMR) was commissioned by NEXEN TIRE to conduct an independent assurance of its 2021/22 ESG REPORT (the "Report"). The data and its presentation in the Report is the sole responsibility of the management of NEXEN TIRE. KMR's responsibility is to perform an assurance engagement as agreed upon in our agreement with NEXEN TIRE and issue an assurance statement.

#### Scope and Standards

NEXEN TIRE described its sustainability performance and activities in the Report. Our Assurance Team carried out an assurance engagement in accordance with the AA1000AS v3 and KMR's assurance standard SRV1000. We are providing a Type 2, moderate level assurance. We evaluated the adherence to the AA1000AP (2018) principles of inclusivity, materiality, responsiveness and impact, and the reliability of the information and data provided using the Global Reporting Initiative (GRI) Index provided below. The opinion expressed in the Assurance Statement has been formed at the materiality of the professional judgment of our Assurance Team.

Confirmation that the Report was prepared in accordance with the Core Options of the GRI standards was included in the scope of the assurance. We have reviewed the topic-specific disclosures of standards which were identified in the materiality assessment process

- GRI Sustainability Reporting Standards
- Universal standards
- Topic specific standards
  - Management approach of Topic Specific Standards
  - GRI 205: Anti-corruption
  - GRI 206: Anti-competitive Behavior
  - GRI 302: Energy
  - GRI 303: Water and Effluents
  - GRI 305: Emissions
  - GRI 306: Waste
  - GRI 307: Environmental Compliance
  - GRI 308: Supplier Environmental Assessment
  - GRI 403: Occupational Health and Safety
  - GRI 414: Supplier Social Assessment
  - GRI 416: Customer Health and Safety
  - GRI 419: Socioeconomic Compliance

As for the reporting boundary, the engagement excludes the data and information of NEXEN TIRE' partners, suppliers and any third parties.

#### KMR's Approach

To perform an assurance engagement within an agreed scope of assessment using the standards outlined above, our Assurance Team undertook the following activities as part of the engagement:

- Reviewed the overall Report;

- Reviewed materiality assessment methodology and the assessment report;
- Evaluated sustainability strategies, performance data management system, and processes;
- Interviewed people in charge of preparing the Report;
- Reviewed the reliability of the Report's performance data and conducted data sampling;
- Assessed the reliability of information using independent external sources such as Financial Supervisory Service's DART and public databases.

#### Limitations and Recommendations

KMR's assurance engagement is based on the assumption that the data and information provided by NEXEN TIRE to us as part of our review are provided in good faith. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied. To address this, we referred to independent external sources such as DART and National Greenhouse Gas Management System (NGMS) and public databases to challenge the quality and reliability of the information provided.

#### Conclusion and Opinion

Based on the document reviews and interviews, we had several discussions with NEXEN TIRE on the revision of the Report. We reviewed the Report's final version in order to make sure that our recommendations for improvement and revision have been reflected. Based on the work performed, it is our opinion that the Report applied the Core Option of the GRI Standards. Nothing comes to our attention to suggest that the Report was not prepared in accordance with the AA1000AP (2018) principles.

## GHG Verification Statement

### Inclusivity

NEXEN TIRE has developed and maintained different stakeholder communication channels at all levels to announce and fulfill its responsibilities to the stakeholders. Nothing comes to our attention to suggest that there is a key stakeholder group left out in the process. The organization makes efforts to properly reflect opinions and expectations into its strategies.

### Materiality

NEXEN TIRE has a unique materiality assessment process to decide the impact of issues identified on its sustainability performance. We have not found any material topics left out in the process.

### Responsiveness

NEXEN TIRE prioritized material issues to provide a comprehensive, balanced report of performance, responses, and future plans regarding them. We did not find anything to suggest that data and information disclosed in the Report do not give a fair representation of NEXEN TIRE actions.

### Impact


NEXEN TIRE identifies and monitors the direct and indirect impacts of material topics found through the materiality assessment, and quantifies such impacts as much as possible.

### Reliability of Specific Sustainability Performance Information

In addition to the adherence to AA1000AP (2018) principles, we have assessed the reliability of economic, environmental, and social performance data related to sustainability performance. We interviewed the in-charge persons and reviewed information on a sampling basis and supporting documents as well as external sources and public databases to confirm that the disclosed data is reliable. Any intentional error or misstatement is not noted from the data and information disclosed in the Report.

### Competence and Independence

KMR maintains a comprehensive system of quality control including documented policies and procedures in accordance with ISO/IEC 17021:2015 - Requirements for bodies providing audit and certification of management systems. This engagement was carried out by an independent team of sustainability assurance professionals. KMR has no other contract with NEXEN TIRE and did not provide any services to NEXEN TIRE that could compromise the independence of our work.



### INDEPENDENT VERIFICATION STATEMENT

**INTRODUCTION** with the GHG reduction target of Kyoto protocol, KMR confirms the verification results of 2021 as below.

**SCOPE**

- Organizational boundary : the whole business under control of the organization
- Verification object workplaces :
- Reporting period : Calendar year of 2021
- Reporting greenhouse gas : CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>
- Type of emission : Direct emissions (Scope 1), Indirect emissions (Scope 2)
- The level of occurrence : Reasonable occurrence (materiality threshold : ±5.0%)


**STANDARDS**

- ISO 14064-1 (2006), ISO 14064-3 (2006), WRI/WBCSD GHG Protocol (2004)
- Verification guidelines for Emission Trading Scheme / Target Management Scheme (MOE)
- KMR GHG & energy verification manual and procedure, IPCC Guidelines (2006)

**RESULTS**

GHGs Emission	Scope1	Scope2	Total (tCO <sub>2</sub> e)	
2021	28,514	179,952	208,466	
Energy Consumption	Fuel	Electricity	Steam	Total (TJ)
2021	576	2,847	709	4,124

**CONCLUSION** KMR confirms that the calculation of the Greenhouse gas emissions and energy consumption of the organization are proper.

March 31st, 2022  
 Korea Management Registrar Authorized By   
CEO Eun Ju Hwang

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**KMR** KMR is an ETS & TMS verification institution authorized by Republic of Korea Government.  
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July 2022 Seoul, Korea  
 CEO **E. J. Hwang**



## About this Report

The 2021 - 2022 NEXEN TIRE ESG Report encompasses the “NEXEN UNIVERSE” sustainability management philosophy and its performance in the economic, environmental, and social dimensions.

The report has increased stakeholder engagement by gathering their opinions along with those of other domestic and foreign companies within the industry. The report also transparently discloses responsive strategies for each issue in compliance with global standards.

NEXEN TIRE will continue to manage systematically its mid to long-term strategies and goals as well as risks and opportunities

### Reporting Scope

The scope of this report includes all manufacturing plants (Yangsan and Changnyeong in Korea, China, and Europe) and R&D centers (Seoul Central Research Institute and R&D centers in the United States, China, and Germany). The financial data is consistent with the consolidated standards of the Korea International Financial Reporting Standards (K-IFRS). For quantitative environmental data, data collected from all domestic and overseas plants (Yangsan, Changnyeong, Czech Republic, and Qingdao) were used as the standard. We have specified the detailed scope through separate notation where the performance of separate sites, including quantitative environmental data, has been included.

### Reporting Period

NEXEN TIRE has been publishing the ESG report every year since 2020 when the 2019 - 2020 ESG Report was published. This report focuses on the activities and performances from January 1 to December 31, 2021. Some performances from the first half of 2022 may also be included.

### 2020 - 2021 ESG Report

### Reporting Standards

This report is based on the recommendations and suggestions of global standards, such as the Core Option of the Global Reporting Initiative (GRI) Standards, Sustainability Accounting Standards Board (SASB), and Task Force on Climate-related Financial Disclosures (TCFD). In addition, the financial performance is based on K-IFRS.

### Reliability of the Report

To ensure credibility of the report's drafting process and content to the stakeholders, NEXEN TIRE received third-party assurance from the Korea Management Register (KMR), an independent audit entity. AA1000AS v3, an international standard, and KMR's SRV1000 were applied to the assurance process. The Assurance Statement is available on page 103 of this report.

### Participating Teams

SHE Planning Team	Human Resources Team	New Growth Engine TFT
R&D Planning Team	Human Resources	Cost Innovation PJT
Product Planning Team	Development Team	Global Production
Procurement Team	Customer Satisfaction	Technology Team
Accounting Team	Team	G. OE Quality Team
Cultural Innovation	(CP) Production	Quality Assurance Team
Team	Management Team	Quality Management Team
Brand Communication	Domestic Sales Support	Finance Team
Team	Team	Motorsports Team
Ethics Management	NEXT LEVEL Team	Overseas OE Development
Team	OE Sales Planning Team	Team 1
Information Security	(Europe) OE PM Team	Overseas OE Development
Team	Compound Development	Team 2
Raw Material Develop-	Team	NATC
ment Team	Design Analysis Research	Construction Research
(YP)Global Safety & Envi-	Team	Team
ronmentTeam	Legal Affairs Team	New PLM PJT
(CP)Gloal Safety &	(YP) Company Culture Team	Performance Research
Environment Team	Global Sales Planning Team	Team
(EP)Global Safety &	(CP) Human Resources	Production Planning Team
Environment Team	Management Team	Korea OE PM Team
Facility Support Team	Material Research Team	
Labor Relations Team	Design Team	

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